



2021

TSX: AX.UN

ANNUAL REPORT

DISCLAIMER AND FORWARD-LOOKING STATEMENTS

All figures are presented in Canadian dollars unless otherwise noted. The information in this Annual Report should be read in conjunction with the REIT's audited annual consolidated financial statements and management's discussion and analysis for the years ended December 31, 2021, 2020 and 2019. These documents are available on SEDAR at www.sedar.com or on Artis' website at www.artisreit.com.

Certain statements contained in this Annual Report are "forward-looking statements" within the meaning of applicable securities laws. Forward-looking statements reflect management's expectations regarding the future growth, results of operations, performance, prospects and opportunities of Artis. Without limiting the foregoing, the words "expects", "anticipates", "intends", "estimates", "projects", and similar expressions are intended to identify forward-looking statements. Readers are cautioned not to place undue reliance on forward-looking statements.

All statements other than statements of historical fact contained or incorporated by reference herein may be deemed to be forward-looking statements including, without limitation, statements regarding the timing and amount of distributions and the future financial position, business strategy, potential acquisitions and dispositions, plans and objectives of Artis.

Such forward-looking statements reflect management's current beliefs and are based on information currently available to management. Artis cannot assure investors that actual results will be consistent with any forward-looking statements and, other than as required by applicable law, Artis assumes no obligation to update or revise such forward-looking statements to reflect actual events or new circumstances. All forward-looking statements contained in this Annual Report are qualified by this cautionary statement. Forward-looking statements may involve significant risks and uncertainties. A number of factors could cause actual results to differ materially from the results expressed or implied in forward-looking statements. Refer to section entitled "Risks and Uncertainties" in the REIT's 2021 Annual Management's Discussion and Analysis

and the section entitled "Risk Factors" in the REIT's Annual Information Form dated March 3, 2022, for additional information regarding risks and uncertainties.

Notice with Respect to Non-GAAP & Supplementary Financial Measures Disclosure

In addition to reported IFRS measures, certain non-GAAP and supplementary financial 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.

Non-GAAP measures and ratios include Same Property Net Operating Income ("Same Property NOI"), Funds From Operations ("FFO"), Adjusted Funds from Operations ("AFFO"), FFO per Unit, AFFO per Unit, FFO Payout Ratio, AFFO Payout Ratio, Net Asset Value ("NAV"), NAV per Unit, Gross Book Value ("GBV"), Total Debt to GBV, Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization ("Adjusted EBITDA"), Adjusted EBITDA Interest Coverage Ratio and Total Debt to Adjusted EBITDA.

Management believes that these measures are helpful to investors because they are widely recognized measures of Artis' performance and provide a relevant basis for comparison among real estate entities. These non-GAAP and supplementary financial measures are not defined under IFRS and are not intended to represent financial performance, financial position or cash flows for the period, 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. Refer to the section entitled "Notice With Respect to Non-GAAP & Supplementary Financial Measures Disclosure" in Artis' 2021 Annual Management's Discussion and Analysis for further information.

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PARK LUCERO I
GREATER PHOENIX AREA, AZ



SAMIR MANJI

President &
Chief Executive Officer

LETTER TO UNITHOLDERS

This will be the first time I am writing to our valued unitholders since March 10, 2021, when we announced our Business Transformation Plan, which set out our new vision and strategy for Artis. Since that time, we have been busy at work, focusing on executing in the early days of our plan to build significant value for our owners. We have received a diverse range of comments and questions related to our new vision and strategy. In this letter, I will provide further clarity and context that will enable our owners to understand what we are doing and, more importantly, why we are doing it. This is something I plan to continue doing annually.

Our March 2021 announcement highlighted our focus on growing our net asset value (“NAV”) per unit and distributions through value investing. There are three pillars to this strategy: 1) strengthening the balance sheet through accretive dispositions, disciplined unit buybacks and debt reduction; 2) driving organic growth through development of our assets; and 3) investing in mispriced, misunderstood, or mismanaged assets or companies, including REITs. In each aspect of this strategy, we have exceeded expectations over the past 12 months.

We closed 2021 with a NAV per unit of \$17.37, representing an increase of \$2.34 or 16% over the 2020 year-end NAV per unit of \$15.03. Multiple factors contributed to this growth, including the monetization of certain assets above their International Financial Reporting Standards (“IFRS”) values, the increase in overall value of our portfolio of properties and the repurchasing of units through our normal course issuer bid. When we include the regular monthly distributions that we paid to unitholders in 2021 (totalling \$0.5927 per unit for the year), the total increase relative to our 2020 year-end NAV was \$2.93, which translates to a total return of 20%. This calculation does not include the special cash (and non-cash) \$0.32 per unit distribution that was declared, as this is not a normal, recurring distribution - rather, it was directly related to potential taxes unitholders may have to pay because of asset sales Artis completed last year. While I am very pleased with the overall return we achieved, we cannot promise or guarantee that we will be able to repeat this every year. What we will commit to is to do our best to make sound investment and capital allocation decisions so that, in the long term, we put ourselves in the best position possible to deliver strong returns to our owners.

At the same time, we recognize our units continue to trade at a significant discount to our NAV. Our goal is to narrow and ultimately close this gap.

The principle of intrinsic value, the determination of value based on the measure of what an asset or collection of assets is truly worth rather than their trading market price, is crucial to understanding value investing. This principle is contrary to the efficient market hypothesis, which states that markets are efficient and that stocks always trade at their fair value. Warren Buffett, the most famous value investor in modern times, demonstrated that the efficient market hypothesis is not realistic. He once said: “In the short run, the market is a voting machine. In the long run, it’s a weighing machine.” Applying this philosophy, our value-investing strategy will focus on making NAV per unit “heavier” (in other words, more valuable!) over time. That is our focus, plain and simple – to build the value of our company through disciplined and thoughtful value investing, using principles that other value investors have proven out and that we believe can be applied in our business and industry. When we do so successfully, we will grow our NAV per unit on a sustainable basis.

Our Business Transformation Plan announced last March highlighted the idea of investing in other companies or REITs as part of a broader and more diverse investment strategy. Many were surprised when we announced this plan. When we invest in other companies or REITs, we are buying a piece of that business - or, put a different way, a piece of the real estate portfolio owned by that company or REIT. We would do so because we believe the intrinsic value of that business or portfolio is higher than the market is giving it credit for and, relative to other investment or capital allocation opportunities, we believe the investment will produce a better return on our capital in the long run. For the purposes of identifying and underwriting public securities investment opportunities, we have established a formal relationship with Sandpiper Group (“Sandpiper”), a company owned by my family. We have disclosed this relationship and will continue to provide transparency to our owners, something that is very important to me. The team at Sandpiper has developed this subject matter expertise and in establishing this relationship between Artis and Sandpiper, the objective is very simple – to harness that

expertise for the benefit of Artis’ owners. This dynamic was instrumental in our first significant investment in a public entity, Cominar, that began last summer. This culminated in Artis (and Sandpiper) joining hands with two other partners to establish a consortium that was the successful bidder

“In this letter, I will provide further clarity and context that will enable our owners to understand what we are doing and, more importantly, why we are doing it. This is something I plan to continue doing annually.”

to acquire and privatize Cominar. I will elaborate on this further, but suffice it to say, if not for this unique relationship that Artis and Sandpiper had established, the opportunity to capitalize on the Cominar acquisition would not have materialized.

Our plan for Artis also includes strengthening our balance

sheet, which we achieved in 2021. This was driven by the sale of our GTA industrial portfolio for a price well above the IFRS (or estimated) value at that time. This was a product of a carefully choreographed auction process that included a significant number of buyers prepared to bid a price that exceeded our expectations. In achieving this sale at a price over \$700 million, we were able to reduce our debt and increase our liquidity which, by the end of the year, stood at \$724.9 million. Liquidity represents the amount of capital we have to invest in or allocate to new investments or existing properties. Our goal is to always have a reasonable level of liquidity. This allows us to have flexibility at all times to weather unexpected headwinds while also putting us in a position to capitalize on situations when significant value opportunities become available.

Year in Review

As I noted above, effective capital allocation is a foundational component of our new vision and strategy. The monetization of select assets in a measured, patient and opportunistic manner has been, and will continue to be, essential to providing us with the resources to meaningfully reduce debt and to execute on our value-investing strategies. During the year, we sold 41 assets for an aggregate sale price of \$858.6 million. These dispositions included the previously mentioned sale of our GTA industrial portfolio, which was a milestone transaction for Artis. We also exited the Calgary office market with the sale of our remaining Calgary office properties. The proceeds from divestitures provided us with the financial flexibility to make significant progress in the execution of our strategy.

Below I have summarized a few of our notable 2021 investments and capital allocation initiatives.

Privatization of Cominar

On October 25, 2021, we announced our participation in an investor group formed to acquire Cominar. This transaction is reflective of the type of opportunity we hope to allocate capital to in the future. In 2020, Cominar's board announced that it was undertaking a strategic review. We believed the units of Cominar were trading for much less than their intrinsic value, so by early summer, with the GTA industrial portfolio sale under our belt, we began acquiring Cominar units. In late July, my friend Jonathan Wener, the founder of Canderel, called me and asked if we would be interested in

joining Canderel and another partner to buy Cominar. Given the extensive underwriting Sandpiper had already done and shared with Artis' Investment Committee and Board, we were able to engage in the discussions swiftly and with confidence. When Jonathan told me the other partner was FrontFour Capital, it made the decision to engage even easier, as I had worked with one of the principals at FrontFour previously and knew that their team was smart and trustworthy – just like the team at Canderel.

Canderel and FrontFour were setting up a limited partnership to acquire Cominar. In this type of structure, a limited partner is an investor that provides the equity for the investment but is not a day-to-day manager of the business. The general partner, on the other hand, oversees the business and is active in the daily operations of the company. While Canderel and FrontFour had other equity investors interested in joining (or already committed to) the opportunity, we successfully negotiated for Artis and Sandpiper to not only invest as limited partners for a significant portion of the overall equity, but also to participate alongside Canderel and FrontFour as general partners, with Artis and Sandpiper together receiving a one-third share of the general partnership and four of nine board seats. This means that Artis and Sandpiper will also share one-third of any and all profits and fees realized by the general partners. Artis and Sandpiper will share all general partner profits and fees equally and will each have two representatives on the board.

Together as a consortium, we acquired Cominar for \$11.75 per unit – a price we believe is significantly below the intrinsic value of the underlying assets acquired. We are expecting to generate very strong returns on the capital we have committed to this investment. In discussions with the Artis Investment Committee and Board, it was agreed that Artis and Sandpiper together would commit approximately 49% of the equity in the consortium, with Artis taking two-thirds of this and Sandpiper taking the remaining one-third. Ultimately, Artis contributed \$112 million to acquire common equity units, which represented approximately 33% of the total common equity units in the newly formed entity, and was also successful in securing an additional \$100 million investment in the overall capital structure of the consortium in the form of junior preferred units that will pay a very attractive rate of 18% per annum. Artis' independent

Trustees sought to have Artis take the full amount of the junior preferred units and Sandpiper was agreeable to that arrangement. Interestingly, after the announcement last October, we received a number of inbound calls from other investors who asked if they could participate in the \$100 million junior preferred unit investment. Of course, we said no – this will be for the sole and full benefit of Artis' owners. The ultimate outcome of this investment remains to be seen; however, focusing again on the principle of intrinsic value, we know that Cominar had previously disclosed an IFRS value of over \$15.00 per unit. In simple terms, IFRS value represents an estimate of fair market value. We agree with this assessment and expect that our investment provides for significant upside and profit for Artis' unitholders.

Normal Course Issuer Bid ("NCIB")

A normal course issuer bid, also known as an NCIB, can be a very powerful tool to enhance value for owners. In simple terms, by reducing the number of units outstanding it allows each owner to own more of the company (or in our case, REIT) without having to invest any additional money. An NCIB can also enhance NAV, or intrinsic value per unit, as buying back units for a price lower than the in-place existing NAV results in fewer units outstanding and, therefore, increases the NAV on the remaining units. During the term of our NCIB that expired on December 16, 2021, we purchased 10,160,396 common units at a weighted-average price of \$11.26, representing the maximum number of units allowable under the applicable term. The NCIB was renewed on December 17, 2021, and during the remainder of the year, we acquired an additional 1,018,968 common units at a weighted average price of \$11.61, well below the year-end NAV per unit of \$17.37. We will not hesitate to continue using the NCIB whenever our units trade at a significant discount to our NAV. This is both a prudent capital allocation decision and one that comes with low risk to our owners, as we are buying our own units at a substantial discount.

Development Projects

Creating value for Artis' unitholders through development projects has been a sound strategy to date - especially when it comes to industrial developments. We are approaching the completion of our fifth and final phase of Park 8Ninety in Houston, Texas. This final phase, which we own 95% of, will comprise approximately 675,000 square feet of additional industrial space to add to our existing 1,120,414 square feet in the first four phases. We are also making excellent progress on Park Lucero East, an industrial development project in Phoenix, Arizona, that we have both a 10% ownership interest in and also a lucrative development management contract that will reward us for the value creation we anticipate achieving on completion. In 2021, we acquired two parcels of industrial development land in Minneapolis, Minnesota, and began construction on the first of two phases. This project, Blaine 35, is expected to total 317,400 square feet upon completion. With all of our industrial developments, we are anticipating achieving significant value creation, as we

8401 GREENWAY
MADISON, WI

“Effective
capital
allocation is a
foundational
component of
our new vision
and strategy.”

are building these projects at a cost well below what we believe they will be worth once completed. Finally, on the development front, we have made significant progress on the development of 300 Main, a 40-storey commercial and residential development project in Winnipeg, Manitoba, with pre-leasing of the first 20 floors of residential apartments under way.

Purchases of Equity Securities

As noted earlier, an integral component of our Business Transformation Plan is to focus on value investing by identifying real estate opportunities that are mispriced, misunderstood or mismanaged. This includes investing in public securities where there can sometimes be a significant disconnect between the value the market gives a company or REIT and the true underlying net asset value per share/unit that the company/REIT is worth. In the current environment where there continues to be inflationary pressure (i.e., values are going up) in the private real estate transaction environment, I believe that one of the best ways for Artis to invest some of its capital is in public companies or REITs. There are some companies or REITs that have excellent properties in strong markets that we would love to own directly and an indirect investment in their public shares or units is a different way for us to achieve an ownership interest. The best part is that we get to do so at a discount to what it would ultimately cost us to buy these properties directly – and sometimes this discount can be significant. Generally speaking, we will not disclose the name of a company or REIT as we are buying the shares/units in the market. Some have suggested that we are not being transparent; however, they know all too well that it is not in our interest to tell other people what we are doing until we have completed acquiring our desired ownership position, unless we are required to disclose earlier for regulatory compliance. Sometimes disclosing this information will lead to the price of that company/REIT going up, which would mean that it costs Artis' owners more to make additional investment. As we move forward and begin disclosing these names, we will also use this annual letter as an opportunity to provide more thoughts, commentary and updates on the different investments we own.

During 2021, we also began accumulating a position in

Dream Office Real Estate Investment Trust (“Dream”) which culminated in an announcement subsequent to the end of the year that we, together with our joint actors, now have a 10% ownership position in Dream. We will continue to seek out similar, unique opportunities that capitalize on mispricing and valuation inefficiencies that exist in the public real estate markets.

Core Long-Term Real Estate Holdings

While we sold a number of properties last year and, as detailed later in this letter, will sell additional properties in 2022, we will continue to own, for the long term, a core portfolio of assets in key markets that we wish to remain invested in. These core properties are expected to: (i) generate strong income and cash flow for Artis and its owners, (ii) produce healthy rental rate growth and corresponding bottom line performance, and (iii) continue to perform well. As a result, from a capital allocation standpoint, we remain committed to maintaining a meaningful allocation of our capital to direct, income producing real estate that we own.

Balance Sheet and Liquidity

As noted earlier, one of our key long-term objectives is to have lower leverage, meaning that the total amount of money we have borrowed as a percentage of our overall assets should be lower than it has been historically. At times in the past, our leverage has been over 50% of the value of our assets. Our goal was to reduce this leverage and we were successful in doing so during 2021. By the end of the year, our debt to gross book value (the estimated value of our assets) was 42.9%, compared to 49.3% at the start of the year. While this ratio may fluctuate due to timing of dispositions, we would like to keep our overall borrowing below approximately 45% and, if possible, reduce it even further to below 40%.

The Road Ahead

We expect 2022 to be another busy year as we continue to execute on our vision and strategy. Several aspects of that strategy are already in motion and, over the balance of 2022, we will continue to carve our path to becoming a best-in-class organization by focusing our efforts on allocating capital to the highest and best return opportunities that maximize value for our owners.

Focus on Key Performance Indicators

Our plan for 2022 includes monetizing over \$500 million of assets in several Canadian and U.S. markets. We will use disposition proceeds to pay down debt further and to reallocate some of the capital into initiatives that we believe will achieve the highest possible return, ultimately contributing to our most important objective, growing NAV per unit. Our improved liquidity position will also enable us to capitalize on opportunities that surface unexpectedly or other avenues we identify to move our strategy forward.

Drive Organic Growth

Our management team will continue to look for ways to improve operating efficiencies across our existing portfolio of assets, while pushing up lease rates and occupancy. These efforts will maximize net operating income (“NOI”), which drives funds from operations (“FFO”) and adjusted funds from operations (“AFFO”) growth and ultimately leads to value appreciation and growth in NAV per unit.

We have a robust pipeline of industrial development projects under way that we expect will be worth much more upon completion than what it cost us to build. In 2022, several of these projects which we highlighted earlier will achieve substantial completion, including Blaine 35 Phase I in Minneapolis, Park 8Ninety Phase V in Houston and Park Lucero East in Phoenix. We are well on our way to fully leasing these assets prior to delivery to the market and we will continue to focus our efforts on maximizing value through lease-up. Similarly, 2022 will be a milestone year for 300 Main in Winnipeg, with Earls restaurant opening on the main floor and delivery of the first 20 of 40 floors of rental apartment units to the market. These developments result in the creation of new NOI for our portfolio and will ultimately increase cashflow, FFO and AFFO. The difference between development cost and market value for each of these projects creates NAV per unit growth and instant value creation for our unitholders. As we move forward, we will continue to explore opportunities to add additional projects to our development pipeline.

Environmental, Social and Governance (“ESG”)

In 2022, our newly formed ESG Committee, with the oversight of the Board, will continue to push forward on new ESG initiatives. We will actively monitor energy consumption and

work with our operations team to seek out new ways to be more energy efficient across our portfolio, while reviewing opportunities to achieve or improve LEED certification for our properties. We are creating a tenant portal that will enhance tenant engagement, including an avenue to have tenants participate in our ESG initiatives and best practices. We have an excellent team with a strong work ethic at Artis. We are committed to maintaining and strengthening a culture that promotes diversity, equity and inclusion. We will continue to support our employees in their career

“We have an excellent team with a strong work ethic at Artis. We are committed to maintaining and strengthening a culture that promotes diversity, equity and inclusion.”

objectives, while creating an environment that fosters community involvement and social awareness.

Capital Market Investments

Our participation in the privatization of Cominar was the first major capital allocation exercise as part of our strategy of being a value investor in the public real estate space. Our

investment in Dream Office represents another important step in our capital markets activities and is already paying dividends.

The heavy lifting in 2021 planted seeds for growth in 2022. As we move through the next year and focus on the execution of our strategy, our unitholders will see these efforts continue to bear fruit. Our improved liquidity will allow us to be nimble and capitalize on new opportunities, while we continue to enhance our existing portfolio and execute on our capital market investment strategy, ultimately leading to meaningful long-term growth of NAV per unit and improved value for unitholders.

Some Final Thoughts and Our Annual General Meeting

I know they say time flies when you're having fun, but it is hard to believe just how fast time has flown by over these past 15 months! Yes, we are having fun as we continue to harness the incredible opportunity that our owners have entrusted us with - to transform Artis into something unique and compelling that does not exist in the Canadian public real estate market. I remember that when we announced our new vision and strategy last March, many were very excited while others were disappointed because they were hoping for a different plan. We chose the road less travelled because of our confidence and conviction that we could build something unique and valuable for our owners. We are grateful for and encouraged by those who chose to remain as owners and also welcome our new, more recent owners of Artis. It has been just over a year and we have come a long way during that time. As I said earlier, we are just getting started! We have an exciting journey ahead and I, alongside our Trustees and executives, am looking forward to engaging with as many of our owners as possible in the weeks and months ahead. This is something we are committed to doing – staying in touch and engaged with our owners. You have entrusted us with your capital and we will work hard and do our best to invest and manage that capital on your behalf so as to achieve strong returns and NAV growth for you.

This past year also saw significant change in the senior leadership at Artis. This included two exciting promotions within the organization. Kim Riley, formerly an Executive Vice-President, assumed the newly established position

of Chief Operating Officer and Jaclyn Koenig, who was previously Senior Vice-President Accounting, became Chief Financial Officer. Kim and Jackie have been instrumental in shaping and influencing our accomplishments in 2021. They work hard, are very smart and have an unwavering loyalty to the organization. I admire their unique styles, perspectives and incredible work ethic. I would like to acknowledge them for their leadership and commitment to Artis, our owners and our team.

The global pandemic that began in 2020 has meant that, for the past two years, Artis has not had the opportunity to hold an in-person annual general meeting. That is going to change this year, as things have started to reopen and the environment is evolving such that in-person AGMs are possible again. Artis will hold its AGM on Thursday, June 9, 2022, in Toronto, Ontario. We hope that you will join us and look forward to meeting our fellow owners in person for the first time since most of the Board took office and I had the privilege of becoming your President and CEO. For those who are not able to make it in person, you will be able to attend virtually so you do not miss out.

We were able to accomplish all of the above, as well as the many other achievements, in 2021 thanks to the hard work of our team at Artis under the guidance of our Board of Trustees. As I said at the outset, we have been busy at work! I hope this letter explains what we have been up to and why. We still have a lot of work ahead of us and, as I like to say to members of our Board and our team, we are only getting started!

Let me close by sharing how exciting this past year has been for Artis and how optimistic we are about the year and years ahead. We have an ambitious plan and vision, but also have high conviction and optimism about what we are going to do. As always, we thank you for your support, confidence and trust and look forward to the journey ahead together.



Samir A. Manji
President & Chief Executive Officer

CANADIAN PACIFIC PLAZA MINNEAPOLIS, MN

“We have an ambitious plan and vision, but also have high conviction and optimism about what we are going to do.”

300 MAIN
WINNIPEG, MB

ARTIS AT A GLANCE

Artis Real Estate Investment Trust 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. Artis' common units trade on the Toronto Stock Exchange 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.

Artis' common units also trade in the United States on the OTCQX Best Market ("OTCQX") under the symbol ARESF.

Artis owns a portfolio of industrial, office and retail properties in Canada and the United States. At December 31, 2021, the REIT's portfolio comprised 156 commercial properties totalling approximately 17.9 million square feet of gross leasable area.

HIGHLIGHTS

ANNUAL DISTRIBUTION

\$0.60 Per Common Unit

NUMBER OF PROPERTIES

156

GROSS LEASABLE AREA

17.9 Million Sq Ft

NET OPERATING INCOME BY COUNTRY

45.2%
Canada

54.8%
U.S.

GROSS LEASABLE AREA BY COUNTRY

38.9%
Canada

61.1%
U.S.

NAV PER UNIT

\$17.37

TOTAL DEBT TO GBV

42.9%

TOTAL ASSETS

\$4.6 Billion

REVENUE

\$419.5 Million

AFFO PER UNIT

\$0.96

AFFO PAYOUT RATIO

61.5%

MAX AT KIERLAND
SCOTTSDALE, AZ



VISION & STRATEGY

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 real estate.

In connection 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 the following key elements:

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.

“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 real estate.”

As part of the Business Transformation Plan, Artis confirmed it 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 also 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 confirmed its intention 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.

As a first step to the above, Artis began unlocking some of the trapped value in some of its hard real estate assets through the monetization of certain industrial assets. 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 assets, this could take many forms.

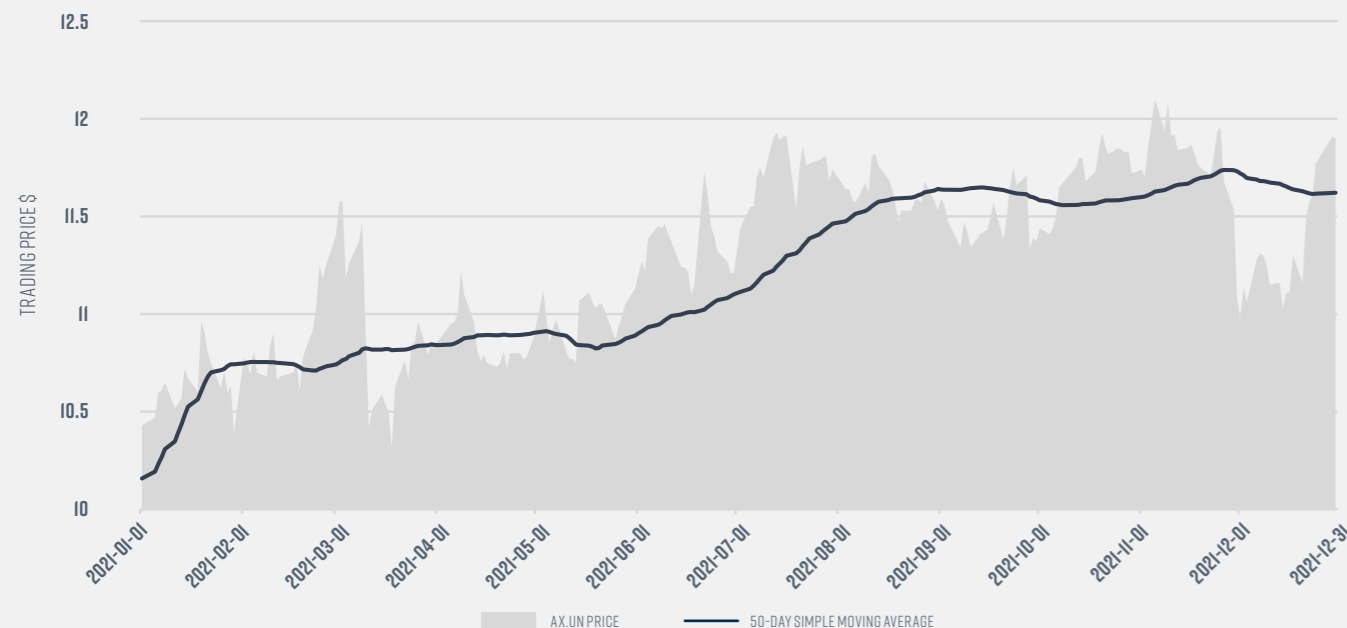
As Artis continues to divest partial or entire ownership

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.

2021 UNIT PRICE PERFORMANCE



PARK 8NINETY
HOUSTON, TX

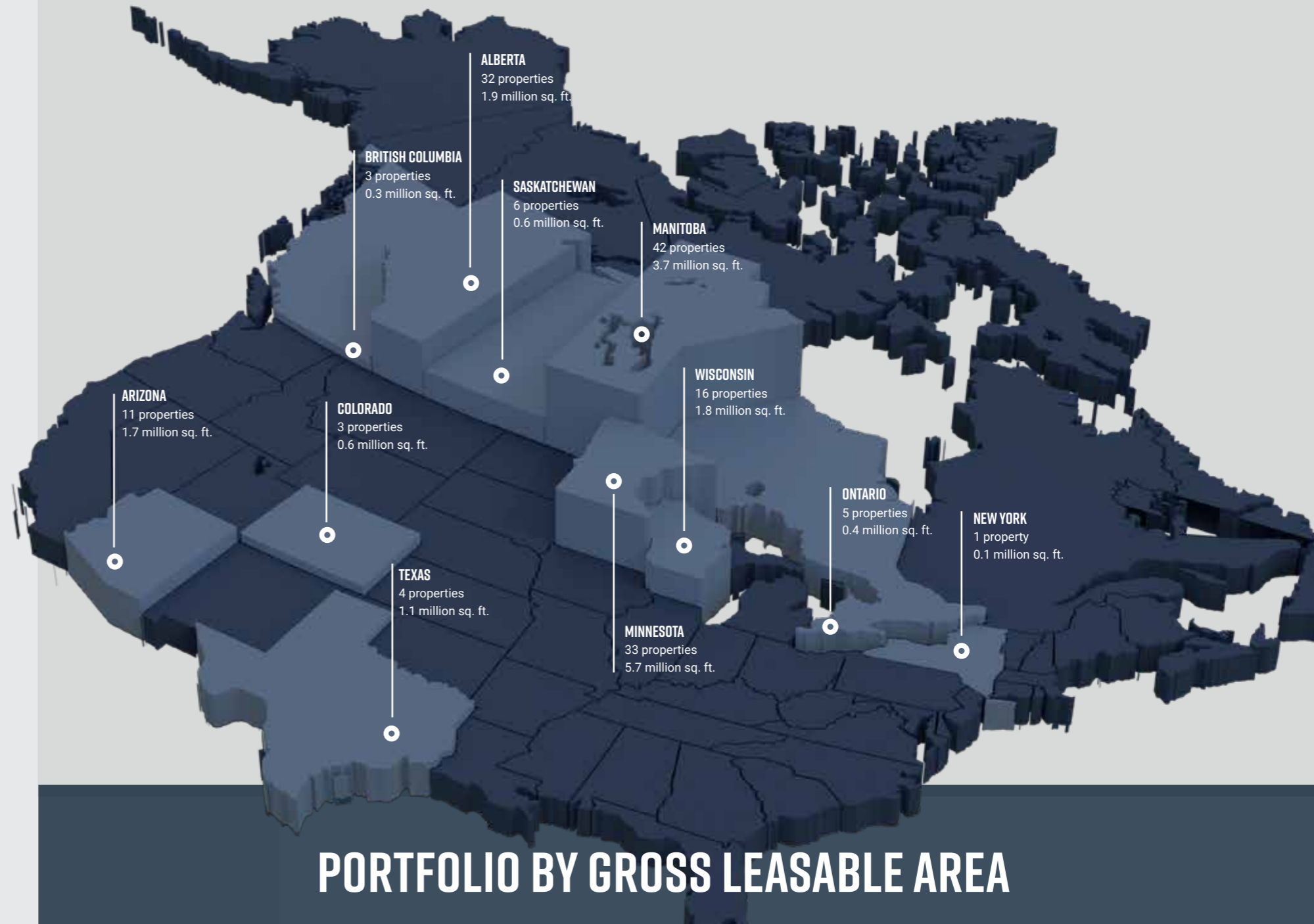
“The goal of the Business Transformation Plan is to generate meaningful long-term growth in NAV per unit and distributions by monetizing assets, strengthening the balance sheet and scaling-up through value investing.”

PORTFOLIO & OPERATIONAL PERFORMANCE

On December 31, 2021, Artis' portfolio comprised 156 properties totalling 17.9 million square feet of gross leasable area. The REIT's portfolio includes industrial, office and retail properties located across five provinces and six states in Canada and the United States ("U.S."). At December 31, 2021, Canadian assets account for 38.9% of the portfolio by gross leasable area, while 61.1% of the portfolio by gross leasable area is located in the U.S. By asset class, Artis' industrial portfolio accounts for 48.8% of the REIT's gross leasable area, while office assets represent 39.2% and retail assets represent 12.0%.

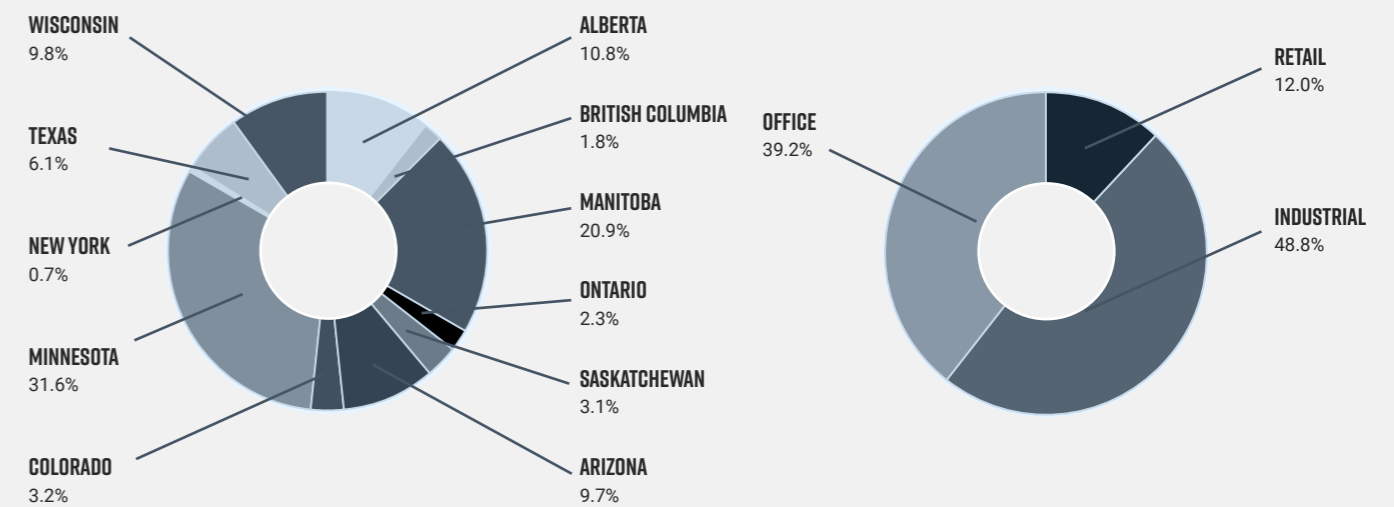
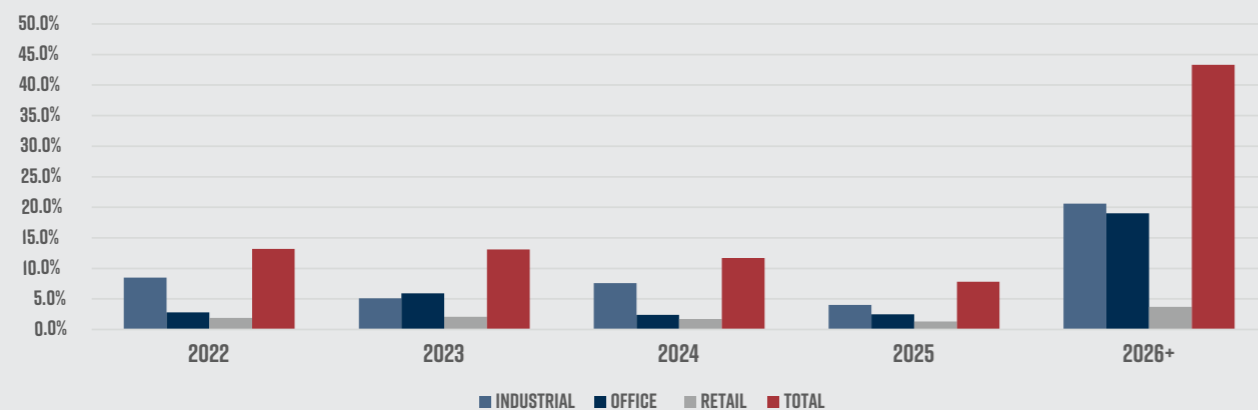
Artis also has partial ownership in 10 investment properties comprising approximately 1.5 million square feet of gross leasable area under joint venture arrangements. These properties are located in British Columbia, Alberta, Saskatchewan, Texas and Colorado, across the industrial and office asset classes. At December 31, 2021, based on gross leasable area, 61.4% of these properties are located in Canada and 38.6% are located in the U.S.

