



2022

ARTIS REAL ESTATE INVESTMENT TRUST

TSX: AX.UN

ANNUAL REPORT

ON THE COVER:

BOULDER LAKES BUSINESS PARK
Twin Cities Area, Minnesota

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, 2022, 2021 and 2020. These documents are available on SEDAR at www.sedar.com or on Artis's 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 including risks relating to 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 systems, cyber security, environmental matters and climate change, land and air rights leases, public market, market price of the REIT's units, changes in legislation and investment eligibility, availability of cash flow, fluctuations in cash distributions, the 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. Refer to the section entitled "Risks and Uncertainties" in the REIT's 2022 Annual Management's Discussion and Analysis and the section entitled "Risk Factors" in the REIT's Annual Information Form dated February 28, 2023, for additional information regarding risks and uncertainties.

NOTICE WITH RESPECT TO NON-GAAP & SUPPLEMENTARY FINANCIAL MEASURES DISCLOSURE

In addition to reported International Financial Reporting Standards ("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's 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. For a full description of these measures and a reconciliation to the most directly comparable measure calculated in accordance with IFRS, please refer to the "Notice with Respect to Non-GAAP and Supplementary Financial Measures Disclosure" section in the REIT's 2022 Annual Management's Discussion and Analysis (enclosed in this Annual Report).

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SAMIR MANJI
President and
Chief Executive Officer

LETTER TO UNITHOLDERS

Dear Fellow Artis Unitholders:

I have been looking forward to writing this annual letter and the opportunity to share my thoughts and perspectives on the past year and, more importantly, on the road ahead for Artis and Artis's owners. Suffice it to say that a lot has happened over the past 12 months, not to mention what we have seen unfold recently in 2023, with a multitude of factors contributing to market pressure and volatility. 2022 was a challenging year and macroeconomic factors had a significant impact on our business, in particular our interest costs and our net asset value ("NAV") per unit. Today, these same factors, alongside new ones, are putting significant pressure on the trading price of almost every public company or REIT, with very few industries being immune from these effects. None of this has changed the Board and Management's resolve and commitment to

focus on things within our control in order to achieve our primary and fundamental goal of maximizing value for unitholders. This is paramount to the new vision and strategy for Artis that we announced on March 10, 2021 - to become a best-in-class real estate asset management and investment platform focused on growing NAV per unit and distributions for investors through value investing in real estate. At that time, we unveiled the Business Transformation Plan, a detailed strategy which is categorized into three pillars: 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) focusing on value investing in mispriced, misunderstood, or mismanaged assets or companies, including REITs. In this letter, I will provide an update on our key accomplishments and challenges in 2022, the status of key initiatives and areas of focus, and the path that lies ahead.

The past year presented both opportunities and challenges for Artis. As the year progressed, we at Artis were pleased to see signs that the pandemic was behind us. Our tenants had endured nearly three years of difficult and volatile times, with continuously changing government restrictions, employees working from home, and a general hesitancy towards visiting or congregating in public places. Supporting our tenants during this period by keeping our buildings safe and open and helping tenants plan and execute their return-to-work arrangements has been a critical focus for us. Our tenants have been adaptable and have shown their resilience during this time. We are pleased to report that our portfolio occupancy is strong at over 90% and we continue to be encouraged by the consistent increase in leasing momentum we experienced throughout the year.

Notwithstanding these reasons for optimism, new economic headwinds emerged for the real estate sector in 2022 and have continued into 2023. The challenging macroeconomic environment and, more specifically, rising interest rates, have weighed negatively on market sentiment towards real estate and impacted our business. We have taken these factors into consideration when decision-making and planning for 2023 to mitigate certain risks, manage our overall interest costs, and remain focused on our fundamental goal of maximizing value for unitholders. We are fortunate to have strong relationships with many financial institutions that have stood by our side throughout the pandemic and beyond. As a result, our access and ability to secure financing has not been hindered and we continue to maintain sufficient liquidity to manage our portfolio and pursue our strategy. In 2022, we renewed the first tranche of our revolving credit facilities in the amount of \$400.0 million for an additional two-year term. We also issued Series E senior unsecured debentures for gross proceeds of \$200.0 million, bearing interest at a fixed rate of 5.6% for a three-year term. We continue to work diligently on managing upcoming mortgage maturities.

With respect to our financial performance in 2022, one of our key performance indicators ("KPIs") and what I continue to believe to be our most important financial metric, is NAV per unit. At December 31, 2022, our NAV per unit was \$17.38, representing a slight increase over the prior year's NAV per unit of \$17.37. The \$0.01 increase in NAV per unit, combined with a regular common unit distribution of \$0.60 annually, equates to a total return of 3.5%. This comes on the heels of generating a 20% return in 2021 (when calculated using the same methodology) for our owners. These calculations do not include the special distributions that were declared in 2022 of \$0.16 per unit (of which \$0.08 was paid in cash and \$0.08 was paid in units) and in 2021 of \$2.39 per unit (of which \$0.32 was paid in cash and \$2.07 was paid in units). We are disappointed with the 2022 return metrics and the fact that our units continue to trade at a significant discount to NAV. It is widely known that diversified REITs are out of favour; yet, our operating metrics demonstrate that our diversification strategy has proven its value during one of the most difficult times the sector has seen in years. We remain committed to narrowing the discount between our trading price and NAV per unit and will consider all means and tools available to achieve this. We are also mindful of the two-to-three-year timeline we presented to unitholders in March 2021 for implementation of our Business Transformation Plan. If, over the course of 2023, our units continue to trade at a significant discount, market permitting, we will consider other options available to achieve and fulfill our commitment to Artis's unitholders.

Last year I discussed the principle of intrinsic value, an investment strategy adopted by Warren Buffett. This strategy has driven much of our decision making since March 2021, with a focus on building value for our owners through disciplined and thoughtful value investing. I continue to believe that following this approach will enable us to

grow NAV per unit, which defines the value of Artis's units despite what the market might otherwise suggest.

As part of our value-investing strategy and capital allocation decision making, we have sold assets over the past two years and have used a portion of the sale proceeds to invest in undervalued companies or REITs. When we invest in other companies or REITs, we are buying a piece of those businesses – or, put a different way, a piece of the real estate portfolio owned by that company or REIT. Once again, we do this because we believe the intrinsic value of that business or portfolio is much higher than the market is giving it credit for and, relative to other investment or capital allocation opportunities, we believe the investment will ultimately produce a better return on our capital in the long run. I will discuss this further in the context of our investments in Cominar Real Estate Investment Trust ("Cominar"), Dream Office Real Estate Investment Trust ("Dream Office"), and First Capital Real Estate Investment Trust ("First Capital").

