



Management's Discussion and Analysis

Q2-21

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

Management's Discussion and Analysis - Q2-21

(in thousands of Canadian dollars, unless otherwise noted)

The following management's discussion and analysis ("MD&A") of the financial condition and results of operations of Artis Real Estate Investment Trust should be read in conjunction with the REIT's unaudited interim condensed consolidated financial statements for the three and six months ended June 30, 2021 and 2020, the 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", and the "REIT", refers to Artis Real Estate Investment Trust and its consolidated operations. This MD&A has been prepared taking into account material transactions and events up to and including August 4, 2021. Additional information, 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 Artis' 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. Without limiting the foregoing, the words "expects", "anticipates", "intends", "estimates", "projects", "seeks", and similar expressions or variations of such words and phrases or state that certain actions, events or results "may", "would" or "will" occur or be achieved are intended to identify forward-looking statements. Particularly, statements regarding expected distributions by the REIT, the Business Transformation Plan, the steps required to implement the Business Transformation Plan, planned divestitures, the use of proceeds from divestitures, prospective investments and investment strategy, Artis' plans to optimize the value and performance of its assets, Artis' goals to grow net asset value ("NAV") per unit and distributions, efficiencies and cost savings, the tax treatment of Artis, Artis' status(es) under the Tax Act and the tax treatment of divestitures are forward-looking statements. Forward-looking statements are based on a number of factors and assumptions which have been used to develop such statements, but which may prove to be incorrect. Although Artis believes that the expectations reflected in the forward-looking statements are reasonable, it cannot guarantee future results, levels of activity, performance or achievement since such expectations are inherently subject to significant business, economic, competitive, political and social uncertainties and contingencies. Assumptions have been made regarding, among other things: the general stability of the economic and political environment in which Artis operates, treatment under governmental regulatory regimes, securities laws and tax laws, the ability of Artis and its service providers to obtain and retain qualified staff, equipment and services in a timely and cost efficient manner, currency, exchange and interest rates, global economic, financial markets and economic conditions in Canada and the United States will not, in the long term, be adversely impacted by the COVID-19 pandemic, disruptions resulting from the temporary restrictions that governments imposed on businesses to address the COVID-19 pandemic will not be long term.

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. Further, the Business Transformation Plan has additional risk factors including, but not limited to: failure to obtain requisite approvals for the Business Transformation Plan, failure to execute the Business Transformation Plan in part or at all, the ability to achieve certain efficiencies to generate savings in general and administrative expenses, pace of completing investments and divestitures, the ability of Sandpiper Asset Management Inc. ("Sandpiper") to provide services to Artis, risk of not obtaining control or significant influence in portfolio companies, risks associated with minority investments, reliance on the performance of underlying assets, operating and financial risks of investments, ranking of Artis' investments and structural subordination, follow-on investments, investments in private issuers, valuation methodologies involve subjective judgments, risks associated with owning illiquid assets, competitive market for investment opportunities, risks upon disposition of investments, reputation of Artis and Sandpiper, unknown merits and risks of future investments, resources could be wasted in researching investment opportunities that are not ultimately completed, credit risk, tax risk, regulatory changes, foreign security risk, foreign exchange risk, potential conflicts of interest with Sandpiper and market discount.

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 other than as required by applicable securities laws. 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 and associates, 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 equity accounted investments 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 associates, 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 equity accounted investments. 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 rental revenue from investment properties 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 Rental Revenue From Investment Properties 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. Management uses the FFO and AFFO payout ratios to measure the REIT's ability to pay distributions.

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 and above- and below-market mortgage adjustments). 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.

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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 May 21, 2021 (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 August 4, 2021, there were 127,754,851 common units, 12,023,970 preferred units, 409,087 restricted units and 94,588 deferred units of Artis outstanding (refer to the Outstanding Unit Data section of this MD&A for further details).

NEW VISION AND BUSINESS TRANSFORMATION PLAN

On March 10, 2021, the REIT announced a new vision: to become a best-in-class real estate asset management and investment platform focused on growing NAV per unit and distributions for its investors through value investing. In conjunction with this announcement, the REIT unveiled a detailed strategy (the "Business Transformation Plan") to achieve its vision and to create Canada's pre-eminent asset management and investment platform, focused on value investing in real estate.

The Business Transformation Plan includes:

1. Strengthening the balance sheet to provide significant liquidity and flexibility
 - Unlocking value by monetizing a portion of Artis' institutional-grade industrial portfolio;
 - Maximizing value of Artis' office and retail assets by improving operating performance and pursuing a measured, opportunistic and patient strategy for divestitures;
 - Maintaining strong liquidity to capitalize on opportunities; and
 - Maintaining low leverage and debt metrics within the investment grade credit rating parameters defined by DBRS Morningstar.
2. Focusing on value investing by identifying real estate opportunities that are mispriced, misunderstood or mismanaged
 - Identifying investments that are undervalued with potential to produce above average risk-adjusted returns over the medium-to-long term;
 - Evaluating opportunistic investments that can be fixed or turned around;
 - Acting as a catalyst to influence positive change; and
 - Capitalizing on mispricing in the public markets.
3. Driving organic growth
 - Improving the income profile of assets to the highest potential;
 - Developing a recurring fee stream for management of assets through future joint arrangements;
 - Optimizing the value of existing properties through operational efficiencies; and
 - Focusing on operating in a cost-efficient manner across the organization.
4. Institutionalizing the new platform
 - Establishing an entrepreneurial culture that supports and promotes the execution of Artis' long-term vision and strategy;
 - Continuously raising the bar for financial reporting and other disclosures;
 - Developing a robust environmental, social and governance strategy;
 - Enhancing the investor relations and communications program; and
 - Rebranding – new name, new image, new future.

As part of the Business Transformation Plan, Artis will become agnostic as to how it owns real estate and will embrace opportunism and the inefficiencies that the public markets provide, leveraging and capitalizing on opportunities that exist today or will surface in the future.

Artis will seek to deploy capital into liquid, strategic investments in portfolio companies (i.e. undervalued public real estate entities) as well as high-conviction hard assets. The REIT will seek to drive performance both in its hard assets and portfolio companies through active management to generate ample operating cashflow for distributions while continually recycling excess capital over the long term. Additionally, Artis intends to reduce its leverage and take an owner-centric approach to capital allocation that will build investor confidence and brand equity through execution and performance.

First, Artis will unlock the trapped value in some of its hard real estate assets, including the monetization of certain industrial assets which the REIT will aim to complete on a tax-efficient basis. 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. The objective is to unlock significant value and substantially strengthen Artis' balance sheet and liquidity.

Second, over the short-to-medium term, the REIT will evaluate the sale of a portion of its office and retail assets in an opportunistic and disciplined manner, with the goal of maximizing value on a tax-efficient basis. As with the sale of the industrial portfolio, this could take many forms.

Third, as Artis divests partial or entire ownership positions as described above, the REIT will focus on improving its balance sheet while deploying some of the proceeds into new real estate investments including core cash-flowing hard assets, undervalued publicly traded real estate securities and value-add real estate acquisitions or developments.

With respect to public real estate entities, Artis will seek to acquire meaningful and influential ownership positions in undervalued entities. The REIT's near-term focus will be on publicly listed Canadian real estate entities. Artis will unlock value in its portfolio companies through active management, which may include pursuing board representation and engaging constructively with boards and management teams of its portfolio companies to effectuate long-term value creation. Artis may serve as a catalyst for privatizations, merger and acquisition opportunities, strategic transformations, and operational and governance improvements for its portfolio companies, with a focus on maximizing value for the owners of Artis.

The goal of the Business Transformation Plan is to generate meaningful long-term growth in NAV per unit and distributions by monetizing assets, strengthening the balance sheet and scaling-up through value investing. Artis will concentrate its ownership in the highest and best return opportunities in an effort to maximize long-term value for unitholders.

In connection with the Business Transformation Plan, Artis has entered into an agreement with Sandpiper to provide certain advisory services to Artis, further described in the Agreement with Sandpiper Asset Management Inc. section of this MD&A.

The REIT intends to maintain its corporate operations headquartered in Winnipeg and will evaluate its satellite offices going forward based on geographical presence and ongoing job functions.

Artis estimates a two-to-three-year period to implement the Business Transformation Plan.

The successful execution of the REIT's new vision and Business Transformation Plan requires suitable opportunities, careful timing and business judgment, as well as sufficient resources to make investments and restructure them, if required. There can be no assurance that the REIT will be able to execute the Business Transformation Plan or to identify suitable or sufficient opportunities to monetize or maximize the value of its existing portfolio of assets or to make investments that satisfy its investment criteria at attractive prices, in either case, in a timely manner, or at all.

MANAGEMENT CHANGES

During the second quarter of 2021, the following management changes took effect:

1. Appointed Kim Riley, formerly Artis' Executive Vice-President of Investments and Developments, to Chief Operating Officer (a newly created position at Artis) effective April 1, 2021; and
2. Appointed Jaclyn Koenig, formerly Artis' Senior Vice-President of Accounting, to Chief Financial Officer effective May 24, 2021.

AGREEMENT WITH SANDPIPER ASSET MANAGEMENT INC.

On May 17, 2021, in connection with Artis' Business Transformation Plan, Artis entered into an agreement with Sandpiper (the "Services Agreement") to provide certain services to support the REIT's strategy to acquire meaningful and influential active ownership positions in undervalued publicly-listed real estate entities. The material terms of the Services Agreement are outlined below.

Artis' Investment Mandate

Investments in equity securities of real estate companies or real estate investment trusts or entities that provide real estate services, including common shares, preferred shares, trust units, securities convertible into common shares, preferred shares or trust units, and rights/warrants listed on the TSX or another stock exchange in Canada, in Canadian dollars.

Scope of Services to be Provided by Sandpiper (the "Services")

- Research, underwriting, due diligence and analysis of potential active investments in public companies;
- Analysis in relation to the negotiation and structuring of the terms of proposed acquisitions/dispositions of investments (including the terms of active management involvement);
- Strategic advice regarding active investments made and information regarding the management thereof, including exit strategies;
- Providing regular reporting and assistance and information in connection with Artis' preparation of internal reports, analysis and books and records related to the investments, including as may be necessary for Artis to prepare reports and disclosure documents; and
- Providing advice and assistance in connection with Artis' active engagement with investee entities.

Delivery of Services

Sandpiper will provide the Services to Artis so as to enable Artis, upon the recommendation of its Chief Executive Officer ("CEO"), to make its own investment decisions. Artis will at all times make its own investment and divestment decisions under the supervision of its Investment Committee.

Fee Structure

In consideration of the services performed by Sandpiper, Sandpiper shall be paid the following amounts in respect of investments made by Artis pursuant to the Services provided:

- an annual fee of 0.50% for years one to three of the investments;
- 0.40% for year four of the investments; and
- 0.30% for year five and thereafter

based on, in each case, the net value of Artis' investments in its investee companies.

First Offer Right

Separate and apart from the information provided to Artis pursuant to requests originating from Artis, Sandpiper will (prior to the making of any such investments) present to Artis for consideration all investments and targets that are within the Investment Mandate and independently identified by Sandpiper as potential active investments it wishes to make. Artis will be offered the right to participate in each such investment together with Sandpiper and shall be offered no less than a 50% participation level.

Expenses

Sandpiper will bear the costs and expenses incurred by it in connection with the provision of the Services. Each of Sandpiper and Artis shall be responsible for their own costs and expenses in connection with the making of any investment, including brokerage and custodial fees. Once an investment is made, the parties shall share any third-party costs and expenses in connection with the active management of the investment in proportion to the size of their respective investments. The cost of directors, officers and employees of each shall be for the account of each and such persons shall not be considered employed by the other, nor shall there be any charge for overhead or other costs.

Termination

The Services Agreement shall continue in full force until termination by either party upon 60-day written notice, or upon other specific circumstances, at no cost to Artis. The arrangement with Sandpiper was negotiated and reviewed by the Governance, Nominating and Compensation Committee (the "GNC") of the Board of Trustees of Artis (the "Board") (all of whom are independent trustees and independent of Sandpiper), which included a review of Sandpiper's past performance and track record (including execution of past full cycle active investments). In this regard, the GNC considered a number of factors, including the nature of the relationship between Artis and Sandpiper, the need to align their respective interests in the context of the arrangements, and various regulatory matters. While reviewing the Services arrangements, the GNC also finalized the employment agreement with Artis' CEO, as well as the terms of a space-sharing arrangement with Sandpiper at Sandpiper's offices in Vancouver, British Columbia. As a result, the GNC was able to view the Services Agreement within the broader context of the overall relationship with Sandpiper. The GNC received legal and financial advice from independent, third-party advisors. Based on its review, the GNC concluded that the arrangements were in the best interest of, and fair to, Artis and recommended to the Board that Artis enter into the Services Agreement.

A copy of the Services Agreement is available on the REIT's profile on SEDAR.

SECOND QUARTER OVERVIEW

FINANCIAL AND OPERATIONAL RESULTS

Artis reported portfolio occupancy of 91.8% (including commitments) at June 30, 2021, compared to 92.5% at March 31, 2021. During the second quarter, 113,866 square feet of new leases and 326,397 square feet of lease renewals commenced. The weighted-average increase in renewal rents compared to expiring rents on renewals that began during the quarter was 7.3%.

FFO per unit for the quarter ended June 30, 2021, was \$0.34, compared to \$0.36 for the quarter ended June 30, 2020, while AFFO per unit for the same period was \$0.25, compared to \$0.27 for the quarter ended June 30, 2020. The REIT reported conservative FFO and AFFO payout ratios of 44.1% and 60.0%, respectively, for the quarter ended June 30, 2021.

FFO and AFFO in Q2-21 were primarily impacted by dispositions completed in 2020 and 2021 and a lower US dollar to Canadian dollar average exchange rate in Q2-21 compared to Q2-20, partially offset by new developments completed in 2020 and a quarter-over-quarter decrease to interest expense.

Additionally, the COVID-19 pandemic continues to impact Artis' financial results. The REIT recorded bad debt expense and rent abatements in the amount of \$368 in Q2-21, compared to \$3,260 in Q2-20, 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.

FFO and AFFO per unit results are also impacted by 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 June 30, 2021, NAV per unit was \$16.78, increased from \$15.03 at December 31, 2020. The increase is primarily due to the fair value gain on investment properties, net operating income and the impact of units purchased under the NCIB, partially offset by distributions to unitholders and the impact of foreign exchange.

Total long-term debt to GBV decreased to 47.5% at June 30, 2021, compared to 49.3% at December 31, 2020. Artis' Adjusted EBITDA interest coverage ratio increased to 3.81 for the quarter ended June 30, 2021, compared to 3.50 for the quarter ended June 30, 2020.

During the second quarter of 2021, Artis purchased 2,881,668 common units for an aggregate market price of \$31,799 and 28,400 Series A and 20,472 Series E preferred units for an aggregate market price of \$1,143. The REIT remains committed to repurchasing units under the NCIB.

Additionally, during the second quarter of 2021, Artis invested in equity securities in accordance with the Business Transformation Plan. At June 30, 2021, the REIT had investments in equity securities representing an aggregate fair value of \$6,400.

PORTFOLIO ACTIVITY

On May 7, 2021, the REIT acquired a parcel of industrial development land in Twin Cities Area, Minnesota, for a purchase price of US\$1,480.

During Q2-21, Artis disposed of the following properties:

Property	Property count	Location	Disposition date	Asset class	Owned share of GLA	Annualized Property NOI ⁽¹⁾	Capitalization rate ⁽²⁾	Sale price	Fair value ⁽³⁾
Signal Centre ⁽⁴⁾	—	Fort McMurray, Alberta	April 12, 2021	Retail	11,690	\$ 351	7.70 %	\$ 4,600	\$ 4,497
Victoria Square Retail Portfolio	2	Regina, Saskatchewan	April 15, 2021	Retail	329,574	4,382	9.40 %	45,000	44,890
Fleet Street Crossing	1	Regina, Saskatchewan	April 28, 2021	Retail	37,736	455	6.16 %	7,600	7,305
Sierra Place	1	Calgary, Alberta	May 4, 2021	Office	92,108	(262)	N/A	4,750	4,557

(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) Signal Centre was comprised of two parcels of land with two buildings on each respective parcel. On April 12, 2021, the REIT sold one of these parcels.

At June 30, 2021, Artis had entered into an agreement to sell the GTA Industrial Portfolio, comprising 28 industrial properties located in the Greater Toronto Area, Ontario. On July 15, 2021, the REIT closed on 26 of the 28 properties for an aggregate sale price of \$696,700. One of the remaining properties is expected to close in the third quarter of 2021 and generate gross proceeds of \$26,700. Subsequent to June 30, 2021, the remaining property is no longer under a sale agreement and will be actively marketed for sale.

At June 30, 2021, Artis had entered into an unconditional sale agreement for the King Edward Industrial Portfolio, comprised of two industrial properties located in Winnipeg, Manitoba, for a sale price of \$3,200, which closed on July 21, 2021.

Subsequent to June 30, 2021, the REIT entered into an unconditional sale agreement for the East Landing Retail Portfolio, comprised of two retail properties located in Regina, Saskatchewan, for a sale price of \$19,100, representing a capitalization rate of 6.4%. The sale is anticipated to close in August 2021.

IMPACT OF COVID-19

Health and Safety of Stakeholders

As the vaccine rollout continues, restrictions have been, or are being cautiously lifted or relaxed in all of Artis' current markets. Along with the changes to restrictions, indoor capacity limits are increasing and companies are preparing to transition their employees back to their offices. To support its tenants through these changes, Artis continues to work diligently to maintain a safe environment for all of those who attend its properties. The REIT's first priority and intention is to keep its buildings safe and open (unless ordered closed by government authority). Management has made and continues to make appropriate contingency plans to maintain building supplies and necessary personnel for operations.

In accordance with current recommendations, common area cleaning has increased at all properties. Cleaning contractors have been instructed 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. There have been no service reductions and Artis is currently fully staffed with building operations and cleaning personnel. If this needs to change, all tenants would be notified immediately.

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

- 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 the REIT's buildings and to follow public health recommendations.

Artis' management team will continue to closely monitor this situation and will adjust its approach as recommended by public health agencies.

Tenant Support Program and Rent Collection

As a diversified REIT, Artis' portfolio comprises industrial, office and retail properties which, at June 30, 2021, were 90.3% leased (91.8% including commitments on vacant space) to high-quality tenants across Canada and the U.S. with a weighted-average remaining lease term of 5.2 years.

Rent Collection

Rent collection has been a key focus during this time. As at June 30, 2021, 99.1% of rent charges (both excluding and including deferred rent charges) have been collected for the three months ended June 30, 2021.

Rent Deferrals

Due to government-mandated capacity restrictions and temporary closures of certain non-essential businesses throughout the course of the COVID-19 pandemic, a number of tenants had to limit operations. To support tenants through this difficult time, qualifying tenants who were in need of assistance were 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 June 30, 2021, the outstanding balance of rent deferrals granted to tenants was \$2,240 (\$2,264 on a Proportionate Share basis).

Allowance for Doubtful Accounts

The majority of rent deferrals and rents receivable are anticipated to be collected, however, there are certain tenants that may not be able to pay their outstanding rent. As at June 30, 2021, an allowance for doubtful accounts in the amount of \$1,618 (\$1,619 on a Proportionate Share basis) has been recorded, compared to \$1,770 (\$1,771 on a Proportionate Share basis) at March 31, 2021.

Valuation of Investment Properties

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 June 30, 2021. 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 June 30, 2021 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 Gain (Loss) 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, Artis sets a high standard of sustainable practices and demonstrates the importance of striving for excellence and promoting best practices in the areas of environmental, social and governance ("ESG"). The REIT is on a path of continuous improvement in all areas of ESG and is committed to ensuring that excellence in ESG practices is an integral part of its business model and is a core component of its corporate culture.