In 2021, Artis' portfolio continued to demonstrate resiliency, maintaining a healthy occupancy level above 90% (including commitments) throughout the year. Across Artis' six offices located in Winnipeg, Calgary, Edmonton, Phoenix, Madison and Minneapolis, approximately 2.6 million square feet of lease transactions (including new leases and renewals) were completed during the year. The weighted-average increase in rental rates achieved on renewals that commenced during the year was 4.1%. Looking ahead to 2022, a manageable 13.2% of Artis' gross leasable area expires, 34.5% of which was renewed or committed to new leases at the end of 2021. Artis' property managers continue to foster relationships with tenants, working to ensure that their space is aligned with their business strategy and overall needs, and to promote tenant retention.



PORTFOLIO BY GROSS LEASABLE AREA

LEASE EXPIRIES (BY GROSS LEASABLE AREA)



Artis has 1,229 tenant leases in its portfolio with a weighted-average term to maturity of 5.1 years. The properties have a diverse tenant base, with the top 10 tenants representing 17.8% of the REIT's total gross revenue and a weighted-average term to maturity of 8.5 years.

TOP TEN TENANTS

TENANT	%OF TOTAL GROSS REVENUE	%WEIGHTED-AVERAGE LEASE TERM IN YEARS
1. GOVERNMENT	2.8%	8.2
2. AT&T	2.2%	1.2
3. BELL CANADA	2.1%	7.8
4. BELL MTS	2.0%	5.0
5. PRIME THERAPEUTICS, LLC	2.0%	12.8
6. TDS TELECOMMUNICATIONS CORPORATION	1.5%	6.1
7. CATALENT PHARMA SOLUTIONS, LLC	1.5%	14.6
8. CB RICHARD ELLIS, INC	1.3%	5.0
9. RECIPE UNLIMITED CORPORATION	1.2%	7.0
10. PBP, INC	1.2%	9.9

Rent collections have remained strong since the beginning of the pandemic and the fourth quarter was no exception. Artis collected 98.2% of rent charges (both excluding and including deferred rent charges) for the three months ended December 31, 2021. While governments cautiously reduce or eliminate restrictions in many of Artis' markets, the REIT's property management team continues to work diligently to maintain a clean and safe environment at all properties and support its tenants during this time of unprecedented challenges.

Artis continues to create value for unitholders through development projects, which present a compelling opportunity to build new generation real estate at building costs that are well below the REIT's estimated fair value upon completion. At the end of 2021, Artis was near completion of the fifth and final phase of Park 8Ninety in Houston, Texas. This final phase, of which Artis owns 95%, will add approximately 675,000 square feet of additional industrial space to a complex that will total 1,795,414 square feet upon completion. Artis is also making excellent progress on Park Lucero East, an industrial development project in Phoenix, Arizona, that the REIT has a 10% ownership in

as well as a development management contract that will reward Artis for the value creation achieved on completion. In 2021, Artis also acquired two parcels of industrial development land in the Twin Cities Area, Minnesota, and began construction on the first of two phases. This project, Blaine 35, is expected to total 317,400 square feet upon completion. Lastly, in 2021 Artis made substantial progress on the development of 300 Main, a 40-storey commercial and residential development project in Winnipeg, Manitoba. A national restaurant tenant will be opening on the ground floor of this building in March 2022, and pre-leasing of the first 20 floors of residential apartments is under way.

On March 10, 2021, Artis announced a new vision and strategy – to build a best-in-class asset management and investment platform focused on growing net asset value per unit and distributions for investors through value investing in real estate. As part of this new vision and strategy, Artis will classify certain assets as core long-term real estate holdings while identifying opportunities within the portfolio to unlock value through the monetization of other assets. The objective of asset sales is to optimize the portfolio to align with the strategy while providing the resources to meaningfully reduce debt and the flexibility to execute Artis' value-investing strategies. Core long-term real estate holdings are expected to: (i) generate strong income and cash flow for Artis and its owners, (ii) produce healthy rental rate growth and corresponding bottom line performance, and (iii) continue to perform well. With respect to capital allocation, Artis is committed to maintaining a meaningful allocation of its capital to direct ownership of income-producing real estate.

In connection with the Business Transformation Plan, Artis sold 41 properties and a portion of a retail property totalling 3,659,055 square feet of gross leasable area for an aggregate sale price of \$858.6 million in 2021. These dispositions included the sale of Artis' GTA Industrial Portfolio, which was a milestone transaction for the REIT, and the sale of all of Artis' remaining Calgary office properties. These sales provided Artis with the financial flexibility to make significant progress in executing its strategy while reaffirming the significant demand for all classes of real estate across Artis' existing markets, despite an environment of economic uncertainty due to the pandemic.

CURRENT DEVELOPMENTS



Park Lucero East is a state-of-the-art industrial development project located in the Greater Phoenix Area, Arizona, adjacent to Park Lucero, a multi-phase industrial complex that is owned by Artis. 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 a two-phase 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 will comprise three buildings expected to total approximately 317,400 square feet upon completion.



300 Main is a 580,000 square foot commercial and residential/multi-family development project in the heart of downtown Winnipeg, Manitoba. 300 Main is connected to 330 Main, a state-of-the-art multi-tenant retail property constructed in 2020. 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 on a 127 acre parcel of land in Houston, Texas. The first four phases of Park 8Ninety are complete and total 1,120,414 square feet of leasable area. The fifth phase is under construction and expected to comprise three buildings totalling 675,000 square feet upon completion. Artis has a 95% ownership interest in Park 8Ninety II and V in the form of joint venture arrangements.



BALANCE SHEET & FINANCIAL PERFORMANCE

A critical component of Artis' Business Transformation Plan is the strengthening of the REIT's balance sheet to provide significant liquidity and flexibility to capitalize on opportunities that align with the Artis' value-investing strategy. The REIT has committed to reducing and maintaining low leverage and debt metrics within the investment grade credit rating parameters defined by DBRS Morningstar. In 2021, Artis sold 41 properties and a portion of a property for an aggregate sale price of \$858.6 million. These dispositions include the GTA Industrial Portfolio and the remaining five office properties located in Calgary, Alberta, both significant milestones in the implementation of the Business Transformation Plan. Proceeds from these sales were pivotal in providing the REIT with the flexibility to improve its balance sheet and liquidity position. With these sales complete, Artis was able to make notable improvements to key debt metrics, including significantly decreasing total debt to GBV to 42.9% at December 31, 2021, from 49.3% at December 31, 2020. Artis' Adjusted EBITDA interest coverage ratio was 3.80 for the year ended December 31, 2021, improved from 3.48 for the year ended December 31, 2020.

At year end, Artis had a stronger balance sheet and liquidity that included \$221.5 million of cash on hand and unsecured credit facilities totalling \$1.2 billion of which \$503.5 million was available to be drawn at December 31, 2021. Additionally, Artis' pool of unencumbered assets totalled 85 properties and six parcels of development land and representing a fair value of \$1.9 billion. In addition to the above, also during 2021, the REIT repaid the outstanding Series C senior unsecured debentures with a face value of \$250.0 million, repaid nine mortgages in the amount of \$247.6 million and received new mortgage financing on four properties, a net uplift upon renewal of two maturing mortgages and drew on a construction loan, net of financing costs, in the amount of \$130.2 million.

Artis' primary objective is to create value for its investors by growing NAV per unit and distributions. In accordance with this objective, NAV is a critical area of focus and an important key performance indicator for Artis. In 2021, Artis' NAV increased significantly to \$17.37 from \$15.03 year over

year. This remarkable increase can be largely attributed 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 during the year.

With respect to distributions, in March 2021, Artis announced an increase in common unit distribution to \$0.60 per unit annually from \$0.5562 per unit annually. In December 2021, Artis declared a special distribution of \$2.39 per common unit, with \$0.32 per unit payable in cash and \$2.07 per unit payable in units. The special distribution was principally made to distribute to unitholders a portion of the capital gain realized by the REIT from transactions completed during 2021. Immediately following the issuance of units pursuant to the special distribution, the outstanding units of Artis were consolidated such that each unitholder held, after the consolidation, the same number of units as before the special distribution. The amount of the special distribution payable in units increased the adjusted cost base of unitholders' consolidated units.

In the real estate industry, other common key performance indicators include funds from operations ("FFO") and adjusted funds from operations ("AFFO"). FFO and AFFO in 2021 were primarily impacted by dispositions completed in 2020 and 2021 and a lower US dollar to Canadian dollar average exchange rate in 2021 compared to 2020, partially offset by year-over-year decrease in interest expense. 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 NCIB. In 2021, FFO was \$174.3 million, compared to \$192.4 million in 2020. On a per unit basis, FFO was \$1.34, compared to \$1.41 year-over-year. AFFO was \$124.5 million in 2021, compared to \$139.6 million in 2020. This translates to a per unit AFFO of \$0.96 in 2021, compared to \$1.02 in 2020. The REIT reported conservative FFO and AFFO payout ratios of 44.0% and 61.5%, respectively, for 2021.

Artis continues to maintain its investment grade credit rating from DBRS Limited of BBB (low) and Pfd-3 (low). As at December 31, 2021, DBRS had the ratings of the

Debentures as BBB (low) and Preferred Units as Pfd-3 (low) Under Review with Negative Implications following which, on February 4, 2022, DBRS removed the ratings of Artis from Under Review with Negative Implications and confirmed the ratings at BBB (low) and Pfd-3 (low) with

Stable Trends. This rating is highly respected in the real estate industry, where only select real estate investment trusts and real estate operating companies have been awarded an investment grade credit rating.

SELECTED FINANCIAL INFORMATION

000'S, EXCEPT PER UNIT AMOUNTS	YEAR ENDED DEC 31, 2021	YEAR ENDED DEC 31, 2020	YEAR ENDED DEC 31, 2019
TOTAL REVENUE	\$ 419,499	\$ 458,917	\$ 521,660
NET OPERATING INCOME	237,785	269,275	309,856
NET INCOME	389,175	21,543	122,737
TOTAL COMPREHENSIVE INCOME (LOSS)	387,702	(6,274)	51,069
BASIC INCOME PER COMMON UNIT	2.87	0.03	0.72
DILUTED INCOME PER COMMON UNIT	2.86	0.02	0.72
DISTRIBUTIONS PER UNIT			
Common Units ⁽¹⁾	\$ 2.98	\$ 0.54	\$0.54
Preferred Units - Series A	1.42	1.42	1.42
Preferred Units - Series E	1.37	1.37	1.37
Preferred Units - Series G	-	-	0.73
Preferred Units - Series I	1.50	1.50	1.50
FFO ⁽²⁾	\$ 174,343	\$ 192,411	\$ 202,398
FFO PER UNIT ⁽²⁾	1.34	1.41	1.41
FFO PAYOUT RATIO ⁽²⁾⁽³⁾	44.0%	38.3%	38.3%
AFFO ⁽²⁾	\$ 124,476	\$ 139,552	\$ 150,518
AFFO PER UNIT ⁽²⁾	0.96	1.02	1.05
AFFO PAYOUT RATIO ⁽²⁾	61.5%	52.9%	51.4%
SAME PROPERTY NOI (DECLINE) GROWTH ⁽²⁾	(4.1)%	(1.7)%	3.8%
ADJUSTED EBITDA INTEREST COVERAGE RATIO ⁽²⁾	3.80	3.48	3.04

⁽¹⁾ Includes the special distribution declared in December 2021.

⁽²⁾ Represents a non-GAAP measure or non-GAAP ratio. Refer to the Notice with Respect to Non-GAAP & Supplementary Measures Disclosure section in this Annual Report.

⁽³⁾ FFO payout and AFFO payout ratio are calculated excluding the special distribution declared in December 2021.

000'S, EXCEPT PER UNIT AMOUNTS	DECEMBER 31, 2021	DECEMBER 31, 2020	DECEMBER 31, 2019
TOTAL ASSETS	\$ 4,576,024	\$ 4,859,841	\$ 5,330,019
TOTAL NON-CURRENT FINANCIAL LIABILITIES	1,166,123	1,648,305	2,142,090
NAV PER UNIT ⁽¹⁾	17.37	15.03	15.56
SECURED MORTGAGES AND LOANS TO GBV ⁽¹⁾	23.7%	26.2%	26.3%
TOTAL DEBT TO GBV ⁽¹⁾	42.9%	49.3%	51.3%
UNENCUMBERED ASSETS ⁽¹⁾	\$1,902,748	\$1,901,073	\$1,926,661

⁽¹⁾ Represents a non-GAAP measure, non-GAAP ratio or supplementary financial measure. Refer to the Notice with Respect to Non-GAAP & Supplementary Measures Disclosure section in this Annual Report.

CAPITAL ALLOCATION

Effective capital allocation is a foundational component of Artis' new vision and strategy. The sales completed in 2021 provided the REIT with the resources to improve its balance sheet while also providing liquidity to focus on other areas of the Business Transformation Plan. In addition to the allocation of capital towards debt repayment, as outlined in the *Balance Sheet and Financial Performance* section and investments in development projects and the REIT's core long-term real estate holdings and development projects as outlined in the *Portfolio and Operational Performance* section, the REIT invested in public real estate securities, including the utilization of its NCIB, in 2021.

In 2021, Artis bought back 11,137,764 common units under its NCIB for an aggregate market price of \$125.8 million and 149,188 preferred units for an aggregate market price of \$3.5 million. This translates to a weighted-average price per common unit of \$11.29 (a price well below the REIT's year end NAV of \$17.37) and weighted-average price per preferred unit of \$23.36. Artis continues to see the NCIB as a powerful tool for enhancing value for unitholders and will continue to use it under circumstances where the REIT's units trade at a significant discount to NAV.

With respect to public real estate entities, Artis' Business Transformation Plan includes seeking to acquire meaningful and influential ownership positions in undervalued entities. The REIT's near-term focus is 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.

During 2021, compelling opportunities were identified in the public markets. In October, Artis announced that it was part of a consortium that had, through a newly formed entity, entered into an arrangement agreement to acquire Cominar Real Estate Investment Trust ("Cominar"). Under the

arrangement agreement, Cominar unitholders (other than certain Cominar unitholders that are members of the consortium) would receive consideration of \$11.75 in cash per unit. The transaction was approved by Cominar unitholders on December 21, 2021, and closed subsequent to the end of the year on March 1, 2022. Artis contributed \$212.0 million to the arrangement, including \$112.0 million to acquire common equity units (representing approximately 32.64% of the total common equity units in the newly formed entity) and \$100.0 million to acquire junior preferred units that carry a distribution rate of 18.0% per annum. As part of the consideration, Artis contributed its existing Cominar units, which had a fair value of \$13.4 million as at December 31, 2021. Sandpiper Group contributed \$56.0 million to the arrangement, representing 16.32% of the common equity, and Halcyon International Limited, a company controlled by Steven Joyce, contributed \$20.0 million to the arrangement, representing 5.83%. Together, Artis, Sandpiper Group and Halcyon International Limited control 54.79% of the total common equity units in the newly formed entity. Also during 2021, Artis began accumulating a position in Dream Office Real Estate Investment Trust ("Dream Office") and, subsequent to the end of the year, announced that together with its joint-actors had acquired a 10% ownership position in Dream Office.

Artis has strong conviction in its strategy and in these investments. They align with Artis' Business Transformation Plan and are reflective of the attractive opportunities that exist within the public markets.



ENVIRONMENTAL, SOCIAL & GOVERNANCE (ESG)

As part of Artis' vision, to build a best-in-class asset management and investment platform focused on growing net asset value per unit and distributions for investors through value investing in real estate, the REIT is committed to making ESG a focal point and to establishing a company-wide ESG-minded culture.

Artis' Board of Trustees is responsible for the stewardship of Artis and for overseeing the conduct of business of Artis and the activities of management. The Governance, Nominating and Compensation Committee is responsible for providing leadership in shaping the governance policies

and practices of the REIT, including the environmental and social governance of Artis.

Artis strives to be a sustainability leader, and to demonstrate a high standard of ESG consciousness and best practices through its commitment to ongoing review, transparency and performance. Some of Artis' ESG priorities for the future include:

- Improving operating efficiencies by establishing sustainability targets (using Greenhouse Gas Protocols) with respect to achieving reductions in carbon pollution,

- energy consumption, water consumption and waste;
- Aligning a portion of performance-based compensation with achieving ESG targets;
- Establishing an internal ESG committee;
- Participating in (with a focus on improving) Artis' GRESB rating;
- Targeting LEED certification wherever possible and prioritizing sustainable design and components on all new ground-up development projects; and
- Publishing an annual ESG report and provide regular updates on our progress.

Artis looks forward to publishing its 2021 ESG Report in the coming months, providing a comprehensive update on the progress that has been made over the last year.

ENVIRONMENTAL

Sustainability is a priority across the organization. Through the implementation and management of internal policies and goals, Artis is committed to minimizing its impact on the environment by reducing excess waste generation and seeking to use energy efficient and environmentally friendly systems, fixtures and products in its buildings. Many of Artis' continuous improvement initiatives focus on sustainability and energy reduction strategies to ensure buildings are operating at their peak efficiency. As buildings are upgraded and equipment is replaced, it is done with technology that promotes energy efficiency and best practices.

At December 31, 2021, the REIT had 10 properties with a Leadership in Energy and Environmental Design ("LEED") certification, 5 properties with a Building Owners and

Managers Association ("BOMA") Building Environmental Standards ("BEST") certification and 19 properties with an Energy Star certification.

SOCIAL

Artis takes pride in its team and recognizes that success is made possible by great people who feel empowered to make a difference and who feel fulfilled and supported in their career objectives. Artis recognizes that today, more than ever before, people want to work at a company that they feel is aligned with their core values, that they feel connected to and that they are proud to represent.

This goes far beyond day-to-day operations and extends to company policies on important topics such as diversity, equity and inclusion, community involvement, volunteerism and charitable giving, sustainability and environmental protection and awareness, professional development and work life balance, among other things.

With a total of 188 employees, (of which 144 are based in Canada and 44 are based in the U.S.), the REIT depends on a diverse, productive and engaged workforce and culture to achieve its business objectives. The REIT strives to create an environment that promotes sustainability in all of its offices and properties.

In 2021, Artis established an internal ESG Committee that, under the stewardship of the Governance, Nominating and Compensation Committee, is responsible for supporting the REIT's on-going commitment to making ESG a focal point and establishing a company-wide ESG-minded culture.

PREFERRED ENVIRONMENTAL PROGRAMS

Artis is committed to mitigating the impact of its operations on the environment, minimizing its carbon footprint and promoting the use of energy efficient practices in its buildings.

We value energy certification and consider it an asset, both with respect to our existing portfolio and when acquiring new properties. The three major property certifications we pursue are:



BOMA or the Building Owners and Managers Association promotes energy efficiency and sustainability for new and existing buildings by assigning certification levels based on achievement of energy targets.



LEED or Leadership in Energy & Environmental Design is a green building tool that addresses the entire building lifecycle, recognizing best-in-class building strategies



Energy Star is a voluntary U.S. Environmental Protection Agency (EPA) and U.S. Department of Energy program that certifies buildings for superior energy performance.

GOVERNANCE

Artis' Board of Trustees is responsible for the stewardship of Artis and for overseeing the conduct of business of Artis and the activities of management. The Governance, Nominating and Compensation Committee is responsible for providing leadership in shaping the governance policies and practices of the REIT, including the environmental and social governance of Artis. In 2021, under the stewardship of the Governance, Nominating and Compensation Committee, the Board has completed a comprehensive review of all governance policies and practices with a view to establishing Artis as a leader in governance best practices.

Transparency, communication and accessibility are the foundation of Artis' stakeholder engagement strategy. This includes a commitment to continuously strengthen relationships with employees, the investment community, tenants, vendors and other partners and stakeholders. Internally, Management hosts regular meetings and virtual townhalls with its team of 188 employees across North America. Externally, Artis has augmented its investor relations engagement strategy by leveraging virtual platforms to engage with the investment community more readily.

Strong and effective governance practices are part of Artis' organizational culture. This encompasses sound and effective internal processes and procedures, minimizing risks, continuous enhancement of human resource policies and practices, a strong cyber security strategy, promoting efficiency, and having an "owner's mentality". In 2021, Artis' Board of Trustees took significant strides towards improving Artis' governance practices

The following is a list of select achievements in 2021.

- Renamed the Governance, Nominating and Compensation Committee (formerly the Governance and Compensation Committee) effective March 2, 2021, to expand its scope of responsibilities to include nominating. Also expanded the committee's scope of responsibilities to include a focus on ESG and diversity, equity and inclusion matters;
- Updated and adopted improved Board Mandate, Committee Charters and Position Descriptions;
- Implemented an enhanced Code of Business Conduct and Ethics, Whistleblower Protection Policy and Insider Trading and Blackout Policy;
- Approved a Board Diversity and Renewal Policy with an objective to maintain a minimum of 40% female representation on the Board and a minimum of 20% Black, Indigenous and People of Colour representation on the Board, and other qualification requirements; and
- Created an executive compensation framework to align with best practices in performance-based compensation.

At December 31, 2021, the Board exceeded its diversity targets, with 57% female representation and 29% Black, Indigenous and People of Colour representation.

BOULDER LAKES BUSINESS PARK
TWIN CITIES AREA, MN

**"Transparency,
communication
and accessibility
are the
foundation
of Artis'
stakeholder
engagement
strategy."**

CEDAR PORT I
HOUSTON, TX

BOARD OF TRUSTEES



HEATHER-ANNE IRWIN
Member of the Governance, Nominating & Compensation Committee



SAMIR MANJI
Trustee, President & Chief Executive Officer



BEN RODNEY
Chair of the Board



MIKE SHAIKH
Chair of the Audit Committee and Member of the Investment Committee



AIDA TAMMER
Member of the Governance, Nominating & Compensation Committee and Member of the Audit Committee



LIS WIGMORE
Chair of the Governance, Nominating & Compensation Committee and Member of the Investment Committee



LAUREN ZUCKER
Chair of the Investment Committee and Member of the Audit Committee

EXECUTIVE MANAGEMENT



SAMIR MANJI
President & Chief Executive Officer



JACLYN KOENIG
Chief Financial Officer



KIM RILEY
Chief Operating Officer

OUTLOOK

Looking ahead, Artis continues to see strong value in the industrial, office, and retail asset classes. As has been the case throughout the pandemic, the industrial asset class continues to show its strength and resilience and Artis expects this trend will continue for the foreseeable future. As restrictions ease and indoor capacity limits increase, Artis anticipates that its needs and service-based open-air retail will continue to be a source of stability and strong performance within its portfolio. With respect to the office market, Artis believes that over time tenants will realize that the benefit of face-to-face collaboration, social interaction, and the ability to make decisions in real time cannot be replicated in a virtual setting and will return to their offices. Although some tenants may require less space going forward due to flexible work from home arrangements, Artis expects this will be partially offset by a requirement for more space per employee and a shift towards private workstations to accommodate social distancing requirements. With the imminent easing of restrictions in many Canadian provinces and U.S. states,

Artis is committed to collaborating with and supporting its tenants to promote a safe, healthy and positive return to work over the coming months.

The past year has been one of unprecedented change at Artis. Despite the uncertain economic environment, Artis has taken significant steps in the execution of the Business Transformation Plan. The considerable progress the REIT was able to make in 2021 demonstrates the opportunities that exist in all areas of Artis' strategy. Artis is not the company today that it was a year ago. Debt metrics have improved, NAV per unit has increased significantly and considerable strides have been taken towards transforming Artis into a value-investing asset management and investment platform – but there is still lots of work to do. Management and the Board look forward to building on last year's achievements and continue to have strong conviction in the strategy and optimism for the opportunities that lie ahead in 2022.

MANAGEMENT'S DISCUSSION & ANALYSIS

2021 ANNUAL

Years ended December 31, 2021 and 2020
(In thousands of Canadian dollars, unless otherwise noted)

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

The following management's discussion and analysis ("MD&A") of the financial condition and results of operations of Artis Real Estate Investment Trust should be read in conjunction with the REIT's audited annual consolidated financial statements for the years ended December 31, 2021 and 2020, 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 March 3, 2022. 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 within the meaning of applicable Canadian securities laws. 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 "outlook", "objective", "expects", "anticipates", "intends", "estimates", "projects", "believes", "plans", "seeks", and similar expressions or variations of such words and phrases suggesting future outcomes or events, or which state that certain actions, events or results "may", "would", "should" or "will" occur or be achieved are intended to identify forward-looking statements. Such forward-looking information reflects management's current beliefs and is based on information currently available to management.

Particularly, statements regarding the Business Transformation Plan, the steps required to implement the Business Transformation Plan, Artis' return of capital and value investing strategies, building Artis into a best-in-class asset management and investment platform focused on value investing in real estate, the REIT's ability to execute its strategy, the REIT's ability to maximize long-term value and anticipated returns, planned divestitures, expected distributions by the REIT, 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, the tax treatment of divestitures, are forward-looking statements.

Forward-looking statements are based on a number of factors and assumptions, which are subject to numerous risks and uncertainties, 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 risk related to tax matters; and, credit, market, currency, operational, liquidity and funding risks generally and relating specifically to the Cominar Transaction; 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 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.

For more information on the risks, uncertainties and assumptions that could cause the Artis' actual results to materially differ from current expectations, refer to the section entitled "Risk Factors" of Artis' Annual Information Form for the year ended December 31, 2021 as well as Artis' other public filings, available at www.sedar.com.

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 & SUPPLEMENTARY FINANCIAL MEASURES DISCLOSURE

In addition to reported IFRS measures, certain non-GAAP and supplementary financial 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.

Non-GAAP measures and ratios include Same Property Net Operating Income ("Same Property NOI"), Same Property NOI Excluding Bad Debt Expense (Recovery) and Rent Abatements, Funds From Operations ("FFO"), Adjusted Funds from Operations ("AFFO"), FFO per Unit, AFFO per Unit, FFO Payout Ratio, AFFO Payout Ratio, Net Asset Value ("NAV"), NAV per Unit, Gross Book Value ("GBV"), Secured Mortgages and Loans to GBV, Total Debt to GBV, Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization ("Adjusted EBITDA"), Adjusted EBITDA Interest Coverage Ratio and Total Debt to Adjusted EBITDA.

Supplementary financial measures include unencumbered assets to unsecured debt, percentage of unhedged variable rate mortgage debt, excess of cash flow from operations over distributions declared and excess of net income over distributions declared.

Management believes that these measures are helpful to investors because they are widely recognized measures of Artis' performance and provide a relevant basis for comparison among real estate entities.

These non-GAAP and supplementary financial measures are not defined under IFRS and are not intended to represent financial performance, financial position or cash flows for the period, 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.

A description of the composition and a reconciliation to each of these measures to the nearest IFRS measure can be found in the MD&A sections as outlined below:

Non-GAAP / Supplementary Financial Measure	MD&A Section
Same Property NOI, Same Property NOI Excluding Bad Debt Expense (Recovery) and Rent Abatements	Same Property NOI Analysis
FFO, AFFO, FFO per Unit, AFFO per Unit, FFO Payout Ratio, AFFO Payout Ratio	FFO & AFFO
NAV Per Unit	Other Financial Measures
GBV, Secured Mortgages & Loans to GBV, Total Debt to GBV	Other Financial Measures
Adjusted EBITDA, Adjusted EBITDA Interest Coverage Ratio & Debt to Adjusted EBITDA	Other Financial Measures
Unencumbered assets to unsecured debt	Other Financial Measures
Percentage of unhedged variable rate mortgage debt	Liabilities
Excess of cash flow from operations over distributions declared, excess of net income over distributions declared	Liquidity & Capital Resources

The above measures are not standardized financial measures under the financial reporting framework used to prepare the financial statements of Artis. Readers should be further cautioned that the above measures as calculated by Artis may not be comparable to similar measures presented by other issuers.

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 December 19, 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 March 3, 2022, there were 119,961,215 common units, 11,924,950 preferred units, 412,347 restricted units and 149,863 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 included the following key elements:

- 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.
- 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.
- 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.
- 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 confirmed it 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 also 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 confirmed its intention 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.

As a first step to the above, Artis began unlocking some of the trapped value in some of its hard real estate assets through the monetization of certain assets, including most of its industrial assets in the Greater Toronto Area for sale proceeds of \$724,300. This transaction represented a significant milestone in the implementation of the Business Transformation Plan.

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. In 2021, Artis sold six office properties, six retail properties and a portion of a retail property for an aggregate sale price of \$131,115.

As Artis continues to divest 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. During 2021, Artis invested in equity securities in accordance with the Business Transformation Plan for an aggregate cost of \$71,866 and at December 31, 2021 has numerous ongoing development projects.

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. In 2021, Artis announced its participation in an investor group to acquire Cominar Real Estate Investment Trust ("Cominar"). The transaction closed subsequent to the end of the year.

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. Refer to Agreement with Sandpiper Asset Management Inc. section of this MD&A for further details.

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.

PARTICIPATION IN INVESTOR GROUP TO ACQUIRE COMINAR REAL ESTATE INVESTMENT TRUST

In 2021, Artis announced its participation in a consortium to acquire all of the outstanding units of Cominar Real Estate Investment Trust ("Cominar") for consideration of \$11.75 per unit in cash under a Plan of Arrangement (the "Cominar Transaction"). Also under the Plan of Arrangement, certain of Cominar's office, retail and industrial assets were to be acquired by other parties not part of the consortium.

The REIT's contribution to the Cominar Transaction is \$112,000 to acquire approximately 32.64% of the total common equity units in the newly-formed entity and \$100,000 of junior preferred units that carry a distribution rate of 18.0% per annum. As part of the consideration, the REIT contributed its existing Cominar units, which had a fair value of \$13,419 as at December 31, 2021.

The Cominar Transaction closed on March 1, 2022.

SPECIAL DISTRIBUTION

The Board of Trustees declared a special distribution of \$2.39 per common unit (the "Special Distribution"), which was comprised of \$0.32 per common unit payable in cash and \$2.07 per common unit payable in common units. The Special Distribution was payable on December 31, 2021 to unitholders of record at the close of business on December 31, 2021, with payment of the cash distribution to be made as soon as practicable after the payable date, which occurred subsequent to the end of the year.

The Special Distribution was principally being made to distribute to common unitholders a portion of the capital gain realized by the REIT from transactions completed during the year ended December 31, 2021. The cash portion of the Special Distribution was intended to provide liquidity to common unitholders to cover all or part of any Canadian income tax or non-resident withholding tax obligations that may arise in relation to the Special Distribution.

Immediately following the issuance of the common units pursuant to the Special Distribution, the outstanding common units of Artis were consolidated such that each common unitholder holds, after the consolidation, the same number of common units as such common unitholder held before the Special Distribution. The amount of the Special Distribution payable in common units increased the adjusted cost base of common unitholder's consolidated common units. Canadian resident common unitholders are generally required to include their proportionate share of the REIT's income and net taxable capital gain for the 2021 tax year as allocated and designated by the REIT in computing their respective income for the 2021 tax year. Common unitholders not resident in Canada for Canadian federal income tax purposes may be subject to applicable withholding taxes in connection with the payment of the special distribution.

Artis cautions that the foregoing comments are not intended to be, and should not be construed as, legal or tax advice to any particular unitholder and recommends that unitholders consult their own tax advisors regarding the income tax consequences to them of this Special Distribution and related common unit consolidation.

BOARD AND MANAGEMENT CHANGES

During 2021, the REIT announced the following Board and management changes:

1. Appointed Samir Manji as Interim Chief Executive Officer effective January 1, 2021, and subsequently appointed to permanent Chief Executive Officer effective March 9, 2021;
2. Appointed Ben Rodney as Chair of the Board of Trustees effective March 9, 2021;
3. 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
4. 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.

2021 OVERVIEW

SELECTED FINANCIAL INFORMATION

000's, except per unit amounts	Year ended		Change	% Change	Year ended	
	2021	December 31, 2020			December 31, 2019	
Revenue:						
Rental revenue from investment properties	\$ 401,638	\$ 458,917	\$ (57,279)	(12.5)%	\$ 521,660	
Condominium sales	17,861	—	17,861	—%	—	
Total revenue	419,499	458,917	(39,418)	(8.6)%	521,660	
Net operating income	\$ 237,785	\$ 269,275	\$ (31,490)	(11.7)%	\$ 309,856	
Net income	389,175	21,543	367,632	1,706.5%	122,737	
Total comprehensive income (loss)	387,702	(6,274)	393,976	(6,279.5)%	51,069	
Basic income per common unit	2.87	0.03	2.84	9,466.7%	0.72	
Diluted income per common unit	2.86	0.02	2.84	14,200.0%	0.72	
Distributions per unit:						
Common units ⁽¹⁾	\$ 2.98	\$ 0.54	\$ 2.44	451.9%	\$ 0.54	
Preferred units - Series A	1.42	1.42	—	—%	1.42	
Preferred units - Series E	1.37	1.37	—	—%	1.37	
Preferred units - Series G	—	—	—	—%	0.73	
Preferred units - Series I	1.50	1.50	—	—%	1.50	
FFO ⁽²⁾	\$ 174,343	\$ 192,411	\$ (18,068)	(9.4)%	\$ 202,398	
FFO per unit ⁽²⁾	1.34	1.41	(0.07)	(5.0)%	1.41	
FFO payout ratio ⁽²⁾⁽³⁾	44.0%	38.3%		5.7%	38.3%	
AFFO ⁽²⁾	\$ 124,476	\$ 139,552	\$ (15,076)	(10.8)%	\$ 150,518	
AFFO per unit ⁽²⁾	0.96	1.02	(0.06)	(5.9)%	1.05	
AFFO payout ratio ⁽²⁾⁽³⁾	61.5%	52.9%		8.6%	51.4%	
Same Property NOI (decline) growth ⁽²⁾	(4.1)%	(1.7)%		(2.4)%	3.8%	
Adjusted EBITDA interest coverage ratio ⁽²⁾	3.80	3.48	0.32	9.2%	3.04	

(1) Includes the Special Declaration declared in December 2021. Refer to Special Distribution section in this MD&A.