YEAR IN REVIEW

We went into 2022 building on the progress we made in 2021, with a continued focus on effective capital allocation, a fundamental component of our vision and strategy. This included the monetization of assets in a measured, patient, and opportunistic manner that then provided the financial resources to continue to reduce debt while also executing on our value-investing strategies. We made good progress with our disposition plan during the first half of 2022, but the second half of the year felt the impact of the significant change in the overall transaction landscape, due largely to the higher interest rate environment. This did not stop us from continuing to focus on what we had planned, based once again on our relentless commitment to ultimately creating value for our owners through growing NAV per unit.

In 2022, we sold four Canadian assets for \$94.7 million and 20 U.S. assets for US\$311.4 million. These prices are, on balance, in line with the International Financial Reporting Standards ("IFRS") fair values reported prior to the sales. The bulk of these transactions include dispositions of a few office assets in Canada and the U.S. and the majority of our industrial assets in the Twin Cities Area. This is in line with our strategy of unlocking value in our current portfolio and strategically utilizing that value to pursue investments we believe have the potential to produce above-average risk-adjusted returns for our unitholders over the medium-to-long term. I elaborate further on this point later in this letter.

Below I have summarized our notable investments and capital allocation initiatives in 2022.

Purchases of Equity Securities

As noted, 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 NAV per share or unit that the company or REIT is worth. There are some companies or REITs that have exceptional properties in strong markets that we would love to own directly and an indirect investment in these entities through public shares or units is a different and more cost-effective way for us to achieve an ownership interest. Best of all, we get to do so at a discount to what it would ultimately cost us to buy these properties directly – and often this discount is significant.

In 2022, Artis and a consortium of partners closed on the acquisition and privatization of Cominar. This was a milestone transaction in the implementation of our Business Transformation Plan and is an example of the type of investment that we believe will build long-term value for our unitholders. The overall thesis for this investment was very simple and aligns with my earlier comments about intrinsic value. We saw an opportunity to acquire quality, well-located real estate for much less than what it is truly worth. In this instance, the consortium acquired approximately \$6.5 billion of real estate for approximately \$5.8 billion – a discount of \$700 million. We mitigated some of our risk by selling \$3.6 billion of real estate at the time of closing, leaving \$2.9 billion of assets that cost us \$2.2 billion. Since completing the transaction a year ago, we have hired a new CEO, Mario Morroni, and under his leadership, we are further de-risking this investment by monetizing additional assets. While the short-term objective of these additional asset sales has been debt reduction, we expect to see our equity investment produce an attractive, above-average return for Artis and our fellow owners of Cominar.

Together with Sandpiper Group (“Sandpiper”) as joint actors, Artis’s position in Dream Office increased to 14% in 2022. Dream Office’s units trade at an approximately 50% discount to their most recently reported IFRS NAV. Last year, we strategically opted to sell some of our office properties in suburban Toronto and allocate capital to Dream Office. Today, Artis directly owns approximately 5.6 million units of Dream Office. We continue to see value in Dream Office’s portfolio and, more specifically, in the downtown Toronto office market, where Dream Office has a high concentration of well-located assets. In addition, what many investors do not give Dream Office enough credit or value for, is the 26.6 million units of Dream Industrial REIT that Dream Office owns and has on its balance sheet (at December 31, 2022). We believe that the intrinsic value of Dream Office’s assets is much higher than the value the market is assigning to it. We also believe that Michael Cooper, both the CEO and largest unitholder of Dream Office, is committed to maximizing value for unitholders. Mr. Cooper has a number of options available to achieve this and we are confident that, as he has done with other platforms and investments, he will do the same in this instance. This investment is in line with our value-investing strategy and has the potential to create meaningful long-term value for our unitholders.

Similar to our approach in the office segment with Dream Office, on the retail front we opted to begin selling some of our retail properties, primarily located in secondary markets, and allocating capital to First Capital. First Capital owns some of the most attractive, valuable, grocery-anchored real estate in Canada. The unit price of First Capital was trading at a significant discount due to various factors and we saw a compelling opportunity from a capital allocation standpoint. Today, Artis directly owns over 12 million units of First Capital. Together with Sandpiper as joint actors, Artis owns approximately 9% of the outstanding units of First Capital. We look forward to collaborating with the board of First Capital in 2023 as they take steps to unlock and maximize value for all of First Capital’s unitholders.

Normal Course Issuer Bid

We continue to view our normal course issuer bid (“NCIB”) as one of the most powerful tools available to enhance value for our owners. Under the NCIB that expired on December 16, 2021, we purchased 10,160,396 units at a weighted average price of \$11.26, representing the maximum number of common units that could be purchased under the applicable term. Under the NCIB that was renewed on December 17, 2021, (and expired December 16, 2022), we purchased

8,778,176 common units at a weighted-average price of \$12.39, again representing the maximum number of common units that can be purchased under the applicable term. The aggregate over the two terms, 18,938,572 units, represents 14% of the units outstanding at the beginning of the period. With our units continuing to trade on the market significantly below our NAV per unit, utilizing our NCIB is a low-risk use of capital that increases intrinsic value and benefits our investors by increasing their effective ownership stake in Artis. Going forward, we will continue to use our NCIB as a useful tool to enhance unitholder value.

Development Projects

Our development projects continue to reward our unitholders by increasing the overall value of our portfolio and providing new, steady income streams as lease up occurs. Going into 2022, we had four development projects underway: (i) Park 8Ninety V; (ii) Blaine 35; (iii) Park Lucero East; and (iv) 300 Main. Park 8Ninety V is the fifth and final phase of an industrial development project located in the Houston area in Texas. In 2022, we completed construction of the fifth phase (in which we have a 95% ownership interest). The entire project totals approximately 1.8 million square feet of best-in-class, well-located industrial real estate. We also continue to make excellent progress at Blaine 35, a two-phase industrial project located in the Minneapolis area in Minnesota. Blaine 35 will total approximately 317,400 square feet and is expected to be completed in 2023. Park Lucero East is an industrial development project located in the Phoenix area in Arizona, in which we have a 10% ownership interest and a development management contract in place. This project will comprise approximately 561,000 square feet upon completion and is 100% pre-leased. We anticipate exiting this investment in 2023 and plan to monetize both our equity and carried interest in the project. Lastly, we continue to make progress on the development of 300 Main, a 40-storey residential and commercial project in Winnipeg, Manitoba. In 2022, Earls Kitchen + Bar opened on the main floor of the building. Pre-leasing interest in the apartment suites continues to be strong and we look forward to welcoming our first residential tenants to the property this year.

Core Long-Term Real Estate Holdings

We sold a number of properties last year and, as detailed later in this letter, expect to sell additional properties in 2023. That said, 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; and (ii) produce healthy rental-rate growth and corresponding bottom-line performance. 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

One of our key long-term objectives is to have lower leverage. Due to the delay in closing certain dispositions in 2022, we ended the year with overall leverage of 48.5%, slightly above our desired maximum target of 45.0%. We remain committed to reducing leverage and are confident we can achieve this as we move through 2023. This will also improve overall liquidity, which will provide us with greater financial flexibility going forward.