During Q2-21, notable initiatives and improvements to ESG include (but are not limited to):

1. Established an internal ESG committee to support the REIT's on-going commitment to making ESG a focal point and establishing a company-wide ESG-minded culture;
2. Published 2020 ESG Report;
3. Continued implementation of Yardi Pulse software to track, monitor and identify opportunities to reduce energy consumption at the property level and to keep tenants comfortable, simplify analysis and streamline reporting;
4. Continued prioritization of health and wellness initiatives for employees, including planning for healthy lifestyle challenges and webinars related to stress and personal finance management to offer support and connectivity during a time of unprecedented change related to the COVID-19 pandemic; and

5. Hosted virtual annual and special meeting of unitholders by video at which all resolutions put forth were passed by unitholders.

At June 30, 2021, the REIT had 11 properties with a Leadership in Energy and Environmental Design ("LEED") certification, 10 properties with a Building Owners and Managers Association ("BOMA") Building Environmental Standards ("BEST") certification and 21 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

2021 has been, and continues to be a year of significant change for Artis. The REIT's newly reconstituted Board of Trustees, who were elected by unitholders at the REIT's annual and special meeting of unitholders on May 21, 2021, continue to work diligently to execute the Business Transformation Plan announced on March 10, 2021. The first significant milestone in the implementation of the Business Transformation Plan is the disposition of the REIT's GTA industrial portfolio. On July 15, 2021, the sale of 26 properties in the portfolio closed for an aggregate sale price of \$696,700. The proceeds will be used to meaningfully reduce debt and to provide the REIT with ample financial flexibility to execute on previously announced return of capital and value investing strategies.

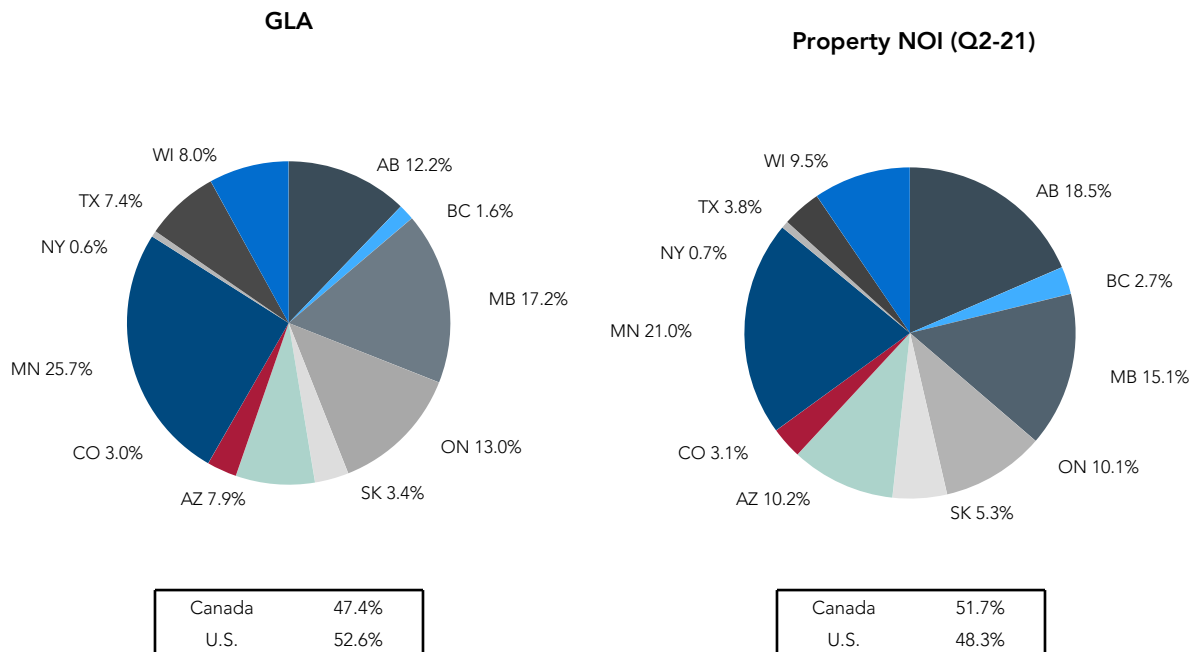
As the vaccine rollout continues, restrictions have been, or are being cautiously lifted or relaxed in all of Artis' current markets. Along with the changes to restrictions, indoor capacity limits are increasing and companies are preparing to transition their employees back to their offices. To support its tenants through these changes, Artis continues to work diligently to maintain a safe environment for all of those who attend its properties. As restrictions ease and economies are opening back up, Artis continues to see strong value in the industrial, office and retail asset classes. As evidenced by the sale of Artis' GTA industrial portfolio, the industrial asset class continues to show its strength and resilience in the current environment and Artis expects this trend will continue for the foreseeable future. Artis anticipates that, as restrictions ease and indoor capacity limits increase, its needs and service-based open-air retail will continue to be a stable asset class in the months ahead. With respect to the office market, Artis continues to monitor, but ultimately believes that tenants will continue to see the benefits of returning to their offices. These benefits include face-to-face collaboration, the ability to make decisions in real time, social interaction, access to supplies, and other company resources such as human resources and information technologies. Although some tenants may require less space going forward due to work from home arrangements, it is Artis' belief that this will be at least partially offset by a requirement for more space per employee and a shift towards private workstations to accommodate social distancing requirements. Artis has and will continue to make building accommodations and to collaborate with and support its tenants to promote a safe, healthy and positive return to work over the coming months.

Although these have been challenging times for many companies, Artis believes that it has effectively navigated the pandemic so far and will continue to do so going forward. Despite these challenging times, in the short amount of time since Artis announced its new vision and strategy, the implementation of the Business Transformation Plan is well underway and milestone steps have been taken. Management and the Board look forward to building upon these achievements and continuing to demonstrate their commitment to unlocking value for unitholders in the quarters ahead.

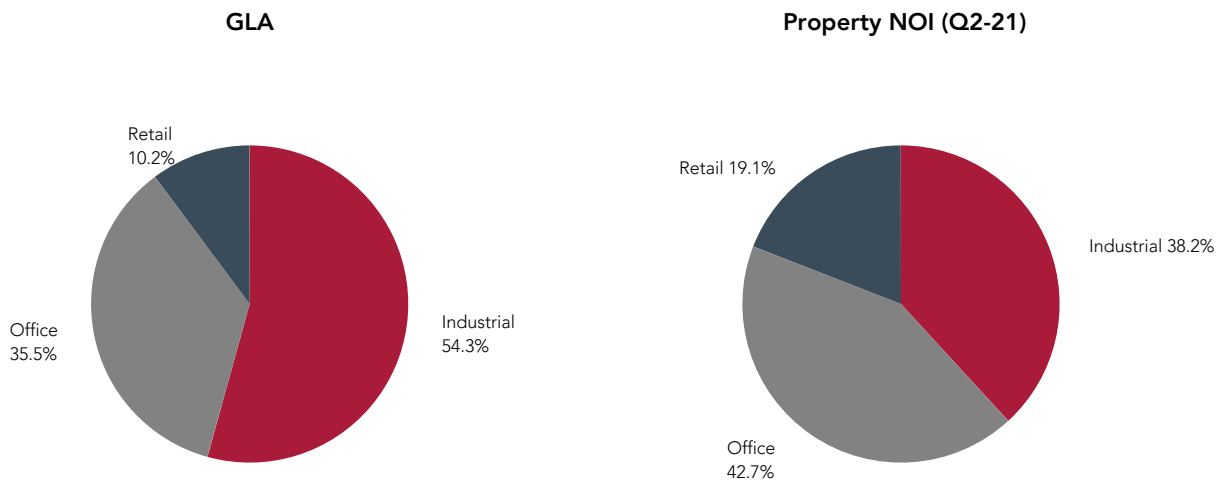
PORTFOLIO SUMMARY

At June 30, 2021, the REIT's portfolio was comprised of 203 commercial properties (inclusive of properties held in equity accounted investments) totalling approximately 22.0 million square feet ("S.F.") of gross leasable area ("GLA").

Diversification by Geographical Region (Proportionate Share basis)



Diversification by Asset Class (Proportionate Share basis)



Portfolio by Asset Class ⁽¹⁾

Asset class	City	Province / State	Property count	Owned share of GLA (000's S.F.)	% of portfolio GLA	% Occupied	% Committed ⁽²⁾
Canadian portfolio:							
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	2,526	11.5 %	96.0%	99.5 %
	Greater Vancouver Area	BC	2	98	0.4 %	100.0%	100.0 %
	Red Deer	AB	1	126	0.6 %	62.0%	63.1 %
	Regina	SK	1	24	0.1 %	100.0%	100.0 %
	Saskatoon	SK	5	327	1.5 %	100.0%	100.0 %
	Winnipeg	MB	28	1,690	7.7 %	94.6%	96.3 %
Industrial total			74	5,309	24.1 %	95.5%	97.7 %
Office	Calgary	AB	6	664	3.0 %	70.7%	70.9 %
	Greater Edmonton Area	AB	1	29	0.1 %	100.0%	100.0 %
	Greater Toronto Area	ON	4	342	1.6 %	87.1%	87.1 %
	Greater Vancouver Area	BC	2	248	1.1 %	92.1%	93.3 %
	Saskatoon	SK	1	64	0.3 %	78.0%	78.0 %
	Winnipeg	MB	9	1,511	6.9 %	86.0%	86.1 %
Office total			23	2,858	13.0 %	83.1%	83.3 %
Retail	Calgary	AB	5	344	1.6 %	94.9%	95.6 %
	Fort McMurray	AB	8	183	0.8 %	80.1%	80.7 %
	Grande Prairie	AB	5	355	1.6 %	66.4%	66.4 %
	Greater Edmonton Area	AB	5	459	2.1 %	97.4%	97.7 %
	Regina	SK	3	104	0.5 %	93.3%	93.3 %
	Saskatoon	SK	3	219	1.0 %	98.1%	98.1 %
	Winnipeg	MB	7	579	2.6 %	95.4%	97.4 %
Retail total			36	2,243	10.2 %	90.1%	90.8 %
Total Canadian portfolio			133	10,410	47.3 %	90.9%	92.3 %
U.S. portfolio:							
Industrial	Greater Denver Area	CO	1	138	0.6 %	82.0%	82.0 %
	Greater Phoenix Area	AZ	7	921	4.2 %	98.8%	100.0 %
	Twin Cities Area	MN	26	3,951	18.0 %	92.5%	93.9 %
	Greater Houston Area	TX	5	1,635	7.4 %	92.3%	92.8 %
Industrial total			39	6,645	30.2 %	93.1%	94.3 %
Office	Greater Denver Area	CO	3	525	2.4 %	89.9%	89.9 %
	Greater Phoenix Area	AZ	4	822	3.7 %	84.3%	94.7 %
	Madison	WI	16	1,772	8.0 %	86.9%	87.2 %
	New Hartford	NY	1	123	0.6 %	100.0%	100.0 %
	Twin Cities Area	MN	7	1,714	7.8 %	81.9%	82.4 %
Office total			31	4,956	22.5 %	85.4%	87.4 %
Total U.S. portfolio			70	11,601	52.7 %	89.8%	91.3 %
Total Canadian and U.S. portfolio			203	22,011	100.0 %	90.3%	91.8 %

(1) Information is as at June 30, 2021, and excludes properties listed in the New Developments in Process section on the following page, and includes properties held in equity accounted investments.

(2) Percentage committed is based on occupancy at June 30, 2021, plus commitments on vacant space.

New Developments in Process

At June 30, 2021, Artis had four development projects in process: 300 Main, Park 8Ninety V, Park Lucero East and Blaine 35.

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.

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. Construction of the final phase, Park 8Ninety V, began in 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.

Park Lucero East is a state-of-the-art industrial development project located in the Greater Phoenix Area, Arizona, along the South Loop 202 Freeway with 202 Freeway and Germann Road frontage and is adjacent to Park Lucero, a multi-phase industrial complex that is owned by Artis. Construction commenced in Q1-21 and this project is expected to comprise three Class A industrial buildings totalling approximately 561,000 square feet of leasable area. Artis has a 10% interest in Park Lucero East in the form of an investment in an associate.

Blaine 35 is an industrial development project located in the Twin Cities Area, Minnesota, with prominent interstate frontage at the intersection of I-35W and 85th Ave N. Blaine 35 includes three buildings anticipated to comprise approximately 317,400 square feet of leasable area. Construction commenced in Q2-21.

Refer to the Risks and Uncertainties section of this MD&A for discussion of the risks related to Artis' ongoing development projects.

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
Office	Madison	WI	43	1630 Aspen
Office	Madison	WI	50	Heartland Trail Land

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

Rezoning and Densification Initiatives

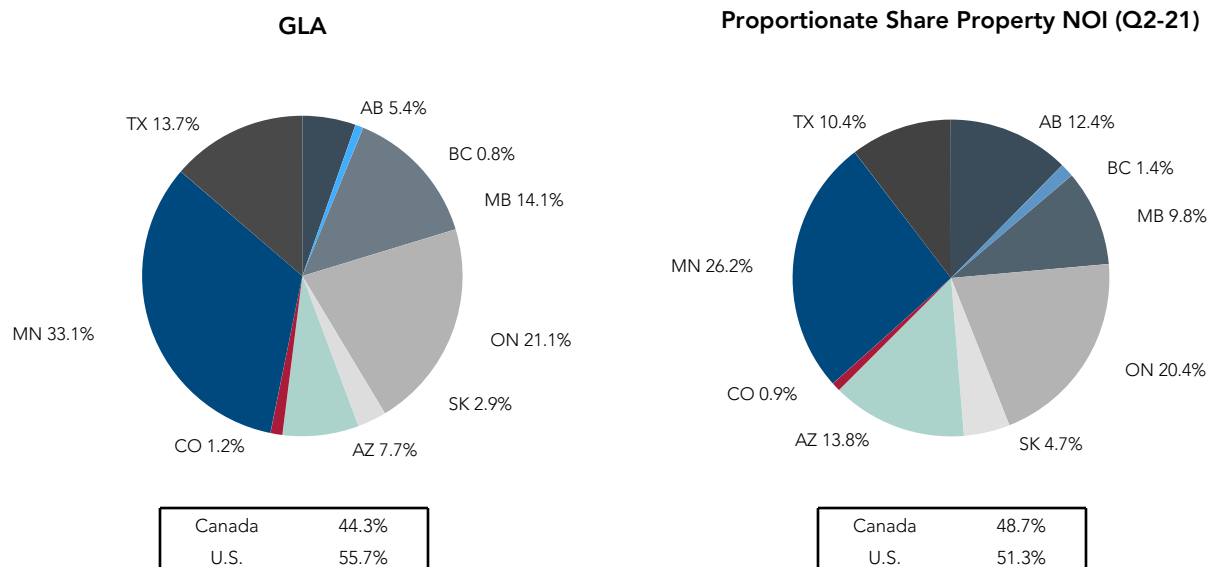
Artis is exploring opportunities for a densification project at Poco Place in Port Coquitlam, British Columbia. The site provides access to major transportation routes and frontage on four streets, including Lougheed Highway, an east-west arterial corridor. Preliminary plans to build 600 to 900 apartment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

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 June 30, 2021, the REIT's industrial portfolio was comprised of 113 properties (inclusive of properties held in equity accounted investments) totalling approximately 12.0 million square feet of gross leasable area.

At June 30, 2021, the fair value of the properties in Artis' industrial portfolio (inclusive of properties held in equity accounted investments) was \$2,078,118, and represented 54.3% of the REIT's GLA at June 30, 2021, and 38.2% of Q2-21 Proportionate Share Property NOI. Below is a breakdown of REIT's industrial portfolio by geographical region:



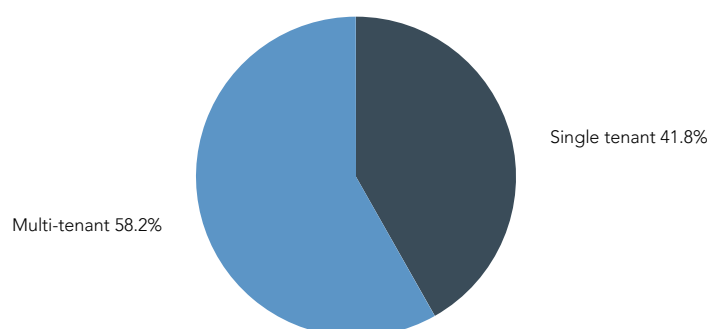
The following is a historical summary of key performance indicators related to the REIT's industrial portfolio:

	Q2-21	Q1-21	Q4-20	Q3-20	Q2-20	Q1-20	Q4-19	Q3-19
Number of properties	113	113	115	116	115	115	115	113
Occupancy (including commitments)	95.8 %	97.1 %	95.5 %	95.0 %	96.5 %	95.4 %	97.2 %	99.2 %
Same Property NOI (decline) growth	(4.2)%	1.1 %	0.9 %	1.9 %	4.8 %	5.5 %	7.9 %	9.5 %
Leasable area renewed (in S.F.)	214,085	327,096	37,004	151,354	480,613	161,946	299,631	87,089
Increase (decrease) in weighted-average rental rate	13.3 %	8.5 %	29.4 %	24.8 %	(7.3)%	11.3 %	12.9 %	10.0 %

At June 30, 2021, Artis had entered into an agreement to sell the GTA Industrial Portfolio, comprising 28 industrial properties located in the Greater Toronto Area, Ontario. On July 15, 2021, the REIT closed on 26 of the 28 properties for an aggregate sale price of \$696,700. One of the remaining properties is expected to close in the third quarter of 2021 and generate gross proceeds of \$26,700. Subsequent to June 30, 2021, the remaining property is no longer under a sale agreement and will be actively marketed for sale.

At June 30, 2021, Artis had entered into an unconditional sale agreement for the King Edward Industrial Portfolio, comprised of two industrial properties located in Winnipeg, Manitoba, for a sale price of \$3,200, which closed on July 21, 2021.

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 Q2-21 Proportionate Share Property NOI:



Artis' industrial portfolio includes 465 tenant leases with a weighted-average term to maturity of 5.1 years. Approximately 13.4% 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.

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 %	13.1
Bell Canada	Canada	4.8 %	111	0.9 %	8.5
PBP, Inc.	U.S.	2.9 %	519	4.3 %	10.4
3M Canada Company	Canada	2.5 %	319	2.7 %	3.8
Silent Aire USA Inc.	U.S.	2.4 %	289	2.4 %	5.7
Civeo	Canada	2.1 %	72	0.6 %	7.0
Clarke Transport Inc.	Canada	1.8 %	148	1.2 %	3.8
Maple Leaf Consumer Foods Inc.	Canada	1.8 %	163	1.4 %	8.0
Distribution Alternatives, Inc.	U.S.	1.8 %	403	3.4 %	11.5
SunGard Recovery Services Inc.	U.S.	1.7 %	99	0.8 %	4.5
Total		28.3 %	2,366	19.7 %	8.4

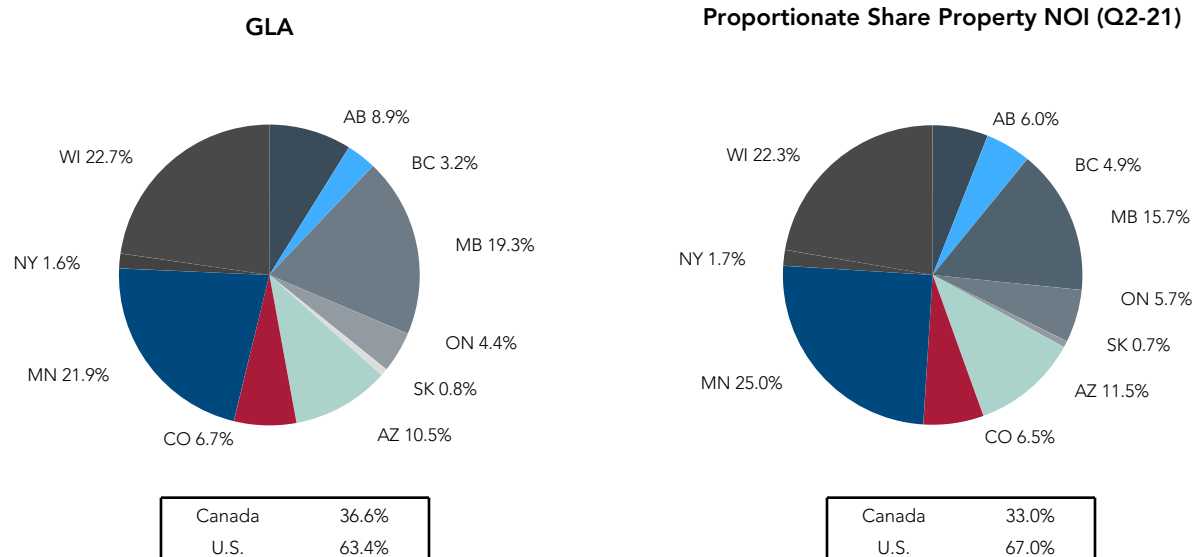
(1) Based on owned share of GLA of properties included in the Portfolio Summary - Portfolio by Asset Class table.