(2) Represents a non-GAAP measure or non-GAAP ratio. Refer to the Notice with Respect to Non-GAAP & Supplementary Measures Disclosure section in this MD&A.

(3) FFO payout ratio and AFFO payout ratio are calculated excluding the Special Distribution declared in December 2021.

000's, except per unit amounts	December 31, 2021	December 31, 2020	% Change	December 31, 2019
Total assets	\$ 4,576,024	\$ 4,859,841	(5.8)%	\$ 5,330,019
Total non-current financial liabilities	1,166,123	1,648,305	(29.3)%	2,142,090
NAV per unit ⁽¹⁾	17.37	15.03	15.6%	15.56
Secured mortgages and loans to GBV ⁽¹⁾	23.7%	26.2%	(2.5)%	26.3%
Total debt to GBV ⁽¹⁾	42.9%	49.3%	(6.4)%	51.3%
Unencumbered assets ⁽¹⁾	\$ 1,902,748	\$ 1,901,073	0.1%	\$ 1,926,661

(1) Represents a non-GAAP measure, non-GAAP ratio or supplementary financial measure. Refer to the Notice with Respect to Non-GAAP & Supplementary Measures Disclosure section in this MD&A.

Financial and Operational Results

Rental revenue from investment properties and net operating income decreased year-over-year primarily due to the impact of dispositions as the REIT disposed properties throughout 2020 and 2021. Additionally, the COVID-19 pandemic has impacted Artis' financial results. The REIT recorded bad debt expense and rent abatements in the amount of \$1,661 in 2021, compared to bad debt expense and rent abatements of \$4,862 in 2020, 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.

Artis reported portfolio occupancy of 91.5% (including commitments) at December 31, 2021, increased from 90.6% at December 31, 2020. During the year, 690,839 square feet of new leases and 1,920,609 square feet of lease renewals commenced. The weighted-average increase in renewal rents compared to expiring rents on renewals that began during the year was 4.1%.

Net income and total comprehensive income were impacted by the fair value change on investment properties (gain of \$197,511 in 2021, compared to loss of \$140,876 in 2020), the fair value change on financial instruments (gain of \$21,224 in 2021, compared to a loss of \$16,538 in 2020), a decrease to proxy matter expenses (\$nil in 2021, compared to \$17,423 in 2020), a decrease in interest expense (\$69,648 in 2021, compared to \$86,106 in 2020), a decrease to strategic initiative expenses (\$18 in 2021, compared to \$4,029 in 2021) and an increase in distribution income from equity securities (\$898 in 2021, compared to \$nil in 2020).

Partially offsetting the above increases to net income were a decrease in income from equity accounted investments (\$16,795 in 2021, compared to \$24,851 in 2020) and a decrease to interest income (\$1,885 in 2021 compared to \$4,797 in 2020).

Foreign exchange had an impact on Artis' financial results, due to a lower US dollar to Canadian dollar average exchange rate of 1.2537 in 2021, compared to 1.3412 in 2020.

FFO per unit for 2021 was \$1.34, compared to \$1.41 for 2020, while AFFO per unit for 2021 was \$0.96, compared to \$1.02 for 2020. FFO and AFFO in 2021 were primarily impacted by dispositions completed in 2020 and 2021 and a lower US dollar to Canadian dollar average exchange rate in 2021 compared to 2020, partially offset by year-over-year decrease in interest expense. 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"). The REIT reported conservative FFO and AFFO payout ratios of 44.0% and 61.5%, respectively, for 2021.

Balance Sheet and Liquidity

During 2021, Artis drew a net balance of \$2,043 on its revolving credit facilities. On February 22, 2021, the REIT repaid the outstanding Series C senior unsecured debentures with a face value of \$250,000. Also during 2021, the REIT repaid nine mortgages in the amount of \$247,567. Additionally, the REIT received new mortgage financing on four properties, received a net uplift upon renewal of two maturing mortgages and drew on a construction loan, net of financing costs, in the amount of \$130,244.

Total debt to GBV decreased to 42.9% at December 31, 2021, compared to 49.3% at December 31, 2020. Artis' Adjusted EBITDA interest coverage ratio was 3.80 for the year ended December 31, 2021, improved from 3.48 for the year ended December 31, 2020.

In 2021, Artis utilized the NCIB to purchase 11,137,764 common units for an aggregate market price of \$125,772, and 60,600 Series A and 88,588 Series E preferred units for an aggregate market price of \$3,485.

At December 31, 2021, NAV per unit was \$17.37, increased from \$15.03 at December 31, 2020. The increase is primarily due to the fair value gain on investment properties, net operating income, the impact of units purchased under the NCIB and the fair value gain on financial instruments, partially offset by distributions to unitholders during the year and the impact of foreign exchange.

Distributions

On March 10, 2021, the REIT announced an increase to common unitholder distributions, from \$0.5562 per unit annually to \$0.60 per unit annually, effective for the March 2021 distribution payable on April 15, 2021.

In 2021, Artis declared distributions of \$389,190 to unitholders, which included distributions to preferred unitholders in the amount of \$17,260. The distributions to unitholders included the Special Distribution of \$2.39 per common unit, which was comprised of \$0.32 per common unit payable in cash and \$2.07 per common unit payable in common units. Immediately following the issuance of common units, the common units were consolidated such that each unitholder held the same number of units after the consolidation as each unitholder held prior to the Special Distribution. Refer to the Special Distribution section of this MD&A for further information.

PORTFOLIO ACTIVITY

	Industrial		Office		Retail		Total	
	Property count	S.F. (000's)	Property count	S.F. (000's)	Property count	S.F. (000's)	Property count	S.F. (000's)
Portfolio properties, December 31, 2020	105	11,183	53	7,733	39	2,627	197	21,543
Acquisition	1	100	—	—	—	—	1	100
Adjustment for inventory properties ⁽¹⁾	(1)	(53)	—	—	—	—	(1)	(53)
Dispositions	(29)	(2,482)	(6)	(695)	(6)	(484)	(41)	(3,661)
Portfolio properties, December 31, 2021	76	8,748	47	7,038	33	2,143	156	17,929

(1) In 2021, Artis completed the conversion of 2145-2155 Dunwin Drive from an industrial property to commercial condominium units.

Acquisitions

On January 26, 2021, the REIT acquired the remaining 5% interest in Park 8Ninety IV, an industrial property located in the Greater Houston Area, Texas, for total consideration of US\$309. The REIT now owns 100% of the property.

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.

On September 24, 2021, the REIT acquired a second parcel of industrial development land in the Twin Cities Area, Minnesota, for a purchase price of US\$2,220.

Dispositions

During 2021, Artis sold 29 industrial properties, six office properties, six retail properties as well as a portion of a retail property for an aggregate sale price of \$858,615. The sale proceeds, net of costs of \$6,837, notes receivable of \$16,000 and related debt of \$44,053, were \$791,725.

At December 31, 2021, Artis had entered into an agreement to sell a portfolio comprised of two office properties located in the Greater Toronto Area, Ontario for a sale price of \$35,500. The sale closed on January 20, 2022.

Subsequent to December 31, 2021, Artis entered into an unconditional sale agreement for an industrial property located in the Greater Toronto Area, Ontario for a sale price of \$29,200. The sale is anticipated to close in March 2022.

IMPACT OF COVID-19**Health and Safety of Stakeholders**

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.

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 December 31, 2021, were 89.4% leased (91.5% including commitments on vacant space) to high-quality tenants across Canada and the U.S. with a weighted-average remaining lease term of 5.1 years.

Rent Collection

Rent collection has been a key focus during this time. As at December 31, 2021, 98.2% of rent charges (both excluding and including deferred rent charges) have been collected for the three months ended December 31, 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 December 31, 2021, the outstanding balance of rent deferrals granted to tenants was \$955, compared to \$4,901 at December 31, 2020.

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 December 31, 2021, an allowance for doubtful accounts in the amount of \$1,717 has been recorded, compared to \$1,989 at December 31, 2020.

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 2021, notable initiatives and improvements to ESG include (but are not limited to):

1. Renamed the Governance, Nominating and Compensation Committee (formerly the Governance and Compensation Committee) effective March 2, 2021, to expand its scope of responsibilities to include nominating. Also expanded the committee's scope of responsibilities to include a focus on ESG and Diversity, Equity and Inclusion ("DEI") matters.
2. Approved the adoption of improved Board Mandate, Committee Charters and Position Descriptions;
3. Implemented an enhanced Code of Business Conduct and Ethics, Whistleblower Protection Policy and Insider Trading and Blackout Policy;
4. Approved a Board Diversity and Renewal Policy with an objective to maintain a minimum of 40% female representation on the Board and a minimum of 20% Black, Indigenous and People of Colour representation on the Board, and other qualification requirements;
5. Addition 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;
6. Named one of Canada's Top Small and Medium Employers for 2021 (by the Globe and Mail);
7. 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 year of unprecedented change related to the COVID-19 pandemic;
8. 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;
9. Published 2020 ESG Report; and
10. Ongoing organization of various employee fundraising initiatives and challenges to raise funds for numerous charitable organizations.

At December 31, 2021, the REIT had 10 properties with a Leadership in Energy and Environmental Design ("LEED") certification, 5 properties with a Building Owners and Managers Association ("BOMA") Building Environmental Standards ("BEST") certification and 19 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

Artis' portfolio continued to demonstrate stability and resiliency during 2021. Portfolio occupancy including commitments was consistently above 90.0% throughout the year and 1,920,609 square feet of renewals commenced in 2021 at a weighted-average increase in rental rate of 4.1%. Rent collections have remained strong since the beginning of the pandemic and the fourth quarter was no exception. Artis collected 98.2% of rent charges (both excluding and including deferred rent charges) for the three months ended December 31, 2021. While governments cautiously reduce or eliminate restrictions in many of Artis' markets, the REIT's property management team continues to work diligently to maintain a clean and safe environment at all properties and support its tenants during this time of unprecedented challenges.

On March 10, 2021, Artis announced a new vision and strategy – to build a best-in-class asset management and investment platform focused on growing net asset value per unit and distributions for investors through value investing in real estate. The first step towards the execution of the Business Transformation Plan was to unlock value in Artis' existing portfolio through the monetization of certain assets. During the year, Artis sold 41 properties and a portion of a retail property totalling 3,659,055 square feet of gross leasable area for an aggregate sale price of \$858,615. These dispositions included the sale of Artis' GTA Industrial Portfolio, which was a milestone transaction for the REIT, and the sale of all of Artis' remaining Calgary office properties. With respect to the current business environment, these sales reaffirm the significant demand for all classes of real estate across Artis' existing markets, despite an environment of economic uncertainty due to the pandemic.

The next step in the Business Transformation Plan is to continue to focus on improving the REIT's balance sheet while deploying some of the proceeds into new real estate investments, including undervalued publicly traded real estate securities and value-add real estate acquisitions or developments. The proceeds from asset sales in 2021 provided Artis with the financial flexibility to significantly improve debt metrics, while embarking on the next phase of the strategy – investing in equity securities. During 2021, compelling opportunities were identified in the public markets. In October, Artis announced that it was part of a consortium that had, through a newly-formed entity, entered into an arrangement agreement to acquire Cominar. Under the arrangement agreement, Cominar unitholders (other than certain Cominar unitholders that are members of the consortium) would receive consideration of \$11.75 in cash per unit. The transaction was approved by Cominar unitholders on December 21, 2021, and closed subsequent to the end of the year on March 1, 2022. Also during 2021, Artis began accumulating a position in Dream Office Real Estate Investment Trust ("Dream Office") and, subsequent to the end of the year, announced that together with its joint-actors had acquired a 10% ownership position in Dream Office. Artis has strong conviction in these investments. They align with Artis' Business Transformation Plan and are reflective of the attractive opportunities that exist within the public markets.

Looking ahead, Artis continues to see strong value in the industrial, office, and retail asset classes. As has been the case throughout the pandemic, the industrial asset class continues to show its strength and resilience and Artis expects this trend will continue for the foreseeable future. As restrictions ease and indoor capacity limits increase, Artis anticipates that its needs and service-based open-air retail will continue to be a source of stability and strong performance within its portfolio. With respect to the office market, Artis believes that over time tenants will realize that the benefit of face-to-face collaboration, social interaction, and the ability to make decisions in real time cannot be replicated in a virtual setting and will return to their offices. Although some tenants may require less space going forward due to flexible work from home arrangements, Artis expects this will be partially offset by a requirement for more space per employee and a shift towards private workstations to accommodate social distancing requirements. With the imminent easing of restrictions in many Canadian provinces and U.S. states, Artis is committed to collaborating with and supporting its tenants to promote a safe, healthy and positive return to work over the coming months.

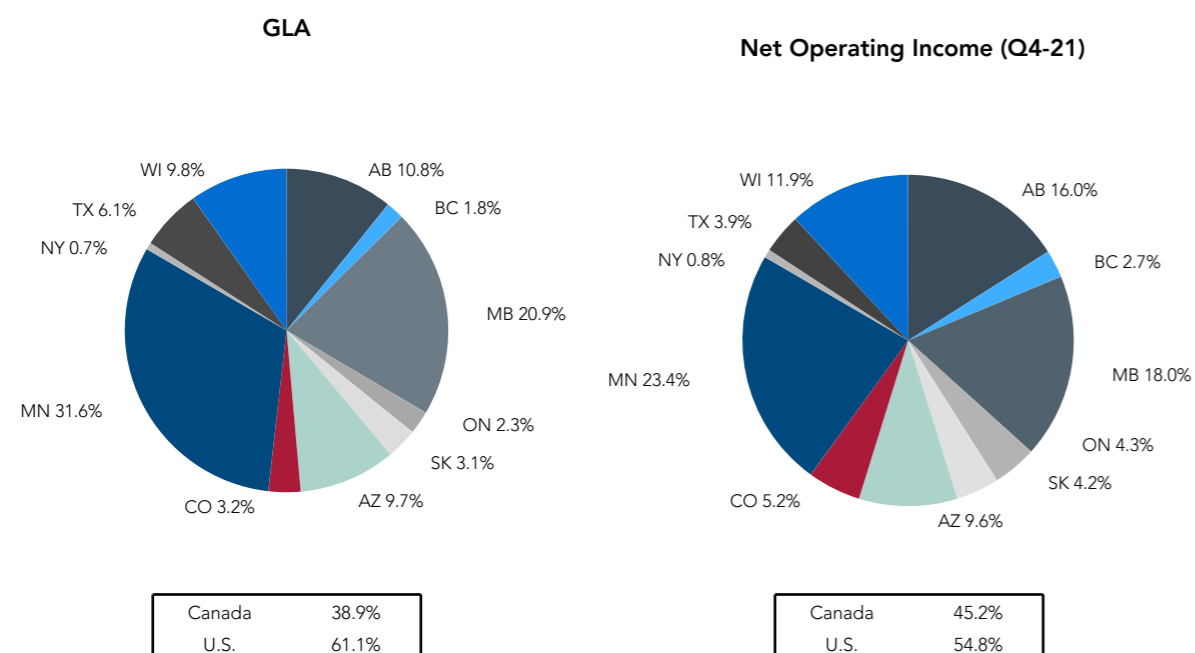
The past year has been one of unprecedented change at Artis. Despite the uncertain economic environment, Artis has taken significant steps in the execution of the Business Transformation Plan. The considerable progress the REIT was able to make in 2021 demonstrates the opportunities that exist in all areas of Artis' strategy. Management and the Board look forward to building on last year's achievements and continuing to demonstrate their steadfast commitment to building value for unitholders in the quarters ahead.

PROPERTY PORTFOLIO

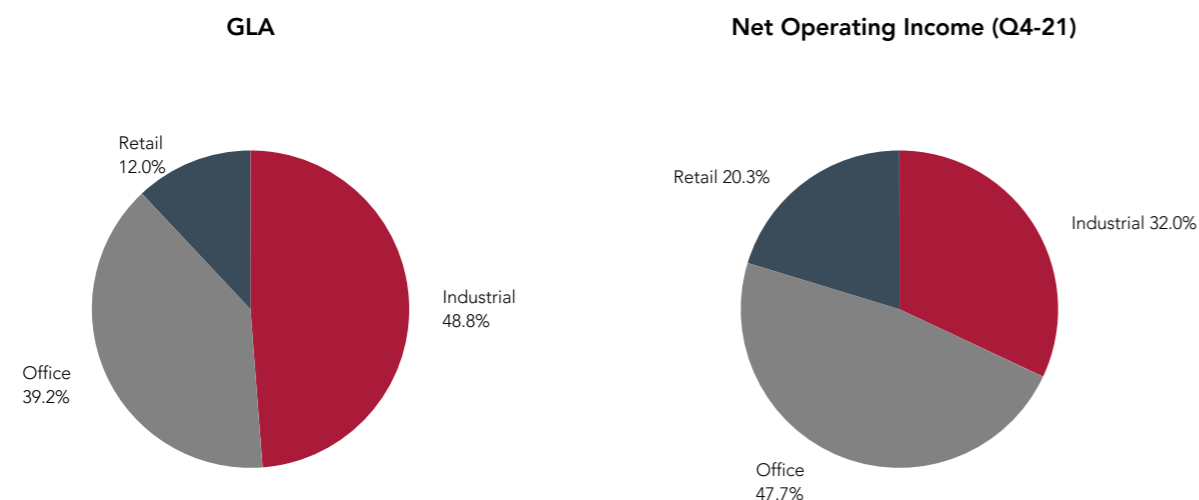
At December 31, 2021, the REIT's portfolio was comprised of 156 commercial properties totalling approximately 17.9 million square feet ("S.F.") of gross leasable area ("GLA").

Additionally, the REIT has ownership interest in 10 investment properties, two investment properties under development and one parcel of development land held under equity accounted investments, which have been excluded from financial and operating metrics throughout this MD&A, unless otherwise noted. Refer to Equity Accounted Investments section of this MD&A for further information.

Diversification by Geographical Region



Diversification by Asset Class

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	5	350	1.9%	100.0%	100.0%
	Greater Edmonton Area	AB	2	94	0.5%	100.0%	100.0%
	Greater Toronto Area	ON	1	76	0.4%	93.3%	100.0%
	Greater Vancouver Area	BC	1	73	0.4%	100.0%	100.0%
	Red Deer	AB	1	126	0.7%	61.6%	61.6%
	Saskatoon	SK	2	269	1.5%	100.0%	100.0%
	Winnipeg	MB	26	1,658	9.3%	96.3%	97.3%
Industrial total			38	2,646	14.7%	95.7%	96.5%
Office	Greater Edmonton Area	AB	1	29	0.2%	27.5%	27.5%
	Greater Toronto Area	ON	4	342	1.9%	87.1%	87.1%
	Greater Vancouver Area	BC	2	248	1.4%	89.4%	91.6%
	Saskatoon	SK	1	64	0.4%	78.0%	78.0%
	Winnipeg	MB	9	1,511	8.3%	82.4%	82.4%
Office total			17	2,194	12.2%	83.1%	83.4%
Retail	Calgary	AB	5	344	1.9%	95.8%	96.5%
	Fort McMurray	AB	8	187	1.0%	79.5%	85.6%
	Grande Prairie	AB	5	355	2.0%	66.4%	66.4%
	Greater Edmonton Area	AB	5	459	2.6%	96.8%	97.3%
	Saskatoon	SK	3	219	1.2%	97.7%	98.9%
	Winnipeg	MB	7	579	3.3%	96.9%	98.6%
Retail total			33	2,143	12.0%	90.2%	91.5%
Total Canadian portfolio			88	6,983	38.9%	90.1%	90.8%
U.S. portfolio:							
Industrial	Greater Denver Area	CO	1	138	0.8%	100.0%	100.0%
	Greater Phoenix Area	AZ	7	921	5.1%	100.0%	100.0%
	Twin Cities Area	MN	26	3,952	22.1%	89.3%	92.4%
	Greater Houston Area	TX	4	1,091	6.1%	100.0%	100.0%
Industrial total			38	6,102	34.1%	93.1%	95.1%
Office	Greater Denver Area	CO	2	429	2.4%	90.7%	90.7%
	Greater Phoenix Area	AZ	4	820	4.6%	75.3%	94.3%
	Madison	WI	16	1,763	9.8%	86.3%	88.8%
	New Hartford	NY	1	123	0.7%	100.0%	100.0%
	Twin Cities Area	MN	7	1,709	9.5%	82.0%	82.0%
Office total			30	4,844	27.0%	83.6%	87.8%
Total U.S. portfolio			68	10,946	61.1%	88.9%	91.9%
Total Canadian and U.S. portfolio			156	17,929	100.0%	89.4%	91.5%

(1) Information is as at December 31, 2021, and excludes properties listed in the New Developments in Process section on the following page and properties held in equity accounted investments.
(2) Percentage committed is based on occupancy at December 31, 2021, plus commitments on vacant space.

New Developments in Process

At December 31, 2021, Artis had three development projects in process: 300 Main, Blaine 35 I and Blaine 35 II.

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.

Blaine 35 is a two-phase industrial development project located in the Twin Cities Area, Minnesota, with prominent interstate frontage at the intersection of I-35W and 85th Ave N. The first phase of the project, Blaine 35 I, consists of one building anticipated to total approximately 118,500 square feet of leasable area. Construction commenced in Q2-21. The second phase, Blaine 35 II, will comprise two buildings expected to total approximately 198,900 square feet of leasable area upon completion.

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	789	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

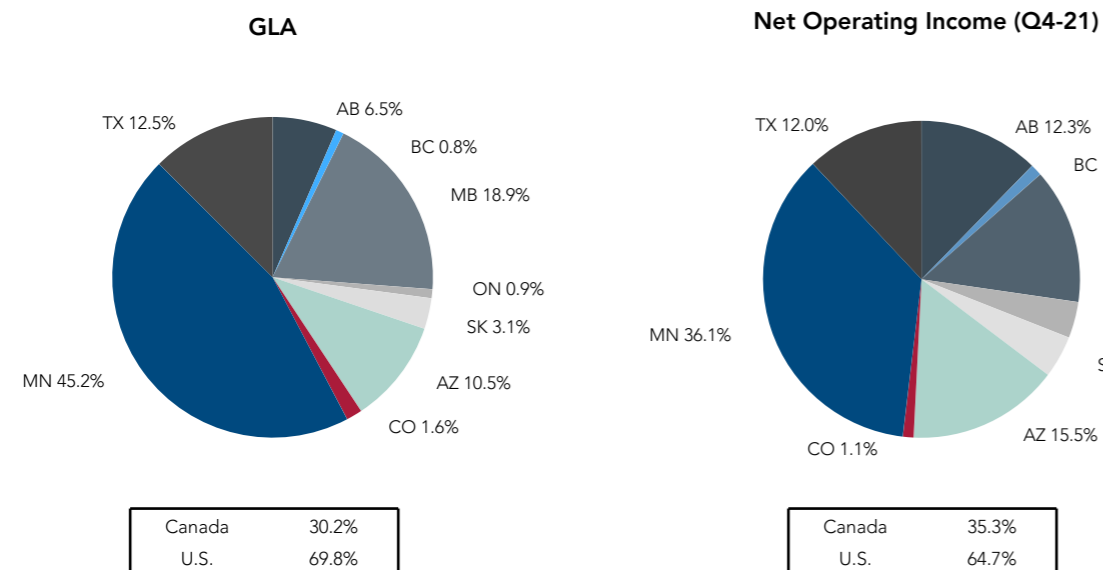
Artis is exploring an opportunity for a densification project at Poco Place in Port Coquitlam, British Columbia. The site provides access to major transportation routes and frontage on four streets, including Lougheed Highway, an east-west arterial corridor. Preliminary plans to build 600 to 900 apartment 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 December 31, 2021, the REIT's industrial portfolio was comprised of 76 properties totalling approximately 8.7 million square feet of gross leasable area.

At December 31, 2021, the fair value of the properties in Artis' industrial portfolio was \$1,302,397, and represented 48.8% of the REIT's GLA at December 31, 2021, and 32.0% of Q4-21 net operating income. Below is a breakdown of REIT's industrial portfolio by geographical region:



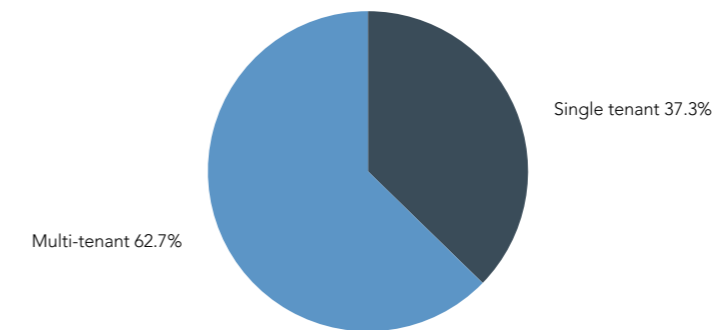
The following is a historical summary of key performance indicators related to the REIT's industrial portfolio:

	Q4-21	Q3-21	Q2-21	Q1-21	Q4-20	Q3-20	Q2-20	Q1-20
Number of properties	76	74	103	102	102	103	103	103
Occupancy (including commitments)	95.5 %	95.6 %	96.5 %	97.9 %	96.4 %	96.7 %	97.4 %	97.4 %
Same Property NOI (decline) growth ⁽¹⁾	(3.0)%	(1.4)%	(4.2)%	1.1 %	0.9 %	1.9 %	4.8 %	5.5 %
Leasable area renewed (in S.F.)	435,376	138,716	214,085	327,096	37,004	151,354	480,613	149,815
Increase (decrease) in weighted-average rental rate	23.1 %	3.7 %	13.3 %	8.5 %	29.4 %	24.8 %	(7.3)%	11.3 %

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

During 2021, Artis sold the GTA Industrial Portfolio, comprising 27 industrial properties located in the Greater Toronto Area, Ontario for an aggregate sale price of \$724,300.

Artis' industrial properties are a mix of single tenant and multi-tenant buildings. The following is a breakdown of the REIT's industrial property type based on Q4-21 net operating income:



Artis' industrial portfolio includes 313 tenant leases with a weighted-average term to maturity of 5.0 years. Approximately 29.1% of the REIT's industrial gross revenue is derived from national or government tenants. As indicated below, the largest tenant by gross revenue is Bell Canada, 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 industrial tenants by gross revenue:

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
Bell Canada	Canada	7.2 %	111	1.3 %	8.0
PBP, Inc.	U.S.	4.1 %	519	5.9 %	9.9
Silent Aire USA, Inc.	U.S.	3.3 %	289	3.3 %	5.2
Civeo Canada, Ltd.	Canada	2.9 %	72	0.8 %	6.5
Maple Leaf Consumer Foods, Inc.	Canada	2.5 %	163	1.9 %	7.5
Distribution Alternatives, Inc.	U.S.	2.5 %	403	4.6 %	11.0
SunGard Recovery Services, Inc.	U.S.	2.3 %	99	1.1 %	4.0
Home Depot	U.S.	2.0 %	100	1.1 %	9.1
St. Jude Medical Cardiology Division, Inc	U.S.	1.9 %	185	2.1 %	2.2
Footprint, LLC	U.S.	1.7 %	132	1.5 %	8.1
Total		30.4 %	2,073	23.6 %	7.9

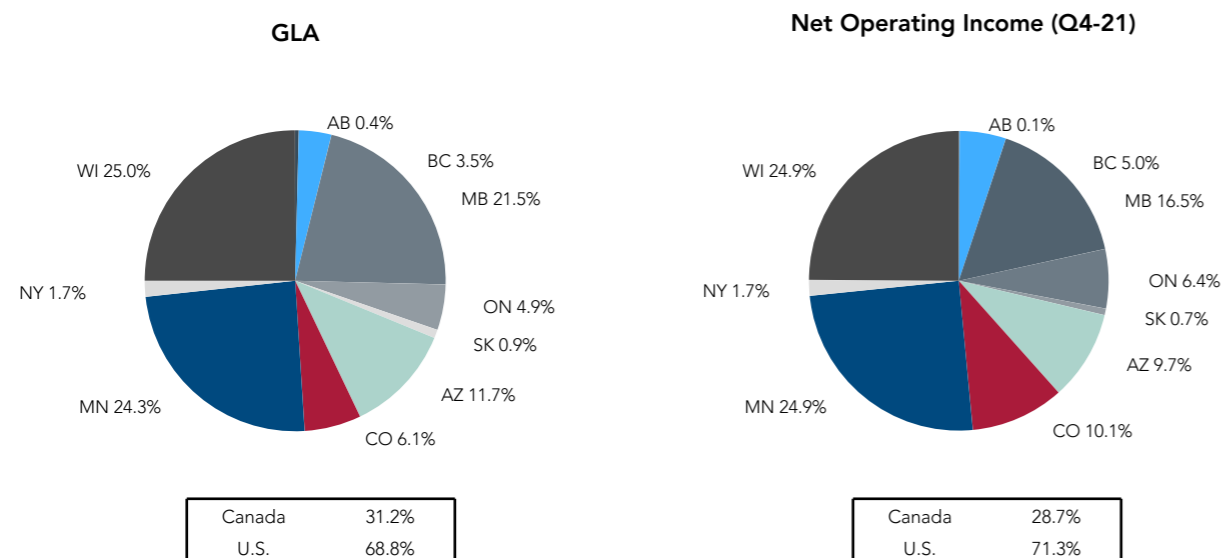
(1) Based on owned share of GLA of properties. Excludes properties under development and properties held in equity accounted investments.

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

Office Portfolio

Artis' office portfolio is strategically located across primary and secondary markets in both Canada and the U.S. At December 31, 2021, the REIT's office portfolio was comprised of 47 properties totalling approximately 7.0 million square feet of gross leasable area.

At December 31, 2021, the fair value of the properties in Artis' office portfolio was \$1,859,569, representing 39.2% of the REIT's GLA at December 31, 2021, and 47.7% of Q4-21 net operating income. Below is a breakdown of REIT's office portfolio by geographical region:

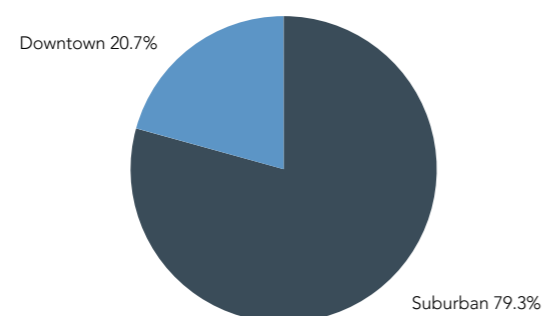


The following is a historical summary of key performance indicators related to the REIT's office portfolio:

	Q4-21	Q3-21	Q2-21	Q1-21	Q4-20	Q3-20	Q2-20	Q1-20
Number of properties	47	53	52	53	53	56	55	55
Occupancy (including commitments)	86.4 %	85.9 %	86.0 %	86.3 %	86.8 %	87.6 %	88.6 %	89.4 %
Same Property NOI (decline) growth ⁽¹⁾	(4.0)%	(8.7)%	(9.2)%	(10.4)%	(9.4)%	(3.5)%	(1.6)%	1.1 %
Leasable area renewed (in S.F.)	286,546	105,402	48,738	111,941	175,345	357,511	54,855	149,570
(Decrease) increase in weighted-average rental rate	(2.6)%	0.9 %	7.8 %	(1.6)%	(3.1)%	10.4 %	4.1 %	1.8 %

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

Artis' office portfolio consists of properties located in both downtown and suburban markets. The following is a breakdown of the REIT's office property type based on Q4-21 net operating income:



Artis' office portfolio includes 512 tenant leases with a weighted-average term to maturity of 5.7 years. Approximately 29.5% of the REIT's office gross revenue is derived from national or government tenants. As indicated below, the largest tenant by gross revenue is a combination of government tenants, providing various Federal, Provincial, and local services.

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
Government Tenants	Canada	5.0 %	299	4.2 %	8.7
AT&T	U.S.	4.3 %	257	3.6 %	1.2
Bell MTS	Canada	3.9 %	214	3.0 %	5.0
Prime Therapeutics LLC	U.S.	3.8 %	386	5.5 %	12.8
TDS Telecommunications Corporation	U.S.	3.0 %	173	2.5 %	6.1
Catalent Pharma Solutions, LLC	U.S.	2.8 %	234	3.3 %	14.6
CB Richard Ellis, Inc.	U.S.	2.6 %	108	1.5 %	5.0
Recipe Unlimited Corporation	Canada	2.3 %	100	1.4 %	7.0
UCare Minnesota	U.S.	1.9 %	124	1.8 %	11.6
Telephone and Data Systems, LLC	U.S.	1.6 %	105	1.5 %	2.0
Total		31.2 %	2,000	28.3 %	8.1

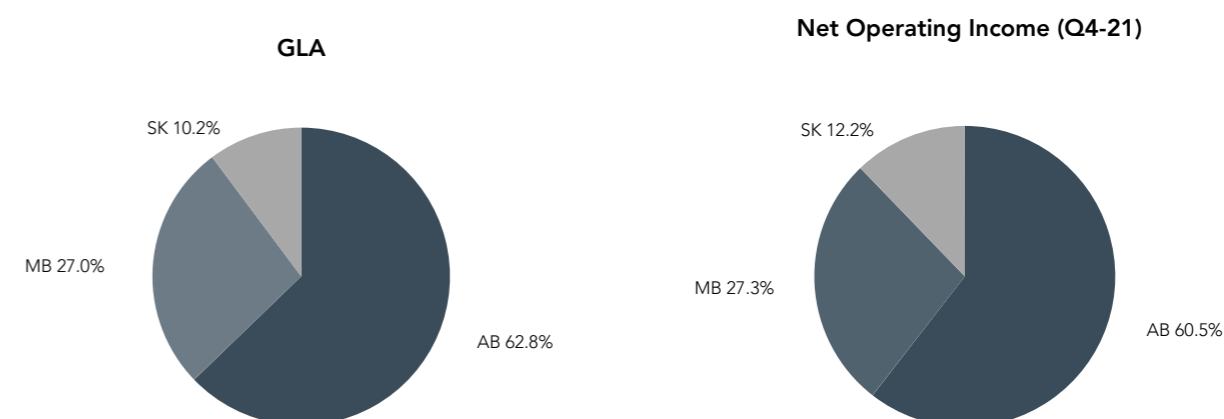
(1) Based on owned share of GLA of properties. Excludes properties under development and properties held in equity accounted investments.