We ended 2022 with liquidity of \$127.2 million. Our plan was to end the year with a higher amount, but this too was impacted by delayed closings of certain dispositions. I anticipate this will be addressed

“Our development projects continue to reward our unitholders by increasing the overall value of our portfolio and providing new, steady income streams as lease up occurs.”

300 MAIN
Winnipeg, Manitoba

in the first quarter of 2023, as we have made further progress on the disposition front and on the refinancing side of things. Our goal is to ensure we have a healthy liquidity position at all times, both for the sake of being fiscally conservative and to ensure we can be opportunistic in allocating capital to various opportunities that may surface and could contribute meaningfully to NAV per unit so as to ultimately maximize value creation for our unitholders.

THE ROAD AHEAD

It is hard to believe that it has already been two years since the announcement of our Business Transformation Plan. Artis is not the company today that it was two years ago. We remain steadfast in our commitment to our strategy and acknowledge that the path to get there may wind as we allow ourselves the flexibility to be opportunistic and to adjust to external market and economic driven factors that are out of our control. We stated from the get-go that our strategy would result in less conventional forms of income and cash flow for Artis, including “lumpy” income from monetizing investments in public securities over time.

In 2023, we plan to close additional property dispositions; however, we expect to maintain at least \$3.0 billion of income generating properties. These held assets will have strong growth potential and/or will be situated in core markets. Maintaining an income-producing portfolio is key to our strategy, diversifies our investment portfolio, and generates income (including management fees) that allows us to sustain our distribution to our owners.

Focus on Key Performance Indicators

Our KPIs are NAV per unit, adjusted funds from operations (“AFFO”) per unit, AFFO payout ratio, debt to gross book value, and distribution per unit. Our plan is to use the proceeds from dispositions during the year to reduce debt 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 allow us to be opportunistic and to pursue investments that we believe are in line with our strategy, including equity securities and real estate acquisitions or developments.

Subsequent to December 31, 2022, we sold one Canadian office property for \$14.6 million. We also have six U.S. properties under unconditional contract to sell for US\$74.8 million.

Drive **Organic** Growth

Our organic growth strategy can be categorized into two main objectives: 1) managing our existing portfolio to achieve optimal efficiency and improving the portfolio’s income profile by achieving and extracting the maximum value from each individual asset; and 2) constructing, as an owner or a development manager, state-of-the-art new generation real estate in strategic locations that are expected to generate strong development yields.

As I mentioned earlier in this letter, we have achieved healthy leasing activity across our portfolio. In 2022, 3,690,415 square feet of new leases and renewals were negotiated and signed. Of this, new leases accounted for approximately 1,886,547 square feet and renewals accounted for the remaining 1,803,868 square feet. A significant portion of the new leases that were signed were for space at new development projects, which speaks to the continued demand for new generation industrial product that is well positioned and is designed with features that cater to the target market.

With respect to lease deals that commenced in the year, there were 982,778 square feet of new leases and 1,456,537 square feet of renewals that began in 2022. These renewals were negotiated at a weighted-average rental increase of 4.9% when compared to expiring rents. This is an excellent rate of growth and we are pleased to report that the fourth quarter of 2022 marked our eighth consecutive quarter of positive growth in weighted-average rental rates. The increase in same property net operating income year over year in Canadian dollars was 1.8%. Same property net operating income growth is an important indicator and a metric that we will continue to monitor closely in the quarters ahead.

In addition to driving growth in our existing portfolio, we also have a robust pipeline of industrial development projects under way (as described earlier in this letter) that we expect will be worth much more upon completion than what it cost us to build. These developments result in the creation of new net operating income for our portfolio and should ultimately increase cashflow, funds from operations 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.

Our sustainability initiatives are another important component of our organic growth strategy. The cost benefits and efficiencies that can be achieved through implementing environmental best practices often translate directly to organic growth. Analysis of key environmental risks (including both physical and transitional climate risks) allows us to be proactive in addressing these risks and make certain we are allocating capital, both with respect to our existing portfolio and our new development projects, to ensure these investments are best positioned to produce sustainable growth for our unitholders over the long term. Tenant engagement is important to guaranteeing a successful business relationship and promoting tenant retention. In 2022, we conducted our first annual tenant satisfaction survey. Engaging with our tenants in this way helps us to understand what we are doing well and where there is room for improvement. The survey was well received and the results have been reviewed at every level of Management and are being taken very seriously. We will publish our Tenant Sustainability Handbook in the coming months, which provides sustainability suggestions and resources for our tenants that can be applied to initial fit outs of new space, retrofits and renovations of existing space, and ongoing day-to-day operations. This guide will be provided to all current and new tenants and will be posted on our “ESG Community” website, a website we created to collaborate with tenants on environmental, social and governance (“ESG”) matters. We are confident that utilizing this and other engagement tools will help us to understand the needs of our tenants so we can all thrive together while protecting our planet. Working together as partners, we have an exciting opportunity to make an impactful and positive change.

NCIB

At the end of 2022, we renewed our NCIB from December 19, 2022, to December 18, 2023. Under the terms of this bid, we can acquire up to an additional 7,860,942 units during the 12-month period. As noted earlier, we continue to view our NCIB as a very valuable tool to enhance unitholder value and will continue using the NCIB aggressively given our units trade at a significant discount to our NAV.

Environmental, Social and Governance

In addition to our focus on sustainability initiatives at the property level, our Board continues to view Environmental, Social and Governance initiatives throughout the organization as a high priority for Artis. As we committed to in our Business Transformation Plan, our goal is to make ESG a focal point and to establish a company-wide ESG-minded culture at Artis. As part of our ESG strategy, we are committed to creating a culture that values and prioritizes diversity, equity and inclusion. I can say wholeheartedly that, over the last two years, we have taken our commitment to ESG very seriously. Under the stewardship of the Governance, Nominating and Compensation Committee of our Board of Trustees and through execution by our internal ESG Committee, we have taken significant strides towards establishing Artis as a leader in ESG best practices. Through our sustainability initiatives, we are confident we will reduce our environmental impact, make a positive change in the communities in which we operate, strengthen our business, and create a culture that allows us to attract, retain and develop the best talent. There is so much more to do in this ever-evolving field and there will always be opportunities for improvement, but we are happy with the progress we have made thus far and look forward to sharing more information on our ESG initiatives and progress in our 2022 ESG Report.

FINAL THOUGHTS AND OUR ANNUAL GENERAL MEETING

We accomplished a great deal in 2022 and, as I stated at the outset, we will continue to focus on executing the Plan introduced in March 2021. At the same time, it is not lost on me, the Board or Management that Artis’s unit price continues to trade at a significant discount to its NAV per unit. In simple terms, this is not acceptable. We will continue to use all near-term levers available to us to improve this. As we move further into the third year of implementing our new vision and strategy, if the discount to our trading price relative to NAV per unit does not close significantly, we will consider every option available to fulfill our goal of maximizing value for unitholders. We will not let our unitholders down.