(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 June 30, 2021, the REIT's office portfolio was comprised of 54 properties (inclusive of properties held in equity accounted investments) totalling approximately 7.8 million square feet of gross leasable area.

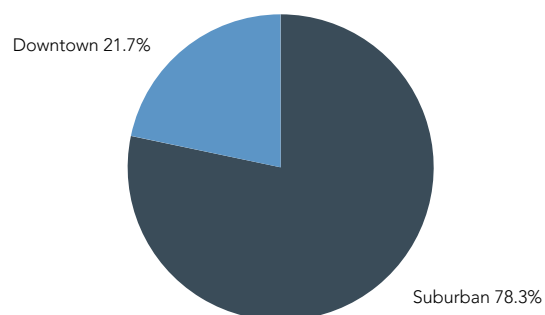
At June 30, 2021, the fair value of the properties in Artis' office portfolio was \$2,020,796 (inclusive of properties held in equity accounted investments), representing 35.5% of the REIT's GLA at June 30, 2021, and 42.7% of Q2-21 Proportionate Share Property NOI. Below is a breakdown of REIT's office portfolio by geographical region:



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

	Q2-21	Q1-21	Q4-20	Q3-20	Q2-20	Q1-20	Q4-19	Q3-19
Number of properties	54	55	55	58	59	59	64	65
Occupancy (including commitments)	85.9 %	86.2 %	86.7 %	87.4 %	88.8 %	89.4 %	89.2 %	90.3 %
Same Property NOI (decline) growth	(9.2)%	(10.4)%	(9.4)%	(3.5)%	(1.6)%	1.1 %	2.2 %	(1.5)%
Leasable area renewed (in S.F.)	48,738	129,324	334,727	360,697	56,193	150,908	178,949	228,853
Increase (decrease) in weighted-average rental rate	7.8 %	(1.6)%	(8.7)%	10.3 %	4.0 %	1.8 %	6.0 %	13.1 %

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 Q2-21 Proportionate Share Property NOI:



Artis' office portfolio includes 609 tenant leases with a weighted-average term to maturity of 5.7 years. Approximately 28.9% 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	Canada and U.S.	5.3 %	314	4.0 %	4.0
Government tenants	Canada	5.2 %	348	4.5 %	9.2
AT&T	U.S.	3.8 %	257	3.3 %	4.0
Worleyparsons Canada	Canada	3.5 %	164	2.1 %	0.3
Prime Therapeutics LLC	U.S.	3.3 %	386	4.9 %	13.3
Recipe Unlimited Corporation	Canada	2.8 %	100	1.3 %	7.5
TDS Telecommunications Corporation	U.S.	2.6 %	174	2.2 %	3.5
Catalent Pharma Solutions, LLC	U.S.	2.5 %	233	3.0 %	15.1
CB Richard Ellis, Inc.	U.S.	2.2 %	108	1.4 %	5.5
Choice Hotels Intl Services Corp	U.S.	2.1 %	114	1.5 %	0.5
Total		33.3 %	2,198	28.2 %	7.4

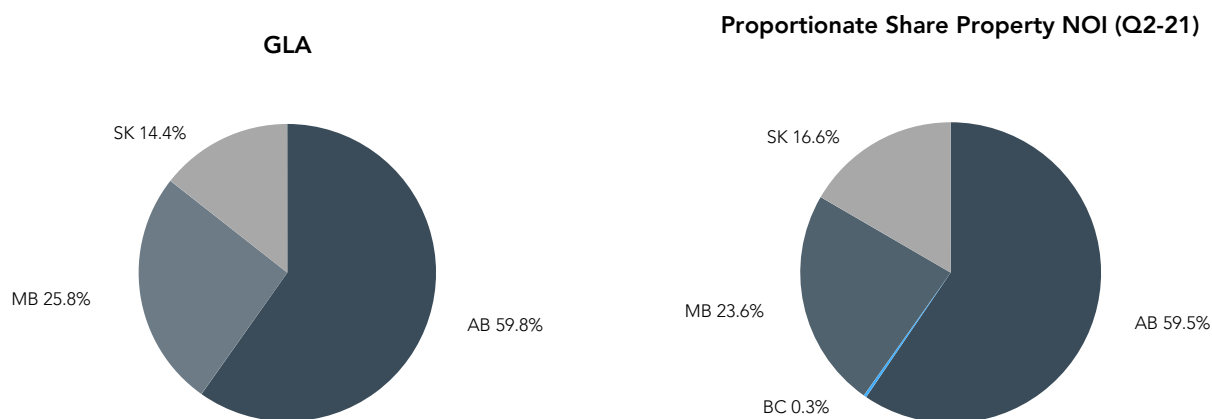
(1) Based on owned share of GLA of properties included in the Portfolio Summary - Portfolio by Asset Class table.

(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 June 30, 2021, the REIT's retail portfolio was comprised of 36 properties totalling approximately 2.2 million square feet of gross leasable area.

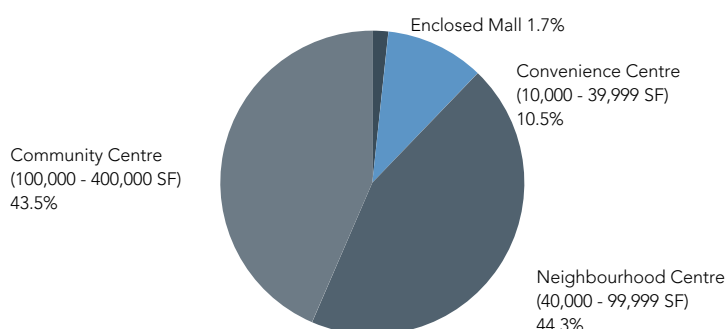
At June 30, 2021, the fair value of the properties in Artis' retail portfolio was \$687,848, and represented 10.2% of the REIT's GLA at June 30, 2021, and 19.1% of Q2-21 Proportionate Share Property NOI. Below is a breakdown of REIT's retail portfolio by geographical region:



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

	Q2-21	Q1-21	Q4-20	Q3-20	Q2-20	Q1-20	Q4-19	Q3-19
Number of properties	36	39	39	42	42	41	41	50
Occupancy (including commitments)	90.8 %	90.6 %	90.7 %	89.5 %	90.0 %	90.9 %	91.4 %	93.6 %
Same Property NOI growth (decline)	13.8 %	(4.0)%	(5.8)%	(0.9)%	(13.4)%	(3.2)%	(0.8)%	0.5 %
Leasable area renewed (in S.F.)	63,574	39,176	34,866	105,188	56,066	25,540	74,180	62,994
(Decrease) increase in weighted-average rental rate	1.5 %	6.3 %	(0.3)%	(13.3)%	5.3 %	8.3 %	2.8 %	(1.3)%

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 Q2-21 Proportionate Share Property NOI:



During Q2-21, Artis sold the Victoria Square Retail Portfolio, comprised of two retail properties located in Regina, Saskatchewan, including Artis' only enclosed mall. At June 30, 2021, Artis does not own any enclosed malls.

Artis' retail portfolio includes 439 tenant leases with a weighted-average term to maturity of 4.3 years. Approximately 11.1% of the REIT's retail gross revenue is derived from national or government tenants. As indicated below, the largest tenant by gross revenue is Cineplex Entertainment LP, a leading Canadian entertainment and media company that serves millions of guests annually at its circuit of theatres and location-based entertainment venues across the country.

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
Cineplex Entertainment LP	Canada	3.8 %	108	4.8 %	4.4
Shoppers Drug Mart	Canada	3.3 %	64	2.9 %	5.8
Sportchek International Ltd.	Canada	3.0 %	81	3.6 %	1.9
The Brick	Canada	2.3 %	62	2.8 %	4.0
Winners	Canada	2.3 %	84	3.7 %	3.1
Jysk Linen 'n Furniture	Canada	2.2 %	75	3.3 %	4.0
Mark's Work Wearhouse	Canada	1.9 %	44	2.0 %	5.2
Lucky Supermarket	Canada	1.6 %	51	2.3 %	16.4
PetSmart, Inc.	Canada	1.6 %	40	1.8 %	2.3
Sobeys	Canada	1.4 %	37	1.6 %	1.8
Total		23.4 %	646	28.8 %	4.7

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

Residential Portfolio

Artis' residential portfolio is comprised of one development project located in Winnipeg, Manitoba. At June 30, 2021, the fair value of Artis' residential portfolio was \$147,211.

SECOND QUARTER HIGHLIGHTS

PORTFOLIO ACTIVITY

	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, March 31, 2021	113	11,954	55	7,906	39	2,623	207	22,483
Dispositions	—	—	(1)	(92)	(3)	(380)	(4)	(472)
Portfolio properties, June 30, 2021	113	11,954	54	7,814	36	2,243	203	22,011

(1) Based on owned share of GLA, and includes properties held in equity accounted investments.

Acquisition

On May 7, 2021, the REIT acquired a parcel of industrial development land in the Twin Cities Area, Minnesota, for a purchase price of US\$1,480.

Dispositions

During Q2-21, Artis disposed of the following properties:

Property	Property count	Location	Disposition date	Asset class	Owned share of GLA	Sale price
Signal Centre ⁽¹⁾	—	Fort McMurray, Alberta	April 12, 2021	Retail	11,690	\$4,600
Victoria Square Retail Portfolio	2	Regina, Saskatchewan	April 15, 2021	Retail	329,574	45,000
Fleet Street Crossing	1	Regina, Saskatchewan	April 28, 2021	Retail	37,736	7,600
Sierra Place	1	Calgary, Alberta	May 4, 2021	Office	92,108	4,750

(1) Signal Centre was comprised of two parcels of land with two buildings on each respective parcel. On April 12, 2021 the REIT sold one of these parcels.

During Q2-21, Artis repaid mortgage debt related to the disposition of the above properties in the amount of \$15,833.

At June 30, 2021, Artis had entered into an agreement to sell the GTA Industrial Portfolio, comprising 28 industrial properties located in the Greater Toronto Area, Ontario. On July 15, 2021, the REIT closed on 26 of the 28 properties for an aggregate sale price of \$696,700. One of the remaining properties is expected to close in the third quarter of 2021 and generate gross proceeds of \$26,700. Subsequent to June 30, 2021, the remaining property is no longer under a sale agreement and will be actively marketed for sale.

At June 30, 2021, Artis had entered into an unconditional sale agreement for the King Edward Industrial Portfolio, comprised of two industrial properties located in Winnipeg, Manitoba, for a sale price of \$3,200, which closed on July 21, 2021.

Subsequent to June 30, 2021, the REIT entered into an unconditional sale agreement for the East Landing Retail Portfolio, comprised of two retail properties located in Regina, Saskatchewan for a sale price of \$19,100, representing a capitalization rate of 6.4%. The sale is anticipated to close in August 2021.

FINANCING AND EQUITY ACTIVITIES

Unsecured Revolving Term Credit Facilities

During Q2-21, Artis drew a balance of \$114,380 on its revolving credit facilities. Proceeds of the revolving credit facilities were primarily used for the repayment of mortgages and loans payable.

Normal Course Issuer Bid

In Q2-21, Artis utilized the NCIB to purchase 2,881,668 common units for an aggregate market price of \$31,799, and 28,400 Series A and 20,472 Series E preferred units for an aggregate market price of \$1,143.

Mortgage Debt Financing and Repayment Activity

During Q2-21, the REIT repaid two mortgages in the amount of \$140,369. Additionally, the REIT received a net uplift upon renewal of two maturing mortgages and drew on a construction loan, net of financing costs, in the amount of \$23,179.

DISTRIBUTIONS

In Q2-21, Artis declared distributions of \$23,922 (YTD - \$47,301) to unitholders, which included distributions to preferred unitholders in the amount of \$4,322 (YTD - \$8,659).

SELECTED FINANCIAL INFORMATION

000's, except per unit amounts	Three months ended			% Change	Six months ended			% Change
	2021	June 30, 2020	Change		2021	June 30, 2020	Change	
Revenue:								
Rental revenue from investment properties	\$101,934	\$114,038	\$ (12,104)	(10.6)%	\$208,950	\$232,579	\$ (23,629)	(10.2)%
Condominium sales	1,365	—	1,365	— %	15,226	—	15,226	— %
Total revenue	103,299	114,038	(10,739)	(9.4)%	224,176	232,579	(8,403)	(3.6)%
Net operating income	\$ 62,037	\$ 67,139	\$ (5,102)	(7.6)%	\$126,269	\$136,291	\$ (10,022)	(7.4)%
Net income (loss)	217,056	54,750	162,306	296.4 %	288,916	(56,580)	345,496	(610.6)%
Total comprehensive income (loss)	198,431	(3,242)	201,673	(6,220.6)%	253,422	10,955	242,467	2,213.3 %
Basic income (loss) per common unit	1.62	0.37	1.25	337.8 %	2.11	(0.48)	2.59	(539.6)%
Diluted income (loss) per common unit	1.61	0.36	1.25	347.2 %	2.10	(0.50)	2.60	(520.0)%
Distributions per unit:								
Common units	\$ 0.15	\$ 0.14	\$ 0.01	7.1 %	\$ 0.29	\$ 0.27	\$ 0.02	7.4 %
Preferred units - Series A	0.35	0.35	—	— %	0.71	0.71	—	— %
Preferred units - Series E	0.34	0.34	—	— %	0.68	0.68	—	— %
Preferred units - Series I	0.38	0.38	—	— %	0.75	0.75	—	— %
FFO ⁽¹⁾	\$ 45,428	\$ 49,358	\$ (3,930)	(8.0)%	\$ 92,001	\$ 95,799	\$ (3,798)	(4.0)%
FFO per unit ⁽¹⁾	0.34	0.36	(0.02)	(5.6)%	0.69	0.69	—	— %
FFO payout ratio ⁽¹⁾	44.1 %	38.9 %		5.2 %	42.0 %	39.1 %		2.9 %
AFFO ⁽¹⁾	\$ 32,795	\$ 36,499	\$ (3,704)	(10.1)%	\$ 66,730	\$ 70,160	\$ (3,430)	(4.9)%
AFFO per unit ⁽¹⁾	0.25	0.27	(0.02)	(7.4)%	0.50	0.51	(0.01)	(2.0)%
AFFO payout ratio ⁽¹⁾	60.0 %	51.9 %		8.1 %	58.0 %	52.9 %		5.1 %
Same Property NOI decline ⁽¹⁾	(3.9)%	(2.0)%		(1.9)%	(4.7)%	(0.2)%		(4.5)%
Adjusted EBITDA interest coverage ratio ⁽¹⁾	3.81	3.50	0.31	8.9 %	3.75	3.29	0.46	14.0 %

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

Rental revenue from investment properties and net operating income decreased quarter-over-quarter primarily due to the impact of dispositions as the REIT disposed numerous properties throughout 2020 and 2021. This decrease was partially offset by completed new developments in 2020, 330 Main and Linden Ridge Shopping Centre II.

The COVID-19 pandemic continues to impact Artis' financial results. The REIT recorded bad debt expense and rent abatements in the amount of \$368 in Q2-21, compared to \$3,260 in Q2-20, 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.

Net income and total comprehensive income were impacted by the fair value change on investment properties (gain of \$173,874 in Q2-21 compared to gain of \$8,283 in Q2-20), the fair value change on financial instruments (gain of \$6,026 in Q2-21 compared to a loss of \$3,961 in Q2-20), and a decrease in interest expense (\$17,562 in Q2-21, compared to \$21,065 in Q2-20).

Partially offsetting the above is an increase to corporate expenses (\$3,145 in Q2-21 compared to \$2,279 in Q2-20) primarily due to the change in unit based compensation, a decrease to income from equity accounted investments (loss of \$136 in Q2-21, compared to income of \$5,615 in Q2-20) and a decrease to interest income (\$333 in Q2-21 compared to \$1,371 in Q2-20).

Foreign exchange had an impact on Artis' financial results, due to a lower US dollar to Canadian dollar average exchange rate of 1.2280 in Q2-21, compared to 1.3859 in Q2-20.

FFO per unit for Q2-21 was \$0.34, compared to \$0.36 for Q2-20, while AFFO per unit for Q2-21 was \$0.25, compared to \$0.27 for Q2-20. FFO per unit and AFFO per unit were impacted by the units acquired and cancelled under the NCIB.

The REIT reported conservative FFO and AFFO payout ratios of 44.1% and 60.0%, respectively, for Q2-21.

BALANCE SHEET METRICS

000's, except per unit amounts	June 30, 2021	December 31, 2020	% Change
NAV per unit ⁽¹⁾	\$ 16.78	\$ 15.03	11.6 %
<u>IFRS</u>			
Secured mortgages and loans to GBV ⁽¹⁾	23.6 %	26.2 %	(2.6)%
Total long-term debt and credit facilities to GBV ⁽¹⁾	47.5 %	49.3 %	(1.8)%
Fair value of unencumbered assets	\$ 2,363,222	\$ 1,901,073	24.3 %
Total assets	4,955,764	4,859,841	2.0 %
Total non-current financial liabilities	1,619,338	1,648,305	(1.8)%
<u>Proportionate Share</u>			
Total long-term debt and credit facilities to Adjusted EBITDA ⁽¹⁾	9.1	9.4	(3.2)%
Secured mortgages and loans to GBV ⁽¹⁾	24.8 %	27.7 %	(2.9)%
Total long-term debt and credit facilities to GBV ⁽¹⁾	48.2 %	50.2 %	(2.0)%
Fair value of unencumbered assets	\$ 2,401,426	\$ 1,941,959	23.7 %
Total assets	5,057,040	4,987,006	1.4 %
Total non-current financial liabilities	1,655,583	1,698,137	(2.5)%

(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 \$16.78 at June 30, 2021, compared to \$15.03 at December 31, 2020. The increase is primarily due to the fair value gain on investment properties, net operating income and the impact of units purchased under the NCIB, partially offset by distributions to unitholders and the impact of foreign exchange.