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

Retail Portfolio

Artis' retail portfolio is primarily open-air, service-based properties located across Western Canada. At December 31, 2021, the REIT's retail portfolio was comprised of 33 properties totalling approximately 2.1 million square feet of gross leasable area.

At December 31, 2021, the fair value of the properties in Artis' retail portfolio was \$662,646, and represented 12.0% of the REIT's GLA at December 31, 2021, and 20.3% of Q4-21 net operating income. Below is a breakdown of REIT's retail portfolio by geographical region:

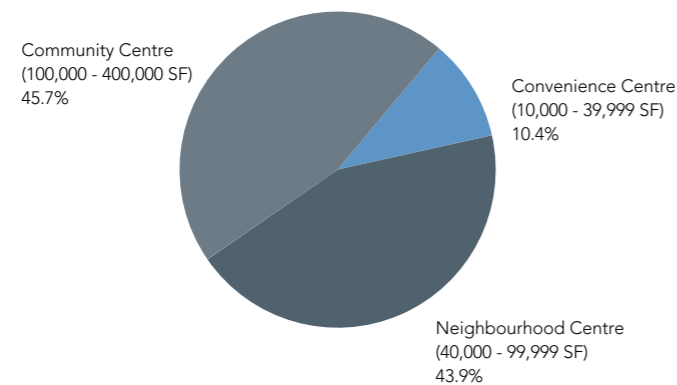


The following is a historical summary of key performance indicators related to the REIT's retail portfolio:

	Q4-21	Q3-21	Q2-21	Q1-21	Q4-20	Q3-20	Q2-20	Q1-20
Number of properties	33	33	36	39	39	42	42	41
Occupancy (including commitments)	91.5 %	91.5 %	90.8 %	90.6 %	90.7 %	89.5 %	90.0 %	90.9 %
Same Property NOI growth (decline) ⁽¹⁾	3.5 %	1.6 %	13.8 %	(4.0)%	(5.8)%	(0.9)%	(13.4)%	(3.2)%
Leasable area renewed (in S.F.)	64,609	85,350	63,574	39,176	34,866	105,188	56,066	25,540
(Decrease) increase in weighted-average rental rate	(2.0)%	2.4 %	1.5 %	6.3 %	(0.3)%	(13.3)%	5.3 %	8.3 %

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

Artis' retail properties are primarily open-air neighbourhood and community strip centres that provide a wide array of necessities such as food and service. The following is a breakdown of the REIT's retail property type based on Q4-21 net operating income:



Artis' retail portfolio includes 404 tenant leases with a weighted-average term to maturity of 4.0 years. Approximately 44.3% 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	4.1 %	108	5.0 %	3.9
Shoppers Drug Mart	Canada	3.6 %	64	3.0 %	5.2
Sport Chek International Ltd.	Canada	3.2 %	82	3.8 %	1.4
Winners	Canada	2.4 %	84	3.9 %	2.4
Jysk Linen 'n Furniture	Canada	2.4 %	75	3.5 %	3.5
The Brick	Canada	2.3 %	62	2.9 %	3.4
PetSmart, Inc.	Canada	1.7 %	40	1.9 %	1.8
Sobeys	Canada	1.5 %	37	1.7 %	1.2
GoodLife Fitness Centres, Inc.	Canada	1.5 %	35	1.6 %	14.8
Mark's Work Wearhouse	Canada	1.4 %	44	2.1 %	4.7
Total		24.1 %	631	29.4 %	3.8

⁽¹⁾ Based on owned share of GLA of properties. Excludes properties under development and properties held in equity accounted investments.

Residential Portfolio

Artis' residential portfolio is comprised of one development project located in Winnipeg, Manitoba. At December 31, 2021, the fair value of Artis' residential portfolio was \$174,997.

PORTFOLIO OCCUPANCY

Occupancy levels impact the REIT's revenues and net operating income. Occupancy and commitments at December 31, 2021, and the previous four quarterly periods, were as follows:

Occupancy Report by Asset Class ⁽¹⁾

	Q4-21 % Committed ⁽²⁾	Q4-21	Q3-21	Q2-21	Q1-21	Q4-20
Industrial	95.5%	93.9%	93.9%	94.8%	96.1%	95.9%
Office	86.4%	83.5%	83.3%	84.6%	85.4%	84.1%
Retail	91.5%	90.2%	90.5%	90.1%	89.1%	87.9%
Total portfolio	91.5%	89.4%	89.1%	90.6%	91.4%	90.6%

Occupancy Report by Geographical Region ⁽¹⁾

	Q4-21 % Committed ⁽²⁾	Q4-21	Q3-21	Q2-21	Q1-21	Q4-20
Canada:						
Alberta	87.7 %	86.8 %	82.6 %	83.7 %	79.6 %	79.7 %
British Columbia	93.5 %	91.8 %	97.4 %	97.5 %	87.4 %	91.1 %
Manitoba	91.5 %	90.8 %	91.7 %	91.3 %	90.6 %	87.2 %
Ontario	89.4 %	88.2 %	87.6 %	94.9 %	96.0 %	96.7 %
Saskatchewan	97.0 %	96.5 %	96.5 %	96.1 %	94.0 %	93.7 %
Total Canada	90.8 %	90.1 %	88.8 %	90.7 %	89.7 %	88.6 %
U.S.:						
Arizona	97.3 %	88.4 %	88.4 %	92.0 %	91.9 %	91.7 %
Colorado	93.0 %	93.0 %	88.6 %	90.1 %	90.1 %	87.1 %
Minnesota	89.3 %	87.1 %	88.1 %	89.3 %	94.1 %	93.9 %
New York	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
Texas	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
Wisconsin	88.8 %	86.3 %	87.2 %	86.9 %	86.6 %	86.4 %
Total U.S.	91.9 %	88.9 %	89.2 %	90.5 %	92.9 %	92.6 %
Total portfolio	91.5 %	89.4 %	89.1 %	90.6 %	91.4 %	90.6 %

⁽¹⁾ Information is as at December 31, 2021, and excludes properties under development and properties held in equity accounted investments.

⁽²⁾ Percentage committed is based on occupancy at December 31, 2021, plus commitments on vacant space.

PORTFOLIO LEASING ACTIVITY AND LEASE EXPIRIES

Renewal Summary ⁽¹⁾

	Q4-21	Q3-21	Q2-21	Q1-21	Q4-20	Q3-20	Q2-20	Q1-20
Leasable area renewed (in S.F.)	786,531	329,468	326,397	478,213	247,215	614,053	591,534	324,925
Increase (decrease) in weighted-average rental rate	3.9 %	2.0 %	7.3 %	4.3 %	(0.5)%	6.1 %	(3.3)%	4.6 %

⁽¹⁾ Based on owned share of GLA of properties and excludes properties under development and properties held in equity accounted investments.

In 2021, 1,920,609 square feet were renewed at an increase in the weighted-average rental rate of 4.1%, compared to 1,797,146 square feet renewed at an increase in the weighted-average rental rate of 2.4% in 2020.

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 rental rates reflect the weighted-average net annual rental rate per square foot as at December 31, 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 December 31, 2021, were estimated to be 0.2% above in-place rents across the portfolio, compared to 1.9% below in-place rents at September 30, 2021 and 0.9% above in-place rents at December 31, 2020. Today's market rents for the 2022 and 2023 lease expiries are estimated to be 1.4% and 0.1% below 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 Property 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	535,266	3.0 %	N/A	N/A
Monthly tenants	—	— %	N/A	N/A
2022	1,522,595	8.5 %	\$7.00	\$7.01
2023	914,829	5.1 %	\$6.62	\$6.58
2024	1,366,782	7.6 %	\$6.46	\$6.66
2025	725,945	4.0 %	\$9.58	\$9.74
2026 +	3,682,737	20.6 %	\$7.78	\$7.76
	8,748,154	48.8 %	\$7.44	\$7.48
<i>Office:</i>				
Current vacancy	1,163,804	6.5 %	N/A	N/A
Monthly tenants	22,248	0.1 %	N/A	N/A
2022	500,023	2.8 %	\$21.90	\$20.89
2023	1,061,650	5.9 %	\$18.10	\$18.47
2024	428,568	2.4 %	\$20.20	\$19.45
2025	450,174	2.5 %	\$18.95	\$19.42
2026 +	3,411,693	19.0 %	\$17.14	\$17.40
	7,038,160	39.2 %	\$18.08	\$18.20
<i>Retail:</i>				
Current vacancy	209,928	1.2 %	N/A	N/A
Monthly tenants	18,664	0.1 %	N/A	N/A
2022	335,109	1.9 %	\$24.30	\$24.51
2023	378,618	2.1 %	\$24.72	\$23.68
2024	301,577	1.7 %	\$24.42	\$23.60
2025	236,027	1.3 %	\$24.87	\$24.32
2026 +	662,693	3.7 %	\$22.90	\$23.07
	2,142,616	12.0 %	\$23.99	\$23.68
<i>Total Portfolio:</i>				
Current vacancy	1,908,998	10.7 %	N/A	N/A
Monthly tenants	40,912	0.2 %	N/A	N/A
2022	2,357,727	13.2 %	\$12.62	\$12.44
2023	2,355,097	13.1 %	\$14.71	\$14.69
2024	2,096,927	11.7 %	\$11.85	\$11.71
2025	1,412,146	7.8 %	\$15.12	\$15.27
2026 +	7,757,123	43.3 %	\$13.19	\$13.31
	17,928,930	100.0 %	\$13.32	\$13.35

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	256,051	1.4 %	N/A	N/A
Monthly tenants	13,974	0.1 %	N/A	N/A
2022	268,760	1.5 %	\$25.04	\$24.20
2023	291,217	1.6 %	\$24.27	\$22.59
2024	177,767	1.0 %	\$24.14	\$22.98
2025	228,925	1.2 %	\$23.48	\$23.01
2026 +	707,489	4.0 %	\$21.08	\$20.52
	1,944,183	10.8 %	\$22.93	\$22.07
<i>British Columbia:</i>				
Current vacancy	26,226	0.1 %	N/A	N/A
Monthly tenants	—	— %	N/A	N/A
2022	27,277	0.2 %	\$23.95	\$25.41
2023	35,210	0.2 %	\$22.86	\$29.21
2024	28,126	0.2 %	\$30.01	\$31.51
2025	5,872	— %	\$33.79	\$34.75
2026 +	198,014	1.1 %	\$17.11	\$16.85
	320,725	1.8 %	\$20.00	\$20.88
<i>Manitoba:</i>				
Current vacancy	343,998	2.0 %	N/A	N/A
Monthly tenants	9,153	0.1 %	N/A	N/A
2022	458,452	2.6 %	\$9.52	\$9.76
2023	447,123	2.5 %	\$10.85	\$10.91
2024	472,670	2.6 %	\$14.42	\$14.10
2025	410,871	2.3 %	\$12.89	\$13.20
2026 +	1,605,482	8.8 %	\$13.39	\$13.87
	3,747,749	20.9 %	\$12.61	\$12.88
<i>Ontario:</i>				
Current vacancy	49,299	0.3 %	N/A	N/A
Monthly tenants	—	— %	N/A	N/A
2022	12,574	0.1 %	\$13.03	\$13.00
2023	155,225	0.8 %	\$17.95	\$16.53
2024	21,315	0.1 %	\$16.29	\$16.30
2025	30,064	0.2 %	\$13.75	\$14.93
2026 +	149,873	0.8 %	\$24.98	\$24.72
	418,350	2.3 %	\$20.20	\$19.59
<i>Saskatchewan:</i>				
Current vacancy	19,214	0.1 %	N/A	N/A
Monthly tenants	4,690	— %	N/A	N/A
2022	169,380	0.9 %	\$13.34	\$13.09
2023	45,942	0.3 %	\$19.65	\$19.83
2024	43,841	0.2 %	\$25.09	\$24.36
2025	12,339	0.1 %	\$26.52	\$26.41
2026 +	256,440	1.5 %	\$16.36	\$15.02
	551,846	3.1 %	\$16.64	\$15.86
<i>Arizona:</i>				
Current vacancy	202,511	1.1 %	N/A	N/A
Monthly tenants	3,562	— %	N/A	N/A
2022	230,809	1.3 %	\$19.53	\$18.57
2023	145,760	0.8 %	\$23.03	\$22.05
2024	142,835	0.8 %	\$12.88	\$14.40
2025	272,860	1.5 %	\$14.50	\$15.06
2026 +	742,352	4.2 %	\$14.88	\$15.99
	1,740,689	9.7 %	\$16.10	\$16.64

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
Colorado:				
Current vacancy	39,991	0.2 %	N/A	N/A
Monthly tenants	4,732	— %	N/A	N/A
2022	92,293	0.5 %	\$14.43	\$14.01
2023	298,326	1.7 %	\$19.19	\$18.84
2024	53,635	0.3 %	\$14.61	\$13.85
2025	37,171	0.2 %	\$29.15	\$28.30
2026 +	41,399	0.3 %	\$16.74	\$16.12
	567,547	3.2 %	\$18.39	\$17.93
Minnesota:				
Current vacancy	729,451	4.1 %	N/A	N/A
Monthly tenants	1,146	— %	N/A	N/A
2022	754,842	4.2 %	\$7.25	\$7.35
2023	598,905	3.3 %	\$7.41	\$7.37
2024	971,036	5.5 %	\$6.15	\$6.21
2025	277,809	1.5 %	\$10.34	\$10.33
2026 +	2,327,744	13.0 %	\$10.84	\$10.81
	5,660,933	31.6 %	\$8.92	\$8.93
New York:				
Current vacancy	—	— %	N/A	N/A
Monthly tenants	—	— %	N/A	N/A
2022	—	— %	\$—	\$—
2023	83,003	0.5 %	\$15.28	\$15.00
2024	40,207	0.2 %	\$17.50	\$15.00
2025	—	— %	\$—	\$—
2026 +	—	— %	\$—	\$—
	123,210	0.7 %	\$16.00	\$15.00
Texas:				
Current vacancy	—	— %	N/A	N/A
Monthly tenants	—	— %	N/A	N/A
2022	128,625	0.7 %	\$5.45	\$5.27
2023	—	— %	\$—	\$—
2024	36,501	0.2 %	\$9.22	\$8.40
2025	46,111	0.3 %	\$9.30	\$8.40
2026 +	880,530	4.9 %	\$6.30	\$5.82
	1,091,767	6.1 %	\$6.42	\$5.95
Wisconsin:				
Current vacancy	242,257	1.4 %	N/A	N/A
Monthly tenants	3,655	— %	N/A	N/A
2022	214,715	1.2 %	\$16.60	\$16.18
2023	254,386	1.4 %	\$13.48	\$16.28
2024	108,994	0.6 %	\$16.67	\$16.25
2025	90,124	0.5 %	\$15.56	\$16.26
2026 +	847,800	4.7 %	\$14.22	\$15.03
	1,761,931	9.8 %	\$14.69	\$15.56
Total portfolio:				
Current vacancy	1,908,998	10.7 %	N/A	N/A
Monthly tenants	40,912	0.2 %	N/A	N/A
2022	2,357,727	13.2 %	\$12.62	\$12.44
2023	2,355,097	13.1 %	\$14.71	\$14.69
2024	2,096,927	11.7 %	\$11.85	\$11.71
2025	1,412,146	7.8 %	\$15.12	\$15.27
2026 +	7,757,123	43.3 %	\$13.19	\$13.31
	17,928,930	100.0 %	\$13.32	\$13.35

LARGEST SEGMENTS BY PROPERTY NOI

Artis' real estate is diversified across five Canadian provinces and six U.S. states, and across the industrial, office and retail asset classes. For the three months ended December 31, 2021, the five largest segments of the REIT's portfolio (by net operating income) were Twin Cities Area office, Madison office, Twin Cities Area industrial, Winnipeg office and Winnipeg retail.

Twin Cities Area Office Segment

The Twin Cities Area office segment represents 11.9% of Q4-21 net operating income and 9.5% of the overall portfolio by GLA. Direct vacancy in the Twin Cities Area office market, as reported by Colliers, was 21.0% at December 31, 2021, decreased from 21.2% at September 30, 2021. At December 31, 2021, the Twin Cities Area office segment of Artis' portfolio was 82.0% occupied, compared to 82.4% at September 30, 2021. During 2022, 69,196 square feet come up for renewal, which represents 0.4% of the total portfolio GLA; 3.6% was renewed or committed to new leases at December 31, 2021. Of Artis' total Twin Cities Area office GLA, 65.8% expires in 2026 or later.

Madison Office Segment

The Madison office segment represents 11.9% of Q4-21 net operating income and 9.8% of the overall portfolio by GLA. At December 31, 2021, the Madison office segment of Artis' portfolio was 86.3% occupied, compared to 87.2% at September 30, 2021. During 2022, 192,161 square feet come up for renewal, which represents 1.1% of the total portfolio GLA; 32.0% was renewed or committed to new leases at December 31, 2021. Of Artis' total Madison office GLA, 40.9% expires in 2026 or later.

Twin Cities Area Industrial Segment

The Twin Cities Area industrial segment represents 11.5% of Q4-21 net operating income and 22.1% of the overall portfolio by GLA. Direct vacancy in the Twin Cities Area industrial market, as reported by CBRE, was 4.3% at December 31, 2021, compared to 4.2% at September 30, 2021. The average asking market lease rate was \$6.50 per square foot at December 31, 2021, compared to \$6.53 at September 30, 2021. At December 31, 2021, the Twin Cities Area industrial segment of Artis' portfolio was 89.3% occupied, compared to 92.5% at September 30, 2021. During 2022, 685,646 square feet come up for renewal, which represents 3.8% of the total portfolio GLA; 59.9% was renewed or committed to new leases at December 31, 2021. Of Artis' total Twin Cities Area industrial GLA, 30.5% expires in 2026 or later.

Winnipeg Office Segment

The Winnipeg office segment represents 8.1% of Q4-21 net operating income and 8.3% of the overall portfolio by GLA. Overall direct vacancy in the Winnipeg office market, as reported by Colliers, was 13.2% at December 31, 2021, compared to 13.0% at September 30, 2021. At December 31, 2021, the Winnipeg office segment of Artis' portfolio was 82.4% occupied, compared to 85.7% at September 30, 2021. During 2022, 32,592 square feet come up for renewal, which represents 0.2% of the total portfolio GLA; 2.0% was renewed or committed to new leases at December 31, 2021. Of Artis' Winnipeg Office segment GLA, 53.3% expires in 2026 or later.

Winnipeg Retail Segment

The Winnipeg retail segment represents 5.6% of Q4-21 net operating income and 3.3% of the overall portfolio by GLA. At December 31, 2021, the Winnipeg retail segment of Artis' portfolio was 96.9% occupied, increased from 95.7% at September 30, 2021. During 2022, 80,530 square feet come up for renewal, which represents 0.4% of the total portfolio GLA; 71.3% was renewed or committed to new leases at December 31, 2021. Of Artis' Winnipeg retail segment GLA, 40.0% expires in 2026 or later.

FINANCIAL & OPERATING RESULTS

NET OPERATING INCOME

	Three months ended December 31,		Year ended December 31,	
	2021	2020	2021	2020
Rental revenue from investment properties				
Rental income	\$ 99,186	\$ 117,794	\$ 420,123	\$ 478,145
Tenant inducements amortized to revenue	(5,938)	(6,424)	(24,765)	(24,854)
Straight-line rent adjustments	303	1,535	3,405	4,923
Lease termination income	2,104	105	2,875	703
Condominium sales	2,010	—	17,861	—
	97,665	113,010	419,499	458,917
Property operating and realty tax expenses	40,776	48,043	165,676	189,642
Condominium cost of sales	1,462	—	16,038	—
Net operating income	\$ 55,427	\$ 64,967	\$ 237,785	\$ 269,275

Rental income is revenue earned from tenants primarily related to lease agreements. In 2021, rental income was impacted by rent abatements in the amount of \$1,087 (Q4-21 - \$266), compared to \$2,169 (Q4-20 - \$500) in 2020, 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 \$574 (Q4-21 - \$188) in 2021 compared to \$2,693 (Q4-20 - \$462) in 2020. 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.

During 2021, 21 commercial condominium units were sold for consideration of \$17,861 and cost of sales related to the units sold were \$16,038.

Net Operating Income by Asset Class

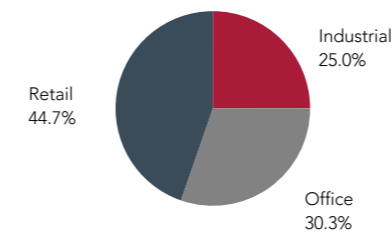
	Three months ended December 31,			Year ended December 31,		
	2021	2020	Change	2021	2020	Change
Canada:						
Industrial	\$ 6,275	\$ 10,426	\$ (4,151)	\$ 35,077	\$ 42,222	\$ (7,145)
Office	7,589	8,419	(830)	34,098	38,681	(4,583)
Retail	11,226	12,973	(1,747)	47,443	52,024	(4,581)
	25,090	31,818	(6,728)	116,618	132,927	(16,309)
U.S.:						
Industrial	11,482	11,989	(507)	46,878	48,144	(1,266)
Office	18,847	21,115	(2,268)	74,186	87,898	(13,712)
	30,329	33,104	(2,775)	121,064	136,042	(14,978)
Total portfolio:						
Industrial	17,757	22,415	(4,658)	81,955	90,366	(8,411)
Office	26,436	29,534	(3,098)	108,284	126,579	(18,295)
Retail	11,226	12,973	(1,747)	47,443	52,024	(4,581)
	55,419	64,922	(9,503)	237,682	268,969	(31,287)
REIT	8	45	(37)	103	306	(203)
Net operating income	\$ 55,427	\$ 64,967	\$ (9,540)	\$ 237,785	\$ 269,275	\$ (31,490)

In Q4-21, the Canadian industrial, office and retail segments were primarily impacted by dispositions in 2021 and 2020. The office segment decrease was partially offset by increased occupancy at an office property and the industrial segment decrease was partially offset by the net operating income generated from the sale of condominium units.

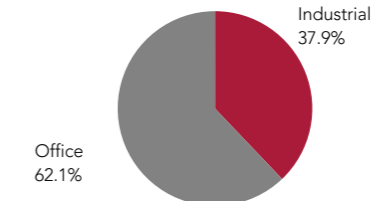
The U.S. office segment was impacted by a disposition in 2020 and increased vacancy in certain properties.

Net operating income 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.

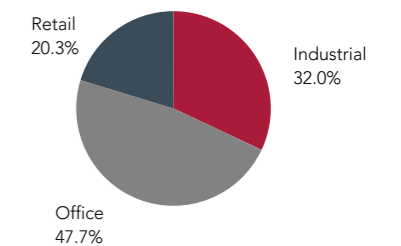
Canadian Portfolio (Q4-21)



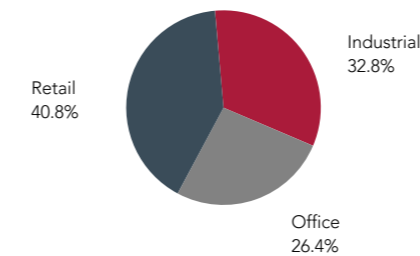
U.S. Portfolio (Q4-21)



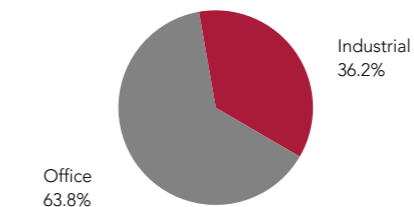
Total Portfolio (Q4-21)



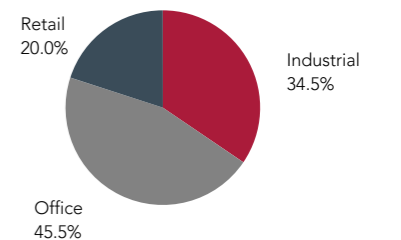
Canadian Portfolio (Q4-20)



U.S. Portfolio (Q4-20)



Total Portfolio (Q4-20)



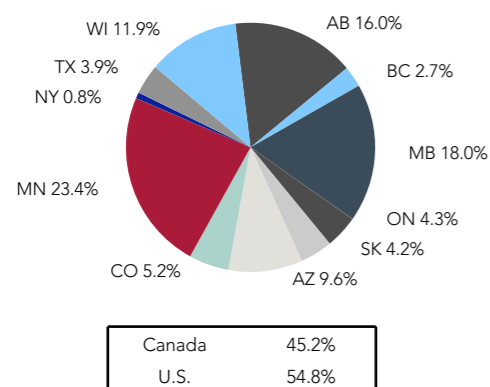
Net Operating Income by Geographical Region

	Three months ended December 31,			Year ended December 31,		
	2021	2020	Change	2021	2020	Change
Canada:						
Alberta	\$ 8,866	\$ 10,710	\$(1,844)	\$ 40,696	\$ 42,556	\$(1,860)
British Columbia	1,512	1,564	(52)	5,893	6,834	(941)
Manitoba	10,008	8,441	1,567	39,065	35,729	3,336
Ontario	2,372	6,927	(4,555)	18,991	30,331	(11,340)
Saskatchewan	2,332	4,176	(1,844)	11,973	17,477	(5,504)
	25,090	31,818	(6,728)	116,618	132,927	(16,309)
U.S.:						
Arizona	5,303	6,581	(1,278)	23,938	28,350	(4,412)
Colorado	2,863	2,094	769	8,194	8,863	(669)
Minnesota	12,983	15,298	(2,315)	53,486	60,446	(6,960)
New York	454	501	(47)	1,993	2,020	(27)
Texas	2,138	2,027	111	8,476	8,262	214
Wisconsin	6,588	6,603	(15)	24,977	28,101	(3,124)
	30,329	33,104	(2,775)	121,064	136,042	(14,978)
Total portfolio	55,419	64,922	(9,503)	237,682	268,969	(31,287)
REIT	8	45	(37)	103	306	(203)
Net operating income	\$ 55,427	\$ 64,967	\$(9,540)	\$ 237,785	\$ 269,275	\$(31,490)

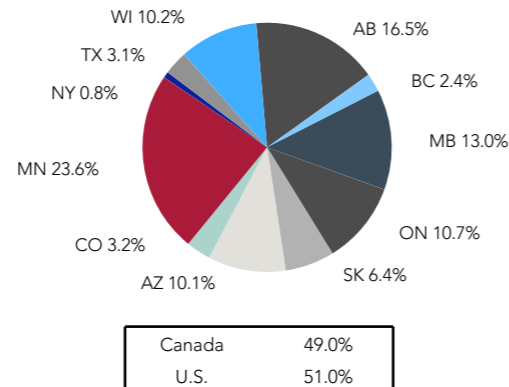
In Q4-21, net operating income decreased in Alberta, Ontario and Saskatchewan and Arizona primarily due to dispositions. Alberta, Arizona and Minnesota were also impacted by increased vacancy in certain properties. Manitoba increased primarily due to increased occupancy at an office property.

Net operating income 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.

Total Portfolio (Q4-21)



Total Portfolio (Q4-20)



Same Property NOI Analysis

Same Property NOI is a non-GAAP measure. Refer to the Notice with Respect to Non-GAAP & Supplementary Measures Disclosure section of this MD&A.

Artis calculates Same Property NOI by including net operating income 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. Same Property NOI includes Artis' portfolio of investment properties and investment properties held under joint venture arrangements. Adjustments are made to this measure to exclude certain non-cash revenue items and other non-recurring revenue amounts. 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.

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 (recovery) and rent abatements. This is calculated by adjusting Same Property NOI for bad debt expense (recovery) and rent abatements for the properties in the Same Property reporting pool, as outlined above.

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.

Reconciliation to Net Operating Income

	Three months ended December 31,			% Change	Year ended December 31,			% Change
	2021	2020	Change		2021	2020	Change	
Net operating income	\$ 55,427	\$ 64,967			\$ 237,785	\$ 269,275		
Add (deduct) net operating income from:								
Equity accounted investments	2,202	2,346			8,847	11,138		
Dispositions and unconditional dispositions	(622)	(9,087)			(7,509)	(32,630)		
(Re)development properties	227	40			(191)	(61)		
Lease termination income adjustments	(2,041)	66			(2,444)	348		
Disposition of condominium units	(548)	—			(1,823)	—		
Other	(273)	(942)			(3,896)	(1,984)		
	(1,055)	(7,577)			(7,016)	(23,189)		
Straight-line rent adjustments ⁽¹⁾	(472)	(1,597)			(3,965)	(5,565)		
Tenant inducements amortized to revenue ⁽¹⁾	5,815	5,314			24,545	21,635		
Same Property NOI	\$ 59,715	\$ 61,107	\$(1,392)	(2.3)%	\$ 251,349	\$ 262,156	\$(10,807)	(4.1)%
Add (deduct):								
Bad debt expense (recovery) ⁽¹⁾	191	(1)			366	1,825		
Rent abatements ⁽¹⁾	266	452			1,081	1,957		
Same Property NOI, excluding bad debt expense (recovery) and rent abatements	\$ 60,172	\$ 61,558	\$(1,386)	(2.3)%	\$ 252,796	\$ 265,938	\$(13,142)	(4.9)%

⁽¹⁾ Includes equity accounted investments.

Same Property NOI by Asset Class

	Three months ended December 31,			% Change	Year ended December 31,			% Change
	2021	2020	Change		2021	2020	Change	
Industrial	\$ 20,076	\$ 20,696	\$(620)	(3.0)%	\$ 83,784	\$ 85,272	\$(1,488)	(1.7)%
Office	28,216	29,377	(1,161)	(4.0)%	121,384	132,265	(10,881)	(8.2)%
Retail	11,423	11,034	389	3.5%	46,181	44,619	1,562	3.5%
Same Property NOI	\$ 59,715	\$ 61,107	\$(1,392)	(2.3)%	\$ 251,349	\$ 262,156	\$(10,807)	(4.1)%

	Three months ended December 31,				Year ended December 31,			
	2021	2020	Change	% Change	2021	2020	Change	% Change
Canada:								
Industrial	\$ 7,521	\$ 7,541	\$ (20)	(0.3)%	\$ 34,561	\$ 33,964	\$ 597	1.8 %
Office	7,957	6,986	971	13.9 %	40,040	38,566	1,474	3.8 %
Retail	11,423	11,034	389	3.5 %	46,181	44,619	1,562	3.5 %
Total Canada	26,901	25,561	1,340	5.2 %	120,782	117,149	3,633	3.1 %
U.S.:								
Industrial	9,960	10,098	(138)	(1.4)%	39,254	38,276	978	2.6 %
Office	16,073	17,180	(1,107)	(6.4)%	64,879	69,847	(4,968)	(7.1)%
Total U.S.	26,033	27,278	(1,245)	(4.6)%	104,133	108,123	(3,990)	(3.7)%
Total in functional currency	52,934	52,839	95	0.2 %	224,915	225,272	(357)	(0.2)%
Foreign exchange	6,781	8,268	(1,487)	(18.0)%	26,434	36,884	(10,450)	(28.3)%
Same Property NOI	\$ 59,715	\$ 61,107	\$ (1,392)	(2.3)%	\$ 251,349	\$ 262,156	\$ (10,807)	(4.1)%

Same Property NOI by Geographical Region

	Three months ended December 31,				Year ended December 31,			
	2021	2020	Change	% Change	2021	2020	Change	% Change
Alberta	\$ 10,183	\$ 10,434	\$ (251)	(2.4)%	\$ 46,675	\$ 47,011	\$ (336)	(0.7)%
British Columbia	1,705	1,494	211	14.1 %	6,501	6,074	427	7.0 %
Manitoba	11,106	9,676	1,430	14.8 %	44,607	40,866	3,741	9.2 %
Ontario	1,323	1,383	(60)	(4.3)%	11,653	12,047	(394)	(3.3)%
Saskatchewan	2,584	2,574	10	0.4 %	11,346	11,151	195	1.7 %
Arizona	4,452	5,030	(578)	(11.5)%	19,244	20,623	(1,379)	(6.7)%
Colorado	2,045	2,169	(124)	(5.7)%	8,281	8,675	(394)	(4.5)%
Minnesota	10,991	12,160	(1,169)	(9.6)%	44,747	47,456	(2,709)	(5.7)%
New York	398	382	16	4.2 %	1,570	1,423	147	10.3 %
Texas	2,329	2,218	111	5.0 %	8,638	7,436	1,202	16.2 %
Wisconsin	5,818	5,319	499	9.4 %	21,653	22,510	(857)	(3.8)%
Total in functional currency	52,934	52,839	95	0.2 %	224,915	225,272	(357)	(0.2)%
Foreign exchange	6,781	8,268	(1,487)	(18.0)%	26,434	36,884	(10,450)	(28.3)%
Same Property NOI	\$ 59,715	\$ 61,107	\$ (1,392)	(2.3)%	\$ 251,349	\$ 262,156	\$ (10,807)	(4.1)%

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

	Three months ended December 31,				Year ended December 31,			
	2021	2020	Change	% Change	2021	2020	Change	% Change
Canada:								
Industrial	\$ 7,694	\$ 7,535	\$ 159	2.1 %	\$ 34,738	\$ 34,076	\$ 662	1.9 %
Office	7,987	7,127	860	12.1 %	40,066	39,223	843	2.1 %
Retail	11,391	11,046	345	3.1 %	46,269	45,999	270	0.6 %
Total Canada	27,072	25,708	1,364	5.3 %	121,073	119,298	1,775	1.5 %
U.S.:								
Industrial	9,971	10,083	(112)	(1.1)%	39,274	38,492	782	2.0 %
Office	16,288	17,429	(1,141)	(6.5)%	65,785	70,845	(5,060)	(7.1)%
Total U.S.	26,259	27,512	(1,253)	(4.6)%	105,059	109,337	(4,278)	(3.9)%
Total in functional currency	53,331	53,220	111	0.2 %	226,132	228,635	(2,503)	(1.1)%
Foreign exchange	6,841	8,338	(1,497)	(18.0)%	26,664	37,303	(10,639)	(28.5)%
Same Property NOI, excluding bad debt expense (recovery) and rent abatements	\$ 60,172	\$ 61,558	\$ (1,386)	(2.3)%	\$ 252,796	\$ 265,938	\$ (13,142)	(4.9)%

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

	Three months ended December 31,				Year ended December 31,			
	2021	2020	Change	% Change	2021	2020	Change	% Change
Alberta	\$ 10,342	\$ 10,364	\$ (22)	(0.2)%	\$ 46,854	\$ 47,997	\$ (1,143)	(2.4)%
British Columbia	1,705	1,486	219	14.7 %	6,508	6,083	425	7.0 %
Manitoba	11,129	9,923	1,206	12.2 %	44,677	41,745	2,932	7.0 %
Ontario	1,334	1,377	(43)	(3.1)%	11,620	12,089	(469)	(3.9)%
Saskatchewan	2,562	2,558	4	0.2 %	11,414	11,384	30	0.3 %
Arizona	4,456	5,100	(644)	(12.6)%	19,249	20,722	(1,473)	(7.1)%
Colorado	2,072	2,158	(86)	(4.0)%	8,313	8,896	(583)	(6.6)%
Minnesota	11,131	12,251	(1,120)	(9.1)%	45,423	48,002	(2,579)	(5.4)%
New York	398	383	15	3.9 %	1,570	1,424	146	10.3 %
Texas	2,329	2,218	111	5.0 %	8,638	7,435	1,203	16.2 %
Wisconsin	5,873	5,402	471	8.7 %	21,866	22,858	(992)	(4.3)%
Total in functional currency	53,331	53,220	111	0.2 %	226,132	228,635	(2,503)	(1.1)%
Foreign exchange	6,841	8,338	(1,497)	(18.0)%	26,664	37,303	(10,639)	(28.5)%
Same Property NOI, excluding bad debt expense (recovery) and rent abatements	\$ 60,172	\$ 61,558	\$ (1,386)	(2.3)%	\$ 252,796	\$ 265,938	\$ (13,142)	(4.9)%

Same Property Occupancy

Geographical Region	As at December 31,		Asset Class	As at December 31,	
	2021	2020		2021	2020
Canada:			Industrial	93.8%	95.4%
Alberta	86.6%	86.3%	Office	83.6%	86.4%
British Columbia	91.8%	90.7%	Retail	90.2%	87.4%
Manitoba	90.6%	87.2%			
Ontario	90.8%	93.7%	Total	89.4%	90.9%
Saskatchewan	96.5%	96.7%			
Total Canada	90.0%	88.1%			
U.S.:					
Arizona	88.4%	91.7%			
Colorado	93.0%	87.1%			
Minnesota	87.1%	93.9%			
New York	100.0%	100.0%			
Texas	100.0%	100.0%			
Wisconsin	86.6%	86.6%			
Total U.S.	89.0%	92.7%			
Total	89.4%	90.9%			

CORPORATE EXPENSES

	Three months ended				Year ended			
	December 31,		Change	% Change	December 31,		Change	% Change
2021	2020	2021			2020			
Accounting, legal and consulting	723	1,236	(513)	(41.5)%	3,262	3,316	(54)	(1.6)%
Public company costs	338	509	(171)	(33.6)%	1,396	1,367	29	2.1 %
Unit-based compensation	1,263	3,623	(2,360)	(65.1)%	3,357	2,855	502	17.6 %
Salaries and benefits	632	416	216	51.9 %	2,083	1,940	143	7.4 %
Depreciation of property and equipment	343	397	(54)	(13.6)%	1,362	1,422	(60)	(4.2)%
General and administrative	343	473	(130)	(27.5)%	1,253	1,305	(52)	(4.0)%
Total corporate expenses	\$ 3,642	\$ 6,654	\$ (3,012)	(45.3)%	\$ 12,713	\$ 12,205	\$ 508	4.2 %

Corporate expenses in 2021 were \$12,713 (Q4-21 - \$3,642), or 3.0% (Q4-21 - 3.7%) of total revenues compared to \$12,205 (Q4-20 - \$6,654), or 2.7% (Q4-20 - 5.9%) of total revenues in 2020.