When we announced a new vision and strategy for Artis two years ago, some people were excited about our unconventional Plan; however, others were hesitant, if not outright opposed. We knew we would need to earn people’s trust through successful execution and results. External factors have made the past year difficult, but history has demonstrated that there will always be ebbs and flows, periods of time when the economy provides tail winds for our business and periods when it creates headwinds. We continue to focus on the big picture. From our perspective, this means focusing on the value of our units, not the price of our units. We are confident that with the execution of our Plan, clear communication and demonstrating a track record of success, we will be able to narrow the gap between the value and price of our units, and our owners will be rewarded. Rest assured, we will do our best to stay true to the commitment we presented to our owners in March 2021.

Thank you for trusting us with your capital. We look forward to the rest of 2023 with determination and confidence and are optimistic about navigating the road that lies ahead.

In closing, I invite all of our stakeholders to join us in person at our next annual general meeting scheduled for 2:00 pm ET on June 8, 2023, at TMX Market Centre in Toronto, Ontario. I look forward to seeing you there.



Samir A. Manji
President & Chief Executive Officer

220 PORTAGE AVENUE
Winnipeg, Manitoba



ARTIS AT A GLANCE

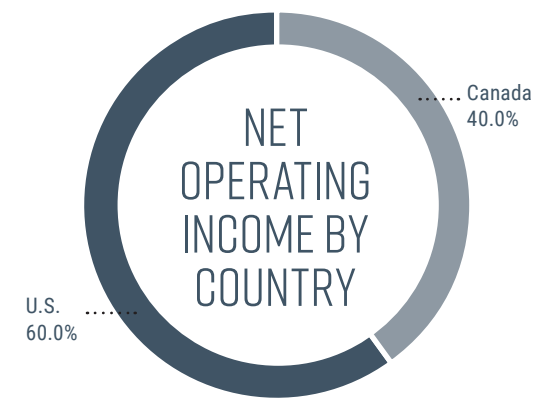
Artis Real Estate Investment Trust is one of the largest diversified commercial real estate investment trusts in Canada and is an unincorporated closed-end real estate investment trust created under, and governed by, the laws of the Province of Manitoba.

Artis's 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.E and AX.PR.I. Artis's 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, 2022, the REIT's portfolio comprised 134 commercial properties totalling approximately 15.5 million square feet of gross leasable area.

\$0.60 Per Common Unit	ANNUAL DISTRIBUTION ⁽¹⁾
134 Total Number	PROPERTIES
15.5 Million Sq.Ft.	GROSS LEASABLE AREA

(1) Excluding the special distribution declared in December 2022.



KEY FINANCIAL METRICS

As at December 31, 2022 or for the year ended December 31, 2022

NAV PER UNIT \$17.38	TOTAL DEBT TO GBV 48.5%	AFFO PER UNIT \$0.95	FFO PER UNIT \$1.39
REVENUE \$372.5M	TOTAL ASSETS \$4.6B	AFFO PAYOUT RATIO 63.2%	FFO PAYOUT RATIO 43.2%

VISION AND STRATEGY

VISION

Artis's vision is 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.

BUSINESS TRANSFORMATION PLAN

In March 2021, Artis 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 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.

As part of the Business Transformation Plan, Artis will be 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.

The Business Transformation Plan includes the following key elements:

1. Strengthening the Balance Sheet

The first element of the Business Transformation Plan is to strengthen the balance sheet through accretive dispositions, unit repurchases and debt reduction.

2. Driving Organic Growth

The second element of the Business Transformation Plan is driving organic growth by creating value for Artis's unitholders through identifying operational efficiencies, increasing occupancy and in-place rents, and the completion of new development projects.

3. Focusing on Value Investing

The third element of the Business Transformation Plan is to focus on value investing. This involves redeploying capital into new investments including value-added assets, undervalued publicly traded real estate securities and any other real estate investment opportunities. In particular, Artis is focused on identifying investments that are undervalued with potential to produce above average risk-adjusted returns over the medium-to-long term. Artis will seek to 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 REIT's near-term focus continues to be on publicly listed Canadian real estate entities.

Artis is committed to conducting its business in a sustainable manner, with a focus on continuous and measurable improvement and transparency in all areas of its environmental, social and governance ("ESG") performance.

As part of Artis's 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 ensuring that excellence in ESG practices is an integral part of its business model and is a core component of its corporate culture. 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. For further information on Artis's ESG practices, please see the Environmental, Social and Governance section of this Annual Report.

“Artis is focused on identifying investments that are undervalued with potential to produce above average risk-adjusted returns over the medium-to-long term.”



PORTFOLIO AND OPERATIONAL PERFORMANCE

On December 31, 2022, Artis's portfolio comprised 134 properties totalling 15.5 million square feet of gross leasable area. The REIT's portfolio includes industrial, office and retail properties located across five provinces and five states in Canada and the United States ("U.S."). At December 31, 2022, Canadian assets account for 43.1% of the portfolio by gross leasable area, while 56.9% of the portfolio by gross leasable area is located in the U.S. By asset class, Artis's industrial portfolio accounts for 43.5% of the REIT's gross leasable area, while office assets represent 42.6% and retail assets represent 13.9%.

The REIT also has ownership interest in ten investment properties, one investment property under development, one parcel of development land and properties acquired as part of the Cominar transaction. These have been excluded from financial and operating metrics throughout this Annual Report, unless otherwise noted.

In 2022, Artis's portfolio continued to demonstrate resiliency, maintaining a healthy occupancy level above 90% (including commitments) throughout the year. Across Artis's six offices located in Winnipeg, Calgary, Edmonton, Phoenix, Madison and Minneapolis, approximately 2.4 million square feet of lease transactions (including new leases and renewals) commenced during the year. The weighted-average increase in rental rates achieved on these renewals was 4.9%. Looking ahead to 2023, a manageable 14.6% of Artis's gross leasable area expires, 46.9% of which was renewed or committed to new leases at the end of 2022. Artis's 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.

Artis has 1,106 tenant leases in its portfolio with a weighted-average term to maturity of 5.4 years. The properties have a diverse tenant base, with the top 10 tenants representing 20.3% of the REIT's total gross revenue (in Canadian and US dollars) and a weighted-average term to maturity of 8.5 years. Artis's rent collections remained strong throughout 2022. Artis collected 99.1% of rent charges for the year ended December 31, 2022.