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

ANALYSIS OF OPERATING RESULTS

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

Three months ended June 30,						
2021				2020		
	Per consolidated financial statements	Adjustment ⁽¹⁾	Total Proportionate Share	Per consolidated financial statements	Adjustment ⁽¹⁾	Total Proportionate Share
Revenue:						
Rental revenue from investment properties	\$ 101,934	\$ 3,697	\$ 105,631	\$ 114,038	\$ 5,593	\$ 119,631
Condominium sales	1,365	—	1,365	—	—	—
Total revenue	103,299	3,697	106,996	114,038	5,593	119,631
Expenses:						
Property operating	23,648	924	24,572	27,877	1,357	29,234
Realty taxes	16,382	729	17,111	19,022	1,190	20,212
Condominium cost of sales	1,232	—	1,232	—	—	—
Total operating expenses	41,262	1,653	42,915	46,899	2,547	49,446
Net operating income	62,037	2,044	64,081	67,139	3,046	70,185
Other income (expenses):						
Corporate expenses	(3,145)	—	(3,145)	(2,279)	—	(2,279)
Strategic initiative expenses	—	—	—	(384)	—	(384)
Interest expense	(17,562)	(655)	(18,217)	(21,065)	(1,202)	(22,267)
Interest income	333	1	334	1,371	1	1,372
Distributions from equity securities	12	—	12	—	—	—
Net (loss) income from equity accounted investments	(136)	136	—	5,615	(5,615)	—
Fair value gain (loss) on investment properties	173,874	(1,520)	172,354	8,283	3,770	12,053
Foreign currency translation (loss) gain	(3,716)	—	(3,716)	190	—	190
Fair value gain (loss) on financial instruments	6,026	—	6,026	(3,961)	—	(3,961)
Income before income taxes	217,723	6	217,729	54,909	—	54,909
Income tax expense	(667)	(6)	(673)	(159)	—	(159)
Net income	217,056	—	217,056	54,750	—	54,750
Other comprehensive loss:						
Unrealized foreign currency translation loss	(16,915)	(1,710)	(18,625)	(51,929)	(6,063)	(57,992)
Unrealized foreign currency translation loss on equity accounted investments	(1,710)	1,710	—	(6,063)	6,063	—
	(18,625)	—	(18,625)	(57,992)	—	(57,992)
Total comprehensive income (loss)	\$ 198,431	\$ —	\$ 198,431	\$ (3,242)	\$ —	\$ (3,242)

(1) Adjustment to reflect equity accounted investments on a Proportionate Share basis.

Six months ended June 30,							
2021				2020			
	Per consolidated financial statements	Adjustment ⁽¹⁾	Total Proportionate Share	Per consolidated financial statements	Adjustment ⁽¹⁾	Total Proportionate Share	
Revenue:							
Rental revenue from investment properties	\$ 208,950	\$ 7,854	\$ 216,804	\$ 232,579	\$ 10,879	\$ 243,458	
Condominium sales	15,226	—	15,226	—	—	—	
Total revenue	224,176	7,854	232,030	232,579	10,879	243,458	
Expenses:							
Property operating	49,235	1,775	51,010	57,436	2,738	60,174	
Realty taxes	34,537	1,645	36,182	38,852	2,354	41,206	
Condominium cost of sales	14,135	—	14,135	—	—	—	
Total operating expenses	97,907	3,420	101,327	96,288	5,092	101,380	
Net operating income	126,269	4,434	130,703	136,291	5,787	142,078	
Other income (expenses):							
Corporate expenses	(6,697)	—	(6,697)	(2,361)	—	(2,361)	
Strategic initiative expenses	(18)	—	(18)	(1,115)	—	(1,115)	
Interest expense	(36,350)	(1,373)	(37,723)	(45,624)	(2,550)	(48,174)	
Interest income	709	2	711	2,867	4	2,871	
Distributions from equity securities	12	—	12	—	—	—	
Net income from equity accounted investments	6,209	(6,209)	—	6,598	(6,598)	—	
Fair value gain (loss) on investment properties	192,221	3,152	195,373	(133,152)	3,357	(129,795)	
Foreign currency translation loss	(5,771)	—	(5,771)	(912)	—	(912)	
Transaction costs	(11)	—	(11)	—	—	—	
Fair value gain (loss) on financial instruments	13,144	—	13,144	(18,782)	—	(18,782)	
Income (loss) before income taxes	289,717	6	289,723	(56,190)	—	(56,190)	
Income tax expense	(801)	(6)	(807)	(390)	—	(390)	
Net income (loss)	288,916	—	288,916	(56,580)	—	(56,580)	
Other comprehensive (loss) income:							
Unrealized foreign currency translation (loss) gain	(32,161)	(3,333)	(35,494)	60,525	7,010	67,535	
Unrealized foreign currency translation (loss) gain on equity accounted investments	(3,333)	3,333	—	7,010	(7,010)	—	
	(35,494)	—	(35,494)	67,535	—	67,535	
Total comprehensive income	\$ 253,422	\$ —	\$ 253,422	\$ 10,955	\$ —	\$ 10,955	

(1) Adjustment to reflect equity accounted investments on a Proportionate Share basis.

RENTAL REVENUE FROM INVESTMENT PROPERTIES AND PROPERTY NOI

Three months ended June 30,							
2021				2020			
	IFRS	Adjustment ⁽¹⁾	Total Proportionate Share		IFRS	Adjustment ⁽¹⁾	Total Proportionate Share
Rental revenue from investment properties							
Rental income	\$ 106,849	\$ 3,675	\$ 110,524	\$ 119,129	\$ 5,534	\$ 124,663	
Tenant inducements amortized to revenue	(6,420)	(118)	(6,538)	(6,282)	(333)	(6,615)	
Straight-line rent adjustments	1,178	140	1,318	1,052	352	1,404	
Lease termination income	327	—	327	139	40	179	
	101,934	3,697	105,631	114,038	5,593	119,631	
Property operating and realty tax expenses	40,030	1,653	41,683	46,899	2,547	49,446	
Property NOI	\$ 61,904	\$ 2,044	\$ 63,948	\$ 67,139	\$ 3,046	\$ 70,185	

Six months ended June 30,							
2021				2020			
	IFRS	Adjustment ⁽¹⁾	Total Proportionate Share		IFRS	Adjustment ⁽¹⁾	Total Proportionate Share
Rental revenue from investment properties							
Rental income	\$ 218,872	\$ 7,820	\$ 226,692	\$ 242,116	\$ 10,711	\$ 252,827	
Tenant inducements amortized to revenue	(12,743)	(254)	(12,997)	(12,040)	(555)	(12,595)	
Straight-line rent adjustments	2,217	288	2,505	2,293	683	2,976	
Lease termination income	604	—	604	210	40	250	
	208,950	7,854	216,804	232,579	10,879	243,458	
Property operating and realty tax expenses	83,772	3,420	87,192	96,288	5,092	101,380	
Property NOI	\$ 125,178	\$ 4,434	\$ 129,612	\$ 136,291	\$ 5,787	\$ 142,078	

(1) Adjustment to reflect equity accounted investments on a Proportionate Share basis.

Rental income is revenue earned from tenants primarily related to lease agreements. In Q2-21, rental income was impacted by rent abatements in the amount of \$277 (YTD - \$574), compared to \$454 (YTD - \$505) in Q2-20, 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 \$91 (YTD - \$226) in Q2-21 compared to \$2,806 (YTD - \$2,952) in Q2-20. 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.

CONDOMINIUM SALES AND COST OF SALES

During Q2-21, one commercial condominium unit was sold for consideration of \$1,365 (YTD - 18 units for consideration of \$15,226) and cost of sales related to the unit sold was \$1,232 (YTD - \$14,135).

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 as at June 30, 2021.

	Three months ended June 30,			% Change	Six months ended June 30,			% Change
	2021	2020	Change		2021	2020	Change	
Property NOI	\$ 63,948	\$ 70,185			\$ 129,612	\$ 142,078		
Add (deduct) Property NOI from:								
Dispositions and unconditional dispositions	(4,731)	(9,005)			(6,293)	(13,613)		
(Re)development properties	8	(4)			(194)	63		
Lease termination income adjustments	(171)	(39)			(419)	399		
Other	(1,696)	(530)			(2,621)	(428)		
	(6,590)	(9,578)			(9,527)	(13,579)		
Straight-line rent adjustments	(1,347)	(1,307)			(2,513)	(2,680)		
Tenant inducements amortized to revenue	6,265	5,520			12,525	10,688		
Same Property NOI	\$ 62,276	\$ 64,820	\$ (2,544)	(3.9)%	\$ 130,097	\$ 136,507	\$ (6,410)	(4.7)%

(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.

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 June 30,			% Change	Six months ended June 30,			% Change
	2021	2020	Change		2021	2020	Change	
Canada:								
Industrial	\$ 7,337	\$ 7,106	\$ 231	3.3 %	\$ 19,586	\$ 19,110	\$ 476	2.5 %
Office	10,899	10,036	863	8.6 %	21,601	21,272	329	1.5 %
Retail	11,956	10,503	1,453	13.8 %	23,205	22,218	987	4.4 %
Total Canada	30,192	27,645	2,547	9.2 %	64,392	62,600	1,792	2.9 %
U.S.:								
Industrial	9,639	9,315	324	3.5 %	19,577	18,661	916	4.9 %
Office	16,485	17,502	(1,017)	(5.8)%	33,089	35,486	(2,397)	(6.8)%
Total U.S.	26,124	26,817	(693)	(2.6)%	52,666	54,147	(1,481)	(2.7)%
Total in functional currency	56,316	54,462	1,854	3.4 %	117,058	116,747	311	0.3 %
Foreign exchange	5,960	10,358	(4,398)	(42.5)%	13,039	19,760	(6,721)	(34.0)%
Same Property NOI	\$ 62,276	\$ 64,820	\$ (2,544)	(3.9)%	\$ 130,097	\$ 136,507	\$ (6,410)	(4.7)%

	Three months ended				Six months ended			
	June 30,		Change	% Change	June 30,		Change	% Change
	2021	2020			2021	2020		
Industrial	\$ 19,174	\$ 20,020	\$ (846)	(4.2)%	\$ 44,010	\$ 44,589	\$ (579)	(1.3)%
Office	31,146	34,297	(3,151)	(9.2)%	62,882	69,700	(6,818)	(9.8)%
Retail	11,956	10,503	1,453	13.8 %	23,205	22,218	987	4.4 %
Same Property NOI	\$ 62,276	\$ 64,820	\$ (2,544)	(3.9)%	\$ 130,097	\$ 136,507	\$ (6,410)	(4.7)%

Same Property NOI by Geographical Region

	Three months ended				Six months ended			
	June 30,		Change	% Change	June 30,		Change	% Change
	2021	2020			2021	2020		
Alberta	\$ 12,372	\$ 11,612	\$ 760	6.5 %	\$ 24,249	\$ 23,897	\$ 352	1.5 %
British Columbia	1,625	1,534	91	5.9 %	3,168	3,059	109	3.6 %
Manitoba	11,260	9,677	1,583	16.4 %	22,246	20,956	1,290	6.2 %
Ontario	1,808	1,781	27	1.5 %	8,541	8,633	(92)	(1.1)%
Saskatchewan	3,127	3,041	86	2.8 %	6,188	6,055	133	2.2 %
Arizona	4,981	5,328	(347)	(6.5)%	10,144	10,561	(417)	(3.9)%
Colorado	2,056	2,138	(82)	(3.8)%	4,165	4,321	(156)	(3.6)%
Minnesota	11,359	11,573	(214)	(1.8)%	23,056	23,551	(495)	(2.1)%
New York	387	333	54	16.2 %	768	669	99	14.8 %
Texas	1,987	1,691	296	17.5 %	4,083	3,466	617	17.8 %
Wisconsin	5,354	5,754	(400)	(7.0)%	10,450	11,579	(1,129)	(9.8)%
Total in functional currency	56,316	54,462	1,854	3.4 %	117,058	116,747	311	0.3 %
Foreign exchange	5,960	10,358	(4,398)	(42.5)%	13,039	19,760	(6,721)	(34.0)%
Same Property NOI	\$ 62,276	\$ 64,820	\$ (2,544)	(3.9)%	\$ 130,097	\$ 136,507	\$ (6,410)	(4.7)%

Same Property Occupancy Report

Geographical Region	As at June 30,		Asset Class	As at June 30,	
	2021	2020		2021	2020
Canada:			Industrial	93.5%	92.9%
Alberta	84.5%	84.2%	Office	84.6%	88.2%
British Columbia	94.4%	91.1%	Retail	89.0%	85.3%
Manitoba	92.5%	89.1%			
Ontario	87.0%	91.6%	Total	89.5%	90.0%
Saskatchewan	96.6%	98.4%			
Total Canada	90.1%	88.5%			
U.S.:					
Arizona	92.0%	94.5%			
Colorado	88.3%	94.0%			
Minnesota	88.5%	93.1%			
New York	100.0%	100.0%			
Texas	91.8%	81.9%			
Wisconsin	84.8%	87.9%			
Total U.S.	89.1%	91.2%			
Total	89.5%	90.0%			

Same Property NOI - Excluding Bad Debt Expense and Rent Abatements

As the COVID-19 pandemic has resulted in bad debt provisions related to the collectability of rents receivable from certain tenants, Artis has calculated Same Property NOI excluding bad debt expense and rent abatements.

Same Property NOI by Asset Class - Excluding Bad Debt Expense and Rent Abatements

	Three months ended June 30,					Six months ended June 30,			
	2021	2020	Change	% Change		2021	2020	Change	% Change
Canada:									
Industrial	\$ 7,363	\$ 7,212	\$ 151	2.1 %		\$ 19,550	\$ 19,217	\$ 333	1.7 %
Office	10,924	10,425	499	4.8 %		21,582	21,662	(80)	(0.4)%
Retail	11,819	11,874	(55)	(0.5)%		23,396	23,775	(379)	(1.6)%
Total Canada	30,106	29,511	595	2.0 %		64,528	64,654	(126)	(0.2)%
U.S.:									
Industrial	9,718	9,488	230	2.4 %		19,661	18,834	827	4.4 %
Office	16,757	17,976	(1,219)	(6.8)%		33,626	35,981	(2,355)	(6.5)%
Total U.S.	26,475	27,464	(989)	(3.6)%		53,287	54,815	(1,528)	(2.8)%
Total in functional currency	56,581	56,975	(394)	(0.7)%		117,815	119,469	(1,654)	(1.4)%
Foreign exchange	6,039	10,595	(4,556)	(43.0)%		13,189	20,007	(6,818)	(34.1)%
Same Property NOI, excluding bad debt expense and rent abatements	\$ 62,620	\$ 67,570	\$ (4,950)	(7.3)%		\$ 131,004	\$ 139,476	\$ (8,472)	(6.1)%

Same Property NOI by Geographical Region - Excluding Bad Debt Expense and Rent Abatements

	Three months ended June 30,					Six months ended June 30,			
	2021	2020	Change	% Change		2021	2020	Change	% Change
Alberta	\$ 12,215	\$ 12,616	\$ (401)	(3.2)%		\$ 24,285	\$ 25,048	\$ (763)	(3.0)%
British Columbia	1,635	1,573	62	3.9 %		3,177	3,098	79	2.6 %
Manitoba	11,304	10,225	1,079	10.6 %		22,310	21,505	805	3.7 %
Ontario	1,795	1,915	(120)	(6.3)%		8,477	8,767	(290)	(3.3)%
Saskatchewan	3,157	3,182	(25)	(0.8)%		6,279	6,236	43	0.7 %
Arizona	5,059	5,352	(293)	(5.5)%		10,213	10,585	(372)	(3.5)%
Colorado	2,058	2,345	(287)	(12.2)%		4,171	4,528	(357)	(7.9)%
Minnesota	11,540	11,790	(250)	(2.1)%		23,416	23,787	(371)	(1.6)%
New York	387	333	54	16.2 %		768	669	99	14.8 %
Texas	2,060	1,698	362	21.3 %		4,156	3,473	683	19.7 %
Wisconsin	5,371	5,946	(575)	(9.7)%		10,563	11,773	(1,210)	(10.3)%
Total in functional currency	56,581	56,975	(394)	(0.7)%		117,815	119,469	(1,654)	(1.4)%
Foreign exchange	6,039	10,595	(4,556)	(43.0)%		13,189	20,007	(6,818)	(34.1)%
Same Property NOI, excluding bad debt expense and rent abatements	\$ 62,620	\$ 67,570	\$ (4,950)	(7.3)%		\$ 131,004	\$ 139,476	\$ (8,472)	(6.1)%

PROPERTY NOI BY ASSET CLASS

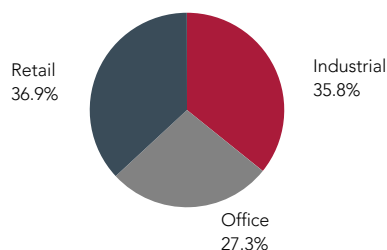
	IFRS			IFRS			Proportionate Share			Proportionate Share		
	Q2-21	Q2-20	Change	YTD-21	YTD-20	Change	Q2-21	Q2-20	Change	YTD-21	YTD-20	Change
Canada:												
Industrial	\$ 10,452	\$ 10,359	\$ 93	\$ 20,924	\$ 21,105	\$ (181)	\$ 11,807	\$ 11,713	\$ 94	\$ 23,617	\$ 23,814	\$ (197)
Office	9,002	9,452	(450)	18,082	20,133	(2,051)	9,002	9,452	(450)	18,082	20,133	(2,051)
Retail	12,184	12,056	128	24,613	25,479	(866)	12,184	12,056	128	24,613	25,479	(866)
	31,638	31,867	(229)	63,619	66,717	(3,098)	32,993	33,221	(228)	66,312	69,426	(3,114)
U.S.:												
Industrial	11,961	12,387	(426)	23,814	24,252	(438)	12,573	13,042	(469)	25,309	25,711	(402)
Office	18,243	22,820	(4,577)	37,646	45,230	(7,584)	18,320	23,857	(5,537)	37,892	46,849	(8,957)
	30,204	35,207	(5,003)	61,460	69,482	(8,022)	30,893	36,899	(6,006)	63,201	72,560	(9,359)
Total portfolio:												
Industrial	22,413	22,746	(333)	44,738	45,357	(619)	24,380	24,755	(375)	48,926	49,525	(599)
Office	27,245	32,272	(5,027)	55,728	65,363	(9,635)	27,322	33,309	(5,987)	55,974	66,982	(11,008)
Retail	12,184	12,056	128	24,613	25,479	(866)	12,184	12,056	128	24,613	25,479	(866)
	61,842	67,074	(5,232)	125,079	136,199	(11,120)	63,886	70,120	(6,234)	129,513	141,986	(12,473)
REIT	62	65	(3)	99	92	7	62	65	(3)	99	92	7
Property NOI	\$ 61,904	\$ 67,139	\$ (5,235)	\$ 125,178	\$ 136,291	\$ (11,113)	\$ 63,948	\$ 70,185	\$ (6,237)	\$ 129,612	\$ 142,078	\$ (12,466)

The U.S. office segment was impacted by dispositions in 2020 and increased vacancy in certain properties.

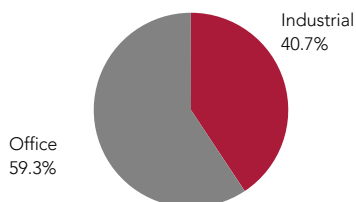
Proportionate Share Property NOI in all regions was impacted by changes in bad debt provisions and rent abatements. The U.S. portfolio was also impacted by the effect of foreign exchange.