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

PROXY MATTER EXPENSES

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

In connection with this proxy matter, the REIT incurred costs of \$nil in 2021 (Q4-21 - \$nil) compared to \$17,423 (Q4-20 - \$17,423) in 2020, including legal, advisory and executive settlement costs.

STRATEGIC INITIATIVE EXPENSES

In 2019, the Board of Trustees launched a formal strategic review process to explore value-maximizing opportunities for the REIT. During the course of the strategic review, Artis engaged independent financial and legal advisors to review various strategic alternatives. The strategic initiative expenses in 2020 and 2021 were primarily fees paid for legal and advisory services.

In 2021, strategic initiative expenses were \$18 (Q4-21 - \$nil) compared to \$4,029 (Q4-20 - \$810) in 2020.

INTEREST EXPENSE

	Three months ended				Year ended			
	December 31,		Change	% Change	December 31,		Change	% Change
2021	2020	2021			2020			
Mortgages and other loans ⁽¹⁾	\$ 7,795	\$ 8,916	\$ (1,121)		\$ 33,365	\$ 39,214	\$ (5,849)	
Senior unsecured debentures	2,524	4,925	(2,401)		11,303	13,311	(2,008)	
Credit facilities ⁽¹⁾	4,952	4,839	113		20,178	26,068	(5,890)	
Preferred shares ⁽¹⁾	40	34	6		140	135	5	
	15,311	18,714	(3,403)	(18.2)%	64,986	78,728	(13,742)	(17.5)%
Foreign exchange	1,149	1,533	(384)		4,662	7,378	(2,716)	
Total interest expense	\$ 16,460	\$ 20,247	\$ (3,787)	(18.7)%	\$ 69,648	\$ 86,106	\$ (16,458)	(19.1)%

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

During 2021, 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, partially offset by interest expense on new mortgages. Interest expense on senior unsecured debentures decreased primarily due to the repayments of the Series C senior unsecured debentures in February 2021, partially offset by the issuance of the Series D debentures on September 18, 2020. Interest expense on credit facilities decreased primarily due to lower balances drawn on the revolving credit facilities during the year.

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.

At December 31, 2021, the weighted-average effective interest rate on mortgages and other loans secured by properties, was 3.31%, compared to 3.23% at December 31, 2020. The weighted-average nominal interest rate on mortgages and other loans secured by properties at December 31, 2021, was 3.04%, compared to 3.03% 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 2021, the fair value gain on investment properties was \$197,511 (Q4-21 - gain of \$9,247), compared to a loss of \$140,876 (Q4-20 - loss of \$8,985) in 2020. The fair value gain in 2021 was primarily due to capitalization rate compression and higher expected market rents across the industrial portfolio in both Canada and the U.S., partially offset by a decrease in market rents as well as an increase in capitalization rates, estimated vacancy allowances and tenant inducement allowances in certain office markets.

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

	Three months ended	Year ended
	December 31, 2021	December 31, 2021
Canada:		
Industrial	\$ 5,725	\$ 257,230
Office	(6,512)	(62,431)
Retail	(1,336)	(2,919)
Residential	167	(15,388)
	(1,956)	176,492
U.S.:		
Industrial	38,903	96,253
Office	(27,700)	(75,234)
	11,203	21,019
Total portfolio:		
Industrial	44,628	353,483
Office	(34,212)	(137,665)
Retail	(1,336)	(2,919)
Residential	167	(15,388)
Total portfolio	\$ 9,247	\$ 197,511

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 \$3,244 (Q4-21 - gain of \$473) in 2021, compared to a gain of \$530 (Q4-20 - gain of \$3,105) in 2020.

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 \$15,966 (Q4-21 - gain of \$5,708) in 2021, compared to an unrealized loss of \$18,388 (Q4-20 - gain of \$2,563) in 2020. The REIT anticipates holding the mortgages, non-revolving term credit facilities and related interest rate swap contracts until maturity.

Artis recorded a gain of \$305 (Q4-21 - \$nil) in 2021 on the fair value of outstanding foreign currency contracts, compared to an unrealized gain of \$2,257 (Q4-20 - loss of \$2,328) in 2020.

In conjunction with the Business Transformation Plan, the REIT purchased equity securities in 2021. The REIT recorded a fair value gain of \$5,320 (Q4-21 - gain of \$5,864) in 2021 on equity securities.

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 21% to 30% withholding tax on distributions to Canada. Any withholding taxes paid are recorded with the related distributions.

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

OTHER COMPREHENSIVE LOSS

Other comprehensive loss includes unrealized foreign currency translation losses of \$1,473 (Q4-21 - losses of \$7,469) in 2021, compared to losses of \$27,817 (Q4-20 - losses of \$64,903) in 2020. Foreign currency translation gains and losses relate to the REIT's net investments in its U.S. subsidiaries.

FUNDS FROM OPERATIONS ("FFO") AND ADJUSTED FUNDS FROM OPERATIONS ("AFFO")

FFO and AFFO are non-GAAP measures. Refer to the Notice with Respect to Non-GAAP & Supplementary Measures Disclosure section of this MD&A.

Artis calculates FFO and AFFO substantially in accordance with the guidelines set out by the Real Property Association of Canada ("REALpac"), as issued in January 2022. FFO adjusts net income for items that are non-cash or not recurring in nature such as fair value gains or losses on investment properties and financial instruments, foreign currency translation gains and losses, tenant inducements amortized to revenue, transaction costs on acquisitions, deferred income taxes, distributions on preferred shares treated as interest expense, remeasurement component of unit-based compensation, incremental leasing costs, and preferred unit distributions. AFFO adjusts FFO by excluding straight-line rent adjustments, as well as costs incurred relating to leasing activities and property capital expenditures. AFFO includes adjustments related to the REIT's equity accounted investments.

The REIT also adjusted FFO and AFFO for strategic initiative and proxy matter expenses for a total of \$18 (Q4-21 - \$nil) in 2021 compared to \$21,452 (Q4-20 - \$18,233) in 2020. 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 January 2022, management believes it provides a better representation of recurring FFO and AFFO.

Management considers FFO and AFFO to be a valuable recurring earnings measures for evaluating the REIT's operating performance.

000's, except per unit amounts	Three months ended				Year ended			
	December 31,		Change	% Change	December 31,		Change	% Change
2021	2020	2021			2020			
Net income	\$ 60,404	\$ 32,424			\$ 389,175	\$ 21,543		
Add (deduct):								
Fair value (gain) loss on investment properties	(9,247)	8,985			(197,511)	140,876		
Tenant inducements amortized to revenue	5,938	6,424			24,765	24,854		
Transaction costs on acquisitions	—	—			11	—		
Adjustments for equity accounted investments	(1,492)	(16,133)			(9,945)	(17,271)		
Proxy matter expenses	—	17,423			—	17,423		
Strategic initiative expenses	—	810			18	4,029		
Foreign currency translation (gain) loss	(473)	(3,105)			3,244	(530)		
Fair value (gain) loss on financial instruments	(11,302)	(265)			(21,224)	16,538		
Deferred income tax recovery	(38)	(18)			(43)	(43)		
Remeasurement component of unit-based compensation	28	2,774			(63)	(935)		
Distributions on preferred shares treated as interest expense	50	45			176	181		
Incremental leasing costs	749	779			3,000	3,166		
Preferred unit distributions	(4,294)	(4,347)			(17,260)	(17,420)		
FFO	\$ 40,323	\$ 45,796	\$ (5,473)	(12.0)%	\$ 174,343	\$ 192,411	\$ (18,068)	(9.4)%
Add (deduct):								
Amortization of recoverable capital expenditures	\$ (2,953)	\$ (3,508)			\$ (9,848)	\$ (11,204)		
Straight-line rent adjustments	(303)	(1,535)			(3,405)	(4,923)		
Adjustments for equity accounted investments	(148)	(32)			(614)	(1,032)		
Non-recoverable property maintenance reserve	(1,100)	(1,100)			(4,400)	(4,400)		
Leasing costs reserve	(7,900)	(7,900)			(31,600)	(31,300)		
AFFO	\$ 27,919	\$ 31,721	\$ (3,802)	(12.0)%	\$ 124,476	\$ 139,552	\$ (15,076)	(10.8)%

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

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, including equity accounted investments. Approximately 76.2% (Q4-21 - 73.2%) is recoverable from tenants in 2021, compared to 77.1% (Q4-20 - 74.6%) in 2020. The non-recoverable property maintenance reserve reflects management's estimate of a normalized expenditure using the 2018, 2019, 2020, and 2021 actual expenditures and the 2022 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.

FFO and AFFO per Unit

FFO per unit and AFFO per unit are non-GAAP ratios. Refer to the Notice with Respect to Non-GAAP & Supplementary Measures Disclosure section of this MD&A.

Artis calculates FFO and AFFO per unit by dividing FFO and AFFO, respectively, by the weighted-average diluted units outstanding for the period.

Management considers FFO per unit and AFFO per unit to be a valuable recurring earnings measures for evaluating the REIT's operating performance.

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

	Three months ended December 31,		Year ended December 31,	
	2021	2020	2021	2020
Basic units	124,637,757	135,400,559	129,553,433	136,206,856
Add:				
Restricted units	414,281	355,902	366,757	320,049
Deferred units	133,552	92,908	105,727	80,016
Diluted units	125,185,590	135,849,369	130,025,917	136,606,921

FFO and AFFO per Unit

000's, except per unit amounts	Three months ended December 31,				Year ended December 31,			
	2021	2020	Change	% Change	2021	2020	Change	% Change
FFO per unit:								
Basic	\$ 0.32	\$ 0.34	\$ (0.02)	(5.9)%	\$ 1.35	\$ 1.41	\$ (0.06)	(4.3)%
Diluted	0.32	0.34	(0.02)	(5.9)%	1.34	1.41	(0.07)	(5.0)%
AFFO per unit:								
Basic	\$ 0.22	\$ 0.23	\$ (0.01)	(4.3)%	\$ 0.96	\$ 1.02	\$ (0.06)	(5.9)%
Diluted	0.22	0.23	(0.01)	(4.3)%	0.96	1.02	(0.06)	(5.9)%

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.

FFO and AFFO Payout Ratios

FFO payout ratio and AFFO payout ratios are non-GAAP ratios. Refer to the Notice with Respect to Non-GAAP & Supplementary Measures Disclosure section of this MD&A.

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.

	Three months ended December 31,			Year ended December 31,		
	2021	2020	% Change	2021	2020	% Change
Distributions per common unit ⁽¹⁾	\$ 0.15	\$ 0.14		\$ 0.59	\$ 0.54	
FFO per unit	0.32	0.34		1.34	1.41	
FFO payout ratio	46.9 %	41.2 %	5.7 %	44.0 %	38.3 %	5.7 %
Distributions per common unit ⁽¹⁾	\$ 0.15	\$ 0.14		\$ 0.59	\$ 0.54	
AFFO per unit	0.22	0.23		0.96	1.02	
AFFO payout ratio	68.2 %	60.9 %	7.3 %	61.5 %	52.9 %	8.6 %

(1) Excludes the Special Distribution declared in December 2021.

FINANCIAL POSITION

ASSETS

Investment Properties, Investment Properties Under Development and Investment Properties Held for Sale

Artis' total investment properties are as follows:

	December 31, 2021	December 30, 2020
Investment properties	\$ 3,741,544	\$ 4,325,121
Investment properties under development	195,161	132,243
Investment properties held for sale	62,904	74,483
Total	\$ 3,999,609	\$ 4,531,847

The change in total investment properties is a result of the following:

Balance, December 31, 2020	\$ 4,531,847
Additions:	
Acquisitions	5,823
Reclassification from equity accounted investments ⁽¹⁾	16,642
Capital expenditures	
Investment properties	21,562
Investment properties under development	69,008
Capitalized interest ⁽²⁾	1,087
Leasing commissions	9,805
Straight-line rent adjustments	3,405
Tenant inducement additions, net of amortization	3,576
Contributions to equity accounted investments ⁽³⁾	(906)
Dispositions	(851,772)
Foreign currency translation loss	(7,979)
Fair value gain	197,511
Balance, December 31, 2021	\$ 3,999,609

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

(2) During 2021, interest was capitalized to investment properties under development at a weighted-average effective interest rate of 1.98%.

(3) During 2021, the REIT contributed capitalized development expenditures to Park Lucero East, an equity accounted associate.

Acquisitions

During 2021, the REIT acquired two parcel of industrial development land in the Twin Cities Area, Minnesota, for an aggregate purchase price of US\$3,700.

Also during 2021, the REIT also acquired the remaining 5% interest in Park 8Ninety IV, an industrial property located in the Greater Houston Area, Texas, for total consideration of US\$309. The REIT now owns 100% of the property.

The results of operations for the acquired properties are included in the REIT's accounts from the date of acquisition. Artis funded these acquisitions with cash on hand.

Capital Expenditures by Type

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			% Change	Year ended			% Change
	December 31,		Change		December 31,		Change	
	2021	2020			2021	2020		
New and (re)development expenditures	\$ 17,870	\$ 19,473	\$ (1,603)		\$ 69,008	\$ 69,082	\$ (74)	
Building improvements expenditures:								
Recoverable from tenants	918	1,615	(697)		2,150	3,742	(1,592)	
Non-recoverable	1,740	4,765	(3,025)		11,548	13,493	(1,945)	
Property maintenance expenditures:								
Recoverable from tenants	1,429	1,688	(259)		4,945	6,742	(1,797)	
Non-recoverable	112	531	(419)		2,919	4,954	(2,035)	
Total capital expenditures	\$ 22,069	\$ 28,072	\$ (6,003)	(21.4)%	\$ 90,570	\$ 98,013	\$ (7,443)	(7.6)%

Capital Expenditures by Asset Class

	Three months ended			% Change	Year ended			% Change
	December 31,		Change		December 31,		Change	
	2021	2020			2021	2020		
Canada:								
Industrial	\$ 391	\$ 1,311	\$ (920)		\$ 1,677	\$ 4,142	\$ (2,465)	
Office	1,808	2,627	(819)		6,796	8,203	(1,407)	
Retail	1,114	672	442		1,816	9,973	(8,157)	
Residential	11,477	14,209	(2,732)		55,768	53,158	2,610	
	14,790	18,819	(4,029)		66,057	75,476	(9,419)	
U.S.:								
Industrial	6,531	1,035	5,496		16,371	5,512	10,859	
Office	748	8,218	(7,470)		8,142	17,025	(8,883)	
	7,279	9,253	(1,974)		24,513	22,537	1,976	
Total portfolio:								
Industrial	6,922	2,346	4,576		18,048	9,654	8,394	
Office	2,556	10,845	(8,289)		14,938	25,228	(10,290)	
Retail	1,114	672	442		1,816	9,973	(8,157)	
Residential	11,477	14,209	(2,732)		55,768	53,158	2,610	
Total portfolio	\$ 22,069	\$ 28,072	\$ (6,003)	(21.4)%	\$ 90,570	\$ 98,013	\$ (7,443)	(7.6)%

In 2021, new and (re)development expenditures included \$55,768 for 300 Main, \$12,773 for Blaine 35 I and Blaine 35 II.

In 2020, new and (re)development expenditures included \$53,159 for 300 Main, \$4,847 for 330 Main, and \$3,233 for Linden Ridge Shopping Centre II.

Leasing Costs by Type

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	Year ended			% Change
	December 31,		Change		December 31,		Change	
	2021	2020			2021	2020		
Investment property leasing costs:								
Tenant inducements	\$ 7,955	\$ 11,790	\$ (3,835)		\$ 25,718	\$ 42,775	\$ (17,057)	
Leasing commissions	3,798	3,536	262		8,799	11,779	(2,980)	
Investment property (re)development related leasing costs:								
Tenant inducements	951	86	865		2,623	2,295	328	
Leasing commissions	910	509	401		1,006	687	319	
Total leasing costs	\$ 13,614	\$ 15,921	\$ (2,307)	(14.5)%	\$ 38,146	\$ 57,536	\$ (19,390)	(33.7)%

Leasing Costs by Asset Class

	Three months ended			% Change	Year ended			% Change
	December 31,		Change		December 31,		Change	
	2021	2020			2021	2020		
Canada:								
Industrial	\$ 209	\$ 1,212	\$ (1,003)		\$ 3,395	\$ 4,520	\$ (1,125)	
Office	2,534	2,475	59		7,788	11,375	(3,587)	
Retail	1,157	1,229	(72)		5,256	4,197	1,059	
Residential	920	—	920		920	—	920	
	4,820	4,916	(96)		17,359	20,092	(2,733)	
U.S.:								
Industrial	4,091	1,133	2,958		7,643	4,003	3,640	
Office	4,703	9,872	(5,169)		13,144	33,441	(20,297)	
	8,794	11,005	(2,211)		20,787	37,444	(16,657)	
Total portfolio:								
Industrial	4,300	2,345	1,955		11,038	8,523	2,515	
Office	7,237	12,347	(5,110)		20,932	44,816	(23,884)	
Retail	1,157	1,229	(72)		5,256	4,197	1,059	
Residential	920	—	920		920	—	920	
Total leasing costs	\$ 13,614	\$ 15,921	\$ (2,307)	(14.5)%	\$ 38,146	\$ 57,536	\$ (19,390)	(33.7)%

In 2021, tenant inducements related to new and (re)developments included \$2,479 for five retail tenants in Winnipeg, Manitoba.

Dispositions

During 2021, Artis sold 29 industrial properties, six office properties, six retail properties as well as a portion of a retail property for an aggregate sale price of \$858,615. The sale proceeds, net of costs of \$6,837, notes receivable of \$16,000 and related debt of \$44,053, were \$791,725.

Foreign currency translation loss on investment properties

In 2021, the foreign currency translation loss on investment properties was \$7,979 due to the change in the year end US dollar to Canadian dollar exchange rate from 1.2732 at December 31, 2020 to 1.2678 at December 31, 2021.

Investment properties held for sale

At December 31, 2021, the REIT had one industrial and two office properties located in Canada with an aggregate fair value of \$62,904, classified as held for sale. These properties were actively marketed for sale or under unconditional sale agreements at December 31, 2021.

Fair value gain (loss) on investment properties

During 2021, the REIT recorded a gain on the fair value of investment properties of \$197,511 (Q4-21 - gain of \$9,247), compared to a loss of \$140,876 (Q4-20 - loss of \$8,985) in 2020. The fair value gain in 2021 was primarily due to capitalization rate compression and higher expected market rents across the industrial portfolio in both Canada and the U.S., partially offset by a decrease in market rents as well as an increase in capitalization rates, estimated vacancy allowances and tenant inducement allowances in certain office markets.

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 8.75%.

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

	December 31, 2021			December 31, 2020		
	Maximum	Minimum	Weighted-average	Maximum	Minimum	Weighted-average
Industrial:						
Alberta	7.75 %	5.00 %	6.07 %	7.75 %	5.75 %	6.57 %
British Columbia	3.50 %	3.50 %	3.50 %	3.75 %	3.75 %	3.75 %
Manitoba	7.00 %	5.75 %	5.87 %	7.50 %	6.00 %	6.57 %
Ontario	4.00 %	4.00 %	4.00 %	5.25 %	4.25 %	4.76 %
Saskatchewan	6.75 %	6.25 %	6.37 %	7.00 %	6.75 %	6.81 %
Total Canadian industrial portfolio	7.75 %	3.50 %	5.76 %	7.75 %	3.75 %	5.45 %
Arizona	6.25 %	5.00 %	5.37 %	6.25 %	5.25 %	5.59 %
Colorado	4.50 %	4.50 %	4.50 %	5.00 %	5.00 %	5.00 %
Minnesota	7.75 %	5.00 %	6.02 %	7.75 %	5.50 %	6.55 %
Texas	7.50 %	5.00 %	5.50 %	7.00 %	5.50 %	5.76 %
Total U.S. industrial portfolio	7.75 %	4.50 %	5.74 %	7.75 %	5.00 %	6.13 %
Total industrial portfolio	7.75 %	3.50 %	5.75 %	7.75 %	3.75 %	5.72 %
Office:						
Alberta	7.25 %	7.25 %	7.25 %	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 %	6.11 %	7.75 %	5.00 %	6.06 %
Ontario	6.50 %	6.00 %	6.38 %	7.00 %	5.50 %	6.09 %
Saskatchewan	7.50 %	7.50 %	7.50 %	7.50 %	7.50 %	7.50 %
Total Canadian office portfolio	7.75 %	4.75 %	5.99 %	9.00 %	5.00 %	6.18 %
Arizona	8.00 %	6.00 %	6.67 %	8.00 %	6.00 %	6.68 %
Colorado	6.50 %	6.00 %	6.30 %	6.00 %	6.00 %	6.00 %
Minnesota	7.50 %	6.25 %	6.86 %	7.50 %	6.25 %	6.78 %
New York	7.75 %	7.75 %	7.75 %	7.75 %	7.75 %	7.75 %
Wisconsin	8.00 %	7.00 %	7.57 %	7.75 %	7.00 %	7.55 %
Total U.S. office portfolio	8.00 %	6.00 %	7.00 %	8.00 %	6.00 %	6.92 %
Total office portfolio	8.00 %	4.75 %	6.61 %	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 %	6.12 %	6.25 %	5.50 %	6.11 %
Saskatchewan	6.25 %	6.00 %	6.10 %	9.25 %	6.25 %	7.37 %
Total Canadian retail portfolio	8.75 %	5.50 %	6.54 %	9.25 %	5.50 %	6.73 %
Total retail portfolio	8.75 %	5.50 %	6.54 %	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	8.75 %	3.50 %	6.00 %	9.25 %	3.75 %	6.09 %
U.S. portfolio	8.00 %	4.50 %	6.49 %	8.00 %	5.00 %	6.63 %
Total portfolio	8.75 %	3.50 %	6.22 %	9.25 %	3.75 %	6.30 %

Investments in Equity Securities

At December 31, 2021, the REIT had investments in equity securities of \$77,186, compared to \$nil at December 31, 2020. The change during the year is due to equity securities purchased in accordance with the Business Transformation Plan and fair value adjustments due to fluctuations in market prices.

Notes Receivable

On December 17, 2021, the REIT disposed of a portfolio of two office properties and received as partial consideration a note receivable in the amount of \$6,000. The REIT receives monthly interest-only payments at a rate of 4.0% per annum. The note receivable is secured by the office properties and matures in January 2024.

On December 22, 2021, the REIT disposed of an office property and received as partial consideration a note receivable in the amount of \$10,000. The REIT receives monthly interest-only payments at an effective rate of 3.086% per annum. The note receivable is secured by the office property and matures in January 2028.

On January 31, 2020, the REIT disposed of an office property 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 a parcel of development land and received as partial consideration a note receivable in the amount of US\$2,450. The note bears interest at a rate of 4.00% per annum and interest and principal are due on maturity in November 2024. The note receivable is secured by a portion of the development land.

The balance outstanding on all notes receivable at December 31, 2021 was \$36,282, compared to \$21,684 at December 31, 2020.

Cash

At December 31, 2021, the REIT had \$221,474 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, debt repayment or other activities in accordance with the Business Transformation Plan. 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 at December 31, 2021 was 2.3 years, unchanged from December 31, 2020.

At December 31, 2021, Artis had mortgages and loans payable outstanding, as follows:

	Canada		U.S.		Total Portfolio	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Fixed rate mortgages	\$ 348,186	\$ 334,626	\$ 46,524	\$ 70,987	\$ 394,710	\$ 405,613
Variable rate mortgages:						
Hedged	60,124	91,765	347,392	381,640	407,516	473,405
Unhedged	4,532	16,136	280,763	380,123	285,295	396,259
Net above- and below-market mortgage adjustments	—	—	1,604	2,423	1,604	2,423
Financing costs	(1,588)	(1,128)	(2,498)	(3,050)	(4,086)	(4,178)
	\$ 411,254	\$ 441,399	\$ 673,785	\$ 832,123	\$ 1,085,039	\$ 1,273,522

At December 31, 2021, unhedged variable rate mortgage debt as a percentage of total debt, including credit facilities and debentures was 14.5%, compared to 16.5% at December 31, 2020. 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.

Mortgages and Loans Payable by Asset Class

	December 31, 2021	December 31, 2020
Canadian portfolio:		
Industrial	\$ 57,479	\$ 60,546
Office	69,081	153,495
Retail	286,282	228,486
	412,842	442,527
U.S. portfolio:		
Industrial	278,519	253,748
Office	396,160	579,002
	674,679	832,750
Total portfolio:		
Industrial	335,998	314,294
Office	465,241	732,497
Retail	286,282	228,486
Total portfolio	\$ 1,087,521	\$ 1,275,277

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

Balance, December 31, 2020	\$ 1,275,277
Add (deduct):	
New fixed rate mortgage financing on previously unencumbered properties	108,150
Net uplift upon renewal of maturing mortgages	23,894
Assumed variable rate mortgage upon acquisition of investment property	9,813
Draws on variable rate construction loans	69
Repayment of hedged rate mortgage related to sale of investment property	(28,010)
Repayment of fixed rate mortgages related to sale of investment properties	(16,043)
Repayment of hedged rate mortgage	(9,330)
Repayment of variable rate mortgages	(151,697)
Repayment of fixed rate mortgages	(86,540)
Principal repayments	(30,483)
Foreign currency translation gain	(7,579)
Balance, December 31, 2021	\$ 1,087,521

Senior Unsecured Debentures

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

	Issued	Maturity	Interest rate	December 31, 2021		December 31, 2020	
				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 %	249,346	250,000	248,999	250,000
				\$ 249,346	\$ 250,000	\$ 498,919	\$ 500,000

At December 31, 2021, the carrying value of the senior unsecured debentures decreased \$249,573 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, 2022. The second tranche of the revolving credit facilities in the amount of \$300,000 matures on April 29, 2023. The REIT can draw on the revolving credit facilities in Canadian or US dollars. Amounts drawn on the revolving credit facilities in Canadian dollars bear interest at the bankers' acceptance rate plus 1.70% or at prime plus 0.70%. Amounts drawn on the revolving credit facilities in US dollars bear interest at LIBOR plus 1.70% or at the U.S. base rate plus 0.70%. At December 31, 2021, there was \$131,851 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 matured February 4, 2022. Amounts drawn on the non-revolving credit facilities bear interest at 3.57%, 3.50% and 2.22%, respectively. Subsequent to the end of the year, the non-revolving credit facility that matured on February 4, 2022 was partially repaid, with the remaining balance renewed. Refer to Subsequent Events section of this MD&A for further details.

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

Accounts Payable & Other Liabilities

Included in accounts payable and other liabilities were accrued distributions payable to unitholders of \$47,016, which were paid subsequent to the end of the year.

UNITHOLDERS' EQUITY

Unitholders' equity increased overall by \$121,456 between December 31, 2020 and December 31, 2021. The overall increase was primarily due to net income of \$389,175, and the issuance of common units for \$428. The overall increase was partially offset by distributions made to unitholders of \$137,417, other comprehensive loss of \$1,473, and common units of \$145,137 and preferred units of \$3,581 purchased through the NCIB, partially offset by the related contributed surplus of \$19,461.

OTHER FINANCIAL MEASURES

The measures and ratios calculated below are not in accordance with GAAP. Refer to the Notice with Respect to Non-GAAP & Supplementary Measures Disclosure section of this MD&A.

NAV per Unit

NAV per unit is a non-GAAP measure. 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.

000's, except unit and per unit amounts	December 31, 2021	December 31, 2020	Change
Unitholders' equity	\$ 2,455,353	\$ 2,333,897	\$ 121,456
Less face value of preferred equity	(299,017)	(302,746)	3,729
NAV attributable to common unitholders	\$ 2,156,336	\$ 2,031,151	\$ 125,185
Total number of dilutive units outstanding:			
Common units	123,544,536	134,643,175	(11,098,639)
Restricted units	462,891	404,937	57,954
Deferred units	133,552	92,908	40,644
	124,140,979	135,141,020	(11,000,041)
NAV per unit	\$ 17.37	\$ 15.03	\$ 2.34

Unitholders' equity increased primarily due to net income and the issuance of common units, partially offset by units purchased under the NCIB, distributions made to unitholders and foreign exchange loss 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

Secured mortgages and loans to GBV is a non-GAAP measure. Artis calculates GBV based on the total consolidated assets of the REIT, adding back the amount of accumulated depreciation of property and equipment. Artis calculates secured mortgages and loans to GBV by dividing secured mortgages and loans by GBV.

Management considers secured mortgages and loans to GBV to be a valuable measure of the REIT's leverage.

	December 31, 2021	December 31, 2020
Total assets	\$ 4,576,024	\$ 4,859,841
Add: accumulated depreciation	9,275	7,915
Gross book value	4,585,299	4,867,756
Secured mortgages and loans	\$ 1,085,039	\$ 1,273,522
Secured mortgages and loans to GBV	23.7 %	26.2 %

Total Debt to GBV

Total debt to GBV is a non-GAAP measure. Artis calculates GBV based on the total consolidated assets of the REIT, adding back the amount of accumulated depreciation of property and equipment. Artis calculates total debt to GBV by dividing total debt, which consists of mortgages and loans, the carrying value of senior unsecured debentures, credit facilities and preferred shares liability, by GBV.

Management considers total debt to GBV to be a valuable measure of the REIT's leverage. Under the terms of the REIT's Declaration of Trust, the total indebtedness of the REIT is limited to 70% of GBV.

	December 31, 2021	December 31, 2020
Total assets	\$ 4,576,024	\$ 4,859,841
Add: accumulated depreciation	9,275	7,915
Gross book value	4,585,299	4,867,756
Secured mortgages and loans	1,085,039	1,273,522
Preferred shares liability	889	610
Carrying value of debentures	249,346	498,919
Credit facilities	631,253	624,461
Total debt	\$ 1,966,527	\$ 2,397,512
Total debt to GBV	42.9 %	49.3 %

Unencumbered Assets to Unsecured Debt

Unencumbered assets to unsecured debt is a supplementary financial measure. Unencumbered assets represent the fair value of investment properties that have not been pledged as security under mortgage agreements. Artis calculates unencumbered assets to unsecured debt by dividing the total unencumbered assets, inclusive of joint venture arrangements, by total unsecured debt, which consists of senior unsecured debentures and unsecured credit facilities.

Management considers this ratio to be a valuable measure of the REIT's ability to draw on the revolving credit facilities.

	December 31, 2021	December 31, 2020
Unencumbered assets	\$ 1,902,748	\$ 1,901,073
Unencumbered assets in properties held under joint venture arrangements	36,805	40,886
Total unencumbered assets	1,939,553	1,941,959
Senior unsecured debentures	249,346	498,919
Unsecured credit facilities	631,253	624,461
Total unsecured debt	\$ 880,599	\$ 1,123,380
Unencumbered assets to unsecured debt	2.20	1.73

Adjusted EBITDA Interest Coverage Ratio

Adjusted EBITDA interest coverage ratio is a non-GAAP measure.

Prior to December 31, 2021, the REIT calculated Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization ("Adjusted EBITDA") as net income, adjusted for interest expense, transaction costs, income taxes, all non-cash revenue and expense items and non-recurring items, such as strategic initiative and proxy matter expenses.