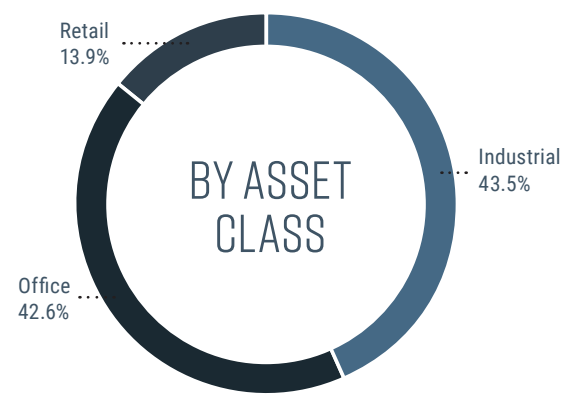
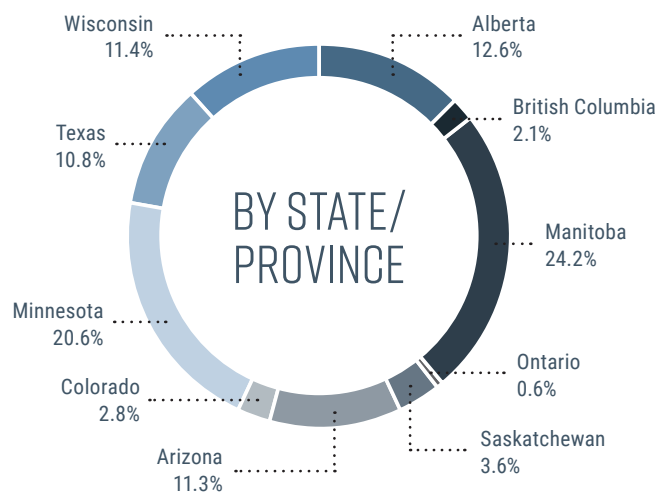
Artis continues to create value for unitholders through development projects, which present a compelling opportunity to build new generation real estate at building costs that are well below the REIT's estimated fair value upon completion. In 2022, Artis completed construction of the fifth and final phase of Park 8Ninety (in which Artis has a 95% ownership interest) located in the Greater Houston Area, Texas. This final phase comprises approximately 675,000 square feet of additional industrial space to add to Artis's existing 1,120,414 square feet in the first four phases. Artis is also making excellent progress on Park Lucero East, an industrial development project in the Greater Phoenix Area, Arizona, that the REIT has a 10% ownership interest in as well as a development management contract in place. 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. Construction of the first phase was complete during the second quarter of 2022 and construction of the second phase is currently underway and expected to be completed in 2023. The REIT also has a commercial and residential development project under construction, 300 Main. This project is a 580,000 square foot building located in Winnipeg, Manitoba. 300 Main is connected to 330 Main, a state-of-the-

PORTFOLIO MAP



PORTFOLIO

By Gross Leasable Area



art multi-tenant retail property constructed in 2020. 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. During the first quarter of 2022, Earls Kitchen & Bar, occupying approximately 7,400 square feet, moved into their space on the main floor of the building. Pre-leasing of the first 20 floors of the 40-storey residential apartments is currently underway.

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 reduce debt and the flexibility to execute Artis’s 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, and in addition to the 41 properties and a portion of a retail property sold in 2021, Artis sold 24 properties totalling 3,175,024 square feet of gross leasable area for aggregate sale prices of \$94.7 million and US\$311.4 million in 2022. These dispositions included the sale of five office properties and 19 industrial properties in Canada and the U.S. Subsequent to December 31, 2022, Artis sold one office property in Saskatoon. Artis also has a portfolio of six industrial properties located in the Twin Cities Area under an unconditional sale agreement.

TOP 10 TENANTS

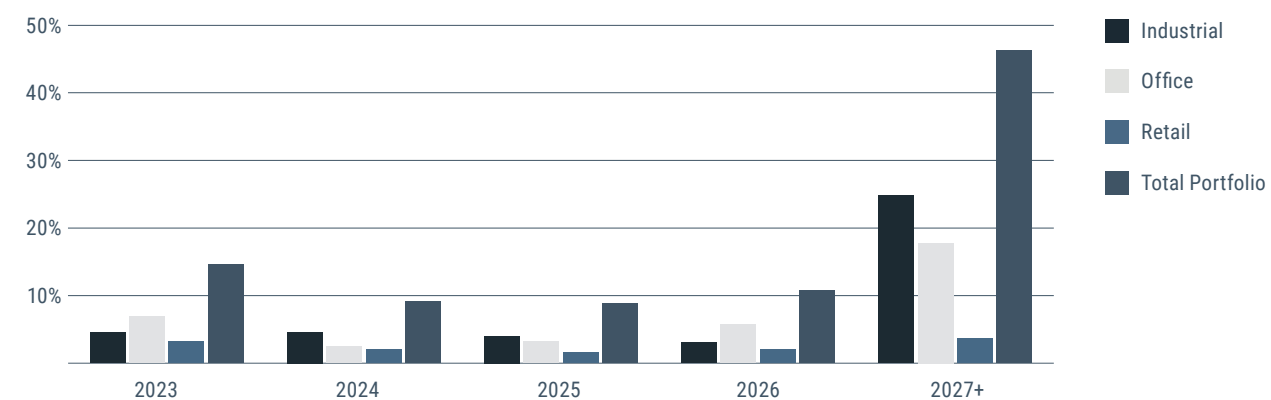
Tenant	% of Total Gross Revenue ⁽¹⁾	Weighted-Average Lease Term in Years
GOVERNMENT	3.9%	7.9
Bell	2.5%	6.8
AT&T	2.4%	0.2 ⁽²⁾
BellMTS	2.2%	4.0
PRIME THERAPEUTICS	2.2%	11.8
Catalent	1.6%	13.6
TDS telecom	1.5%	6.0
CBRE	1.4%	4.0
F&B	1.3%	8.9
RECIPE	1.3%	6.0

(1) In Canadian and US dollars.

(2) AT&T vacated their premises on February 28, 2023.

LEASE EXPIRIES BY YEAR

By Gross Leasable Area



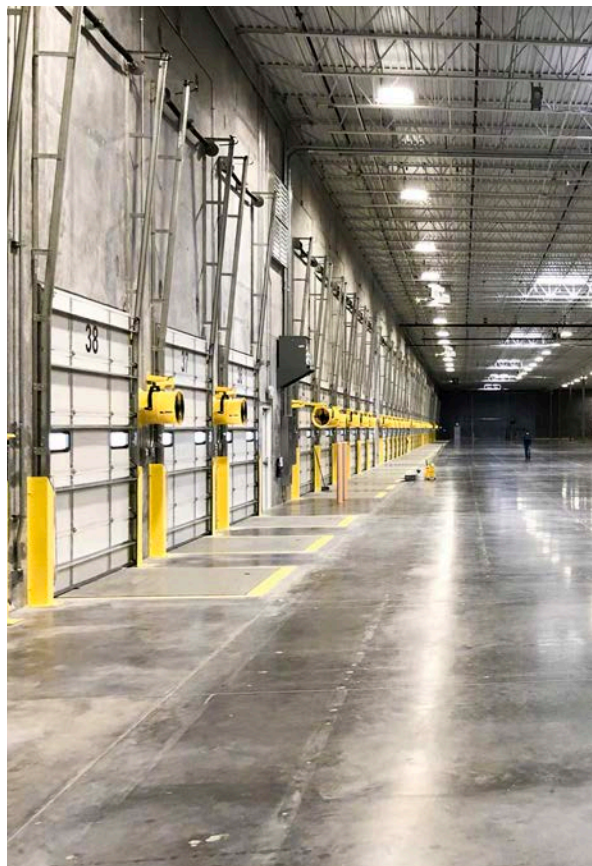
BELL MTS BUILDING I & II
Winnipeg, Manitoba