The information below is based on Proportionate Share Property NOI:

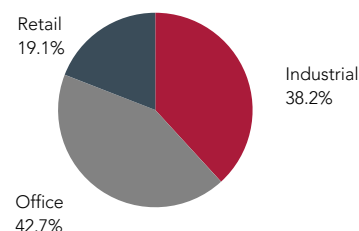
Canadian Portfolio (Q2-21)



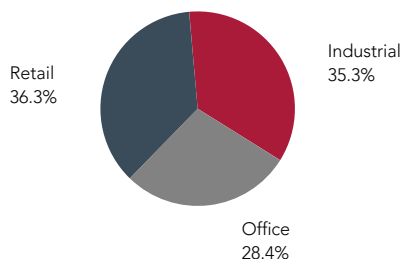
U.S. Portfolio (Q2-21)



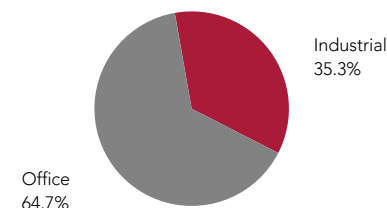
Total Portfolio (Q2-21)



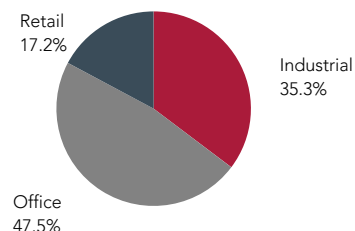
Canadian Portfolio (Q2-20)



U.S. Portfolio (Q2-20)



Total Portfolio (Q2-20)



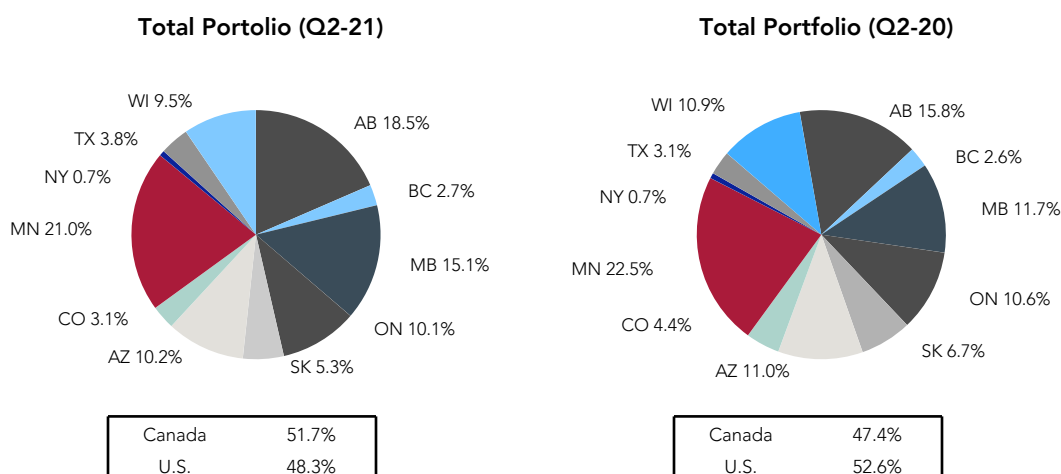
PROPERTY NOI BY GEOGRAPHICAL REGION

	IFRS			IFRS			Proportionate Share			Proportionate Share		
	Q2-21	Q2-20	Change	YTD-21	YTD-20	Change	Q2-21	Q2-20	Change	YTD-21	YTD-20	Change
Canada:												
Alberta	\$ 10,963	\$ 10,230	\$ 733	\$ 21,265	\$ 21,209	\$ 56	\$ 11,812	\$ 11,078	\$ 734	\$ 22,955	\$ 22,905	\$ 50
British Columbia	1,565	1,718	(153)	2,932	3,504	(572)	1,693	1,846	(153)	3,187	3,761	(574)
Manitoba	9,654	8,197	1,457	19,401	18,027	1,374	9,654	8,197	1,457	19,401	18,027	1,374
Ontario	6,458	7,398	(940)	12,996	15,181	(2,185)	6,458	7,398	(940)	12,996	15,181	(2,185)
Saskatchewan	2,998	4,324	(1,326)	7,025	8,796	(1,771)	3,376	4,702	(1,326)	7,773	9,552	(1,779)
	31,638	31,867	(229)	63,619	66,717	(3,098)	32,993	33,221	(228)	66,312	69,426	(3,114)
U.S.:												
Arizona	6,517	7,720	(1,203)	12,923	14,918	(1,995)	6,518	7,720	(1,202)	12,925	14,918	(1,993)
Colorado	1,778	2,150	(372)	3,727	4,487	(760)	2,012	3,069	(1,057)	4,355	6,215	(1,860)
Minnesota	13,403	15,148	(1,745)	27,655	30,308	(2,653)	13,402	15,809	(2,407)	27,657	31,280	(3,623)
New York	463	490	(27)	1,049	991	58	463	490	(27)	1,049	991	58
Texas	1,945	2,079	(134)	4,012	4,206	(194)	2,400	2,191	209	5,121	4,584	537
Wisconsin	6,098	7,620	(1,522)	12,094	14,572	(2,478)	6,098	7,620	(1,522)	12,094	14,572	(2,478)
	30,204	35,207	(5,003)	61,460	69,482	(8,022)	30,893	36,899	(6,006)	63,201	72,560	(9,359)
Total portfolio	61,842	67,074	(5,232)	125,079	136,199	(11,120)	63,886	70,120	(6,234)	129,513	141,986	(12,473)
REIT	62	65	(3)	99	92	7	62	65	(3)	99	92	7
Property NOI	\$ 61,904	\$ 67,139	\$ (5,235)	\$ 125,178	\$ 136,291	\$ (11,113)	\$ 63,948	\$ 70,185	\$ (6,237)	\$ 129,612	\$ 142,078	\$ (12,466)

In Q2-21, Proportionate Share Property NOI decreased in Saskatchewan primarily due to dispositions in 2020 and 2021, decreased in Ontario, Arizona and Minnesota due to dispositions in 2020 and decreased in Colorado due to a disposition in 2021. Proportionate Share Property NOI increased in Manitoba primarily due to increased occupancy at an office property in Winnipeg, Manitoba.

Proportionate Share Property NOI in all regions was impacted by changes in bad debt provisions and rent abatements. The U.S. portfolio was also impacted by the effect of foreign exchange.

The information below is based on Proportionate Share Property NOI:



CORPORATE EXPENSES

	Three months ended June 30,				Six months ended June 30,			
	2021	2020	Change	% Change	2021	2020	Change	% Change
Accounting, legal and consulting	911	673	238	35.4 %	1,969	1,363	606	44.5 %
Public company costs	351	216	135	62.5 %	743	565	178	31.5 %
Unit-based compensation	699	340	359	105.6 %	1,540	(1,824)	3,364	(184.4)%
Salaries and benefits	543	499	44	8.8 %	1,079	934	145	15.5 %
Depreciation of property and equipment	344	343	1	0.3 %	671	681	(10)	(1.5)%
General and administrative	297	208	89	42.8 %	695	642	53	8.3 %
Total corporate expenses	\$ 3,145	\$ 2,279	\$ 866	38.0 %	\$ 6,697	\$ 2,361	\$ 4,336	183.7 %

Corporate expenses in Q2-21 were \$3,145 (YTD - \$6,697), or 3.0% (YTD - 3.0%) of total revenues compared to \$2,279 (YTD - \$2,361), or 2.0% (YTD - 1.0%) of total revenues in Q2-20.

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

INTEREST EXPENSE

	Three months ended June 30,				Six months ended June 30,			
	2021	2020	Change	% Change	2021	2020	Change	% Change
Mortgages and other loans ⁽¹⁾	\$ 8,757	\$ 9,771	\$ (1,014)		\$ 17,594	\$ 20,942	\$ (3,348)	
Senior unsecured debentures	2,454	2,433	21		6,292	5,589	703	
Credit facilities ⁽¹⁾	5,237	6,758	(1,521)		10,046	14,860	(4,814)	
Preferred shares ⁽¹⁾	33	33	—		66	67	(1)	
	16,481	18,995	(2,514)	(13.2)%	33,998	41,458	(7,460)	(18.0)%
Foreign exchange	1,081	2,070	(989)		2,352	4,166	(1,814)	
Total interest expense	\$ 17,562	\$ 21,065	\$ (3,503)	(16.6)%	\$ 36,350	\$ 45,624	\$ (9,274)	(20.3)%
Mortgages and other loans included in equity accounted investments ⁽¹⁾	585	948	(363)		1,211	2,026	(815)	
Foreign exchange included in equity accounted investments	70	254	(184)		162	524	(362)	
Total Proportionate Share interest expense	\$ 18,217	\$ 22,267	\$ (4,050)	(18.2)%	\$ 37,723	\$ 48,174	\$ (10,451)	(21.7)%

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

During Q2-21, interest expense on mortgages and other loans decreased primarily due to the repayment of mortgages upon disposition of investment properties and the repayment of maturing mortgages. Interest expense on credit facilities decreased primarily due to lower balances drawn on the revolving credit facilities during the quarter 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.

The REIT's weighted-average effective rate at June 30, 2021, on mortgages and other loans secured by properties, inclusive of properties held in equity accounted investments, was 3.24%, unchanged compared to December 31, 2020. The weighted-average nominal interest rate on mortgages and other loans secured by properties, inclusive of properties held in equity accounted investments, at June 30, 2021, was 2.98%, compared to 3.01% at December 31, 2020.

FAIR VALUE GAIN (LOSS) ON INVESTMENT PROPERTIES

The changes in fair value on investment properties, period-over-period, are recognized as fair value gains and losses in the consolidated statement of operations. Fair values of the investment properties are determined through either the discounted cash flow method or the overall capitalization method. External valuations are performed for a selection of properties representing various geographical regions and asset classes across the REIT's portfolio. Fair value changes in individual properties result from changes in the projected income and cash flow projections of those properties, as well as from changes in capitalization rates and discount rates applied. In Q2-21, the Proportionate Share fair value gain on investment properties was \$172,354 (YTD - gain of \$195,373), compared to a gain of \$12,053 (YTD - loss of \$129,795) in Q2-20. The fair value gain in Q2-21 was primarily due to capitalization rate compression and higher expected market rents across the industrial portfolio, particularly within the Greater Toronto Area, Ontario. This was partially offset by a fair value loss primarily resulting from capitalization rate expansion in certain office markets and an increase in budgeted project costs and extension of the expected lease-up period for a residential property under development.

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

	IFRS		Proportionate Share	
	Q2-21	YTD-21	Q2-21	YTD-21
Canada:				
Industrial	\$ 206,072	\$ 230,424	\$ 208,025	\$ 232,049
Office	(17,955)	(30,488)	(17,955)	(30,488)
Retail	(4,830)	(8,045)	(4,830)	(8,045)
Residential	(14,735)	(14,735)	(14,735)	(14,735)
	168,552	177,156	170,505	178,781
U.S.:				
Industrial	20,821	28,250	20,932	34,768
Office	(15,499)	(13,185)	(19,083)	(18,176)
	5,322	15,065	1,849	16,592
Total portfolio:				
Industrial	226,893	258,674	228,957	266,817
Office	(33,454)	(43,673)	(37,038)	(48,664)
Retail	(4,830)	(8,045)	(4,830)	(8,045)
Residential	(14,735)	(14,735)	(14,735)	(14,735)
Total portfolio	\$ 173,874	\$ 192,221	\$ 172,354	\$ 195,373

FOREIGN CURRENCY TRANSLATION (LOSS) GAIN

Artis held certain US dollar denominated monetary assets and liabilities, including cash, deposits and a portion of its revolving term credit facilities. The foreign currency translation (loss) 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 loss of \$3,716 (YTD - loss of \$5,771) in Q2-21, compared to gain of \$190 (YTD - loss of \$912) in Q2-20.

FAIR VALUE GAIN (LOSS) ON FINANCIAL INSTRUMENTS

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 gain on the fair value adjustment of the interest rate swaps outstanding of \$2,557 (YTD - gain of \$7,636) in Q2-21, compared to an unrealized loss of \$3,186 (YTD - loss of \$21,355) in Q2-20. 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 \$3,488 (YTD - gain of \$5,527) in Q2-21 on the fair value of outstanding foreign currency contracts, compared to an unrealized loss of \$338 (YTD - gain of \$3,010) in Q2-20.

INCOME TAX

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

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

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

OTHER COMPREHENSIVE (LOSS) INCOME

Other comprehensive (loss) income includes unrealized foreign currency translation losses of \$18,625 (YTD - losses of \$35,494) in Q2-21, compared to losses of \$57,992 (YTD - gains of \$67,535) in Q2-20. Foreign currency translation gains and losses relate to the REIT's net investments in its U.S. subsidiaries.

FUNDS FROM OPERATIONS AND ADJUSTED FUNDS FROM OPERATIONS

Artis calculates FFO and AFFO substantially in accordance with the guidelines set out by REALpac, as issued in February 2019.

Reconciliation of Net Income to FFO and AFFO

000's, except per unit amounts	Three months ended		Change	% Change	Six months ended		Change	% Change
	2021	June 30, 2020			2021	June 30, 2020		
Net income (loss)	\$ 217,056	\$ 54,750			\$ 288,916	\$ (56,580)		
Add (deduct):								
Fair value (gain) loss on investment properties ⁽¹⁾	(172,354)	(12,053)			(195,373)	129,795		
Tenant inducements amortized to revenue ⁽¹⁾	6,538	6,615			12,997	12,595		
Transaction costs on acquisitions	—	—			11	—		
Strategic initiative expenses	—	384			18	1,115		
Foreign currency translation loss (gain)	3,716	(190)			5,771	912		
Fair value (gain) loss on financial instruments	(6,026)	3,961			(13,144)	18,782		
Deferred income tax (recovery) expense	(19)	54			(15)	25		
Remeasurement component of unit-based compensation	(4)	(634)			(129)	(3,831)		
Distributions on preferred shares treated as interest expense	41	46			83	91		
Incremental leasing costs	802	769			1,525	1,618		
Preferred unit distributions	(4,322)	(4,344)			(8,659)	(8,723)		
FFO	\$ 45,428	\$ 49,358	\$ (3,930)	(8.0)%	\$ 92,001	\$ 95,799	\$ (3,798)	(4.0)%
Add (deduct):								
Amortization of recoverable capital expenditures ⁽¹⁾	\$ (2,315)	\$ (2,505)			\$ (4,766)	\$ (4,913)		
Non-recoverable property maintenance reserve ⁽¹⁾	(1,100)	(1,100)			(2,200)	(2,200)		
Leasing costs reserve ⁽¹⁾	(7,900)	(7,850)			(15,800)	(15,550)		
Straight-line rent adjustments ⁽¹⁾	(1,318)	(1,404)			(2,505)	(2,976)		
AFFO	\$ 32,795	\$ 36,499	\$ (3,704)	(10.1)%	\$ 66,730	\$ 70,160	\$ (3,430)	(4.9)%
FFO per unit:								
Basic	\$ 0.35	\$ 0.36	\$ (0.01)	(2.8)%	\$ 0.69	\$ 0.70	\$ (0.01)	(1.4)%
Diluted	0.34	0.36	(0.02)	(5.6)%	0.69	0.69	—	0.0 %
AFFO per unit:								
Basic	\$ 0.25	\$ 0.27	\$ (0.02)	(7.4)%	\$ 0.50	\$ 0.51	\$ (0.01)	(2.0)%
Diluted	0.25	0.27	(0.02)	(7.4)%	0.50	0.51	(0.01)	(2.0)%

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

The REIT adjusted FFO and AFFO for strategic initiative expenses of \$nil (YTD - \$18) in Q2-21 compared to \$384 (YTD - \$1,115) in Q2-20. 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 Q2-21 were primarily impacted by dispositions completed in 2020 and 2021 and a lower US dollar to Canadian dollar average exchange rate in Q2-21 compared to Q2-20, partially offset by new developments completed in 2020 and a quarter-over-quarter decrease to both interest expense and bad debt provisions.

FFO and AFFO per unit results have been impacted by 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 77.8% (YTD - 77.9%) is recoverable from tenants in Q2-21, compared to 78.9% (YTD - 79.3%) in Q2-20. 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.

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

	Three months ended			Six months ended	
	2021	June 30, 2020		2021	June 30, 2020
Basic units	131,594,822	136,342,845	Basic units	132,843,890	136,870,056
Add:			Add:		
Restricted units	384,412	724,784	Restricted units	362,845	713,341
Deferred units	78,817	502,061	Deferred units	69,817	490,920
Diluted units	132,058,051	137,569,690	Diluted units	133,276,552	138,074,317

PORTFOLIO OCCUPANCY

Occupancy levels impact the REIT's revenues and Property NOI. Occupancy and commitments at June 30, 2021, and the previous four periods, were as follows:

Occupancy Report by Asset Class ⁽¹⁾

	Q2-21 % Committed ⁽²⁾	Q2-21	Q1-21	Q4-20	Q3-20	Q2-20
Industrial	95.8%	94.2%	95.2%	94.1%	93.8%	93.5%
Office	85.9%	84.5%	85.2%	84.0%	85.2%	86.8%
Retail	90.8%	90.1%	89.1%	87.9%	87.9%	89.7%
Total portfolio	91.8%	90.3%	91.0%	89.9%	90.0%	90.6%

Occupancy Report by Geographical Region ⁽¹⁾

	Q2-21 % Committed ⁽²⁾	Q2-21	Q1-21	Q4-20	Q3-20	Q2-20
Canada:						
Alberta	84.3 %	84.1 %	80.6 %	80.7 %	81.2 %	84.5 %
British Columbia	95.2 %	94.4 %	94.4 %	91.4 %	92.2 %	92.2 %
Manitoba	92.4 %	91.3 %	90.6 %	87.2 %	87.5 %	87.1 %
Ontario	98.1 %	94.9 %	96.0 %	96.7 %	96.0 %	95.3 %
Saskatchewan	96.6 %	96.6 %	94.4 %	94.2 %	95.6 %	96.1 %
Total Canada	92.3 %	90.9 %	90.0 %	88.9 %	89.6 %	90.1 %
U.S.:						
Arizona	97.5 %	92.0 %	91.9 %	91.7 %	93.3 %	94.9 %
Colorado	88.3 %	88.3 %	88.1 %	79.9 %	84.3 %	85.3 %
Minnesota	90.4 %	89.3 %	94.1 %	93.9 %	93.2 %	93.7 %
New York	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
Texas	92.8 %	92.3 %	90.9 %	89.9 %	83.4 %	81.9 %
Wisconsin	87.2 %	86.9 %	86.6 %	86.4 %	88.2 %	89.4 %
Total U.S.	91.3 %	89.8 %	91.9 %	90.8 %	90.5 %	91.1 %
Total portfolio	91.8 %	90.3 %	91.0 %	89.9 %	90.0 %	90.6 %

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

(2) Percentage committed is based on occupancy at June 30, 2021, plus commitments on vacant space.

PORTFOLIO LEASING ACTIVITY AND LEASE EXPIRIES

Renewal Summary ⁽¹⁾

	Q2-21	Q1-21	Q4-20	Q3-20	Q2-20	Q1-20	Q4-19	Q3-19
Leasable area renewed (in S.F.)	326,397	495,596	248,641	617,239	592,872	338,394	558,544	362,669
Increase (decrease) in weighted-average rental rate	7.3 %	4.2 %	(0.5)%	6.0 %	(3.3)%	4.5 %	8.1 %	8.7 %

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

In Q2-21, 326,397 square feet were renewed at an increase in the weighted-average rental rate of 7.3%, compared to 592,872 square feet renewed at a decrease in the weighted-average rental rate of 3.3% in Q2-20.

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

Lease Maturities and Rental Rates

In-place rents reflect the weighted-average net annual rental rate per square foot as at June 30, 2021, 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 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 and Uncertainties section of this MD&A for further information. Market rents at June 30, 2021, were estimated to be 0.9% above in-place rents across the portfolio, compared to 0.6% above in-place rents at March 31, 2021. Today's market rents for the 2021 and 2022 lease expiries are estimated to be 4.1% below and 3.7% above in-place rents, respectively.

The following tables contain information on lease maturities and rental rates and are based on owned share of GLA of properties included in the Portfolio by Asset Class table in the Portfolio section of this MD&A. Monthly tenants includes holdovers and renewals where term has not been negotiated.