Effective December 31, 2021, the REIT calculates Adjusted EBITDA as defined above and also deducts net income (loss) from equity accounted investments and adds distributions from equity accounted investments.

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) and excludes the REIT's share of interest expense in equity accounted investments.

The REIT changed the composition of Adjusted EBITDA and Adjusted EBITDA interest coverage ratio to better reflect the REIT's cash flows from operations relative to debt service requirements.

Management considers this ratio to be a valuable measure of Artis' ability to service the interest requirements on its outstanding debt.

	Three months ended		Year ended	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Net income	\$ 60,404	\$ 32,424	\$ 389,175	\$ 21,543
Add (deduct):				
Tenant inducements amortized to revenue	5,938	6,424	24,765	24,854
Straight-line rent adjustments	(303)	(1,535)	(3,405)	(4,923)
Interest expense	16,460	20,247	69,648	86,106
Net income from equity accounted investments	(3,276)	(17,724)	(16,795)	(24,851)
Distributions from equity accounted investments ⁽¹⁾	839	1,847	4,577	5,958
Fair value (gain) loss on investment properties	(9,247)	8,985	(197,511)	140,876
Foreign currency translation (gain) loss	(473)	(3,105)	3,244	(530)
Transaction costs	—	—	11	—
Proxy matter expenses	—	17,423	—	17,423
Strategic initiative expenses	—	810	18	4,029
Fair value (gain) loss on financial instruments	(11,302)	(265)	(21,224)	16,538
Depreciation of property and equipment	343	397	1,362	1,422
Income tax expense	398	146	1,289	733
Adjusted EBITDA	59,781	66,074	255,154	289,178
Interest expense	16,460	20,247	69,648	86,106
Add (deduct):				
Amortization of financing costs	(814)	(966)	(3,334)	(3,744)
Amortization of above- and below-market mortgages, net	216	183	799	752
Adjusted interest expense	\$ 15,862	\$ 19,464	\$ 67,113	\$ 83,114
Adjusted EBITDA interest coverage ratio	3.77	3.39	3.80	3.48

(1) Excludes distributions from proceeds of the sale of investment properties.

Total Debt to Adjusted EBITDA

Total debt to Adjusted EBITDA is a non-GAAP measure. Artis calculates total 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.

Management considers this ratio to be a valuable measure of Artis' ability to meet financial obligations.

	December 31, 2021	December 31, 2020
Secured mortgages and loans	\$ 1,085,039	\$ 1,273,522
Preferred shares liability	889	610
Carrying value of debentures	249,346	498,919
Credit facilities	631,253	624,461
Total debt	1,966,527	2,397,512
EBITDA per above	59,781	66,074
Annualized adjusted EBITDA	239,124	264,296
Total debt to Adjusted EBITDA	8.2	9.1

EQUITY ACCOUNTED INVESTMENTS**JOINT VENTURE ARRANGEMENTS**

The REIT has interests in the following investment properties under joint venture arrangements:

Property	Property Count	Location	Asset Class	Owned Share of GLA	Ownership Interest	
					December 31, 2021	December 31, 2020
Park 8Ninety II	1	Greater Houston Area, TX	Industrial	543,210	95 %	95 %
Park 8Ninety IV	—	Greater Houston Area, TX	Industrial	—	— %	95 %
Park 8Ninety V	—	Greater Houston Area, TX	Industrial	643,150	95 %	95 %
Corridor Park ⁽¹⁾	—	Greater Denver Area, CO	Industrial	—	90 %	90 %
Tower Business Centre	—	Greater Denver Area, CO	Industrial	—	— %	80 %
Graham Portfolio	8	Various Cities, AB/BC/SK	Industrial	243,109	75 %	75 %
The Point at Inverness	1	Greater Denver Area, CO	Office	94,899	50 %	50 %

(1) Corridor Park is a parcel of development land and has no property count.

Park 8Ninety is a multi-phase industrial development project situated on a parcel of land in the Southwest industrial submarket in the Greater Houston Area, Texas. During 2021, construction of Park 8Ninety IV was complete and the REIT increased its ownership interest in the property to 100%. Artis also has 100% ownership in Park 8Ninety I and Park 8Ninety III. Park 8Ninety V is currently under development.

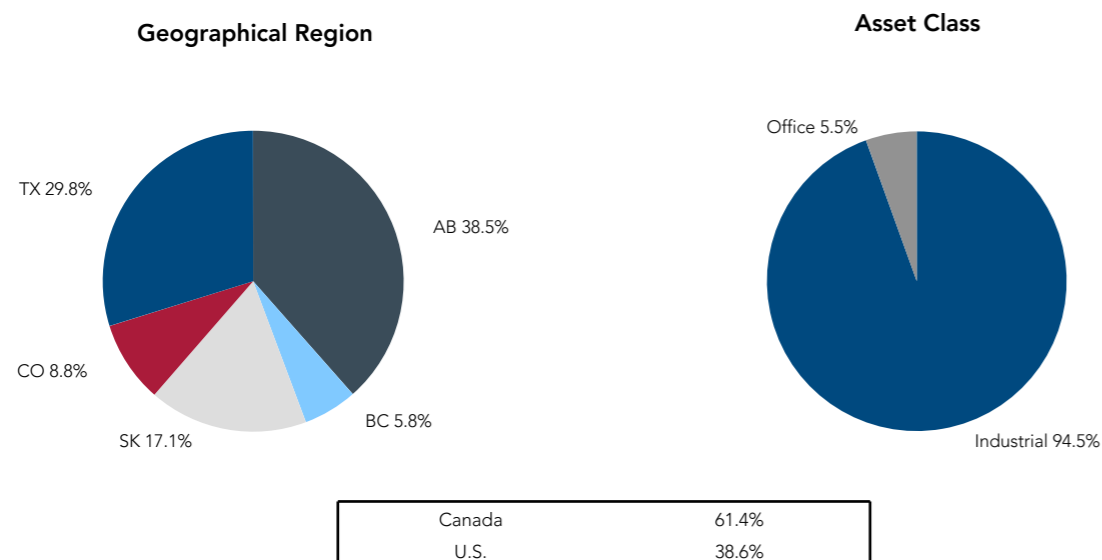
During 2021, Tower Business Centre, an industrial property located in the Greater Denver Area, Colorado was sold. Artis had an 80% interest in this property under a joint venture arrangement and the REIT's share of the proceeds, net of costs and related debt were \$39,360.

Financial and Operating Results**Net Operating Income**

	Three months ended December 31,		Year ended December 31,	
	2021	2020	2021	2020
Revenue	\$ 4,025	\$ 4,490	\$ 15,758	\$ 20,785
Total operating expenses	1,823	2,144	6,913	9,647
Net operating income	\$ 2,202	\$ 2,346	\$ 8,845	\$ 11,138

Net operating income decreased year-over-year primarily due to dispositions of properties held under joint venture arrangements in 2020 and 2021, partially offset by development properties completed in 2021.

Below is a breakdown of Q4-21 net operating income by geographical region and asset class of the REIT's investments in joint ventures at the REIT's ownership interest:

**Interest Expense**

	Three months ended December 31,				Year ended December 31,			
	2021	2020	Change	% Change	2021	2020	Change	% Change
Mortgages and other loans ⁽¹⁾	\$ 518	\$ 784	\$ (266)		\$ 2,256	\$ 3,689	\$ (1,433)	
Foreign exchange	63	151	(88)		290	872	(582)	
Total interest expense	\$ 581	\$ 935	\$ (354)	(37.9)%	\$ 2,546	\$ 4,561	\$ (2,015)	(44.2)%

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

Interest expense decreased year-over-year primarily due mortgages paid out upon disposition of investment properties in 2020 and 2021.

Fair Value Gain on Investment Properties

In 2021, the fair value gain on investment properties was \$10,496 (Q4-21 - \$1,653), compared to \$18,257 (Q4-20 - \$16,301) in 2020. The fair value gain in 2021 was primarily due to capitalization rate compression across the industrial portfolio in both Canada and the U.S.

Financial Position

Investment properties held in joint ventures at the REIT's ownership interest consists of the following:

	December 31, 2021	December 31, 2020
Investment properties	\$ 233,635	\$ 236,954
Investment properties under development	42,337	14,466
Investment properties held for sale	—	60,819
Total	\$ 275,972	\$ 312,239

The change in total investment properties under joint venture arrangements is a result of the following:

Balance, December 31, 2020	\$ 312,239
Additions:	
Reclassifications from equity accounted investments ⁽¹⁾	(16,642)
Capital expenditures:	
Investment properties	126
Investment properties under development	27,513
Capitalized interest ⁽²⁾	459
Leasing commissions	526
Straight-line rent adjustments	558
Tenant inducement additions, net of amortization	1,688
Dispositions	(60,403)
Foreign currency translation loss	(588)
Fair value gain	10,496
Balance, December 31, 2021	\$ 275,972

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

(2) During 2021, interest was capitalized to investment properties under development at a weighted-average effective interest rate of 4.03%.

In 2021, capital expenditures for investment properties under development included \$26,609 for Park 8Ninety V.

At December 31, 2021, mortgages and loans payable at the REIT's ownership interest in joint venture arrangements were as follows:

	December 31, 2021	December 31, 2020
Fixed rate mortgages	\$ 41,044	\$ 42,518
Variable rate mortgages:	53,273	69,273
Financing costs	(550)	(1,029)
	\$ 93,767	\$ 110,762

The weighted-average term to maturity on mortgages and loans payable at the REIT's ownership interest in joint venture arrangements was 1.9 years at December 31, 2021, unchanged from December 31, 2020.

INVESTMENTS IN ASSOCIATES

During 2021, the REIT entered into a new arrangement, Park Lucero East. 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 100% 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 this development project in the form of an investment in an associate. At December 31, 2021, the REIT has a net investment in Park Lucero East of \$2,830.

The REIT has determined this to be an investment in associate as the REIT does not have joint control but has significant influence over the investment by virtue of having control over the general partner of the limited partnership.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow from operations represents the primary source of funds for distributions to unitholders and principal repayments on mortgages and loans.

DISTRIBUTIONS

The Trustees determine the level of cash distributions based on the level of cash flow from operations before working capital changes, less actual and planned capital expenditures. During the period, distributions are based on estimates of full year cash flow and capital spending; thus, distributions may be adjusted as these estimates change. It is expected that normal seasonal fluctuations in working capital will be funded from cash resources.

	Three months ended December 31, 2021	Year ended December 31, 2021	Year ended December 31, 2020	Year ended December 31, 2019
Cash flow from operations	\$ 30,903	\$ 202,286	\$ 176,333	\$ 200,120
Net income	60,404	389,175	21,543	122,737
Monthly distributions paid and payable	18,641	76,250	91,074	96,332
Special Distribution payable in cash	39,589	39,589	—	—
(Shortfall) excess of cash flow from operations over distributions paid and payable	(27,327)	86,447	85,259	103,788
Excess (shortfall) of net income over distributions paid and payable	2,174	273,336	(69,531)	26,405

Artis' primary objective is to provide tax-efficient monthly cash distributions.

The shortfall of cash flow from operations over distributions for the three months ended December 31, 2021 was primarily due to the Special Distribution payable in cash in the amount of \$39,589. The Special Distribution payable in cash was funded with cash on hand.

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 December 31, 2021, Artis had \$221,474 of cash on hand. Management anticipates that the cash on hand may be invested in investment properties, used for working capital purposes, debt repayment or other activities in accordance with the Business Transformation Plan.

The REIT has two unsecured revolving term credit facilities in the aggregate amount of \$700,000, which can be utilized for general corporate and working capital purposes, short term financing of investment property acquisitions and the issuance of letters of credit. At December 31, 2021, the REIT had \$568,149 available on its revolving term credit facilities. Under the terms of the revolving credit facilities, the REIT must maintain a minimum unencumbered property assets to consolidated unsecured indebtedness ratio of 1.4. As at December 31, 2021, this covenant limited the total borrowing capacity of the revolving credit facilities to \$635,313 (December 31, 2020, limited to \$388,163).

At December 31, 2021, the REIT had 85 unencumbered properties and six unencumbered parcels of development land, representing a fair value of \$1,902,748.

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

CONTRACTUAL OBLIGATIONS

	Total	Less than 1 year	1 - 3 years	4 - 5 years	After 5 years
Accounts payable and other liabilities	\$ 120,854	120,854	\$ —	\$ —	\$ —
Lease liabilities	1,423	307	434	285	397
Credit facilities	631,851	500,000	131,851	—	—
Senior unsecured debentures	250,000	—	250,000	—	—
Mortgages and loans payable	1,087,521	302,810	500,175	200,226	84,310
Total contractual obligations	\$ 2,091,649	\$ 923,971	\$ 882,460	\$ 200,511	\$ 84,707

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
2022	\$ 278,671	27.4 %	\$ 24,140	\$ 302,810	3.21 %
2023	426,352	41.8 %	15,844	442,196	3.18 %
2024	49,172	4.8 %	8,807	57,979	2.37 %
2025	78,552	7.7 %	7,149	85,701	3.63 %
2026	110,205	10.8 %	4,319	114,525	2.25 %
2027 & later	76,774	7.5 %	7,536	84,310	2.82 %
Total	\$ 1,019,726	100.0 %	\$ 67,795	\$ 1,087,521	3.01 %

RISKS AND UNCERTAINTIES

A summary of all risks applicable to the REIT are set forth in Artis' 2021 Annual Information Form. The REIT discusses specific risk factors below.

BUSINESS TRANSFORMATION PLAN

Failure to Execute the Business Transformation Plan

Pursuant to the Business Transformation Plan, Artis intends to make investments that achieve superior investment performance commensurate with reasonable risk. This goal relies on the successful execution of its investment strategies, which may be uncertain as it requires suitable opportunities, careful timing and business judgment, as well as sufficient resources to make investments and restructure them, if required, notwithstanding difficulties experienced in a particular industry. In addition, there is no assurance that Artis will be able to identify suitable or sufficient opportunities that meet its investment criteria and be able to make investments at attractive prices to supplement its growth in a timely manner, or at all. Further, Artis may be exposed to unexpected risks and costs associated with its investments, including that the costs necessary to bring an investment up to Artis' standards established for its intended market position may be higher than expected.

Investment Portfolio

In connection with the Business Transformation Plan, investment returns will become an increasingly important part of Artis' overall profitability as Artis' operating results will depend in part on the performance of its investment portfolio. It is expected that Artis' investment portfolio will include bond and other debt instruments, common stock, preferred stock and derivative instruments. Accordingly, fluctuations in the fixed income or equity markets could have an adverse effect on Artis' financial condition, profitability or cash flows. The return on the portfolio and the risks associated with the investments are affected by the asset mix of the portfolio companies, which can change materially depending on market conditions.

Acquisitions, Divestitures and Strategic Initiatives

Pursuant to the Business Transformation Plan, Artis may periodically explore opportunities to make strategic investments in all or part of certain businesses or companies. Although Artis will undertake due diligence prior to the completion of an acquisition or investment, there can be no assurance that Artis will have adequate time or access to complete appropriate investigations or that Artis will properly ascertain or assess all of the significant risks of such investment. Furthermore, some of the risks may be outside of Artis' control and leave Artis with no ability to mitigate or control the chances that those risks will adversely impact the target company. In addition, there is no assurance that the anticipated financial or strategic objectives following an integration effort or the implementation of a strategic initiative will be achieved, which could adversely affect Artis' financial condition, profitability or cash flows. In particular, acquisitions may involve a number of special risks, including failure to retain key personnel, unanticipated events or circumstances and legal liabilities, some or all of which could have a material adverse effect on Artis' business, results of operations and financial position.

Control or Significant Influence Risk & Minority Investments

Although Artis may endeavour to make investments that allow it to acquire control or exercise significant influence over management and the strategic direction of its portfolio entities, there can be no assurance that all investments will provide Artis with such a degree of influence or control. In addition, the exercise of control over a portfolio company imposes additional risks of liability for failure to supervise management. The exercise of control over an investment could expose the assets of Artis to claims by such businesses, its shareholders and its creditors. While Artis intends to manage its investments in a manner that will minimize the exposure to these risks, the possibility of successful claims cannot be precluded. On occasion, Artis expects that it may also make minority equity investments in businesses in which Artis does not participate in the management or otherwise control the business or affairs of such businesses. While Artis will monitor the performance of each investment and maintain an ongoing dialogue with each business management team, it will be the responsibility of the management of the business to operate the business on a day-to-day basis and Artis may not have the right or ability to control or otherwise influence such business. Accordingly, these companies may undertake activities which Artis does not believe is in their best interests.

Competitive Market for Investment Opportunities

In accordance with the Business Transformation Plan and Artis' business objective and investment strategies, Artis will compete with a large number of other investors, such as private equity funds, mezzanine funds, investment banks and other equity and non-equity based public and private investment funds, and other sources of financing, including traditional financial services companies, such as commercial banks. Competitors may have a lower cost of funds and may have access to funding sources that are not available to Artis. In addition, certain competitors of Artis may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments and establish more relationships and build their respective market shares. There can be no assurance that the competitive pressures faced by Artis will not have a material adverse effect on its investment activities pursuant to the Business Transformation Plan.

Reputation

Artis could be negatively impacted if there is misconduct or alleged misconduct by its personnel, personnel of Sandpiper or those of the portfolio companies in which Artis invests, including historical misconduct prior to its investment. Risks associated with misconduct at portfolio companies is heightened in cases where Artis does not have legal control or exercise significant influence over an investment, or is not otherwise involved in actively managing a portfolio company. In such situations, given Artis' ownership position and affiliation with the portfolio company, it may still be negatively impacted from a reputational perspective through this association.

Reliance on Services of Sandpiper

Some decisions with respect to the assets and investment strategy of Artis are expected to be made with reliance on the services and support of Sandpiper. Personnel and support staff of Sandpiper who provide services to Artis are not required to treat their responsibilities to Artis as their primary responsibilities or to act exclusively for Artis (other than Samir Manji, who has certain fiduciary duties and contractual obligations with respect to Artis in his capacity as CEO and a trustee). The Services Agreement does not require Sandpiper to maintain the employment of any of its personnel or to cause any particular person to provide services to Artis. There can be no assurance that any of the personnel and support staff of Sandpiper will remain in their current positions.

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 net operating income, located in the provinces of Alberta and Manitoba 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 December 31, 2021, investment properties under development account for 4.9% of Artis' total investment properties (December 31, 2020, 2.9%). At December 31, 2021, the REIT had three development projects in progress, 300 Main, Blaine 35 I and Blaine 35 II.

DEBT FINANCING AND INTEREST RATE FLUCTUATIONS

Artis will be subject to the risks associated with debt financing. There can be no assurance that Artis will be able to refinance its existing indebtedness on terms that are as or more favourable to Artis as the terms of existing indebtedness. The inability to replace financing of debt on maturity would have an adverse impact on the financial condition and results of Artis.

Management seeks to mitigate this risk in a variety of ways. First, management considers structuring the timing of the renewal of significant tenant leases on properties in relation to the time at which mortgage indebtedness on such property becomes due for refinancing. Second, management seeks to secure financing from a variety of lenders on a property by property basis. Third, mortgage terms are, where practical, structured such that the exposure in any one year to financing risks is balanced.

Artis is also subject to interest rate risk associated with the REIT's credit facilities, mortgages and debentures payable due to the expected requirement to refinance such debts in the year of maturity. The REIT minimizes the risk by restricting debt to 70% of gross book value and by carefully monitoring the amount of variable rate debt. At December 31, 2021, 36.3% of the REIT's mortgages and loans payable bear interest at fixed rates, and a further 37.5% of the REIT's mortgages and loans payable bear interest at variable rates with interest rate swaps in place. At December 31, 2021, the REIT is a party to \$1,324,662 of variable rate debt, including credit facilities (December 31, 2020, \$1,495,281). At December 31, 2021, the REIT had entered into interest rate swaps to hedge the interest rate risk associated with \$907,516 of variable rate debt, including credit facilities, (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 December 31, 2021, the REIT's ratio of secured mortgages and loans to GBV was 23.7%, compared to 26.2% at December 31, 2020. At December 31, 2021, the REIT's ratio of total debt to GBV was 42.9%, compared to 49.3% at December 31, 2020. Approximately 27.4% of Artis' maturing mortgage debt comes up for renewal during 2022, and 41.8% in 2023. Management is in discussion with various lenders with respect to the renewal or refinancing of the 2022 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 this risk, the REIT's debt on U.S. properties and a portion of the amounts drawn on credit facilities are 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 1,229 tenant leases with a weighted-average term to maturity of 5.1 years. Approximately 2.8% of the REIT's gross revenue is derived from national or government tenants. As indicated below, the largest tenant by gross revenue is AT&T, which is a leading provider of telecommunications, media and technology services globally. The second largest tenant by gross revenue is Bell Canada, which is one of Canada's leading national communication companies providing voice services, internet and data services, and television.

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
AT&T	U.S.	2.2 %	257	1.4 %	1.2
Bell Canada	Canada	2.1 %	115	0.6 %	7.8
Bell MTS	Canada	2.0 %	214	1.2 %	5.0
Prime Therapeutics LLC	U.S.	2.0 %	386	2.2 %	12.8
TDS Telecommunications Corporation	U.S.	1.5 %	173	1.0 %	6.1
Catalent Pharma Solutions, LLC	U.S.	1.5 %	233	1.3 %	14.6
CB Richard Ellis, Inc.	U.S.	1.3 %	108	0.6 %	5.0
Recipe Unlimited Corporation	Canada	1.2 %	100	0.6 %	7.0
PBP, Inc.	U.S.	1.2 %	519	2.9 %	9.9
UCare Minnesota	U.S.	1.0 %	124	0.7 %	11.6
Silent Aire USA Inc.	U.S.	1.0 %	289	1.6 %	5.2
Shoppers Drug Mart	Canada	0.9 %	78	0.4 %	5.0
Telephone and Data Systems, LLC	U.S.	0.8 %	105	0.6 %	2.0
Co-Operators Financial Services Ltd.	Canada	0.8 %	79	0.4 %	1.4
Civeo Canada Ltd.	Canada	0.8 %	72	0.4 %	6.5
Cineplex Entertainment LP	Canada	0.8 %	108	0.6 %	3.9
MLT Aikins LLP	Canada	0.8 %	60	0.3 %	2.8
Soo Line Railroad Company	U.S.	0.8 %	92	0.5 %	5.7
U of Wisconsin Medical Foundation	U.S.	0.7 %	101	0.6 %	5.7
Maple Leaf Consumer Foods, Inc.	Canada	0.7 %	163	0.9 %	7.5
Total		24.1 %	3,376	18.8 %	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	2.2 %	246	1.4 %	6.7
Provincial Government	0.2 %	13	0.1 %	2.7
Civic or Municipal Government	0.4 %	66	0.4 %	15.0
Total	2.8 %	325	1.9 %	8.2
Weighted-average term to maturity (entire portfolio)				5.1

(1) Based on owned share of GLA of properties. Excludes properties under development and properties held in equity accounted investments.

(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	
2022	1.5 %	0.2 %	2.6 %	0.9 %	0.1 %	1.3 %	0.5 %	4.2 %	— %	0.7 %	1.2 %	13.2 %
2023	1.6 %	0.2 %	2.5 %	0.3 %	0.8 %	0.8 %	1.7 %	3.3 %	0.5 %	— %	1.4 %	13.1 %
2024	1.0 %	0.2 %	2.6 %	0.2 %	0.1 %	0.8 %	0.3 %	5.5 %	0.2 %	0.2 %	0.6 %	11.7 %
2025	1.2 %	— %	2.3 %	0.1 %	0.2 %	1.5 %	0.2 %	1.5 %	— %	0.3 %	0.5 %	7.8 %
2026 & later	4.0 %	1.1 %	8.8 %	1.5 %	0.8 %	4.2 %	0.3 %	13.0 %	— %	4.9 %	4.7 %	43.3 %
Vacant	1.4 %	0.1 %	2.0 %	0.1 %	0.3 %	1.1 %	0.2 %	4.1 %	— %	— %	1.4 %	10.7 %
Month-to-month	0.1 %	— %	0.1 %	— %	— %	— %	— %	— %	— %	— %	— %	0.2 %
Total portfolio	10.8 %	1.8 %	20.9 %	3.1 %	2.3 %	9.7 %	3.2 %	31.6 %	0.7 %	6.1 %	9.8 %	100.0 %

Artis' real estate is diversified across five Canadian provinces and six U.S. states, and across the industrial, office and retail asset classes. By city and asset class, the five largest segments of the REIT's portfolio (by Q4-21 net operating income) are Twin Cities Area office, Madison office, Twin Cities Area industrial, Winnipeg office and Winnipeg retail.

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 years ended December 31, 2021 and 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.

OTHER INFORMATION**RELATED PARTY TRANSACTIONS**

In 2021, 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 December 31,		Year ended December 31,	
	2021	2020	2021	2020
Space sharing licence costs	\$ 31	\$ —	\$ 83	\$ —
Service fees	76	—	111	—
	\$ 107	\$ —	\$ 194	\$ —

Amounts payable to Sandpiper were \$76 as at December 31, 2021 (December 31, 2020, \$nil).

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

SUBSEQUENT EVENTS

As at December 31, 2021, Artis had \$221,474 of cash on hand and \$568,149 available on its revolving term credit facilities. Under the terms of the revolving credit facilities, the REIT must maintain a minimum unencumbered property assets to consolidated unsecured indebtedness ratio of 1.4. As at December 31, 2021, this covenant limits the total borrowing capacity of the revolving credit facilities to \$635,313 (December 31, 2020, limited to \$388,163).

Subsequent to December 31, 2021, the following transactions took place:

- The REIT participated in a consortium that acquired all of the outstanding units of Cominar for consideration of \$11.75 per unit in cash under a Plan of Arrangement. Also under the Plan of Arrangement, certain of Cominar's office, retail and industrial assets were acquired by other parties not part of the consortium. The REIT contributed \$212,000, including \$112,000 to acquire common equity units (representing approximately 32.64% of the total common equity units in the newly-formed entity) and \$100,000 to acquire junior preferred units that carry a distribution rate of 18.0% per annum. As part of the consideration, the REIT contributed its existing Cominar units, which had a fair value of \$13,419 as at December 31, 2021. The Cominar Transaction closed on March 1, 2022.
- The REIT disposed a portfolio comprised of two office properties located in the Greater Toronto Area, Ontario, for a sale price of \$35,500.
- The REIT entered into an unconditional sale agreement to sell an industrial property located in the Greater Toronto Area, Ontario, for a sale price of \$29,200 with expected closing in March 2022.
- The REIT drew a net balance of \$244,000 and repaid a net balance of US\$10,000 on its revolving term credit facilities.
- The REIT repaid \$100,000 of the non-revolving credit facility that matured on February 4, 2022 and entered into an amended agreement for the remaining balance of \$100,000, bearing interest at BA rate plus 1.60% or prime plus 0.60% and maturing February 6, 2023.
- The REIT repaid a mortgage for an industrial property in the amount of US\$7,803.
- The REIT purchased through the NCIB 3,583,882 common units at a weighted-average price of \$12.37, 16,400 Series A preferred units at a weighted-average price of \$24.82 and 19,300 Series E preferred units at a weighted-average price of \$24.03.
- The REIT purchased equity securities for an aggregate cost of \$48,638.
- The REIT declared a monthly cash distribution of \$0.05 per common unit for the months of January and February 2022.
- The REIT declared a quarterly cash distribution of \$0.3750 per Series I preferred unit for the three months ended January 31, 2022.

OUTSTANDING UNIT DATA

As of March 3, 2022, the balance of common units outstanding is as follows:

	Total
Units outstanding at December 31, 2021	123,544,536
Units issued on redemption of restricted units	561
Units purchased and cancelled through NCIB	(3,416,930)
Units purchased through NCIB, not cancelled at March 3, 2022	(166,952)
Units outstanding at March 3, 2022	119,961,215

As of March 3, 2022, the balance of preferred units outstanding is as follows:

	Series A	Series E	Series I	Total
Preferred units outstanding at December 31, 2021	3,295,600	3,699,510	4,965,540	11,960,650
Preferred units purchased and cancelled through NCIB	(12,000)	(13,400)	—	(25,400)
Preferred units purchased through NCIB, not cancelled at March 3, 2022	(4,400)	(5,900)	—	(10,300)
Preferred units outstanding at March 3, 2022	3,279,200	3,680,210	4,965,540	11,924,950

The balance of restricted units outstanding as of March 3, 2022 is 412,347, none of which have vested.

The balance of deferred units outstanding as of March 3, 2022 is 149,863. All of these deferred units have vested, none of which are redeemable.

SUMMARIZED QUARTERLY INFORMATION

\$000's, except per unit amounts	Q4-21	Q3-21	Q2-21	Q1-21	Q4-20	Q3-20	Q2-20	Q1-20
Revenue	\$ 97,665	\$ 97,658	\$ 103,299	\$ 120,877	\$ 113,010	\$ 113,328	\$ 114,038	\$ 118,541
Net operating income	55,427	56,089	62,037	64,232	64,967	68,017	67,139	69,152
Net income (loss)	60,404	39,855	217,056	71,860	32,424	45,699	54,750	(111,330)
Total comprehensive income (loss)	52,935	81,345	198,431	54,991	(32,479)	15,250	(3,242)	14,197
Basic income (loss) per common unit	0.45	0.28	1.62	0.50	0.21	0.30	0.37	(0.84)
Diluted income (loss) per common unit	0.45	0.28	1.61	0.50	0.21	0.30	0.36	(0.85)
FFO ⁽¹⁾	\$ 40,323	\$ 42,019	\$ 45,428	\$ 46,573	\$ 45,796	\$ 50,816	\$ 49,358	\$ 46,441
FFO per unit ⁽¹⁾	0.32	0.33	0.34	0.35	0.34	0.37	0.36	0.33
FFO payout ratio ⁽¹⁾⁽²⁾	46.9 %	45.5 %	44.1 %	40.0 %	41.2 %	37.8 %	38.9 %	42.4 %
AFFO ⁽¹⁾	\$ 27,919	\$ 29,827	\$ 32,795	\$ 33,935	\$ 31,721	\$ 37,671	\$ 36,499	\$ 33,661
AFFO per unit ⁽¹⁾	0.22	0.23	0.25	0.25	0.23	0.27	0.27	0.24
AFFO payout ratio ⁽¹⁾⁽²⁾	68.2 %	65.2 %	60.0 %	56.0 %	60.9 %	51.9 %	51.9 %	58.3 %
Same Property NOI (decline) growth ⁽¹⁾	(2.3)%	(4.7)%	(3.9)%	(5.4)%	(5.2)%	(1.2)%	(2.0)%	1.5 %
Adjusted EBITDA interest coverage ratio ⁽¹⁾	3.77	3.79	3.86	3.78	3.39	3.75	3.62	3.20
Leasable area renewed (in square feet)	786,531	329,468	326,397	478,213	247,215	614,053	591,534	324,925
Increase (decrease) in weighted-average rental rate	3.9 %	2.0 %	7.3 %	4.3 %	(0.5)%	6.1 %	(3.3)%	4.6 %
	2021	2021	2021	2021	2020	2020	2020	2020
	Dec 31	Sept 30	Jun 30	Mar 31	Dec 31	Sept 30	Jun 30	Mar 31
Number of properties	156	161	194	197	197	203	202	201
GLA (000's of square feet)	17,929	18,526	21,108	21,524	21,543	22,431	22,338	22,315
Occupancy	89.4 %	89.1 %	90.6 %	91.4 %	90.6 %	91.2 %	91.9 %	92.2 %
NAV per unit ⁽¹⁾	\$ 17.37	\$ 17.45	\$ 16.78	\$ 15.34	\$ 15.03	\$ 15.35	\$ 15.40	\$ 15.52
Total debt to Adjusted EBITDA ⁽¹⁾	8.2	8.0	9.0	8.8	9.1	9.1	9.1	9.0
Secured mortgages and loans to GBV ⁽¹⁾	23.7 %	24.4 %	23.6 %	27.3 %	26.2 %	26.6 %	27.0 %	26.9 %
Total debt to GBV ⁽¹⁾	42.9 %	43.0 %	47.5 %	49.2 %	49.3 %	51.0 %	51.3 %	51.4 %
Fair value unencumbered assets ⁽¹⁾	\$1,902,748	\$1,905,921	\$2,363,222	\$1,876,380	\$1,901,073	\$1,929,858	\$1,919,171	\$1,845,983
Total assets	\$4,576,024	\$4,593,164	\$4,955,764	\$4,853,520	\$4,859,841	\$5,207,812	\$5,236,565	\$5,337,483
Total non-current financial liabilities	1,166,123	1,285,852	1,619,338	1,489,308	1,648,305	1,933,886	1,912,566	2,003,195

(1) Represents a non-GAAP measure or non-GAAP ratio. Refer to the Notice with Respect to Non-GAAP & Supplementary Measures Disclosure section in this MD&A.

(2) FFO payout ratio and AFFO payout ratio are calculated excluding the Special Distribution declared in December 2021.

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.

CRITICAL ACCOUNTING ESTIMATES

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

VALUATION OF INVESTMENT PROPERTIES

Investment properties include properties held to earn rental income and properties that are being constructed or developed for future use as investment properties. Investment properties are measured at fair value with any changes therein recognized in net income or loss for the year. Artis determines the fair value of investment properties based upon either the discounted cash flow method or the overall capitalization method. Under the discounted cash flow method, expected future cash flows for each investment property were discounted, generally over a term of approximately 10 years, using weighted-average rates of approximately 7.37% at December 31, 2021 and 7.42% at December 31, 2020. Expected future cash flows for each investment property have been based upon, but not limited to, rental income from current leases, budgeted and actual expenses, and assumptions about rental income from future leases. Under the overall capitalization method, year one income was stabilized and capped at weighted-average capitalization rates of approximately 6.22% at December 31, 2021 and 6.30% at December 31, 2020.

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

ALLOWANCE FOR DOUBTFUL ACCOUNTS

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

VALUATION OF DEFERRED TAX ASSETS AND LIABILITIES

The REIT has reviewed the SIFT Rules (see discussion under the Tax Risk section of this MD&A) and has assessed their interpretation and application to the REIT's assets and revenues. While there are uncertainties in the interpretation and application of the SIFT Rules, the REIT believes it has met the REIT Exception throughout the years ended December 31, 2021 and 2020.

CHANGES IN ACCOUNTING STANDARDS

New or Revised Accounting Standard Adopted During the Year

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.