DEVELOPMENTS

PARK 8NINETY

Greater Houston Area, Texas

Park 8Ninety V is the fifth and final phase of an industrial development project located in the Greater Houston Area, Texas. This is a multi-phase development that totals over 1.8 million square feet of best-in-class industrial real estate with clear ceiling heights up to 36 feet, rear-load, front-load and cross-dock options, and is strategically located with access to two major thoroughfares with excellent visibility. The first four phases are 97% leased while the fifth phase, which was completed in the first quarter of 2022, is 35% leased with strong interest from prospective tenants in the remainder of the space, providing further opportunity for income growth once this space is leased. This development project is an excellent example of the value that can be created for Artis's unitholders through new construction. Artis has a 95% ownership interest in Park 8Ninety V.



COMPLETED

Park 8Ninety is a five-phase industrial development project that was constructed between 2017 and 2022. Construction of the fifth and final phase was completed in the first quarter of 2022.



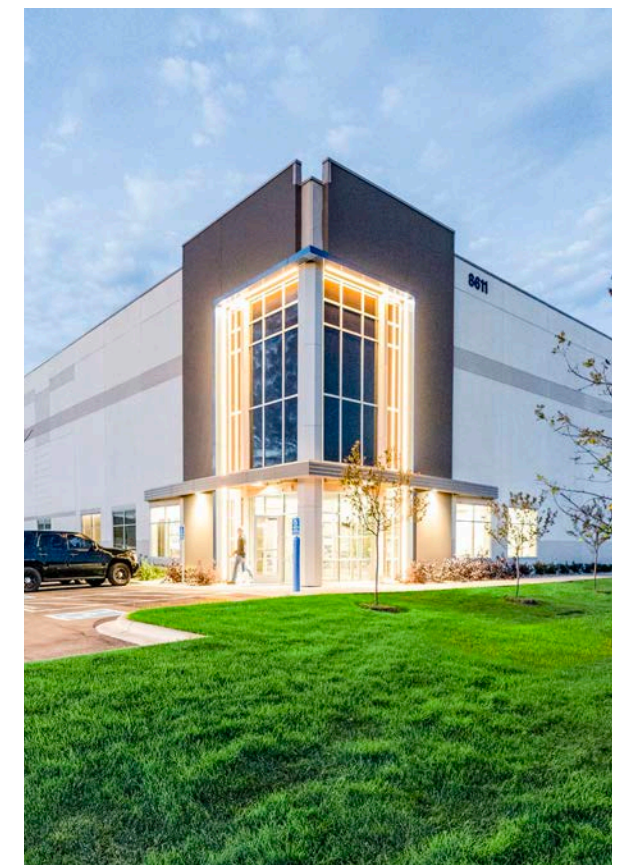
CURRENT

Construction of Blaine 35 I was completed in the second quarter of 2022 and was 73% leased upon completion, while Blaine 35 II is 50% pre-leased and is expected to be completed in 2023. The entire project will comprise approximately 317,400 square feet upon completion.

BLAINE 35

Twin Cities Area, Minnesota

Blaine 35 I is the first of two phases of an industrial development in the Twin Cities Area, Minnesota. This location provides prominent frontage on Interstate-35W and clear ceiling heights up to 32 feet. In addition to offering tenants all of the amenities that come with best-in-class, brand new industrial space, this development incorporates distinct architectural design, lush landscaping and sustainable wetlands. Throughout the planning stages of Blaine 35, Artis's team worked closely with the city and local community representatives to ensure sustainability was considered in the long-term vision for the project. The site incorporates improved infiltration and evapotranspiration and is designed to support the installation of electric vehicle charging stations and allow for the future extension of the Regional Bicycle Transportation Network along 35W Service Drive.



300 MAIN

Winnipeg, Manitoba

300 Main is a 40-storey residential apartment building located at the busiest and most prominent intersections of downtown Winnipeg, Portage Avenue and Main Street. It provides access to the underground and skywalk system that connects the core downtown buildings to each other, including the Canada Life Centre (home of the Winnipeg Jets). It is also connected to the Winnipeg Square retail concourse and Winnipeg Square Parkade, providing tenants with access to heated underground parking. Further, it will offer a second floor terrace with barbeques, pizza ovens, fireplaces and a pet playground. The 40th floor lounge will feature a theatre space, a games room and two outdoor patios. 300 Main offers the Winnipeg market a convenient and upscale pet-friendly option to live, work and play downtown.



CURRENT

In 2022, Earls Kitchen + Bar opened on the main floor at 300 Main. Pre-leasing of the first 20 floors is underway and Artis looks forward to welcoming residential tenants to the property in 2023. 300 Main is connected to 330 Main, a new retail development constructed by Artis in 2020.

CURRENT

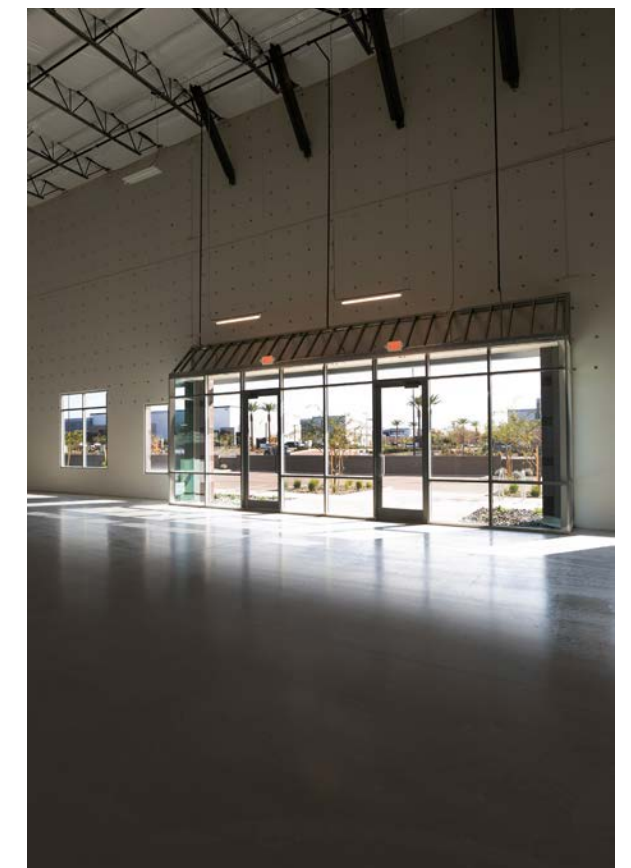
Artis began construction of Park Lucero East in 2021 and expects to complete construction of this project in 2023. This project is adjacent to another four-phase development project owned by Artis, Park Lucero, that was constructed between 2015 and 2018.