Lease Maturities and Rental Rates by Asset Class

	Square Feet Expiring	% of GLA	Weighted-Average In-Place Rental Rate	Weighted-Average Market Rental Rate
<i>Industrial:</i>				
Current vacancy	696,807	3.2 %	N/A	N/A
Monthly tenants	—	— %	N/A	N/A
2021	1,189,348	5.4 %	\$6.01	\$6.64
2022	1,777,513	8.1 %	\$7.03	\$7.62
2023	1,142,699	5.2 %	\$6.88	\$7.18
2024	1,373,212	6.2 %	\$7.21	\$7.43
2025 +	5,775,015	26.2 %	\$8.33	\$8.45
	11,954,594	54.3 %	\$7.60	\$7.88
<i>Office:</i>				
Current vacancy	1,209,171	5.5 %	N/A	N/A
Monthly tenants	25,849	0.1 %	N/A	N/A
2021	1,013,428	4.6 %	\$19.74	\$17.57
2022	337,360	1.5 %	\$21.66	\$21.14
2023	703,554	3.2 %	\$18.75	\$18.50
2024	685,191	3.1 %	\$17.53	\$18.27
2025 +	3,839,349	17.5 %	\$16.84	\$17.35
	7,813,902	35.5 %	\$17.81	\$17.80
<i>Retail:</i>				
Current vacancy	222,856	1.0 %	N/A	N/A
Monthly tenants	6,643	— %	N/A	N/A
2021	194,205	0.9 %	\$26.93	\$27.65
2022	318,925	1.4 %	\$23.09	\$23.47
2023	382,645	1.7 %	\$24.56	\$23.57
2024	301,648	1.4 %	\$24.27	\$23.30
2025 +	815,793	3.8 %	\$23.05	\$22.86
	2,242,715	10.2 %	\$23.90	\$23.62
<i>Total Portfolio:</i>				
Current vacancy	2,128,834	9.7 %	N/A	N/A
Monthly tenants	32,492	0.1 %	N/A	N/A
2021	2,396,981	10.9 %	\$13.51	\$12.96
2022	2,433,798	11.0 %	\$11.16	\$11.57
2023	2,228,898	10.1 %	\$13.66	\$13.57
2024	2,360,051	10.7 %	\$12.39	\$12.60
2025 +	10,430,157	47.5 %	\$12.61	\$12.85
	22,011,211	100.0 %	\$12.64	\$12.76

Lease Maturities and Rental Rates by Geographical Location

	Square Feet Expiring	% of GLA	Weighted-Average In-Place Rental Rate	Weighted-Average Market Rental Rate
<i>Alberta:</i>				
Current vacancy	426,973	1.9 %	N/A	N/A
Monthly tenants	2,077	— %	N/A	N/A
2021	404,465	1.8 %	\$21.38	\$16.48
2022	275,075	1.2 %	\$23.15	\$22.45
2023	318,920	1.4 %	\$22.53	\$21.27
2024	197,549	0.9 %	\$22.94	\$21.85
2025 +	1,052,486	5.0 %	\$20.29	\$19.71
	2,677,545	12.2 %	\$21.39	\$19.87
<i>British Columbia:</i>				
Current vacancy	19,495	0.1 %	N/A	N/A
Monthly tenants	—	— %	N/A	N/A
2021	23,751	0.1 %	\$20.18	\$23.80
2022	20,459	0.1 %	\$23.78	\$25.46
2023	35,210	0.2 %	\$22.82	\$29.12
2024	28,126	0.1 %	\$29.90	\$31.11
2025 +	219,466	1.0 %	\$16.40	\$15.96
	346,507	1.6 %	\$18.99	\$19.85
<i>Manitoba:</i>				
Current vacancy	329,539	1.5 %	N/A	N/A
Monthly tenants	8,264	— %	N/A	N/A
2021	552,711	2.5 %	\$14.17	\$14.16
2022	373,988	1.7 %	\$8.72	\$9.46
2023	471,180	2.1 %	\$10.54	\$10.88
2024	382,285	1.7 %	\$14.87	\$13.90
2025 +	1,661,255	7.7 %	\$13.20	\$13.68
	3,779,222	17.2 %	\$12.69	\$12.94
<i>Ontario:</i>				
Current vacancy	145,101	0.7 %	N/A	N/A
Monthly tenants	—	— %	N/A	N/A
2021	174,737	0.8 %	\$6.77	\$10.03
2022	549,889	2.5 %	\$6.98	\$9.70
2023	325,894	1.5 %	\$13.35	\$13.96
2024	342,316	1.5 %	\$9.78	\$10.77
2025 +	1,330,535	6.0 %	\$10.42	\$11.71
	2,868,472	13.0 %	\$9.76	\$11.35
<i>Saskatchewan:</i>				
Current vacancy	25,273	0.1 %	N/A	N/A
Monthly tenants	5,302	— %	N/A	N/A
2021	42,108	0.2 %	\$26.59	\$27.04
2022	175,045	0.8 %	\$12.98	\$12.70
2023	57,487	0.3 %	\$19.05	\$19.66
2024	40,674	0.2 %	\$24.00	\$22.87
2025 +	391,901	1.8 %	\$15.13	\$15.71
	737,790	3.4 %	\$16.11	\$16.37
<i>Arizona:</i>				
Current vacancy	139,651	0.6 %	N/A	N/A
Monthly tenants	9,401	0.1 %	N/A	N/A
2021	232,288	1.1 %	\$23.08	\$23.25
2022	141,999	0.6 %	\$19.16	\$18.49
2023	145,760	0.7 %	\$22.85	\$22.05
2024	117,464	0.5 %	\$12.75	\$14.59
2025 +	956,437	4.3 %	\$14.52	\$15.09
	1,743,000	7.9 %	\$16.81	\$17.18

Lease Maturities and Rental Rates by Geographical Location (continued)

	Square Feet Expiring	% of GLA	Weighted-Average In-Place Rental Rate	Weighted-Average Market Rental Rate
<i>Colorado:</i>				
Current vacancy	77,776	0.4 %	N/A	N/A
Monthly tenants	5,901	— %	N/A	N/A
2021	24,796	0.1 %	\$27.69	\$25.36
2022	91,090	0.4 %	\$13.56	\$12.88
2023	58,996	0.3 %	\$22.18	\$19.48
2024	78,494	0.4 %	\$16.42	\$14.15
2025 +	325,669	1.4 %	\$20.13	\$20.00
	662,722	3.0 %	\$19.13	\$18.26
<i>Minnesota:</i>				
Current vacancy	605,728	2.7 %	N/A	N/A
Monthly tenants	646	— %	N/A	N/A
2021	791,865	3.6 %	\$6.17	\$6.22
2022	574,004	2.6 %	\$7.92	\$7.28
2023	625,205	2.8 %	\$7.14	\$7.01
2024	694,870	3.2 %	\$6.24	\$6.13
2025 +	2,373,640	10.8 %	\$10.82	\$10.56
	5,665,958	25.7 %	\$8.68	\$8.46
<i>New York:</i>				
Current vacancy	—	— %	N/A	N/A
Monthly tenants	—	— %	N/A	N/A
2021	—	— %	—	—
2022	—	— %	—	—
2023	83,003	0.4 %	\$15.28	\$15.00
2024	40,207	0.2 %	\$14.79	\$15.00
2025 +	—	— %	—	—
	123,210	0.6 %	\$15.12	\$15.00
<i>Texas:</i>				
Current vacancy	126,549	0.6 %	N/A	N/A
Monthly tenants	—	— %	N/A	N/A
2021	—	— %	—	—
2022	128,625	0.6 %	\$5.33	\$5.28
2023	—	— %	—	—
2024	36,501	0.2 %	\$9.04	\$8.40
2025 +	1,343,302	6.0 %	\$6.28	\$6.03
	1,634,977	7.4 %	\$6.27	\$6.02
<i>Wisconsin:</i>				
Current vacancy	232,749	1.1 %	N/A	N/A
Monthly tenants	901	— %	N/A	N/A
2021	150,260	0.7 %	\$14.55	\$14.48
2022	103,624	0.5 %	\$16.88	\$16.64
2023	107,243	0.4 %	\$15.68	\$15.27
2024	401,565	1.8 %	\$14.47	\$16.51
2025 +	775,466	3.5 %	\$13.33	\$14.52
	1,771,808	8.0 %	\$14.15	\$15.23
<i>Total portfolio:</i>				
Current vacancy	2,128,834	9.7 %	N/A	N/A
Monthly tenants	32,492	0.1 %	N/A	N/A
2021	2,396,981	10.9 %	\$13.51	\$12.96
2022	2,433,798	11.0 %	\$11.16	\$11.57
2023	2,228,898	10.1 %	\$13.66	\$13.57
2024	2,360,051	10.7 %	\$12.39	\$12.60
2025 +	10,430,157	47.5 %	\$12.61	\$12.85
	22,011,211	100.0 %	\$12.64	\$12.76

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 June 30, 2021, 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 Winnipeg office.

Twin Cities Area Office Segment

The Twin Cities Area office segment represents 11.0% of the Q2-21 Proportionate Share Property NOI and 7.8% of the overall portfolio by GLA. Direct vacancy in the Twin Cities Area office market, as reported by CBRE, was 20.6% at June 30, 2021, compared to 19.8% at March 31, 2021. At June 30, 2021, the Twin Cities Area office segment of Artis' portfolio was 81.9% occupied, compared to 89.7% at March 31, 2021. During the remainder of 2021, 41,342 square feet come up for renewal, which represents 0.2% of the total portfolio GLA; 46.9% was renewed or committed to new leases at June 30, 2021. Of Artis' total Twin Cities Area office GLA, 69.0% expires in 2025 or later.

Twin Cities Area Industrial Segment

The Twin Cities Area industrial segment represents 10.0% of the Q2-21 Proportionate Share Property NOI and 18.0% of the overall portfolio by GLA. Direct vacancy in the Twin Cities Area industrial market, as reported by CBRE, was 4.4% at June 30, 2021, decreased from 4.6% at March 31, 2021. The average asking market lease rate was \$6.61 per square foot at June 30, 2021, increased from \$6.57 at March 31, 2021. At June 30, 2021, the Twin Cities Area industrial segment of Artis' portfolio was 92.5% occupied, compared to 96.0% at March 31, 2021. During the remainder of 2021, 750,523 square feet come up for renewal, which represents 3.4% of the total portfolio GLA; 35.6% was renewed or committed to new leases at June 30, 2021. Of Artis' total Twin Cities Area industrial GLA, 30.1% expires in 2025 or later.

Madison Office Segment

The Madison office segment represents 9.5% of the Q2-21 Proportionate Share Property NOI and 8.0% of the overall portfolio by GLA. At June 30, 2021, the Madison office segment of Artis' portfolio was 86.9% occupied, increased from 86.6% at March 31, 2021. During the remainder of 2021, 150,260 square feet come up for renewal, which represents 0.7% of the total portfolio GLA; 43.7% was renewed or committed to new leases at June 30, 2021. Of Artis' total Madison office GLA, 43.8% expires in 2025 or later.

Greater Toronto Area Industrial Segment

The Greater Toronto Area industrial segment represents 7.7% of the Q2-21 Proportionate Share Property NOI and 11.5% of the overall portfolio by GLA. Overall direct vacancy in the Greater Toronto Area industrial segment, as reported by CBRE, was 0.7% at June 30, 2021, decreased from 0.9% at March 31, 2021. At June 30, 2021, the Greater Toronto Area industrial segment of Artis' portfolio was 96.0% occupied, compared to 97.3% at March 31, 2021. At June 30, 2021, Artis had entered into an agreement to sell the GTA Industrial Portfolio, comprising 28 industrial properties located in the Greater Toronto Area, Ontario. On July 15, 2021, the REIT closed on 26 of the 28 properties for an aggregate sale price of \$696,700. One of the remaining properties is expected to close in the third quarter of 2021 and generate gross proceeds of \$26,700. Subsequent to June 30, 2021, the remaining property is no longer under a sale agreement and will be actively marketed for sale.

Winnipeg Office Segment

The Winnipeg office segment represents 6.8% of the Q2-21 Proportionate Share Property NOI and 6.9% of the overall portfolio by GLA. Overall direct vacancy in the Winnipeg office market, as reported by Colliers, was 13.3% at June 30, 2021 compared to 12.9% at March 31, 2021. At June 30, 2021, the Winnipeg office segment of Artis' portfolio was 86.0% occupied, increased from 85.7% at March 31, 2021. During the remainder of 2021, 313,569 square feet come up for renewal, which represents 1.4% of the total portfolio GLA; 81.5% was renewed or committed to new leases at June 30, 2021. Of Artis' Winnipeg Office segment GLA, 52.5% expires in 2025 or later.

ANALYSIS OF FINANCIAL POSITION

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

June 30, 2021				December 31, 2020			
	Per consolidated financial statements	Adjustment ⁽¹⁾	Total Proportionate Share		Per consolidated financial statements	Adjustment ⁽¹⁾	Total Proportionate Share
ASSETS							
Non-current assets:							
Investment properties	\$ 3,683,034	\$ 222,252	\$ 3,905,286	\$ 4,325,121	\$ 236,954	\$ 4,562,075	
Investment properties under development	152,289	35,555	187,844	132,243	14,466	146,709	
Equity accounted investments	169,380	(169,380)	—	200,306	(200,306)	—	
Investments in equity securities	6,400	—	6,400	—	—	—	
Property and equipment	7,043	—	7,043	7,481	—	7,481	
Notes receivable	19,694	—	19,694	20,313	—	20,313	
Deferred rents receivable	54	—	54	778	—	778	
	4,037,894	88,427	4,126,321	4,686,242	51,114	4,737,356	
Current assets:							
Investment properties held for sale	840,843	—	840,843	74,483	60,819	135,302	
Inventory properties	1,757	—	1,757	15,060	—	15,060	
Deposits on investment properties	93	—	93	1,203	—	1,203	
Prepaid expenses and other assets	13,061	165	13,226	7,307	172	7,479	
Notes receivable	1,016	—	1,016	1,371	—	1,371	
Accounts receivable and other receivables	12,215	266	12,481	17,465	819	18,284	
Cash held in trust	17,338	1,140	18,478	22,007	—	22,007	
Cash	31,547	11,278	42,825	34,703	14,241	48,944	
	917,870	12,849	930,719	173,599	76,051	249,650	
Total assets	\$ 4,955,764	\$ 101,276	\$ 5,057,040	\$ 4,859,841	\$ 127,165	\$ 4,987,006	
LIABILITIES AND UNITHOLDERS' EQUITY							
Non-current liabilities:							
Mortgages and loans payable	\$ 963,525	\$ 36,245	\$ 999,770	\$ 868,396	\$ 49,832	\$ 918,228	
Senior unsecured debentures	249,161	—	249,161	248,999	—	248,999	
Credit facilities	404,815	—	404,815	529,087	—	529,087	
Other long-term liabilities	1,837	—	1,837	1,823	—	1,823	
	1,619,338	36,245	1,655,583	1,648,305	49,832	1,698,137	
Current liabilities:							
Mortgages and loans payable	208,683	50,057	258,740	405,126	60,930	466,056	
Senior unsecured debentures	—	—	—	249,920	—	249,920	
Security deposits and prepaid rent	28,236	2,784	31,020	30,089	2,861	32,950	
Accounts payable and other liabilities	85,734	12,190	97,924	97,130	13,542	110,672	
Credit facilities	530,832	—	530,832	95,374	—	95,374	
	853,485	65,031	918,516	877,639	77,333	954,972	
Total liabilities	2,472,823	101,276	2,574,099	2,525,944	127,165	2,653,109	
Unitholders' equity	2,482,941	—	2,482,941	2,333,897	—	2,333,897	
Total liabilities and unitholders' equity	\$ 4,955,764	\$ 101,276	\$ 5,057,040	\$ 4,859,841	\$ 127,165	\$ 4,987,006	

(1) Adjustment to reflect equity accounted investments on a Proportionate Share basis.

BALANCE SHEET METRICS**NAV per Unit**

000's, except unit and per unit amounts	June 30, 2021		December 31, 2020		Change
Unitholders' equity	\$	2,482,941	\$	2,333,897	\$ 149,044
Less value of preferred equity ⁽¹⁾		(301,007)		(302,746)	1,739
NAV attributable to common unitholders	\$	2,181,934	\$	2,031,151	\$ 150,783
Total number of dilutive units outstanding:					
Common units		129,547,620		134,643,175	(5,095,555)
Restricted units		432,974		404,937	28,037
Deferred units		78,817		92,908	(14,091)
		130,059,411		135,141,020	(5,081,609)
NAV per unit	\$	16.78	\$	15.03	\$ 1.75

(1) The value of preferred equity is calculated using the outstanding face value of preferred units at the end of the period.

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

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

	IFRS		Proportionate Share	
	June 30, 2021	December 31, 2020	June 30, 2021	December 31, 2020
GBV	\$ 4,964,333	\$ 4,867,756	\$ 5,065,609	\$ 4,994,921
Secured mortgages and loans	1,172,208	1,273,522	1,258,510	1,384,284
Secured mortgages and loans to GBV	23.6 %	26.2 %	24.8 %	27.7 %
Preferred shares liability	\$ 594	\$ 610	\$ 594	\$ 610
Carrying value of debentures	249,161	498,919	249,161	498,919
Credit facilities	935,647	624,461	935,647	624,461
Total long-term debt and credit facilities	\$ 2,357,610	\$ 2,397,512	\$ 2,443,912	\$ 2,508,274
Total long-term debt and credit facilities to GBV	47.5 %	49.3 %	48.2 %	50.2 %

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	
	June 30, 2021	December 31, 2020	June 30, 2021	December 31, 2020
Unencumbered assets	\$ 2,363,222	\$ 1,901,073	\$ 2,401,426	\$ 1,941,959
Senior unsecured debentures	249,161	498,919	249,161	498,919
Unsecured credit facilities	935,647	624,461	935,647	624,461
Total unsecured debt	\$ 1,184,808	\$ 1,123,380	\$ 1,184,808	\$ 1,123,380
Unencumbered assets to unsecured debt	1.99	1.69	2.03	1.73

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, 2020	\$ 4,531,847	\$ 312,239	\$ 4,844,086
Additions:			
Acquisitions	875	1,323	2,198
Reclassifications from equity accounted investments ⁽²⁾	16,642	(16,642)	—
Capital expenditures			
Investment properties	4,185	81	4,266
Investment properties under development	13,592	5,088	18,680
Capitalized interest ⁽³⁾	549	—	549
Leasing commissions	1,667	339	2,006
Straight-line rent adjustments	1,039	148	1,187
Tenant inducement additions, net of amortization	3,091	829	3,920
Contributions to equity accounted investments ⁽⁴⁾	(906)	262	(644)
Dispositions	59	(60,646)	(60,587)
Foreign currency translation loss	(25,287)	(2,354)	(27,641)
Fair value gain	18,347	4,672	23,019
Balance, March 31, 2021	4,565,700	245,339	4,811,039
Additions:			
Acquisition	1,994	—	1,994
Capital expenditures			
Investment properties	4,811	—	4,811
Investment properties under development	16,997	15,511	32,508
Capitalized interest ⁽³⁾	538	60	598
Leasing commissions	2,161	107	2,268
Straight-line rent adjustments	1,178	140	1,318
Tenant inducement additions, net of amortization	(1,762)	81	(1,681)
Dispositions	(60,053)	319	(59,734)
Foreign currency translation loss	(29,272)	(2,230)	(31,502)
Fair value gain (loss)	173,874	(1,520)	172,354
Balance, June 30, 2021	\$ 4,676,166	\$ 257,807	\$ 4,933,973

(1) Adjustment to reflect equity accounted investments on a Proportionate Share basis.

(2) On January 26, 2021, the REIT increased its ownership interest in Park 8Ninety IV to 100%.

(3) During Q1-21 and Q2-21, interest was capitalized to investment properties under development at weighted-average effective interest rates of 2.02% and 1.95%, respectively.

(4) During Q1-21, the REIT contributed capitalized development expenditures to Park Lucero East, an equity accounted associate.

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:

	Six months ended June 30, 2021	Year ended December 31, 2020
Capital expenditures	\$ 29,689	\$ 63,831
Tenant inducement additions	722	4,118
	\$ 30,411	\$ 67,949

Capital expenditures paid and accrued to Marwest during the six months ended June 30, 2021 included \$28,184 (year ended December 31, 2020, \$54,846) 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 during the six months ended June 30, 2021, were construction management fees of \$995 and labour costs of \$2,538 (year ended December 31, 2020, \$2,146 and \$4,997, respectively).