These amendments had no impact on the consolidated financial statements except for the additional disclosures in the notes to the 2021 consolidated financial statements regarding the derivative and non-derivative financial instruments affected by the interest rate benchmark reform and a summary of the actions taken by the REIT to manage the risks relating to the reform. The REIT intends to use the practical expedient in future periods as it becomes applicable.

Future Changes in Accounting Standards

In January 2020, the IASB issued amendments to IAS 1 - *Presentation of Financial Statements* to specify the requirements for classifying liabilities as current or non-current. The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments are applied retrospectively for annual periods beginning on or after January 1, 2023, with early application permitted. The REIT is in the process of assessing the impact of these amendments.

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

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

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

In February 2021, the IASB issued amendments to IAS 1 *Presentation of Financial Statements* and IFRS *Practice Statement 2 Making Materiality Judgements*. The amendments to IAS 1 replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The IASB has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS *Practice Statement 2*. The amendments to IAS 1 are effective for annual periods beginning on or after January 1, 2023, with earlier application permitted and are applied prospectively. The amendments to IFRS *Practice Statement 2* do not contain an effective date or transition requirements. The REIT does not expect a material impact to its consolidated financial statements from the adoption of these amendments.

In February 2021, the IASB issued amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* in which it introduces a new definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The amendments are effective for annual periods beginning on or after January 1, 2023 to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period, with earlier application permitted. The REIT does not expect a material impact to its consolidated financial statements from the adoption of these amendments.

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 under their supervision, the effectiveness of the REIT's internal controls over financial reporting (as described in NI 52-109). Based on this evaluation, the CEO and CFO have concluded that, as at December 31, 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 year ended December 31, 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 December 31, 2021, under the supervision of the CEO and CFO and with the participation of management, the effectiveness of the REIT's disclosure controls and procedures (as described in NI 52-109 was evaluated). Based on the evaluation, the CEO and CFO have concluded that the REIT's disclosure controls and procedures were effective for the year ended December 31, 2021.

CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2021 and 2020
(In thousands of Canadian dollars except unit and per unit amounts)



Management's Responsibility for Financial Statements

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

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

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

"Samir Manji"

Samir Manji
President and Chief Executive Officer
March 3, 2022

"Jaclyn Koenig"

Jaclyn Koenig, CPA, CA
Chief Financial Officer
March 3, 2022

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Independent Auditor's Report

To the Unitholders of
Artis Real Estate Investment Trust

Opinion

We have audited the consolidated financial statements of Artis Real Estate Investment Trust (the "Trust"), which comprise the consolidated balance sheets as at December 31, 2021 and 2020, and the consolidated statements of operations, changes in unitholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Trust as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

Key Audit Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements for the year ended December 31, 2021. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

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

Key Audit Matter Description

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



Artis Real Estate Investment Trust
March 3, 2022
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While there are several assumptions that are required to determine the fair value of investment properties, the assumptions with the highest degree of subjectivity and impact on fair values are the estimated future rental income, discount rates and terminal capitalization rates. Auditing these assumptions required a high degree of auditor judgment as the estimations made by management are subject to significant estimation uncertainty which resulted in an increased extent of audit effort, including the need to involve fair value specialists.

How the Key Audit Matter Was Addressed in the Audit

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

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

Other Information

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

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

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Trust to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is David Jordan Oakley.

/s/ Deloitte LLP

Chartered Professional Accountants
Winnipeg, Manitoba
March 3, 2022

Consolidated Balance Sheets

	Note	December 31, 2021	December 31, 2020
ASSETS			
Non-current assets:			
Investment properties	4	\$ 3,741,544	\$ 4,325,121
Investment properties under development	4	195,161	132,243
Equity accounted investments	5	180,078	200,306
Investments in equity securities		77,186	—
Property and equipment	6	6,411	7,481
Notes receivable	7	35,448	20,313
Deferred rents receivable	10	122	778
		4,235,950	4,686,242
Current assets:			
Investment properties held for sale	4	62,904	74,483
Inventory properties	8	—	15,060
Deposits on investment properties		—	1,203
Prepaid expenses and other assets	9	7,979	7,307
Notes receivable	7	834	1,371
Accounts receivable and other receivables	10	14,674	17,465
Cash held in trust		32,209	22,007
Cash		221,474	34,703
		340,074	173,599
Total assets		\$ 4,576,024	\$ 4,859,841
LIABILITIES AND UNITHOLDERS' EQUITY			
Non-current liabilities:			
Mortgages and loans payable	11	\$ 783,129	\$ 868,396
Senior unsecured debentures	12	249,346	248,999
Credit facilities	13	131,643	529,087
Other long-term liabilities		2,005	1,823
		1,166,123	1,648,305
Current liabilities:			
Mortgages and loans payable	11	301,910	405,126
Senior unsecured debentures	12	—	249,920
Security deposits and prepaid rent		31,867	30,089
Accounts payable and other liabilities	14	121,161	97,130
Credit facilities	13	499,610	95,374
		954,548	877,639
Total liabilities		2,120,671	2,525,944
Unitholders' equity		2,455,353	2,333,897
Contingencies and guarantees	28		
Subsequent events	32		
Total liabilities and unitholders' equity		\$ 4,576,024	\$ 4,859,841

See accompanying notes to consolidated financial statements.

Consolidated Statements of Operations

	Note	2021	Year ended December 31, 2020
Revenue:			
Rental revenue from investment properties	18	\$ 401,638	\$ 458,917
Condominium sales	18	17,861	—
Total revenue		419,499	458,917
Expenses:			
Property operating		100,819	112,871
Realty taxes		64,857	76,771
Condominium cost of sales		16,038	—
Total operating expenses		181,714	189,642
Net operating income		237,785	269,275
Other income (expenses):			
Corporate expenses	19	(12,713)	(12,205)
Proxy matter expenses		—	(17,423)
Strategic initiative expenses		(18)	(4,029)
Interest expense	20	(69,648)	(86,106)
Interest income		1,885	4,797
Distribution income from equity securities		898	—
Net income from equity accounted investments	5	16,795	24,851
Fair value gain (loss) on investment properties	4	197,511	(140,876)
Foreign currency translation (loss) gain		(3,244)	530
Transaction costs	3	(11)	—
Fair value gain (loss) on financial instruments	21	21,224	(16,538)
Income before income taxes		390,464	22,276
Income tax expense	22	(1,289)	(733)
Net income		389,175	21,543
Other comprehensive loss that may be reclassified to net income in subsequent years:			
Unrealized foreign currency translation loss		(774)	(25,498)
Unrealized foreign currency translation loss on equity accounted investments		(699)	(2,319)
Other comprehensive loss		(1,473)	(27,817)
Total comprehensive income (loss)		\$ 387,702	\$ (6,274)
Basic income per unit attributable to common unitholders	15	\$ 2.87	\$ 0.03
Diluted income per unit attributable to common unitholders	15	2.86	0.02
Weighted-average number of common units outstanding:			
Basic	15	129,553,433	136,206,856
Diluted	15	130,025,917	136,606,921

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Unitholders' Equity

	Common units capital contributions	Retained earnings	Accumulated other comprehensive income (loss)	Contributed surplus	Total common equity	Total preferred equity	Total
Unitholders' equity, December 31, 2019	\$ 1,798,747	\$ 169,201	\$ 175,048	\$ 33,273	\$ 2,176,269	\$ 294,484	\$ 2,470,753
Changes for the year:							
Issuance of common units, net of issue costs (note 15)	4,455	—	—	—	4,455	—	4,455
Units acquired and cancelled through normal course issuer bid (note 15)	(48,601)	—	—	15,977	(32,624)	(2,617)	(35,241)
Units acquired through normal course issuer bid, not cancelled at year end (note 15)	—	—	—	14	14	(65)	(51)
Net income	—	21,543	—	—	21,543	—	21,543
Other comprehensive loss	—	—	(27,817)	—	(27,817)	—	(27,817)
Distributions	—	(99,745)	—	—	(99,745)	—	(99,745)
Unitholders' equity, December 31, 2020	1,754,601	90,999	147,231	49,264	2,042,095	291,802	2,333,897
Changes for the year:							
Issuance of common units, net of issue costs (note 15)	428	—	—	—	428	—	428
Units acquired and cancelled through normal course issuer bid (note 15)	(142,912)	—	—	19,274	(123,638)	(3,521)	(127,159)
Units acquired through normal course issuer bid, not cancelled at year end (note 15)	(2,225)	—	—	187	(2,038)	(60)	(2,098)
Net income	—	389,175	—	—	389,175	—	389,175
Other comprehensive loss	—	—	(1,473)	—	(1,473)	—	(1,473)
Distributions	—	(137,417)	—	—	(137,417)	—	(137,417)
Distributions in units (note 15)	256,091	(256,091)	—	—	—	—	—
Unitholders' equity, December 31, 2021	\$ 1,865,983	\$ 86,666	\$ 145,758	\$ 68,725	\$ 2,167,132	\$ 288,221	\$ 2,455,353

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

	Note	2021	Year ended December 31, 2020
Cash provided by (used in):			
Operating activities:			
Net income		\$ 389,175	\$ 21,543
Adjustments for:			
Distribution income from equity securities		(898)	—
Net income from equity accounted investments	5	(16,795)	(24,851)
Fair value (gain) loss on investment properties	4	(197,511)	140,876
Fair value (gain) loss on financial instruments	21	(21,224)	16,538
Unrealized foreign currency translation loss (gain)		3,388	(367)
Other items not affecting cash	23	27,307	22,486
Changes in non-cash operating items	23	18,844	108
		202,286	176,333
Investing activities:			
Acquisition of investment properties, net of related debt	3	(5,339)	—
Proceeds from dispositions of investment properties, net of costs and related debt	3	791,725	229,000
Proceeds from disposition of note receivable		—	8,372
Additions to investment properties		(21,562)	(28,931)
Additions to investment properties under development		(70,095)	(71,762)
Additions to tenant inducements and leasing commissions		(38,146)	(57,536)
Contributions to equity accounted investments	5	(11,690)	(2,006)
Distributions from equity accounted investments		41,476	25,603
Purchases of equity securities		(71,866)	—
Distributions from equity securities		686	—
Additions to property and equipment		(5)	(19)
Issuances of notes receivable		(150)	(57)
Notes receivable principal repayments		1,503	80,818
Change in deposits on investment properties		1,196	(1,271)
Change in cash held in trust		(10,260)	(16,256)
		607,473	165,955
Financing activities:			
Repayment of mortgages and loans payable		(278,051)	(57,640)
Advance of mortgages and loans payable, net of financing costs		130,244	56,879
Issuance of senior unsecured debentures, net of financing costs	12	—	248,916
Repayment of senior unsecured debentures	12	(250,000)	(200,000)
Advance of revolving credit facilities		438,820	121,500
Repayment of revolving credit facilities, including financing costs		(436,777)	(586,221)
Advance of non-revolving credit facilities, net of financing costs		—	199,644
Repayment of lease liabilities		(288)	(212)
Issuance of preferred shares, net of issue costs		222	—
Purchase of common units under normal course issuer bid	15	(125,772)	(33,442)
Purchase of preferred units under normal course issuer bid	15	(3,485)	(1,850)
Distributions paid on common units		(80,624)	(80,150)
Distributions paid on preferred units		(17,263)	(17,425)
		(622,974)	(350,001)
Foreign exchange loss on cash held in foreign currency		(14)	(39)
Increase (decrease) in cash		186,771	(7,752)
Cash, beginning of year		34,703	42,455
Cash, end of year		\$ 221,474	\$ 34,703

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Years ended December 31, 2021 and 2020

Note 1. Organization

Artis Real Estate Investment Trust (the "REIT") is an unincorporated closed-end real estate investment trust created under, and governed by, the laws of the Province of Manitoba. The REIT was created pursuant to the Declaration of Trust dated November 8, 2004, as most recently amended and restated on December 19, 2021 (the "Declaration of Trust"). The purpose of the REIT is to directly, or indirectly, own, manage, lease and (where appropriate) develop primarily industrial, office and retail properties in Canada and the United States (the "U.S."). The registered office of the REIT is 600 - 220 Portage Avenue, Winnipeg, Manitoba, R3C 0A5.

The Declaration of Trust provides that the REIT may make cash distributions to common unitholders of the REIT. The amount distributed annually (currently \$0.60 per common unit) is set by the Board of Trustees. The amounts distributed annually to the preferred unitholders are \$1.4155 per Series A Unit, \$1.3680 per Series E Unit and \$1.50 per Series I Unit.

On March 10, 2021, the REIT announced a business transformation plan that will shift the REIT from a diversified real estate investment trust to an organization focused on growth in net asset value per unit and distributions through value investing in real estate (the "Business Transformation Plan").

Note 2. Significant accounting policies

(a) Statement of compliance:

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

(b) Basis of presentation and measurement:

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

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

(c) Principles of consolidation:

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

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

(d) Translation of foreign currencies:

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

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

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

(e) Financial instruments:

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

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

Regular way purchases and sales of equity securities are recognized using the trade date, which is the date that the REIT commits itself to purchase or sell the equity securities. The REIT classifies and measures its investments in equity securities at FVTPL. Distributions from equity securities are recognized in the period the distributions are declared on the consolidated statement of operations.

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

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

(f) Investment properties:

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

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

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

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

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

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

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

(g) Investments in associates and joint arrangements:

An associate is an entity over which the REIT has significant influence. Significant influence is the power to participate in an entity's financial and operating policy decisions but there is no control nor joint control over the investment.

Joint arrangements are arrangements where the parties sharing ownership have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The REIT accounts for its joint arrangements as either joint ventures or joint operations. A joint venture is an arrangement where the REIT jointly owns an investment property with another party and has rights to the net assets of the arrangement. A joint operation is an arrangement where the REIT jointly owns an investment property with another party and has rights to the assets, and obligations for the liabilities, relating to the arrangement.

The REIT's interests in associates and joint ventures are accounted for using the equity method. Equity accounted investments are initially measured at cost at the date of acquisition and adjusted thereafter for the REIT's share of changes in the net assets, less distributions received and any identified impairment loss. The REIT's share of the profit or loss from its equity accounted investment is recognized in profit or loss for the period.

The REIT accounts for joint operations by recording its proportionate share of their assets, liabilities, revenues, expenses and cash flows in its consolidated financial statements.

(h) Inventory properties:

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

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

(i) Property and equipment:

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

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

(j) Assets held for sale and discontinued operations:

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

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

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

(k) Cash held in trust:

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

(l) Provisions:

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

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

(m) Revenue recognition:

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

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

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

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

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

(n) Unit-based compensation:

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

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

(o) Earnings per unit:

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

(p) Use of estimates and judgments:

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

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

Since the outbreak of COVID-19 was declared a global pandemic by the World Health Organization in March 2020, governments have introduced certain emergency measures, including travel restrictions, physical distancing, capacity limits, temporary closure of non-essential businesses and required vaccination for participation in certain activities in an effort to reduce the spread of the virus. The extent of these measures at any point in time can vary depending on the number of new COVID-19 cases, the extent of vaccinations and the emergence of new virus variants. These restrictive measures have caused material disruptions to businesses where the REIT operates in both Canada and the U.S. The governments have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions.

As the situation is continually evolving, the duration and impact of the COVID-19 pandemic is unknown. Any estimate of the length and potential severity of the economic impact associated with the COVID-19 pandemic is subject to significant uncertainty, as is the extent it will affect the REIT's operations, financial results and capital resources. In the preparation of these consolidated financial statements, the REIT has incorporated the potential impact of COVID-19 into its estimates and assumptions that affect the carrying amounts of its assets and liabilities, and the reported amount of its results using the best available information as of December 31, 2021. Actual results could differ from those estimates. Estimates and assumptions that are most subject to increased uncertainty caused by the COVID-19 pandemic relate to the valuation of investment properties, carrying amount of the equity accounted investments, and estimate of any expected credit losses on accounts receivable and notes receivable.

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

- Accounting for business combinations - The REIT's accounting policy relating to business combinations is described in note 2 (f). Judgment is applied in determining whether property acquisitions constitute the purchase of a business or the purchase of assets.
- Accounting for tenant inducements - The REIT's accounting policy relating to tenant inducements is described in note 2 (f) and note 2 (m). Judgment is applied with respect to whether tenant inducements provided in connection with a lease enhance the value of the leased property which determines whether such amounts are treated as capital expenditures or as tenant inducements that reduce revenue.
- Capitalized cost of investment properties under development - The REIT's accounting policy relating to investment properties under development is described in note 2 (f). Judgment is applied in identifying the point at which practical completion of the investment property under development occurs.
- Classification of leases - The REIT's accounting policy for the classification of its leases as a lessor is described in note 2 (m). Judgment is applied in determining whether certain leases are operating or finance leases. The REIT determined that all of its leases are operating leases.
- Classification of property as investment property or owner-occupied property - The REIT's accounting policy for the classification of properties that comprise a portion that is held to earn rental income and another portion that is held for use in the production or supply of goods or services or for administrative purposes is described in note 2 (f). Judgment is applied in determining whether the portion of the property held for use in the production or supply of goods or services or for administrative purposes is insignificant in comparison to the portion held to earn rental income.
- Classification of joint arrangements - The REIT's accounting policy relating to joint arrangements is described in note 2 (g) and note 5. Judgment is applied in determining whether joint arrangements constitute a joint venture or a joint operation.
- Classification of investments in associates - The REIT's accounting policy relating to investments in associates is described in note 2 (g) and note 5. Judgment is applied in the assessment of the level of influence that the REIT has over the investees based on its decision-making authority with regards to the operating, financing and investing activities as specified in the contractual terms of the arrangement.

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

- Valuation of investment properties - The fair value of investment properties represents an estimate of the price that would be agreed upon between knowledgeable, willing parties in an arm's length transaction. The critical estimates and assumptions underlying the valuation of investment properties are described in note 4.
- Valuation of deferred tax liabilities and assets - The critical estimates and assumptions underlying the valuation of deferred tax liabilities and assets are described in note 22.
- Allowance for doubtful accounts - The critical estimates and assumptions underlying the valuation of allowance for doubtful accounts are described in note 30.
- Fair value of financial instruments - The fair value of financial instruments is estimated as the amount for which an instrument could be exchanged, or liability settled, between knowledgeable, willing parties in an arm's length transaction. The estimates and assumptions underlying the fair value of financial instruments are described in note 31.

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

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.

These amendments had no impact on the consolidated financial statements except for the additional disclosures in note 30 regarding the derivative and non-derivative financial instruments affected by the interest rate benchmark reform and a summary of the actions taken by the REIT to manage the risks relating to the reform. The REIT intends to use the practical expedient in future periods as it becomes applicable.

(r) Future changes in accounting standards:

In January 2020, the IASB issued amendments to IAS 1 - *Presentation of Financial Statements* to specify the requirements for classifying liabilities as current or non-current. The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments are applied retrospectively for annual periods beginning on or after January 1, 2023, with early application permitted. The REIT is in the process of assessing the impact of these amendments.

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

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

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

In February 2021, the IASB issued amendments to IAS 1 *Presentation of Financial Statements* and IFRS *Practice Statement 2 Making Materiality Judgements*. The amendments to IAS 1 replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The IASB has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS *Practice Statement 2*. The amendments to IAS 1 are effective for annual periods beginning on or after January 1, 2023, with earlier application permitted and are applied prospectively. The amendments to IFRS *Practice Statement 2* do not contain an effective date or transition requirements. The REIT does not expect a material impact to its consolidated financial statements from the adoption of these amendments.

In February 2021, the IASB issued amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* in which it introduces a new definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The amendments are effective for annual periods beginning on or after January 1, 2023 to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period, with earlier application permitted. The REIT does not expect a material impact to its consolidated financial statements from the adoption of these amendments.

Note 3. Acquisitions and dispositions of investment properties

Acquisitions:

On January 26, 2021, the REIT acquired an additional 5% interest in Park 8Ninety IV, an industrial property located in the Greater Houston Area, Texas. Prior to the acquisition date, the REIT owned 95% of this investment property and the property was classified as a joint venture and accounted for using the equity method. As a result of this acquisition, the REIT owns 100% of the property and accounts for it on a consolidated basis. The REIT accounted for this acquisition as a step acquisition and remeasured its existing 95% interests to fair value at the acquisition date.

On May 7, 2021 and September 24, 2021, the REIT acquired two parcels of industrial development land in the Twin Cities Area, Minnesota.

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

The acquisition of the 5% interest in Park 8Ninety IV has been accounted for using the acquisition method, with the results of operations included in the REIT's accounts from the date of acquisition. The net assets acquired, excluding the acquisitions of equity accounted investments and including the acquisitions of land, were as follows:

	2021	Year ended December 31, 2020
Investment properties (note 4)	\$ 5,823	\$ —
Long-term debt, including acquired above- and below-market mortgages, net of financing costs	(487)	—
Other net assets	3	—
Consideration was comprised of the following:	5,339	—
Cash consideration	5,339	—
Total consideration	\$ 5,339	\$ —
Transaction costs expensed	\$ 11	\$ —

Dispositions:

The REIT disposed of the following properties during the year ended December 31, 2021:

Property	Property count	Location	Disposition date	Asset class
Signal Centre ⁽¹⁾	—	Fort McMurray, AB	April 12, 2021	Retail
Victoria Square Retail Portfolio	2	Regina, SK	April 15, 2021	Retail
Fleet Street Crossing	1	Regina, SK	April 28, 2021	Retail
Sierra Place	1	Calgary, AB	May 4, 2021	Office
GTA Industrial Portfolio	27	Greater Toronto Area, ON	July 15, 2021 and August 19, 2021	Industrial
King Edward Industrial Portfolio	2	Winnipeg, MB	July 21, 2021	Industrial
East Landing Retail Portfolio	2	Regina, SK	August 23, 2021	Retail
West Landing Mall	1	Regina, SK	September 1, 2021	Retail
417 - 14 th Street	1	Calgary, AB	November 29, 2021	Office
Canadian Centre	1	Calgary, AB	December 16, 2021	Office
Campana Place & Hillhurst Building	2	Calgary, AB	December 17, 2021	Office
Heritage Square	1	Calgary, AB	December 22, 2021	Office

(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.

The cash proceeds received from the sale of the above properties, net of costs and related debt, were \$791,725. In conjunction with the sales of three office properties, the REIT also received two notes receivable in the amounts of \$10,000 and \$6,000, which are secured by the properties sold (note 7). The assets and liabilities associated with the properties were derecognized.

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

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

(1) Disposition includes a parcel of development land.

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

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

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

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

	Year ended December 31, 2021		
	Investment properties	Investment properties under development	Investment properties held for sale
Balance, beginning of year	\$ 4,325,121	\$ 132,243	\$ 74,483
Additions:			
Acquisitions (note 3)	875	4,948	—
Reclassification from equity accounted investments ⁽¹⁾	16,642	—	—
Capital expenditures	21,117	69,008	445
Capitalized interest ⁽²⁾	—	1,087	—
Leasing commissions	8,721	1,006	78
Straight-line rent adjustments	3,445	—	(40)
Tenant inducement additions, net of amortization	1,210	2,579	(213)
Contribution to equity accounted investments ⁽³⁾	—	(906)	—
Dispositions	—	—	(851,772)
Foreign currency translation (loss) gain	(7,938)	203	(244)
Fair value gain (loss)	225,192	(14,892)	(12,789)
Reclassification of investment properties under development	115	(115)	—
Reclassification of investment properties held for sale	(852,956)	—	852,956
Balance, end of year	\$ 3,741,544	\$ 195,161	\$ 62,904

(1) On January 26, 2021, the REIT increased its ownership interest in Park 8Ninety IV to 100%. See note 3 for further information.

(2) During the year ended December 31, 2021, interest was capitalized to investment properties under development at a weighted-average effective rate of 1.98%.

(3) During the year ended December 31, 2021, the REIT contributed capitalized development expenditures to Park Lucero East, an equity accounted associate.

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

(1) During the year ended December 31, 2020, interest was capitalized to investment properties under development at a weighted-average effective rate of 2.59%.

(2) On January 24, 2020, the REIT contributed land under development to Park 8Ninety IV, a joint venture.

(3) On October 20, 2020, the REIT contributed land under development to Park 8Ninety V, a joint venture.

At December 31, 2021, investment properties under development included 300 Main, a commercial and residential/multi-family development project with a fair value of \$174,997 (December 31, 2020, \$130,291). Estimation of the fair value of investment properties under development is subject to uncertainty due to development risks including development costs exceeding original estimates, construction or other unforeseen timing delays and leasing on a timely basis or at anticipated rates upon completion.

The REIT had one industrial and two office properties classified as investment properties held for sale that were actively marketed for sale or under unconditional sale agreements at December 31, 2021 (December 31, 2020, two office and two retail properties). The properties held for sale had an aggregate mortgage payable balance of \$nil at December 31, 2021 (December 31, 2020, \$16,133).

At December 31, 2021, included in investment properties was \$48,916 (December 31, 2020, \$48,854) of net straight-line rent receivables arising from the recognition of rental income on a straight-line basis over the lease term.

Investment properties include right-of-use assets held under a lease with an aggregate fair value of \$11,448 at December 31, 2021 (December 31, 2020, \$12,955). The lease payments required under this lease were fully paid at the time of acquisition of the property.

At December 31, 2021, investment properties with a fair value of \$2,096,861 (December 31, 2020, \$2,645,834) were pledged as security under mortgage agreements.

The REIT obtains external valuations for a selection of properties representing various geographical regions and asset classes across its portfolio. For the year ended December 31, 2021, properties (including the REIT's ownership interest in properties held in equity accounted investments) with an appraised value of \$775,751 (December 31, 2020, \$916,550), were appraised by qualified external valuation professionals. The REIT uses similar assumptions and valuation techniques in its internal valuations as used by the external valuation professionals. Internal valuations are performed by the REIT's valuations team who report directly to the Chief Financial Officer. The valuations processes and results are reviewed by management on a quarterly basis.

The REIT determines the fair value of investment properties based upon either the discounted cash flow method or the overall capitalization method. Under the discounted cash flow method, expected future cash flows are discounted using an appropriate rate based on the risk of the property. Expected future cash flows for each investment property are based upon, but not limited to, rental income from current leases, budgeted and actual expenses, and assumptions about rental income from future leases. The REIT uses leasing history, market reports, tenant profiles and building assessments, among other things, in determining the most appropriate assumptions. Discount and capitalization rates are estimated using market surveys, available appraisals and market comparables. Under the overall capitalization method, year one net income is stabilized and capitalized at a rate appropriate for each investment property. The stabilized net income incorporates allowances for vacancy, management fees and structural repair reserves. The resulting capitalized value is further adjusted, where appropriate, for costs to stabilize the net income and non-recoverable capital expenditures. There were no changes to the REIT's internal valuation methodology during the years ended December 31, 2021 and 2020.

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

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

The impact of the COVID-19 pandemic and the related measures enacted by governments, including travel restrictions, physical distancing, capacity limits and the temporary closure of non-essential businesses, have created significant estimation uncertainty in the determination of the fair values of investment properties as at December 31, 2021. The duration and extent of these measures is highly dependent on future developments, including but not limited to, the emergence of new virus variants and the actions required to contain or manage its impact. The REIT has made assumptions with respect to the duration and severity of these government 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 values. As a result of this significant estimation uncertainty there is a risk that the assumptions used to determine fair values as at December 31, 2021 may change as more information becomes available, resulting in a material adjustment to the fair values of investment properties in future reporting periods.

Under the fair value hierarchy, the fair value of the REIT's investment properties is considered a Level 3, as described in note 31.

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

	December 31, 2021			December 31, 2020		
	Maximum	Minimum	Weighted-average	Maximum	Minimum	Weighted-average
Canada:						
Discount rate	9.50 %	4.75 %	7.11 %	9.75%	5.00%	7.16%
Terminal capitalization rate	9.00 %	3.50 %	6.09 %	9.00%	3.75%	6.19%
Capitalization rate	8.75 %	3.50 %	6.00 %	9.25%	3.75%	6.09%
Investment horizon (years)	12.0	10.0	10.5	12.0	10.0	10.5
U.S.:						
Discount rate	9.75 %	6.00 %	7.65 %	9.50%	6.25%	7.79%
Terminal capitalization rate	8.50 %	4.75 %	6.63 %	8.50%	5.25%	6.78%
Capitalization rate	8.00 %	4.50 %	6.49 %	8.00%	5.00%	6.63%
Investment horizon (years)	12.0	10.0	10.4	11.0	10.0	10.3
Total portfolio:						
Discount rate	9.75 %	4.75 %	7.37 %	9.75%	5.00%	7.42%
Terminal capitalization rate	9.00 %	3.50 %	6.34 %	9.00%	3.75%	6.43%
Capitalization rate	8.75 %	3.50 %	6.22 %	9.25%	3.75%	6.30%
Investment horizon (years)	12.0	10.0	10.4	12.0	10.0	10.4

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

The following sensitivity table outlines the impact of a 0.25% change in the weighted-average capitalization rate on investment properties at December 31, 2021:

	Change to fair value if capitalization rate increased by 0.25%	Change to fair value if capitalization rate decreased by 0.25%
Canada	\$ (77,613)	\$ 84,792
U.S.	(79,362)	86,009
	\$ (156,975)	\$ 170,801

Note 5. Equity accounted investments and joint operations

The REIT has interests in the following:

Property	Principal purpose	Ownership interest	
		December 31, 2021	December 31, 2020
Joint ventures:			
Park 8Ninety II	Investment property	95 %	95 %
Park 8Ninety IV ⁽¹⁾	Investment property	— %	95 %
Park 8Ninety V	Investment property	95 %	95 %
Corridor Park	Investment property	90 %	90 %
Tower Business Center	Investment property	— %	80 %
Graham Portfolio	Investment property	75 %	75 %
The Point at Inverness	Investment property	50 %	50 %
Associate:			
Park Lucero East	Investment property	10 %	— %
Joint operations:			
Cliveden Building	Investment property	50 %	50 %
Kincaid Building	Investment property	50 %	50 %

(1) During the year ended December 31, 2021, the REIT increased its ownership interest in this property to 100%. See note 3 for further information.

During the year ended December 31, 2021, the REIT entered into a new arrangement, Park Lucero East, an industrial development project in the Greater Phoenix Area, Arizona. The REIT has determined this to be an investment in associate as the REIT does not have joint control but has significant influence over the investment by virtue of having control over the general partner of the limited partnership. Park Lucero East acquired a parcel of industrial development land and the REIT's share of the purchase price was \$1,229.

During the year ended December 31, 2021, the REIT contributed \$11,690 to Park 8Ninety V, Park Lucero East, Park 8Ninety IV, Park 8Ninety II and Corridor Park equity accounted investments.

On February 9, 2021, the Tower Business Center joint venture disposed of its investment property and the REIT's share of the proceeds, net of costs and related debt, were \$39,360.

The REIT is contingently liable for the obligations of certain joint ventures, associate and joint operations. As at December 31, 2021, the co-owners' share of mortgage liabilities was \$34,920 (December 31, 2020, \$34,299). Management has assessed that the assets available from its joint ventures, associate and joint operations are sufficient for the purpose of satisfying such obligations.

Summarized financial information of the REIT's share in its equity accounted investments is as follows:

	December 31, 2021			December 31, 2020		
	Joint ventures	Associate	Total	Joint ventures	Associate	Total
Non-current assets:						
Investment properties	\$ 233,635	\$ —	\$ 233,635	\$ 236,954	\$ —	\$ 236,954
Investment properties under development	42,337	4,687	47,024	14,466	—	14,466
Current assets:						
Investment property held for sale	—	—	—	60,819	—	60,819
Prepaid expenses and other assets	280	—	280	172	—	172
Accounts receivable and other receivables	347	7	354	819	—	819
Cash	3,874	22	3,896	14,241	—	14,241
Total assets	280,473	4,716	285,189	327,471	—	327,471
Non-current liabilities:						
Mortgages and loans payable	47,544	715	48,259	49,832	—	49,832
Current liabilities:						
Mortgages and loans payable	46,223	—	46,223	60,930	—	60,930
Security deposits and prepaid rent	2,253	—	2,253	2,861	—	2,861
Accounts payable and other liabilities	7,205	1,171	8,376	13,542	—	13,542
Total liabilities	103,225	1,886	105,111	127,165	—	127,165
Equity accounted investments	\$ 177,248	\$ 2,830	\$ 180,078	\$ 200,306	\$ —	\$ 200,306

	Year ended December 31, 2021			Year ended December 31, 2020		
	Joint ventures	Associate	Total	Joint ventures	Associate	Total
Revenue	\$ 15,758	\$ 2	\$ 15,760	\$ 20,785	\$ —	\$ 20,785
Expenses:						
Property operating	3,635	—	3,635	4,457	—	4,457
Realty taxes	3,278	—	3,278	5,190	—	5,190
Total operating expenses	6,913	—	6,913	9,647	—	9,647
Net operating income	8,845	2	8,847	11,138	—	11,138
Other income (expenses):						
Interest expense	(2,546)	—	(2,546)	(4,561)	—	(4,561)
Interest income	4	—	4	17	—	17
Fair value gain on investment properties	10,496	—	10,496	18,257	—	18,257
Income tax expense	(6)	—	(6)	—	—	—
Net income from equity accounted investments	\$ 16,793	\$ 2	\$ 16,795	\$ 24,851	\$ —	\$ 24,851

Note 6. Property and equipment

	December 31, 2021	December 31, 2020
Office furniture and fixtures	\$ 12,236	\$ 12,242
Office equipment and software	1,432	1,428
Right-of-use leased assets	2,018	1,726
Accumulated depreciation	(9,275)	(7,915)
	\$ 6,411	\$ 7,481

Note 7. Notes receivable

	December 31, 2021	December 31, 2020
Note receivable, maturing in January 2024, bearing interest at 5.00% per annum, interest-only monthly payment until maturity, secured by an office property.	\$ 10,000	\$ 10,000
Note receivable, maturing in January 2028, bearing interest at an effective rate of 3.086% per annum, interest-only monthly payment until maturity, secured by an office property.	10,000	—
Note receivable, maturing in January 2024, bearing interest at 4.00% per annum, interest-only monthly payment until maturity, secured by two office properties.	6,000	—
Note receivable from tenant, maturing in November 2031, bearing interest at 8.50% per annum, repayable in blended monthly installments of \$64 (US\$50).	5,111	5,450
Note receivable, maturing in November 2024, bearing interest at 4.00% per annum, accrued interest and principal due on maturity, secured by a parcel of land.	3,249	3,137
Other notes receivable	1,922	3,097
	36,282	21,684
Current portion	834	1,371
Non-current portion	\$ 35,448	\$ 20,313

Note 8. Inventory properties

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

	December 31, 2021	December 31, 2020
Balance, beginning of year	\$ 15,060	\$ 14,632
Capital expenditures	9	285
Capitalized interest ⁽¹⁾	—	143
Sale of condominium units	(15,069)	—
Balance, end of year	\$ —	\$ 15,060

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

Inventory properties include an industrial property that was converted into commercial condominium units. In January 2021, a condominium corporation was registered for this property. As at December 31, 2021, all condominium units were sold for aggregate consideration of \$17,861.