PARK LUCERO EAST

Greater Phoenix Area, Arizona

In 2021, Artis entered into an arrangement with Nuveen Real Estate to develop Park Lucero East, an industrial development project in the Greater Phoenix Area, Arizona. Artis has a 10% ownership interest in Park Lucero East and a development management contract. The site is located along the South Loop 202 Freeway with 202 Freeway and Germann Road frontage. Artis is familiar with this location, as it is adjacent to Park Lucero, a 582,000 square foot industrial development that Artis completed in 2018 and that is 100% leased. This area has proven to generate strong demand and attract high-quality tenants. Given Artis's track record of success at Park Lucero, this project presented an excellent opportunity to generate development income plus additional ownership in an area in which the REIT has strong confidence. Park Lucero East will comprise three Class A industrial buildings totalling 561,000 square feet upon completion and is 100% pre-leased.



BALANCE SHEET AND FINANCIAL PERFORMANCE

A critical component of Artis's 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 Artis's value-investing strategy. The REIT has committed to maintaining low leverage and debt metrics within the investment grade credit rating parameters defined by DBRS. In 2022, Artis sold 24 properties for an aggregate sale price of \$514.1 million. These dispositions include a portfolio of industrial properties located in the Twin Cities Area, Minnesota.

The REIT's NCIB program has remained active since the announcement of the Business Transformation Plan. In 2022, Artis utilized the NCIB to purchase 8,156,276 common units for an aggregate market price of \$100.6 million and 47,300 Series A, 94,400 Series E and 68,800 Series I preferred units for an aggregate market price of \$5.1 million. Also during 2022, Artis participated in an investor group to acquire Cominar. The REIT's contribution to this transaction was \$112.0 million to acquire 32.64% of an entity formed to acquire the outstanding units of Cominar and \$100.0 million of junior preferred units that carry a rate of return of 18.0% per annum. As at December 31, 2022, Artis invested in equity securities with an aggregate fair value of \$316.8 million.

At year end, Artis's liquidity included \$29.2 million of cash on hand and \$98.0 million available to be drawn on the REIT's unsecured revolving credit facilities. Additionally, Artis's pool of unencumbered assets totalled 91 properties, one development project and three parcels of development land and representing a fair value of \$2.0 billion.

During 2022, Artis issued Series E senior unsecured debentures for gross proceeds of \$200.0 million for a three-year term and renewed the first tranche of the revolving credit facilities in the amount of \$400.0 million for a two-year term.

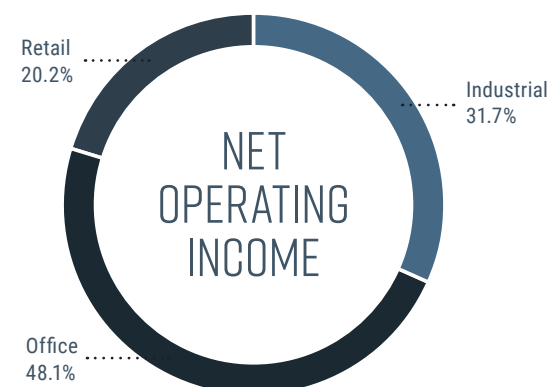
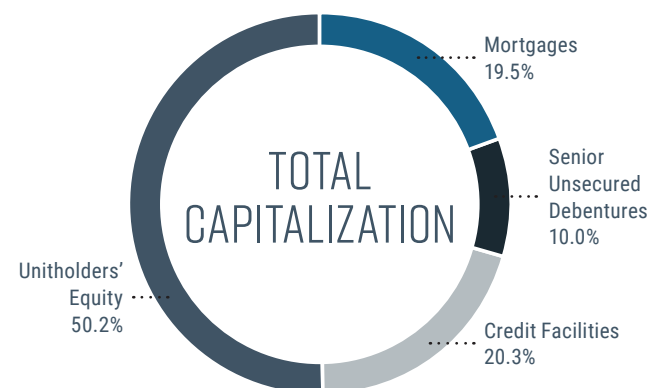
Artis's primary objective is to create value for its investors by growing NAV per unit and distributions. In accordance with this objective, NAV is a critical area of focus and an important key performance indicator for Artis. In 2022, Artis's NAV increased to \$17.38 from \$17.37 year over year and from \$15.03 prior to the onset of the Business Transformation Plan.

In December 2022, Artis declared a special distribution of \$0.16 per common unit, with \$0.08 per unit payable in cash and \$0.08 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 2022. 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 2022 were primarily impacted by dispositions completed in 2021 and 2022, year-over-year increase in interest expense, partially offset by a higher US dollar to Canadian dollar average exchange rate in 2022 compared to 2021, an increase

to interest and other income and an increase in distributions from equity securities. 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 2022, FFO was \$164.8 million, compared to \$174.3 million in 2021. On a per unit basis, FFO was \$1.39, compared to \$1.34 year-over-year. AFFO was \$112.6 million in 2022, compared to \$124.5 million in 2021. This translates to a per unit AFFO of \$0.95 in 2022, compared to \$0.96 in 2021. The REIT reported conservative FFO and AFFO payout ratios of 43.2% and 63.2%, respectively, for 2022.

Artis continues to maintain its investment grade credit rating from DBRS. 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. As at December 31, 2022, DBRS assigned a rating of BBB(low) to the REIT's senior unsecured debentures and Pfd-3 (low) to Artis's Preferred Units, both with stable trends.



SELECTED FINANCIAL INFORMATION

000'S, EXCEPT PER UNIT AMOUNTS (YEAR ENDED DEC 31)	2022	2021	2020
Total Revenue	\$ 372,512	\$ 419,499	\$ 458,917
Net Operating Income	209,980	237,785	269,275
Net (Loss) Income	(5,294)	389,175	21,543
Total Comprehensive Income (Loss)	105,537	387,702	(6,274)
Basic (Loss) Income per Common Unit	(0.18)	2.87	0.03
Diluted (Loss) Income per Common Unit	(0.19)	2.86	0.02
Distributions per Unit			
Common Units ⁽¹⁾	\$ 0.76	\$ 2.98	\$ 0.54
Preferred Units—Series A	1.06	1.42	1.42
Preferred Units—Series E	1.37	1.37	1.37
Preferred Units—Series I	1.50	1.50	1.50
FFO ⁽²⁾	\$ 164,791	\$ 174,343	\$ 192,411
FFO per Unit ⁽²⁾	1.39	1.34	1.41
FFO Payout Ratio ⁽²⁾⁽³⁾	43.2%	44.0%	38.3%
AFFO ⁽²⁾	\$ 112,552	\$ 124,476	\$ 139,552
AFFO per Unit ⁽²⁾	0.95	0.96	1.02
AFFO Payout Ratio ⁽²⁾⁽³⁾	63.2%	61.5%	52.9%
Same Property NOI Growth (Decline) ⁽²⁾	1.8%	(4.1)%	(1.7)%
Adjusted EBITDA Interest Coverage Ratio ⁽²⁾	2.98	3.80	3.48

(1) Includes the special distribution declared in December 2021 and December 2022.