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 June 30,				Six months ended June 30,			
	2021	2020	Change	% Change	2021	2020	Change	% Change
New and (re)development expenditures	\$ 32,508	\$ 20,563	\$ 11,945		\$ 51,188	\$ 44,676	\$ 6,512	
Building improvements expenditures:								
Recoverable from tenants	363	903	(540)		845	1,577	(732)	
Non-recoverable	2,697	3,452	(755)		6,159	5,962	197	
Property maintenance expenditures:								
Recoverable from tenants	393	801	(408)		712	2,459	(1,747)	
Non-recoverable	1,358	2,898	(1,540)		1,361	3,653	(2,292)	
Total capital expenditures	\$ 37,319	\$ 28,617	\$ 8,702	30.4 %	\$ 60,265	\$ 58,327	\$ 1,938	3.3 %

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

Capital Expenditures by Asset Class ⁽¹⁾

	Three months ended				% Change	Six months ended				% Change
	June 30,			June 30,						
	2021	2020	Change	2021		2020	Change			
Canada:										
Industrial	\$ 494	\$ 715	\$ (221)		\$ 624	\$ 1,500	\$ (876)			
Office	1,197	1,821	(624)		2,292	3,347	(1,055)			
Retail	37	2,574	(2,537)		181	7,814	(7,633)			
Residential	14,827	11,023	3,804		28,249	23,496	4,753			
	16,555	16,133	422		31,346	36,157	(4,811)			
U.S.:										
Industrial	18,353	7,283	11,070		23,737	13,215	10,522			
Office	2,411	5,201	(2,790)		5,182	8,955	(3,773)			
	20,764	12,484	8,280		28,919	22,170	6,749			
Total portfolio:										
Industrial	18,847	7,998	10,849		24,361	14,715	9,646			
Office	3,608	7,022	(3,414)		7,474	12,302	(4,828)			
Retail	37	2,574	(2,537)		181	7,814	(7,633)			
Residential	14,827	11,023	3,804		28,249	23,496	4,753			
Total portfolio	\$ 37,319	\$ 28,617	\$ 8,702	30.4 %	\$ 60,265	\$ 58,327	\$ 1,938	3.3 %		

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

In Q2-21, new and (re)development expenditures included \$14,827 for 300 Main, \$14,175 for Park 8Ninety V, \$1,858 for Blaine 35 and \$587 for Park Lucero East.

In Q2-20, new and (re)development expenditures included \$12,304 for 300 Main and 330 Main, \$3,571 for Park 8Ninety IV and \$1,354 for Linden Ridge Shopping Centre II.

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			% Change	Six months ended			% Change
	June 30,		Change		June 30,		Change	
	2021	2020				2021		2020
Investment property leasing costs:								
Tenant inducements	\$ 4,763	\$ 9,804	\$ (5,041)		\$ 13,381	\$ 23,135	\$ (9,754)	
Leasing commissions	2,179	1,483	696		3,997	5,339	(1,342)	
Investment property (re)development related leasing costs:								
Tenant inducements	94	3,138	(3,044)		1,855	5,731	(3,876)	
Leasing commissions	89	975	(886)		277	1,538	(1,261)	
Total leasing costs	\$ 7,125	\$ 15,400	\$ (8,275)	(53.7)%	\$ 19,510	\$ 35,743	\$ (16,233)	(45.4)%

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

Leasing Costs by Asset Class ⁽¹⁾

	Three months ended				% Change	Six months ended				% Change
	June 30,		Change	June 30,		Change	% Change			
	2021	2020		2021				2020		
Canada:										
Industrial	\$ 1,227	\$ 1,154	\$ 73		\$ 2,160	\$ 2,786	\$ (626)			
Office	1,425	2,676	(1,251)		4,801	6,441	(1,640)			
Retail	469	967	(498)		3,269	1,407	1,862			
	3,121	4,797	(1,676)		10,230	10,634	(404)			
U.S.:										
Industrial	1,377	1,446	(69)		2,660	3,822	(1,162)			
Office	2,627	9,157	(6,530)		6,620	21,287	(14,667)			
	4,004	10,603	(6,599)		9,280	25,109	(15,829)			
Total portfolio:										
Industrial	2,604	2,600	4		4,820	6,608	(1,788)			
Office	4,052	11,833	(7,781)		11,421	27,728	(16,307)			
Retail	469	967	(498)		3,269	1,407	1,862			
Total leasing costs	\$ 7,125	\$ 15,400	\$ (8,275)	(53.7)%	\$ 19,510	\$ 35,743	\$ (16,233)	(45.4)%		

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

Acquisition:

During Q2-21, the REIT acquired a parcel of industrial development land in the Twin Cities Area, Minnesota, for a purchase price of US\$1,480. Artis funded the acquisition with cash on hand.

Dispositions:

During Q2-21, Artis sold one office and three retail properties, as well as a portion of a retail property. The sale proceeds of the disposition were \$61,950. The sale proceeds, net of costs of \$2,211 and related debt of \$15,833, were \$43,906.

Foreign currency translation loss on investment properties:

In Q2-21, the Proportionate Share foreign currency translation loss on investment properties was \$31,502 due to the change in the period end US dollar to Canadian dollar exchange rate from 1.2575 at March 31, 2021 to 1.2394 at June 30, 2021.

Investment properties held for sale:

At June 30, 2021, the REIT had 30 industrial, six office and three retail properties located in Canada with a fair value of \$840,843, classified as held for sale. These properties were actively marketed for sale or under unconditional sale agreements at June 30, 2021.

Fair value gain (loss) on investment properties:

During Q2-21, the REIT recorded a gain on the Proportionate Share fair value of investment properties of \$172,354 (YTD - gain of \$195,373), compared to a gain of \$12,053 (YTD - loss of \$129,795) in Q2-20. The fair value gain in Q2-21 was primarily due to capitalization rate compression and higher expected market rents across the industrial portfolio, particularly within the Greater Toronto Area, Ontario. This was partially offset by a fair value loss primarily resulting from capitalization rate expansion in certain office markets and an increase in budgeted project costs and extension of the expected lease-up period for a residential property under development.

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 3.50% to 9.00%. Additional information on the average capitalization rates and ranges used for the portfolio properties, assuming all properties were valued using an overall capitalization method, are set out in the following table.

	June 30, 2021			December 31, 2020		
	Maximum	Minimum	Weighted-average	Maximum	Minimum	Weighted-average
Industrial:						
Alberta	7.75 %	5.75 %	6.45 %	7.75 %	5.75 %	6.52 %
British Columbia	3.75 %	3.50 %	3.59 %	4.00 %	3.75 %	3.84 %
Manitoba	7.50 %	6.00 %	6.52 %	7.50 %	6.00 %	6.57 %
Ontario	4.75 %	3.75 %	4.23 %	5.25 %	4.25 %	4.76 %
Saskatchewan	7.00 %	6.50 %	6.76 %	7.00 %	6.50 %	6.76 %
Total Canadian industrial portfolio	7.75 %	3.50 %	5.01 %	7.75 %	3.75 %	5.50 %
Arizona	6.25 %	5.00 %	5.43 %	6.25 %	5.25 %	5.59 %
Colorado	4.75 %	4.75 %	4.75 %	5.00 %	4.00 %	4.26 %
Minnesota	7.75 %	5.50 %	6.57 %	7.75 %	5.50 %	6.55 %
Texas	7.00 %	5.00 %	5.40 %	7.00 %	5.50 %	5.66 %
Total U.S. industrial portfolio	7.75 %	4.75 %	5.96 %	7.75 %	4.00 %	5.93 %
Total industrial portfolio	7.75 %	3.50 %	5.34 %	7.75 %	3.75 %	5.68 %
Office:						
Alberta	9.00 %	6.50 %	7.95 %	9.00 %	6.50 %	7.87 %
British Columbia	5.50 %	4.75 %	4.92 %	5.50 %	5.00 %	5.12 %
Manitoba	7.75 %	5.00 %	6.16 %	7.75 %	5.00 %	6.06 %
Ontario	7.00 %	6.00 %	6.33 %	7.00 %	5.50 %	6.09 %
Saskatchewan	7.50 %	7.50 %	7.50 %	7.50 %	7.50 %	7.50 %
Total Canadian office portfolio	9.00 %	4.75 %	6.19 %	9.00 %	5.00 %	6.18 %
Arizona	8.00 %	6.00 %	6.68 %	8.00 %	6.00 %	6.68 %
Colorado	6.50 %	6.00 %	6.07 %	6.50 %	6.00 %	6.09 %
Minnesota	7.50 %	6.25 %	6.78 %	7.50 %	6.25 %	6.78 %
New York	7.75 %	7.75 %	7.75 %	7.75 %	7.75 %	7.75 %
Wisconsin	7.75 %	7.00 %	7.55 %	7.75 %	7.00 %	7.55 %
Total U.S. office portfolio	8.00 %	6.00 %	6.91 %	8.00 %	6.00 %	6.91 %
Total office portfolio	9.00 %	4.75 %	6.62 %	9.00 %	5.00 %	6.61 %
Retail:						
Alberta	8.75 %	6.00 %	6.81 %	8.75 %	5.75 %	6.78 %
Manitoba	6.25 %	5.50 %	6.11 %	6.25 %	5.50 %	6.11 %
Saskatchewan	7.25 %	6.25 %	6.54 %	9.25 %	6.25 %	7.37 %
Total Canadian retail portfolio	8.75 %	5.50 %	6.58 %	9.25 %	5.50 %	6.73 %
Total retail portfolio	8.75 %	5.50 %	6.58 %	9.25 %	5.50 %	6.73 %
Residential:						
Manitoba	4.50 %	4.50 %	4.50 %	N/A	N/A	N/A
Total Canadian residential portfolio	4.50 %	4.50 %	4.50 %	N/A	N/A	N/A
Total residential portfolio	4.50 %	4.50 %	4.50 %	N/A	N/A	N/A
Total:						
Canadian portfolio	9.00 %	3.50 %	5.68 %	9.25 %	3.75 %	6.09 %
U.S. portfolio	8.00 %	4.75 %	6.53 %	8.00 %	4.00 %	6.52 %
Total portfolio	9.00 %	3.50 %	6.00 %	9.25 %	3.75 %	6.26 %

Inventory Properties

During Q2-21, Artis sold one condominium unit for consideration of \$1,365. At June 30, 2021, there are three commercial condominium units remaining in inventory.

Notes Receivable

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 June 30, 2021 was \$20,710, compared to \$21,684 at December 31, 2020.

Cash

At June 30, 2021, the REIT had \$31,547 of cash on hand, compared to \$34,703 at December 31, 2020. The balance is anticipated to be invested in investment properties, used for working capital purposes, for debt repayment, for unit purchases under the NCIB or for purchases of equity securities. All of the REIT's cash is held in current accounts.

LIABILITIES

Mortgages and Loans Payable

Artis finances acquisitions and development projects in part through the arrangement or assumption of mortgage financing and consequently, 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 June 30, 2021 was 2.6 years, compared to 2.3 years at December 31, 2020.

At June 30, 2021, Artis had mortgages and loans payable outstanding, as follows:

Canadian Portfolio:

	IFRS		Proportionate Share	
	June 30, 2021	December 31, 2020	June 30, 2021	December 31, 2020
Fixed rate mortgages	\$ 393,427	\$ 334,626	\$ 424,483	\$ 366,242
Variable rate mortgages:				
Hedged	89,905	91,765	89,905	91,765
Unhedged	4,774	16,136	4,774	16,136
Net above- and below-market mortgage adjustments	—	—	—	—
Financing costs	(1,619)	(1,128)	(1,672)	(1,187)
	\$ 486,487	\$ 441,399	\$ 517,490	\$ 472,956

U.S. Portfolio:

	IFRS		Proportionate Share	
	June 30, 2021	December 31, 2020	June 30, 2021	December 31, 2020
Fixed rate mortgages	\$ 45,898	\$ 70,987	\$ 56,366	\$ 81,889
Variable rate mortgages:				
Hedged	341,609	381,640	341,609	381,640
Unhedged	299,124	380,123	344,563	449,396
Net above- and below-market mortgage adjustments	1,995	2,423	1,995	2,423
Financing costs	(2,905)	(3,050)	(3,513)	(4,020)
	\$ 685,721	\$ 832,123	\$ 741,020	\$ 911,328

Total Canadian and U.S. Portfolio:

	IFRS		Proportionate Share	
	June 30, 2021	December 31, 2020	June 30, 2021	December 31, 2020
Fixed rate mortgages	\$ 439,325	\$ 405,613	\$ 480,849	\$ 448,131
Variable rate mortgages:				
Hedged	431,514	473,405	431,514	473,405
Unhedged	303,898	396,259	349,337	465,532
Net above- and below-market mortgage adjustments	1,995	2,423	1,995	2,423
Financing costs	(4,524)	(4,178)	(5,185)	(5,207)
	\$ 1,172,208	\$ 1,273,522	\$ 1,258,510	\$ 1,384,284
% of unhedged variable rate mortgage debt of total debt, including credit facilities and debentures	12.9 %	16.5 %	14.3 %	18.5 %

Management believes that holding a percentage of variable rate debt is prudent in managing a portfolio of debt and provides the benefit of lower interest rates, while keeping the overall risk at a moderate level. All of the REIT's variable rate mortgage debt is term debt and cannot be called on demand. The REIT has the ability to refinance, or use interest rate swaps, at any given point without incurring penalties.

The change in total mortgages and loans payable is a result of the following:

	Per consolidated financial statements	Adjustment ⁽¹⁾	Total Proportionate Share
Balance, December 31, 2020	\$ 1,275,277	\$ 111,791	\$ 1,387,068
Add (deduct):			
New fixed rate mortgage financing on previously unencumbered properties	108,150	—	108,150
Assumed variable rate mortgage upon acquisition of investment property	9,813	—	9,813
Draws on variable rate construction loans	35	576	611
Repayment of variable rate mortgages related to sale of investment properties	—	(30,491)	(30,491)
Repayment of swapped rate mortgage	(9,330)	—	(9,330)
Repayment of variable rate mortgage	(10,944)	—	(10,944)
Repayment of fixed rate mortgages	(26,076)	—	(26,076)
Principal repayments	(8,662)	(352)	(9,014)
Foreign currency translation gain	(10,244)	(774)	(11,018)
Balance, March 31, 2021	1,328,019	80,750	1,408,769
Add (deduct):			
Draws on variable rate construction loans	34	7,211	7,245
Net uplift upon renewal of maturing mortgages	23,894	—	23,894
Repayment of fixed rate mortgage related to sale of investment property	(15,833)	—	(15,833)
Repayment of variable rate mortgage	(117,986)	—	(117,986)
Repayment of fixed rate mortgages	(22,383)	—	(22,383)
Principal repayments	(8,109)	(353)	(8,462)
Foreign currency translation gain	(12,899)	(645)	(13,544)
Balance, June 30, 2021	\$ 1,174,737	\$ 86,963	\$ 1,261,700

(1) Adjustment to reflect equity accounted investments on a Proportionate Share basis.

Mortgages and Loans Payable by Asset Class

	IFRS		Proportionate Share	
	June 30, 2021	December 31, 2020	June 30, 2021	December 31, 2020
Canadian portfolio:				
Industrial	\$ 59,127	\$ 60,546	\$ 90,183	\$ 92,162
Office	137,464	153,495	137,464	153,495
Retail	291,515	228,486	291,515	228,486
	488,106	442,527	519,162	474,143
U.S. portfolio:				
Industrial	273,833	253,748	319,272	323,022
Office	412,798	579,002	423,266	589,903
	686,631	832,750	742,538	912,925
Total portfolio:				
Industrial	332,960	314,294	409,455	415,184
Office	550,262	732,497	560,730	743,398
Retail	291,515	228,486	291,515	228,486
Total portfolio	\$ 1,174,737	\$ 1,275,277	\$ 1,261,700	\$ 1,387,068

Senior Unsecured Debentures

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

				June 30, 2021		December 31, 2020	
	Issued	Maturity	Interest rate	Carrying value	Face value	Carrying value	Face value
Series C	February 22, 2019	February 22, 2021	3.674 %	—	—	249,920	250,000
Series D	September 18, 2020	September 18, 2023	3.824 %	249,161	250,000	248,999	250,000
				\$ 249,161	\$ 250,000	\$ 498,919	\$ 500,000

At June 30, 2021, the carrying value of the senior unsecured debentures decreased \$249,758 compared to December 31, 2020. The change is primarily due to the repayment of the Series C senior unsecured debentures on February 22, 2021.

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 June 30, 2021, there was \$436,399 drawn on these facilities (December 31, 2020, \$125,617).

Non-Revolving Credit Facilities

The REIT has three unsecured non-revolving credit facilities in the aggregate amount of \$500,000. The first non-revolving credit facility of \$150,000 matures on July 6, 2022, the second non-revolving credit facility of \$150,000 matures on July 18, 2022 and the third non-revolving credit facility of \$200,000 matures February 4, 2022. Amounts drawn on the non-revolving credit facilities bear interest at 3.57%, 3.50% and 2.22%, respectively.

At June 30, 2021, there was \$500,000 drawn on the non-revolving credit facilities (December 31, 2020, \$500,000).

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 \$7,727, which were paid subsequent to the end of the period.

UNITHOLDERS' EQUITY

Unitholders' equity increased overall by \$149,044 between December 31, 2020 and June 30, 2021. The overall increase was primarily due to net income of \$288,916 and the issuance of common units for \$276. The increase was partially offset by distributions made to unitholders of \$47,301, other comprehensive loss of \$35,494 and common units of \$66,735 and preferred units of \$1,667 purchased through the NCIB, partially offset by the related contributed surplus of \$11,049.

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	Six months ended	Year ended	Year ended
	June 30,	June 30,	December 31,	December 31,
	2021	2021	2020	2019
Cash flow from operations	\$ 50,511	\$ 110,087	\$ 176,333	\$ 200,120
Net income	217,056	288,916	21,543	122,737
Distributions declared	23,922	47,301	91,074	96,332
Excess of cash flow from operations over distributions declared	26,589	62,786	85,259	103,788
Excess (shortfall) of net income over distributions declared	193,134	241,615	(69,531)	26,405

Artis' primary objective is to provide tax-efficient monthly cash distributions. The shortfall of net income over distributions declared for the year ended December 31, 2020 was primarily due to the non-cash impact of the fair value loss on investment properties.

CAPITAL RESOURCES

At June 30, 2021, Artis had \$31,547 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, for unit purchases under the NCIB or for purchases of equity securities.

The REIT has two unsecured revolving term credit facilities in the aggregate amount of \$700,000, which can be utilized for general corporate and working capital purposes, short term financing of investment property acquisitions and the issuance of letters of credit. At June 30, 2021, the REIT had \$263,601 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 June 30, 2021, this covenant does not limit the total borrowing capacity of the revolving credit facilities (December 31, 2020, limited to \$388,163).

At June 30, 2021, the REIT had 113 unencumbered properties and four unencumbered parcels of development land, inclusive of properties held in equity accounted investments, representing a Proportionate Share fair value of \$2,401,426.

Artis is not in default or arrears on any of its obligations, including distributions to unitholders, interest or principal payments on debt at June 30, 2021.