Note 9. Prepaid expenses and other assets

	December 31, 2021	December 31, 2020
Prepaid insurance	\$ 3,937	\$ 3,948
Prepaid realty taxes	755	993
Prepaid acquisition, disposition and development costs	735	749
Derivative instruments (note 31)	1,029	—
Other prepaid expenses	1,523	1,617
	\$ 7,979	\$ 7,307

Note 10. Accounts receivable and other receivables

	December 31, 2021	December 31, 2020
Rents receivable	\$ 5,578	\$ 5,660
Deferred rents receivable	955	4,901
Allowance for doubtful accounts	(1,717)	(1,989)
Accrued recovery income	3,181	3,344
Other receivables	6,799	6,327
	14,796	18,243
Non-current portion of deferred rents receivable, net of related allowance for doubtful accounts of \$53 (December 31, 2020, \$152)	122	778
Current portion	\$ 14,674	\$ 17,465

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. Deferred rents receivable represent rents deferred for certain qualifying tenants.

Refer to note 30 for further discussion on credit risk and allowance for doubtful accounts.

Note 11. Mortgages and loans payable

	December 31, 2021	December 31, 2020
Mortgages and loans payable	\$ 1,087,521	\$ 1,275,277
Net above- and below-market mortgage adjustments	1,604	2,423
Financing costs	(4,086)	(4,178)
	1,085,039	1,273,522
Current portion	301,910	405,126
Non-current portion	\$ 783,129	\$ 868,396

Certain of the REIT's investment properties have been pledged as security under mortgages and other security agreements. As at December 31, 2021, 36.3% of the REIT's mortgages and loans payable bear interest at fixed rates (December 31, 2020, 31.8%), and a further 37.5% of the REIT's mortgages and loans payable bear interest at variable rates with interest rate swaps in place (December 31, 2020, 37.1%). The weighted-average effective rate on all mortgages and loans payable was 3.31% and the weighted-average nominal rate was 3.04% at December 31, 2021 (December 31, 2020, 3.23% and 3.03%, respectively). Maturity dates range from January 23, 2022 to June 1, 2031.

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

Note 12. Senior unsecured debentures

Particulars of the REIT's outstanding senior unsecured debentures are as follows:

Senior unsecured debenture issue	Issue date	Maturity date	Applicable interest rate		
Series D	September 18, 2020	September 18, 2023	3.824 %		
	Face value	Unamortized financing costs	Carrying value	Current portion	Non-current portion
Series D	\$ 250,000	\$ (654)	\$ 249,346	\$ —	\$ 249,346
December 31, 2021	\$ 250,000	\$ (654)	\$ 249,346	\$ —	\$ 249,346
December 31, 2020	500,000	(1,081)	498,919	249,920	248,999

On February 22, 2021, upon maturity, the REIT repaid the outstanding face value of the Series C senior unsecured debentures in the amount of \$250,000.

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

On February 7, 2020, upon maturity, the REIT repaid the outstanding face value of the Series B senior unsecured debentures in the amount of \$200,000.

During the year ended December 31, 2021, financing cost amortization of \$427 (2020, \$672) was recorded.

Interest expense on the senior unsecured debentures is determined by applying the effective interest rate to the outstanding liability balance. The difference between actual cash interest payments and interest expense is an accretion to the liability.

In accordance with the Series D senior unsecured debenture supplemental indenture, the REIT must maintain a consolidated EBITDA to consolidated interest expense ratio of not less than 1.65, consolidated indebtedness to aggregate assets of not more than 65% and minimum adjusted unitholders' equity of \$300,000. As at December 31, 2021 and 2020, the REIT was in compliance with these requirements.

Note 13. Credit facilities

The REIT has unsecured revolving term credit facilities in the aggregate amount of \$700,000, which can be utilized for general corporate and working capital purposes, short-term financing of investment property acquisitions and the issuance of letters of credit. The REIT can draw on the facilities in Canadian or US dollars. On November 15, 2021, the revolving term credit facilities agreement was amended to extend the maturity date of the first tranche of the facilities in the amount of \$400,000 from December 14, 2021 to December 14, 2022.

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

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

	December 31, 2021			December 31, 2020			Applicable interest rates ⁽²⁾
	Borrowing capacity	Amounts drawn	Available to be drawn ⁽¹⁾	Amounts drawn	Available to be drawn ⁽¹⁾		
Revolving facilities maturing December 14, 2022	\$ 400,000	\$ —	\$ 400,000	\$ 95,617	\$ 304,383		BA rate plus 1.70% or prime plus 0.70% or LIBOR plus 1.70% or U.S. base rate plus 0.70%
Revolving facility maturing April 29, 2023	300,000	131,851	168,149	30,000	270,000		BA rate plus 1.70% or prime plus 0.70% or LIBOR plus 1.70% or U.S. base rate plus 0.70%
Non-revolving facility maturing February 4, 2022	200,000	200,000	—	200,000	—		2.22%
Non-revolving facility maturing July 6, 2022	150,000	150,000	—	150,000	—		3.57 %
Non-revolving facility maturing July 18, 2022	150,000	150,000	—	150,000	—		3.50 %
Financing costs		(598)		(1,156)			
Total credit facilities	\$ 1,200,000	\$ 631,253	\$ 568,149	\$ 624,461	\$ 574,383		
Current portion		499,610		95,374			
Non-current portion		\$ 131,643		\$ 529,087			

(1) Under the terms of the revolving credit facilities, the REIT must maintain a minimum unencumbered property assets to consolidated unsecured indebtedness ratio of 1.4. As at December 31, 2021, this covenant limited the total borrowing capacity of the revolving credit facilities to \$635,313 (December 31, 2020, limited to \$388,163).

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

For purposes of the credit facilities, the REIT must maintain a consolidated indebtedness to consolidated gross book value ratio of not more than 65%, a consolidated secured indebtedness to consolidated gross book value ratio of not more than 50%, a minimum consolidated EBITDA to debt service ratio of 1.4, a minimum unitholders' equity of not less than the sum of \$1,700,000 and 75% of net proceeds received in connection with any equity offerings made after the date of the credit facilities agreement, a minimum unencumbered property assets value to consolidated unsecured indebtedness ratio of 1.4, and a minimum consolidated EBITDA to consolidated interest expense ratio of 1.65. As at December 31, 2021 and 2020, the REIT was in compliance with these requirements.

Note 14. Accounts payable and other liabilities

	December 31, 2021	December 31, 2020
Accounts payable and accrued liabilities	\$ 36,752	\$ 35,407
Distributions payable	47,016	7,485
Accrued interest	6,454	10,132
Accrued realty taxes	10,193	11,563
Tenant installments payable	7,314	5,458
Derivative instruments (note 31)	7,689	22,792
Cash-settled unit-based payments liability	4,533	2,958
Other payables and liabilities	1,210	1,335
	\$ 121,161	\$ 97,130

Note 15. Unitholders' equity

(a) Common units:

(i) Authorized:

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

(ii) Issued and outstanding:

	Number of units	Amount
Balance at December 31, 2019	137,956,523	\$ 1,798,747
Restricted units redeemed	229,675	2,454
Deferred units redeemed	184,693	2,001
Units acquired and cancelled through normal course issuer bid	(3,727,716)	(48,601)
Balance at December 31, 2020	134,643,175	1,754,601
Restricted units redeemed	26,172	293
Deferred units redeemed	12,953	135
Units acquired and cancelled through normal course issuer bid	(10,967,022)	(142,912)
Units acquired through normal course issuer bid, not cancelled at year end	(170,742)	(2,225)
Special distribution in units ⁽¹⁾ (note 17)	—	256,091
Balance at December 31, 2021	123,544,536	\$ 1,865,983

(1) The common units issued as part of the special distribution declared on December 31, 2021 were consolidated such that each unitholder held the same number of units after the consolidation as each unitholder held prior to the special non-cash distribution.

(b) Preferred units:

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

	Series A	Series E	Series I	Total
Number of units outstanding at December 31, 2019	3,387,300	3,833,900	5,000,000	12,221,200
Units acquired and cancelled through normal course issuer bid	(29,600)	(44,578)	(34,460)	(108,638)
Units acquired through normal course issuer bid, not cancelled at year end	(1,500)	(1,224)	—	(2,724)
Number of units outstanding at December 31, 2020	3,356,200	3,788,098	4,965,540	12,109,838
Units acquired and cancelled through normal course issuer bid	(59,600)	(87,088)	—	(146,688)
Units acquired through normal course issuer bid, not cancelled at year end	(1,000)	(1,500)	—	(2,500)
Number of units outstanding at December 31, 2021	3,295,600	3,699,510	4,965,540	11,960,650

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

	Series A	Series E	Series I	Total
Annual distribution rate	5.662%	5.472%	6.000%	
Distribution rate reset date	September 30, 2022	September 30, 2023	April 30, 2023	
Carrying value at December 31, 2019	\$ 80,651	\$ 92,529	\$ 121,304	\$ 294,484
Units acquired and cancelled through normal course issuer bid	(705)	(1,076)	(836)	(2,617)
Units acquired through normal course issuer bid, not cancelled at year end	(35)	(30)	—	(65)
Carrying value at December 31, 2020	79,911	91,423	120,468	291,802
Units acquired and cancelled through normal course issuer bid	(1,419)	(2,102)	—	(3,521)
Units acquired through normal course issuer bid, not cancelled at year end	(24)	(36)	—	(60)
Carrying value at December 31, 2021	\$ 78,468	\$ 89,285	\$ 120,468	\$ 288,221
Face value at December 31, 2021	\$ 82,390	\$ 92,488	\$ 124,139	\$ 299,017
Face value at December 31, 2020	83,905	94,702	124,139	302,746

(i) Series A:

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

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

(ii) Series E:

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

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

(iii) Series I:

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

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

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

(c) Normal course issuer bid:

On December 15, 2021, the REIT announced that the Toronto Stock Exchange ("TSX") approved the renewal of its normal course issuer bid ("NCIB"). Under the renewed bid, the REIT has the ability to purchase for cancellation up to a maximum of 10% of the REIT's public float of common units and preferred units as at December 3, 2021 as follows:

	Public float	10% of public float
Common units	87,881,761	8,788,176
Preferred unit series:		
Series A	3,300,400	330,040
Series E	3,707,734	370,773
Series I	4,865,540	486,554

Purchases will be made at market prices through the facilities of the TSX and/or alternative Canadian trading systems and all common units and preferred units acquired by the REIT under this bid will be cancelled. This bid will remain in effect until the earlier of December 16, 2022, or the date on which the REIT has purchased the maximum number of units permitted under the bid. During the year ended December 31, 2021, the REIT acquired 11,137,764 common units at market prices aggregating \$125,772, resulting in contributed surplus of \$19,365, which was the excess of stated capital over redemption proceeds. During the year ended December 31, 2021, the REIT also acquired 60,600 and 88,588 Series A and E Units, respectively, at market prices aggregating \$3,485, resulting in contributed surplus of \$96, which was the excess of stated capital over redemption proceeds.

During the year ended December 31, 2020, the REIT acquired 3,727,716 common units at market prices aggregating \$33,442, resulting in contributed surplus of \$15,159, which was the excess of stated capital over redemption proceeds. During the year ended December 31, 2020, the REIT also acquired 31,100, 45,802 and 34,460 Series A, E and I Units, respectively, at market prices aggregating \$1,850, resulting in contributed surplus of \$832, which was the excess of stated capital over redemption proceeds.

(d) Short form base shelf prospectus:

On October 18, 2021, the REIT issued a short form base shelf prospectus. The REIT may from time to time during the 25-month period that this short form base shelf prospectus is valid, offer and issue the following securities up to a maximum of \$1,000,000 (i) common units of the REIT; (ii) preferred units, which may be issuable in series; (iii) debt securities, which may consist of debentures, notes or other types of debt and may be issuable in series; (iv) unit purchase warrants; and (v) subscription receipts to purchase trust securities. As at December 31, 2021, the REIT had not issued any securities under this short form base shelf prospectus.

(e) Weighted-average common units:

	Year ended December 31,	
	2021	2020
Net income	\$ 389,175	\$ 21,543
Adjustment for distributions to preferred unitholders (note 17)	(17,260)	(17,420)
Net income attributable to common unitholders	371,915	4,123
Adjustment for restricted units	511	(374)
Adjustment for deferred units	(574)	(346)
Diluted net income attributable to common unitholders	\$ 371,852	\$ 3,403
The weighted-average number of common units outstanding was as follows:		
Basic common units	129,553,433	136,206,856
Effect of dilutive securities:		
Restricted units	366,757	320,049
Deferred units	105,727	80,016
Diluted common units	130,025,917	136,606,921
Net income per unit attributable to common unitholders:		
Basic	\$ 2.87	\$ 0.03
Diluted	2.86	0.02

The computation of diluted net income per unit attributable to common unitholders includes restricted units and deferred units when these instruments are dilutive. For the years ended December 31, 2021 and 2020, there were no anti-dilutive units.

Note 16. Equity incentive plan

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

(a) Restricted units:

Unit-based compensation expense related to restricted units outstanding under the equity incentive plan for the year ended December 31, 2021 amounted to \$2,915 (2020, \$4,579, including \$2,123 related to accelerated vesting of restricted units as part of the executive settlement in connection with the proxy matter (note 26)). Restricted units vest on and after the third anniversary of the date of grant. The restricted units accrue additional restricted units during the vesting period, and are credited when the restricted units are redeemed. Each restricted unit is valued at the closing price of the REIT's common units on the balance sheet date.

The REIT's restricted units outstanding are as follows:

	Year ended	
	2021	2020
	Units	Units
Balance, beginning of year	404,937	694,034
Granted	153,915	262,303
Accrued	97,404	43,877
Redeemed	(172,412)	(582,764)
Expired	(20,953)	(12,513)
Balance, end of year	462,891	404,937
Restricted units vested at end of year	12,068	14,291

(b) Deferred units:

Unit-based compensation expense related to deferred units outstanding under the equity incentive plan for the year ended December 31, 2021 amounted to \$442 (2020, \$399). Deferred units can only be granted to trustees of the REIT and vest immediately. Deferred units are redeemable within a specified time frame after a trustee ceases to be a trustee. The deferred units accrue additional deferred units after the grant date. Each deferred unit is valued at the closing price of the REIT's common units on the balance sheet date.

The REIT's deferred units outstanding are as follows:

	Year ended	
	2021	2020
	Units	Units
Balance, beginning of year	92,908	472,451
Granted	60,474	60,914
Accrued	27,112	28,050
Redeemed	(46,942)	(468,507)
Balance, end of year	133,552	92,908
Deferred units vested at end of year	133,552	92,908

(c) Unit options:

At December 31, 2021 and 2020, no unit options had been granted under the REIT's equity incentive plan.

(d) Installment units:

At December 31, 2021 and 2020, no installment units had been granted under the REIT's equity incentive plan.

Note 17. Distributions to unitholders

Total distributions declared to unitholders were as follows:

	Year ended		Year ended	
	December 31, 2021		December 31, 2020	
	Total distributions	Distributions per unit	Total distributions	Distributions per unit
Common unitholders				
Monthly distributions paid and payable in cash	\$ 76,250	\$ 0.59	\$ 73,654	\$ 0.54
Special distribution payable in cash	39,589	0.32	—	—
Special distribution payable in units	256,091	2.07	—	—
	371,930	2.98	73,654	0.54
Preferred unitholders - Series A	4,699	1.42	4,763	1.42
Preferred unitholders - Series E	5,116	1.37	5,200	1.37
Preferred unitholders - Series I	7,445	1.50	7,457	1.50

The Board of Trustees declared a special distribution of \$2.39 per common unit, which was comprised of \$0.32 per common unit payable in cash and \$2.07 per common unit payable in common units. The special distribution was payable on December 31, 2021 to unitholders of record at the close of business on December 31, 2021. The special distribution was principally being made to distribute to common unitholders a portion of the capital gain realized by the REIT from transactions completed during the year ended December 31, 2021. Immediately following the issuance of common units on December 31, 2021, the common units were consolidated such that each unitholder held the same number of units after the consolidation as each unitholder held prior to the special non-cash distributions. As at December 31, 2021, the special distributions declared in common units of \$256,091 was recorded as capital contributions.

Note 18. Revenue

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

	Year ended	
	2021	2020
Base rent	\$ 259,461	\$ 294,851
Operating cost and realty tax recoveries	148,678	170,553
Parking and other revenue	11,984	12,741
Tenant inducements amortized to revenue	(24,765)	(24,854)
Straight-line rent adjustments	3,405	4,923
Lease termination income	2,875	703
Rental revenue from investment properties	401,638	458,917
Condominium sales	17,861	—
	\$ 419,499	\$ 458,917

Refer to note 27 for a disaggregation of revenue by reportable geographical region.

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

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

	December 31, 2021	December 31, 2020
Not later than one year	\$ 253,355	\$ 293,096
One to two years	226,499	260,653
Two to three years	199,755	233,099
Three to four years	165,380	196,447
Four to five years	136,935	159,376
Later than five years	529,669	635,042
	\$ 1,511,593	\$ 1,777,713

Note 19. Corporate expenses

	Year ended December 31, 2021	Year ended December 31, 2020
Accounting, legal and consulting	3,262	3,316
Public company costs	1,396	1,367
Unit-based compensation	3,357	2,855
Salaries and benefits	2,083	1,940
Depreciation of property and equipment	1,362	1,422
General and administrative	1,253	1,305
	\$ 12,713	\$ 12,205

Note 20. Interest expense

	Year ended December 31, 2021	Year ended December 31, 2020
Interest on mortgages and loans payable	\$ 36,751	\$ 45,492
Interest on senior unsecured debentures	10,876	12,639
Interest on credit facilities	19,486	24,983
Amortization of above- and below-market mortgages, net	(799)	(752)
Amortization of financing costs	3,334	3,744
	\$ 69,648	\$ 86,106

Note 21. Fair value gain (loss) on financial instruments

The REIT recorded gains (losses) on the following:

	Year ended December 31, 2021	Year ended December 31, 2020
Interest rate swaps	\$ 15,966	\$ (18,388)
Foreign currency contracts	305	2,257
Other derivatives	(367)	(407)
Equity securities	5,320	—
	\$ 21,224	\$ (16,538)

Note 22. Income taxes

(a) Canadian taxes:

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

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

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

The SIFT Rules do not apply to a REIT that meets prescribed conditions relating to the nature of its assets and revenue (the "REIT Conditions"). The REIT has reviewed the SIFT Rules and has assessed their interpretation and application to the REIT's assets and revenues. While there are uncertainties in the interpretation and application of the SIFT Rules, the REIT believes that it has met the REIT Conditions throughout the years ended December 31, 2021 and 2020. As a result, the REIT does not recognize any deferred income tax assets or liabilities for Canadian income tax purposes.

(b) U.S. taxes:

The REIT's U.S. properties are owned by subsidiaries that are REITs for U.S. income tax purposes. These subsidiaries intend to distribute all of their U.S. taxable income to Canada and are entitled to deduct such distributions for U.S. income tax purposes. As a result, the REIT does not record a provision for current federal U.S. income taxes on the taxable income earned by these subsidiaries. These U.S. subsidiaries are subject to certain state taxes and a 21% to 30% 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.

Note 23. Supplemental cash flow information

(a) Other items not affecting cash:

	Year ended December 31, 2021	Year ended December 31, 2020
Tenant inducements amortized to revenue	\$ 24,765	\$ 24,854
Straight-line rent adjustments	(3,405)	(4,923)
Depreciation of property and equipment	1,362	1,422
Unit-based compensation	2,050	(1,859)
Amortization of above- and below-market mortgages, net	(799)	(752)
Amortization of financing costs included in interest expense	3,334	3,744
	\$ 27,307	\$ 22,486

(b) Changes in non-cash operating items:

	Year ended December 31,	
	2021	2020
Inventory properties	\$ 15,058	\$ (428)
Prepaid expenses and other assets	428	1,633
Accounts receivable and other receivables	3,650	2,597
Security deposits and prepaid rent	1,878	(2,367)
Accounts payable and other liabilities	(2,170)	(1,327)
	\$ 18,844	\$ 108

(c) Other supplemental cash flow information:

	Year ended December 31,	
	2021	2020
Interest paid	\$ 71,563	\$ 87,189
Interest received	1,734	4,811
Income taxes paid	1,437	1,216

Note 24. Subsidiaries

Subsidiaries, joint ventures and associate of the REIT, excluding bare trustees, are outlined as follows:

Name of entity	Country	Ownership interest	
		December 31, 2021	December 31, 2020
Artis General Partner Ltd.	Canada	100 %	100 %
AX L.P.	Canada	100 %	100 %
Artis Property Management General Partner Ltd.	Canada	100 %	100 %
AX Property Management L.P.	Canada	100 %	100 %
Winnipeg Square Leaseco, Inc.	Canada	100 %	100 %
AR GL General Partner Ltd.	Canada	75 %	75 %
AR GL Limited Partnership	Canada	75 %	75 %
Artis US Holdings, Inc.	U.S.	100 %	100 %
Artis US Holdings II GP, Inc.	U.S.	100 %	100 %
Artis US Holdings II, LLC	U.S.	100 %	100 %
Artis US Holdings II L.P.	U.S.	100 %	100 %
Artis US Holdings III GP, Inc.	U.S.	100 %	100 %
Artis US Holdings III, LLC	U.S.	100 %	100 %
Artis US Holdings III L.P.	U.S.	100 %	100 %
Artis US Holdings IV GP, Inc.	U.S.	100 %	— %
Artis US Holdings IV, LLC	U.S.	100 %	— %
Artis US Holdings IV L.P.	U.S.	100 %	— %
AX US Management, Inc.	U.S.	100 %	100 %
Park 8Ninety Phase II, LP	U.S.	95 %	95 %
Park 8Ninety Phase IV, LP	U.S.	100 %	95 %
Park 8Ninety Phase V, LP	U.S.	95 %	95 %
Artis/Core Park West Land, Ltd.	U.S.	90 %	90 %
Tower Business Center L.P.	U.S.	80 %	80 %
Artis/Ryan Millwright, LP ⁽¹⁾	U.S.	— %	80 %
ARTIS HRA Inverness Point GP, LLC	U.S.	50 %	50 %
ARTIS HRA Inverness Point, LP	U.S.	50 %	50 %
USCIF Artis Park Lucero Venture LP	U.S.	10 %	— %

(1) This joint venture was dissolved during the year ended December 31, 2021.

Year ended December 31, 2020

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

December 31, 2020

	Canada	U.S.	REIT	Equity accounted investments adjustment	Total
Total assets	\$ 2,638,216	\$ 2,317,975	\$ 30,815	\$ (127,165)	\$ 4,859,841
Total liabilities	521,907	962,922	1,168,280	(127,165)	2,525,944

Note 28. Contingencies and guarantees

(a) Letters of credit:

As at December 31, 2021, the REIT had issued letters of credit in the amount of \$75 (December 31, 2020, \$3,574).

(b) Contingencies:

The REIT is contingently liable for bonds that have been provided to support industrial development projects in the amount of \$5,842 (December 31, 2020, \$nil).

The REIT performs an assessment of legal and tax proceedings and claims which have occurred or could occur as a result of ongoing operations. In the opinion of management and based on the information available, any liability that may arise from such contingencies in excess of existing accruals would not have a material adverse effect on the consolidated financial statements.

(c) Guarantees:

At December 31, 2021, the REIT has guaranteed certain debt assumed by purchasers in connection with the dispositions of two properties (December 31, 2020, three properties). These guarantees will remain until the debt is modified, refinanced or extinguished. Credit risk arises in the event that the purchasers default on repayment of their debt since it is guaranteed by the REIT. This credit risk is mitigated as the REIT has recourse under these guarantees in the event of default by the purchasers, in which case the REIT would have a claim against the underlying properties. The estimated amount of debt subject to the guarantees at December 31, 2021 was \$43,586 (December 31, 2020, \$53,811), with an estimated weighted-average remaining term of 1.4 years (December 31, 2020, 2.1 years). Management has assessed the estimated fair values of the borrowers' interests in the underlying properties compared to the mortgage balances and the risk of default by the borrowers and determined that a provision is not required to be recognized in the consolidated financial statements.

Note 29. Capital management

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

The REIT's Declaration of Trust permits the REIT to incur indebtedness, provided that after giving effect to incurring or assuming any indebtedness (as defined in the Declaration of Trust), the amount of such indebtedness of the REIT is not more than 70% of the gross book value of the REIT's total assets. Gross book value as defined in the Declaration of Trust includes the consolidated book value of the assets of the REIT, plus the amount of accumulated depreciation and amortization recorded in the books and records of the REIT, plus the amount of any deferred tax liability arising out of any indirect acquisitions, calculated in accordance with generally accepted accounting principles. As at December 31, 2021, the ratio of such indebtedness to gross book value was 42.9% (December 31, 2020, 49.3%), which complies with the requirement in the Declaration of Trust and is consistent with the REIT's objectives.

The total managed capital for the REIT is summarized below:

	Note	December 31, 2021	December 31, 2020
Mortgages and loans payable	11	\$ 1,085,039	\$ 1,273,522
Senior unsecured debentures	12	249,346	498,919
Credit facilities	13	631,253	624,461
Total debt		1,965,638	2,396,902
Unitholders' equity		2,455,353	2,333,897
		\$ 4,420,991	\$ 4,730,799

Note 30. Risk management

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

(a) Market risk:

(i) Interest rate risk:

The REIT is exposed to interest rate risk on its borrowings. The Declaration of Trust restricts the REIT's indebtedness to 70% of the gross book value of the REIT's total assets. The REIT also monitors the amount of variable rate debt. The majority of REIT's debt financing is in fixed rate terms or variables rates with interest rate swaps in place. In addition, management considers the weighted-average term to maturity of long-term debt relative to the remaining average lease terms. At December 31, 2021, the REIT had variable rate debt, including credit facilities, of \$1,324,662 (December 31, 2020, \$1,495,281). At December 31, 2021, the REIT had entered into interest rate swaps to hedge the interest rate risk associated with \$907,516 of variable rate debt, including swaps on credit facilities (December 31, 2020, \$973,405).

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

	Impact on interest expense	
Variable rate debt	\$	4,171
Fixed rate debt due within one year		6,649
	\$	10,820

Some of the REIT's variable rate debt and interest rate swaps are linked to US dollar LIBOR ("USD LIBOR"), which is subject to the interest rate benchmark reform. The Financial Conduct Authority ("FCA") has confirmed that the 1, 3, 6 and 12-month USD LIBOR will cease to be provided by any administrator immediately 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 November 2021 amendment to the revolving term credit facilities agreement (note 13) include fallback provisions referencing the alternative benchmark rate and the trigger event on which such provisions will be activated. For the remaining LIBOR-linked financial instruments, the REIT has begun communications with debt and swap counterparties regarding amendments to include fallback provisions as appropriate. 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.

As at December 31, 2021, the REIT had variable rate debt and interest rate swaps linked to USD LIBOR as follows:

	December 31, 2021	
Financial assets:		
Interest rate swaps ⁽¹⁾	\$	1,029
Financial liabilities:		
Mortgages and loans payable ⁽²⁾	\$	628,155
Credit facilities ⁽²⁾		131,851
Interest rate swaps ⁽¹⁾		4,005
	\$	764,011

(1) Interest rate swaps are disclosed at the fair values as at December 31, 2021.

(2) Mortgages and loans payable and credit facilities are disclosed at the outstanding balances as at December 31, 2021.

(ii) Foreign currency risk:

The REIT owns properties located in the U.S., and therefore, the REIT is subject to foreign currency fluctuations that may impact its financial position and results. In order to mitigate this risk, the REIT's debt on U.S. properties and a portion of the amounts drawn on credit facilities are held in US dollars to act as a natural hedge.

A \$0.10 weakening in the US dollar against the calculated average Canadian dollar exchange rate of 1.2565 for the year ended December 31, 2021, and the year-end exchange rate of 1.2678 at December 31, 2021, would have increased net income by approximately \$476 for the year ended December 31, 2021. A \$0.10 weakening in the US dollar against the Canadian dollar would have decreased other comprehensive income by approximately \$115,479 for the year ended December 31, 2021. Conversely, a \$0.10 strengthening in the US dollar against the Canadian dollar would have had an equal but opposite effect. This analysis assumes that all variables, in particular interest rates, remain constant.

(iii) Other price risk:

The fair value of investments in equity securities will vary as a result of changes in market prices of the investments. Market prices are subject to fluctuation and, consequently, the amount realized in subsequent periods may differ from the reported market value and amounts realized from disposition of a security may be affected by the quantity of the security being sold. Further, fluctuations in the market price of a security may have no relation to the intrinsic value of the security. The REIT manages its equity price risk by limiting the size of these investments relative to its total assets.

(b) Credit risk:

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

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

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

Included in property operating expenses are expected credit losses of \$574 during the year ended December 31, 2021 (2020, \$2,693).

The aging of accounts receivable is summarized as follows:

	December 31, 2021	December 31, 2020
Past due 0 - 30 days	\$ 2,630	\$ 2,074
Past due 31 - 90 days	623	596
Past due more than 91 days	2,325	2,990
	5,578	5,660
Allowance for doubtful accounts	(1,538)	(1,444)
	\$ 4,040	\$ 4,216

The repayment terms of the deferred receivables are as follows:

	December 31, 2021	December 31, 2020
Not later than one year	\$ 780	\$ 3,971
One to two years	112	930
Two to three years	63	—
	955	4,901
Allowance for doubtful accounts	(179)	(545)
	\$ 776	\$ 4,356

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

	December 31, 2021	December 31, 2020
Balance, beginning of year	\$ 1,989	\$ 406
Additional provisions recorded	1,393	2,860
Reversal of previous provisions	(819)	(167)
Amounts written-off	(852)	(1,081)
Foreign currency translation loss (gain)	6	(29)
Balance, end of year	\$ 1,717	\$ 1,989

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

(c) Liquidity risk:

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

The following are the estimated maturities of the REIT's financial liabilities at December 31, 2021 including accounts payable and other liabilities, lease liabilities, credit facilities, senior unsecured debentures and mortgages and loans payable. All debentures are disclosed at their face value.

	Total	Less than 1 year	1 - 3 years	4 - 5 years	After 5 years
Accounts payable and other liabilities	\$ 120,854	\$ 120,854	\$ —	\$ —	\$ —
Lease liabilities	1,423	307	434	285	397
Credit facilities	631,851	500,000	131,851	—	—
Senior unsecured debentures	250,000	—	250,000	—	—
Mortgages and loans payable	1,087,521	302,810	500,175	200,226	84,310
	\$ 2,091,649	\$ 923,971	\$ 882,460	\$ 200,511	\$ 84,707

Note 31. Fair value measurements

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

There were no transfers of assets or liabilities between hierarchy levels during the years ended December 31, 2021 and 2020.

	Fair value hierarchy	December 31, 2021		December 31, 2020	
		Carrying value	Fair value	Carrying value	Fair value
Assets:					
Investment properties	Level 3	\$ 3,741,544	\$ 3,741,544	\$ 4,325,121	\$ 4,325,121
Investment properties under development	Level 3	195,161	195,161	132,243	132,243
Investments in equity securities	Level 1	77,186	77,186	—	—
Notes receivable	Level 2	36,282	36,473	21,684	22,269
Investment properties held for sale	Level 3	62,904	62,904	74,483	74,483
Derivative instruments	Level 2	1,029	1,029	—	—
		4,114,106	4,114,297	4,553,531	4,554,116
Liabilities:					
Mortgages and loans payable	Level 2	1,085,039	1,088,737	1,273,522	1,278,649
Senior unsecured debentures	Level 2	249,346	254,346	498,919	507,251
Credit facilities	Level 2	631,253	631,851	624,461	625,617
Derivative instruments	Level 2	7,689	7,689	22,792	22,792
		1,973,327	1,982,623	2,419,694	2,434,309
		\$ 2,140,779	\$ 2,131,674	\$ 2,133,837	\$ 2,119,807

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

The fair value of the investments in equity securities has been determined based on the quoted price on the principal securities exchange on which the majority of the trading occurs.

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

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

Note 32. Subsequent events

The following events occurred subsequent to December 31, 2021:

- The REIT participated in a consortium that acquired all of the outstanding units of Cominar Real Estate Investment Trust ("Cominar") for consideration of \$11.75 per unit in cash under a Plan of Arrangement (the "Cominar Transaction"). Also under the Plan of Arrangement, certain of Cominar's office, retail and industrial assets were acquired by other parties not part of the consortium. The REIT contributed \$212,000, including \$112,000 to acquire common equity units (representing approximately 32.64% of the total common equity units in the newly-formed entity) and \$100,000 to acquire junior preferred units that carry a distribution rate of 18.0% per annum. As part of the consideration, the REIT contributed its existing Cominar units, which had a fair value of \$13,419 as at December 31, 2021. The Cominar Transaction closed on March 1, 2022.
- The REIT disposed a portfolio comprised of two office properties located in the Greater Toronto Area, Ontario, for a sale price of \$35,500.
- The REIT entered into an unconditional sale agreement to sell an industrial property located in the Greater Toronto Area, Ontario, for a sale price of \$29,200 with expected closing in March 2022.
- The REIT drew a net balance of \$244,000 and repaid a net balance of \$12,716 (US\$10,000) on its revolving term credit facilities.
- The REIT repaid \$100,000 of the non-revolving credit facility that matured on February 4, 2022 and entered into an amended agreement for the remaining balance of \$100,000, bearing interest at BA rate plus 1.60% or prime plus 0.60% and maturing February 6, 2023.
- The REIT repaid a mortgage for an industrial property in the amount of \$9,845 (US\$7,803).
- The REIT purchased through the NCIB 3,583,882 common units at a weighted-average price of \$12.37, 16,400 Series A Units at a weighted-average price of \$24.82 and 19,300 Series E Units at a weighted-average price of \$24.03.
- The REIT purchased equity securities for an aggregate cost of \$48,638.
- The REIT declared a monthly cash distribution of \$0.05 per common unit for the months of January and February 2022.
- The REIT declared a quarterly cash distribution of \$0.3750 per Series I Unit for the three months ended January 31, 2022.

Note 33. Approval of financial statements

These consolidated financial statements were approved by the Board of Trustees and authorized for issue on March 3, 2022.



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