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		Six months ended	
	June 30,		June 30,	
	2021	2020	2021	2020
Net income (loss)	\$ 217,056	\$ 54,750	\$ 288,916	\$ (56,580)
Add (deduct):				
Tenant inducements amortized to revenue	6,538	6,615	12,997	12,595
Straight-line rent adjustments	(1,318)	(1,404)	(2,505)	(2,976)
Interest expense	18,217	22,267	37,723	48,174
Fair value (gain) loss on investment properties	(172,354)	(12,053)	(195,373)	129,795
Foreign currency translation loss (gain)	3,716	(190)	5,771	912
Transaction costs	—	—	11	—
Strategic initiative expenses	—	384	18	1,115
Fair value (gain) loss on financial instruments	(6,026)	3,961	(13,144)	18,782
Depreciation of property and equipment	344	343	671	681
Income tax expense	673	159	807	390
Adjusted EBITDA	66,846	74,832	135,892	152,888
Interest expense	18,217	22,267	37,723	48,174
Add (deduct):				
Amortization of financing costs	(855)	(1,073)	(1,860)	(2,093)
Amortization of above- and below-market mortgages, net	185	194	366	382
Adjusted interest expense	\$ 17,547	\$ 21,388	\$ 36,229	\$ 46,463
Adjusted EBITDA interest coverage ratio	3.81	3.50	3.75	3.29

Debt to Adjusted EBITDA Ratio ⁽¹⁾

	June 30, 2021	December 31, 2020
Secured mortgages and loans	\$ 1,258,510	\$ 1,384,284
Preferred shares liability	594	610
Carrying value of debentures	249,161	498,919
Credit facilities	935,647	624,461
Total long-term debt and credit facilities	2,443,912	2,508,274
Adjusted EBITDA ⁽²⁾	267,384	266,940
Total long-term debt and credit facilities to Adjusted EBITDA	9.1	9.4

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

(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.

CONTRACTUAL OBLIGATIONS ⁽¹⁾

	Total	Less than 1 year	1 - 3 years	4 - 5 years	After 5 years
Accounts payable and other liabilities	\$ 97,622	97,622	\$ —	\$ —	\$ —
Lease liabilities	1,545	302	488	290	465
Credit facilities	936,399	531,050	405,349	—	—
Senior unsecured debentures	250,000	—	250,000	—	—
Mortgages and loans payable	1,261,700	245,297	621,817	308,531	86,055
Total contractual obligations	\$ 2,547,266	\$ 874,271	\$ 1,277,654	\$ 308,821	\$ 86,520

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	\$ 170,425	14.5 %	\$ 14,600	\$ 185,025	2.33 %
2022	187,180	16.0 %	25,206	212,386	3.38 %
2023	419,566	35.7 %	17,787	437,353	3.19 %
2024	107,607	9.2 %	10,658	118,265	2.47 %
2025	102,885	8.8 %	7,987	110,872	3.62 %
2026 & later	185,953	15.8 %	11,846	197,799	2.49 %
Total	\$ 1,173,616	100.0 %	\$ 88,084	\$ 1,261,700	2.95 %

(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	Q2-21	Q1-21	Q4-20	Q3-20	Q2-20	Q1-20	Q4-19	Q3-19
Revenue	\$103,299	\$120,877	\$113,010	\$113,328	\$114,038	\$118,541	\$127,180	\$127,005
Net operating income	62,037	64,232	64,967	68,017	67,139	69,152	75,121	75,724
Net income (loss)	217,056	71,860	32,424	45,699	54,750	(111,330)	32,877	44,632
Total comprehensive income (loss)	198,431	54,991	(32,479)	15,250	(3,242)	14,197	4,097	62,238
Basic income (loss) per common unit	1.62	0.50	0.21	0.30	0.37	(0.84)	0.21	0.28
Diluted income (loss) per common unit	1.61	0.50	0.21	0.30	0.36	(0.85)	0.20	0.28
FFO ⁽¹⁾	\$ 45,428	\$ 46,573	\$ 45,796	\$ 50,816	\$ 49,358	\$ 46,441	\$ 51,602	\$ 48,603
FFO per unit ⁽¹⁾	0.34	0.35	0.34	0.37	0.36	0.33	0.37	0.34
FFO payout ratio ⁽¹⁾	44.1 %	40.0 %	41.2 %	37.8 %	38.9 %	42.4 %	37.8 %	41.2 %
AFFO ⁽¹⁾	\$ 32,795	\$ 33,935	\$ 31,721	\$ 37,671	\$ 36,499	\$ 33,661	\$ 37,772	\$ 35,769
AFFO per unit ⁽¹⁾	0.25	0.25	0.23	0.27	0.27	0.24	0.27	0.25
AFFO payout ratio ⁽¹⁾	60.0 %	56.0 %	60.9 %	51.9 %	51.9 %	58.3 %	51.9 %	56.0 %
Same Property NOI (decline) growth ⁽¹⁾⁽²⁾	(3.9)%	(5.4)%	(5.2)%	(1.2)%	(2.0)%	1.5 %	3.3 %	2.0 %
Adjusted EBITDA interest coverage ratio ⁽¹⁾⁽²⁾	3.81	3.70	3.29	3.66	3.50	3.11	3.09	2.86
Leasable area renewed (in square feet) ⁽³⁾	326,397	495,596	248,641	617,239	592,872	338,394	558,544	362,669
Increase (decrease) in weighted-average rental rate ⁽³⁾	7.3 %	4.2 %	(0.5)%	6.0 %	(3.3)%	4.5 %	8.1 %	8.7 %
	2021	2021	2020	2020	2020	2020	2019	2019
	Jun 30	Mar 31	Dec 31	Sept 30	Jun 30	Mar 31	Dec 31	Sept 30
Number of properties ⁽²⁾	203	207	209	216	216	215	220	228
GLA (000's of square feet) ⁽²⁾	22,011	22,465	22,874	23,796	23,842	23,817	24,841	25,034
Occupancy ⁽³⁾	90.3 %	91.0 %	89.9 %	90.0 %	90.6 %	90.7 %	91.5 %	93.3 %
NAV per Unit ⁽¹⁾	\$ 16.78	\$ 15.34	\$ 15.03	\$ 15.35	\$ 15.40	\$ 15.52	\$ 15.56	\$ 15.72
Total long-term debt and credit facilities to Adjusted EBITDA ⁽¹⁾⁽²⁾	9.1	9.0	9.4	9.3	9.5	9.3	8.7	9.3
Secured mortgages and loans to GBV ⁽¹⁾	23.6 %	27.3 %	26.2 %	26.6 %	27.0 %	26.9 %	26.3 %	26.9 %
Total long-term debt and credit facilities to GBV ⁽¹⁾	47.5 %	49.2 %	49.3 %	51.0 %	51.3 %	51.4 %	51.3 %	51.8 %
Fair value unencumbered assets	\$2,363,222	\$1,876,380	\$1,901,073	\$1,929,858	\$1,919,171	\$1,845,983	\$1,926,661	\$1,877,339
Total assets	\$4,955,764	\$4,853,520	\$4,859,841	\$5,207,812	\$5,236,565	\$5,337,483	\$5,330,019	\$5,431,426
Total non-current financial liabilities	1,619,338	1,489,308	1,648,305	1,933,886	1,912,566	2,003,195	2,142,090	2,127,476

(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 financial 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

In Q2-21, the REIT paid employment benefits to employees and issued unit-based awards to trustees, officers and employees.

Sandpiper is a related party by virtue of being a company under joint control of the President and Chief Executive Officer of the REIT.

Effective May 1, 2021, the REIT entered into a Space Sharing Licence Agreement with Sandpiper for use of certain office premises for an annual fee of \$130 inclusive of taxes. The agreement has a two-year term, with an automatic one-year extension unless terminated by either party upon written notice no later than 120 days before the end of the term or extension term.

Effective May 17, 2021, the REIT entered into a Services Agreement with Sandpiper to provide certain services to support the REIT's strategy, under the Business Transformation Plan, to acquire ownership positions in publicly-listed real estate entities. The annual fee payable to Sandpiper is 0.50% for years one to three, 0.40% for year four, and 0.30% for year five and thereafter, based on the net value of the investments made by the REIT pursuant to this agreement. The agreement continues until termination by either party upon 60-day written notice, or upon other specific circumstances. Under the Services Agreement, the REIT entered into a co-investment agreement with Sandpiper and other Sandpiper related entities (together "Sandpiper Entities") to make certain investments in the identified publicly-traded securities of a real estate entity on the basis of 50% of the aggregate investments by each of the REIT and Sandpiper Entities. The Sandpiper Entities are all under joint control of the President and Chief Executive Officer of the REIT.

Fees paid and accrued to Sandpiper were as follows:

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Space sharing licence fees	\$ 21	\$ —	\$ 21	\$ —
Service fees	1	—	1	—
	\$ 22	\$ —	\$ 22	\$ —

Amounts payable to Sandpiper were \$1 as at June 30, 2021 (December 31, 2020, \$nil).

SUBSEQUENT EVENTS

As at June 30, 2021, Artis had \$31,547 of cash on hand and \$263,601 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 June 30, 2021, this covenant does not limit the total borrowing capacity of the revolving credit facilities (December 31, 2020, limited to \$388,163).

Subsequent to June 30, 2021, the following transactions took place:

- The REIT closed on the sale of 26 of the 28 properties in the GTA Industrial Portfolio, located in the Greater Toronto Area, Ontario, for a sale price of \$696,700. One of the remaining properties is expected to close in the third quarter of 2021 for a sale price of \$26,700 and the remaining property is no longer under a sale agreement.
- The REIT disposed of the King Edward Industrial Portfolio, comprised of two industrial properties located in Winnipeg, Manitoba, for a sale price of \$3,200.
- The REIT entered into an unconditional sale agreement to sell a portfolio comprised of two retail properties located in Regina, Saskatchewan for \$19,100 with expected closing in August 2021.
- The REIT entered into an unconditional sale agreement for one commercial condominium unit for a sale price of \$925 with anticipated closing in September 2021.
- The REIT repaid a mortgage for an office property in the amount of US\$18,068.
- The REIT repaid a maturing mortgage for a retail property in the amount of \$38,081.
- The REIT provided cash collateral in the amount of \$15,900 to a lender for a mortgage previously secured by investment properties that were sold as part of the GTA Industrial Portfolio disposition.

- The REIT repaid a net balance of \$30,000 and US\$242,900 on its revolving term credit facilities.
- The REIT purchased through the NCIB 1,795,712 common units at a weighted-average price of \$11.75, 6,400 Series A preferred units at a weighted-average price of \$24.79 and 9,924 Series E preferred units at a weighted-average price of \$23.83.
- The REIT purchased equity securities for an aggregate cost of \$12,244.
- The REIT declared a monthly cash distribution of \$0.05 per common unit for the month of July 2021.
- The REIT declared a quarterly cash distribution of \$0.3750 per Series I preferred unit for the three months ended July 31, 2021.

OUTSTANDING UNIT DATA

As of August 4, 2021, the balance of common units outstanding is as follows:

	Total
Units outstanding at June 30, 2021	129,547,620
Units issued on redemption of restricted units	2,943
Units purchased and cancelled through NCIB	(1,482,328)
Units purchased through NCIB, not cancelled at August 4, 2021	(313,384)
Units outstanding at August 4, 2021	127,754,851

As of August 4, 2021, the balance of preferred units outstanding is as follows:

	Series A	Series E	Series I	Total
Preferred units outstanding at June 30, 2021	3,320,400	3,754,354	4,965,540	12,040,294
Preferred units purchased and cancelled through NCIB	(3,500)	(5,400)	—	(8,900)
Preferred units purchased through NCIB, not cancelled at August 4, 2021	(2,900)	(4,524)	—	(7,424)
Preferred units outstanding at August 4, 2021	3,314,000	3,744,430	4,965,540	12,023,970

The balance of restricted units outstanding as of August 4, 2021 is 409,087, of which 2,843 have vested.

The balance of deferred units outstanding as of August 4, 2021 is 94,588. All of these deferred units have vested, none of which are redeemable.

RISKS AND UNCERTAINTIES

A summary of all risks applicable to the REIT are set forth in Artis' 2020 Annual Information Form. The REIT discusses specific risk factors below.

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 the REIT's 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, 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 June 30, 2021, investment properties under development account for 3.3% of Artis' total investment properties (December 31, 2020, 2.9%). At June 30, 2021, the REIT had two development projects in progress, 300 Main and Blaine 35.

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 June 30, 2021, 37.4% of the REIT's mortgages and loans payable bear interest at fixed rates, and a further 36.7% of the REIT's mortgages and loans payable bear interest at variable rates with interest rate swaps in place. At June 30, 2021, the REIT is a party to \$1,671,811 of variable rate debt, including credit facilities (December 31, 2020, \$1,495,281). At June 30, 2021, the REIT had entered into interest rate swaps to hedge the interest rate risk associated with \$931,514 of variable rate debt, including credit facilities and debentures, (December 31, 2020, \$973,405). The REIT has the ability to place interest rate swaps on top of variable rate debt at any time in order to effectively fix the interest rate.

At June 30, 2021, the REIT's ratio of secured mortgages and loans to GBV was 23.6%, compared to 26.2% at December 31, 2020. At June 30, 2021, the REIT's ratio of total long-term debt and credit facilities to GBV was 47.5%, compared to 49.3% at December 31, 2020. Approximately 12.1% of Artis' maturing mortgage debt comes up for renewal during the remainder of 2021, and 16.2% in 2022. Management is in discussion with various lenders with respect to the renewal or refinancing of the 2021 mortgage maturities.

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 1,513 tenant leases with a weighted-average term to maturity of 5.2 years. Approximately 50.9% 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	2.6 %	314	1.4 %	4.0
Graham Group Ltd.	Canada	2.2 %	243	1.1 %	13.1
AT&T	U.S.	1.8 %	257	1.2 %	4.0
WorleyParsons Canada Services Ltd.	Canada	1.7 %	164	0.7 %	0.3
Prime Therapeutics LLC	U.S.	1.6 %	386	1.8 %	13.3
Bell Canada	Canada	1.6 %	115	0.5 %	8.3
Recipe Unlimited Corporation	Canada	1.4 %	100	0.5 %	7.5
TDS Telecommunications Corporation	U.S.	1.3 %	174	0.8 %	3.5
Catalent Pharma Solutions LLC	U.S.	1.2 %	233	1.1 %	15.1
CB Richard Ellis, Inc.	U.S.	1.1 %	108	0.5 %	5.5
Choice Hotels International Services Corp.	U.S.	1.0 %	114	0.5 %	0.5
PBP, Inc.	U.S.	0.9 %	519	2.4 %	10.4
3M Canada Company	Canada	0.8 %	319	1.4 %	3.8
Silent Aire USA Inc.	U.S.	0.8 %	289	1.3 %	5.7
UCare Minnesota	U.S.	0.8 %	124	0.6 %	13.1
Shoppers Drug Mart	Canada	0.8 %	78	0.4 %	5.6
Telephone and Data Systems Inc.	U.S.	0.7 %	106	0.5 %	3.5
Co-Operators Financial Services Ltd.	Canada	0.7 %	79	0.4 %	1.9
Civeo Canada Ltd.	Canada	0.7 %	72	0.3 %	7.0
Cineplex Entertainment LP	Canada	0.7 %	108	0.5 %	4.4
Total		24.4 %	3,902	17.9 %	7.4

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	2.0 %	276	1.3 %	6.7
Provincial Government	0.4 %	62	0.3 %	7.9
Civic or Municipal Government	0.4 %	66	0.3 %	15.5
Total	2.8 %	404	1.9 %	8.3

Weighted-average term to maturity (entire portfolio) 5.2

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

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

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.

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

Expiry Year	Canada					U.S.						Total
	AB	BC	MB	SK	ON	AZ	CO	MN	NY	TX	WI	
2021	1.8 %	0.1 %	2.5 %	0.2 %	0.8 %	1.1 %	0.1 %	3.6 %	— %	— %	0.7 %	10.9 %
2022	1.2 %	0.1 %	1.7 %	0.8 %	2.5 %	0.6 %	0.4 %	2.6 %	— %	0.6 %	0.5 %	11.0 %
2023	1.4 %	0.2 %	2.1 %	0.3 %	1.5 %	0.7 %	0.3 %	2.8 %	0.4 %	— %	0.4 %	10.1 %
2024	0.9 %	0.1 %	1.7 %	0.2 %	1.5 %	0.5 %	0.4 %	3.2 %	0.2 %	0.2 %	1.8 %	10.7 %
2025 & later	5.0 %	1.0 %	7.7 %	1.8 %	6.0 %	4.3 %	1.4 %	10.8 %	— %	6.0 %	3.5 %	47.5 %
Month-to-month	— %	— %	— %	— %	— %	0.1 %	— %	— %	— %	— %	— %	0.1 %
Vacant	1.9 %	0.1 %	1.5 %	0.1 %	0.7 %	0.6 %	0.4 %	2.7 %	— %	0.6 %	1.1 %	9.7 %
Total	12.2 %	1.6 %	17.2 %	3.4 %	13.0 %	7.9 %	3.0 %	25.7 %	0.6 %	7.4 %	8.0 %	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 Q2-21 Proportionate Share Property NOI) are Twin Cities Area office, Twin Cities Area industrial, Madison office, Greater Toronto Area industrial and Winnipeg 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 six months ended June 30, 2021 and the year ended December 31, 2020. 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

The policies that the REIT's management believes are the most subject to estimation and judgment are set out in the REIT's Management Discussion and Analysis for the year ended December 31, 2020.

CHANGES IN ACCOUNTING STANDARDS

New or Revised Accounting Standard Adopted During the Period

Interest Rate Benchmark Reform - Phase 2 Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates. 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 inter-bank offered rate ("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.

As at June 30, 2021, the REIT had variable rate debt and interest rate swaps linked to US dollar LIBOR ("USD LIBOR") as follows:

	June 30, 2021
Financial liabilities:	
Mortgages and loans payable ⁽¹⁾	\$ 640,732
Credit facilities ⁽¹⁾	406,399
Interest rate swaps ⁽²⁾	7,517
	\$ 1,054,648

(1) Mortgages and loans payable and credit facilities are disclosed at the outstanding balances as at June 30, 2021.

(2) Interest rate swaps are disclosed at the fair values as at June 30, 2021.

The publication of the overnight and 1, 3, 6 and 12-month USD LIBOR is expected to cease after June 30, 2023. All of the REIT's LIBOR-linked financial instruments have not yet been transitioned to an alternative interest rate benchmark. The majority of these financial instruments have terms ending before June 30, 2023. Management has begun general communications with debt and swap counterparties and will continue to monitor market developments as the USD LIBOR transition date approaches.

Additional interest rate risk may arise from the transition if the REIT is not able to negotiate with counterparties to obtain the appropriate debt financing with variable rates and/or interest rate swaps to implement its interest rate risk management strategy.

The interest rate swaps are not designated in a hedging relationship. These amendments had no impact on the interim condensed consolidated financial statements. The REIT intends to use the practical expedient in future periods as it becomes applicable.

CONTROLS AND PROCEDURES

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The REIT's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Management is responsible for establishing and maintaining adequate internal controls over financial reporting.

All control systems have inherent limitations, and evaluation of a control system cannot provide absolute assurance that all control issues have been detected, including risks of misstatement due to error or fraud. As a growing enterprise, management anticipates that the REIT will be continually evolving and enhancing its systems of controls and procedures.

The Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") evaluated, or caused to be evaluated, the design of the REIT's internal controls over financial reporting (as defined in NI 52-109). Based on this evaluation, the CEO and CFO have concluded that, as at June 30, 2021, the design of the REIT's internal control over financial reporting was effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS. No changes were made in the REIT's design of internal controls over financial reporting during the six months ended June 30, 2021, that have materially affected, or are reasonably likely to materially affect, the REIT's internal controls over financial reporting.

DISCLOSURE CONTROLS AND PROCEDURES

The REIT's disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by the REIT is recorded, processed, summarized and reported within the time periods specified under Canadian securities laws, and include controls and procedures that are designed to ensure that information is accumulated and communicated to management, including the CEO and CFO, to allow timely decisions regarding required disclosure.

As of June 30, 2021, an evaluation was carried out, under the supervision of and with the participation of management, including the CEO and CFO, of the effectiveness of the REIT's disclosure controls and procedures (as defined in NI 52-109). Based on the evaluation, the CEO and CFO have concluded that the REIT's disclosure controls and procedures were effective for the six months ended June 30, 2021.