(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 Ratio and AFFO Payout Ratio are calculated excluding the special distribution declared in December 2021 and December 2022.

000'S, EXCEPT PER UNIT AMOUNTS (AS AT DEC 31)	2022	2021	2020
Total Assets	\$ 4,553,913	\$ 4,576,024	\$ 4,859,841
Total Non-Current Financial Liabilities	974,063	1,166,123	1,648,305
NAV per Unit ⁽¹⁾	17.38	17.37	15.03
Secured Mortgages and Loans to GBV ⁽¹⁾	18.9%	23.7%	26.2%
Total Debt to GBV ⁽¹⁾	48.5%	42.9%	49.3%
Unencumbered Assets ⁽¹⁾	\$ 2,034,409	\$ 1,902,748	\$ 1,901,073

(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 fundamental component of Artis's vision and strategy. As part of the announcement of the Business Transformation Plan, Artis committed to monetizing a portion of its portfolio and reallocating that capital to improving the REIT's balance sheet, investing in developments and providing the flexibility to pursue value investing opportunities.

During the year ended December 31, 2022, Artis sold 24 properties, including four Canadian assets sold for \$94.7 million and 20 U.S. assets sold for US\$311.4 million. Artis used the proceeds from these sales primarily to buy back units under the REIT's NCIB (as described in the Balance Sheet and Financial Performance section), invest in development projects and core hard real estate assets (as described in Portfolio and Operational Performance section), and to purchase equity securities. Also in 2022, Artis acquired the remaining 5% interest in Park 8Ninety II, an industrial property located in the Greater Houston Area, Texas, for total consideration of US\$2.5 million.

Since the announcement of the Business Transformation Plan in 2021, Artis has been actively utilizing its NCIB. Under the NCIB that expired on December 16, 2021, Artis purchased 10,160,396 units at a weighted-average price of \$11.26, and under the NCIB that expired on December 16, 2022, Artis purchased 8,778,176 common units at a weighted-average price of \$12.39, representing the maximum number of common units allowed under each applicable term. The REIT renewed the NCIB effective December 19, 2022 and as at December 31, 2022 had purchased 387,068 units at a weighted-average price of \$8.94 under the term. The units purchased under the NCIB in both 2021 and 2022 were purchased at a significant discount to NAV per unit of \$17.38 at December 31, 2022, and NAV per unit of \$17.37 at December 31, 2021. Artis continues to view the NCIB as a powerful tool for enhancing value for unitholders and will continue to use it in circumstances where the REIT's units trade at a significant discount to NAV.

In 2022, Artis completed the redemption of the outstanding Series A preferred units with a face value of \$81.2 million.

With respect to public real estate entities, Artis's Business Transformation Plan includes seeking to acquire meaningful and influential ownership positions in undervalued entities, with a near-term focus on publicly listed Canadian real estate entities. Artis will seek to 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. As part of this strategy, 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 and 2022, compelling opportunities were identified in the public markets. During the first quarter of 2022, Artis participated in an investor group to acquire Cominar. The REIT's contribution to this transaction was \$112.0 million to acquire approximately 32.64% of an entity formed to acquire the outstanding units of Cominar, and \$100.0 million of junior preferred units that carry a rate of return of 18.0% per annum.

At December 31, 2022, Artis invested in equity securities with an aggregate fair value of \$316.8 million. This includes equity securities of Dream Office, where, together with its joint actors, Artis acquired a 14% ownership position. This also includes equity securities of First Capital where, together with its joint actors, Artis owns approximately 9% of the outstanding units.

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

DISPOSITIONS

DISPOSITION DATE	ASSET CLASS	PROPERTY NAME	LOCATION
January 20	Office	Cancross Office Portfolio ⁽¹⁾	Greater Toronto Area, Ontario
March 10	Industrial	2150-2180 Dunwin Drive	Greater Toronto Area, Ontario
June 24	Office	Meadowvale Office	Greater Toronto Area, Ontario
June 30	Industrial	Rocky Mountain Business Center	Greater Denver Area, Colorado
September 19	Office	New Brighton Office Center	Twin Cities Area, Minnesota
November 4	Industrial	Minnesota Industrial Portfolio I ⁽²⁾	Twin Cities Area, Minnesota
November 15	Office	Hartford Corporate Plaza	New Hartford, New York

(1) Cancross Office Portfolio comprises two office properties.

(2) Minnesota Industrial Portfolio I comprises 17 industrial properties.

PARK 8NINETY II
Greater Houston Area, Texas



ENVIRONMENTAL, SOCIAL AND GOVERNANCE

As part of Artis's 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, Artis is committed to making ESG a focal point and to establishing a company-wide ESG-minded culture.

The following outlines Artis's commitment to ESG best practices and the progress the REIT has made in each of these areas.

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's 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.

Artis's commitment to environmental best practices is summarized below:

- Prioritize sustainable practices—Practice dedication and commitment to a high standard of environmental responsibility as it relates to the acquisition of assets, development and redevelopment projects and the ongoing management of the portfolio;
- Conserve energy and water and reduce waste—Measure, monitor and continuously make efficiency improvements while working with tenants to improve energy, water and waste conservation in a way that will reduce the building's environmental footprint over the long term;
- Promote comfort and safety—Implement systems to ensure the comfort and safety of tenants and visitors of our properties and provide a clean environment and attentive building management at all properties, while maintaining engagement and communication to ensure this is being achieved;
- Be transparent—Establish objectives and measure results to provide clear and transparent communication to all stakeholders; and
- Strive to improve—Perform continuous review and analysis of building efficiency to assess and adopt best practices, policies and procedures while seeking opportunities to modernize building systems to achieve optimal efficiency.

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 172 employees, (of which 137 are based in Canada and 35 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 at all of its offices and properties.

Artis's commitment to social best practices is summarized below:

- Foster a positive work environment—Create a culture that values diversity (in all aspects), equity and inclusion and promotes respect and equal opportunities for all;
- Prioritize safety and well-being—Provide the tools and resources and strive to ensure the well-being and safety of all employees, tenants and visitors of our properties;
- Active community involvement—Support charitable organizations and initiatives and be an active member of, with a goal of having a lasting positive impact on, the communities in which we operate; and
- Encourage engagement—To create and foster an environment that values and encourages engagement with all stakeholders.

GOVERNANCE

Artis's 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.

Transparency, communication and accessibility are the foundation of Artis's stakeholder engagement strategy. This includes a commitment to continuously strengthen relationships with employees, the investment community, tenants, vendors and other partners and stakeholders.

Strong and effective governance practices are part of Artis's 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, the Board established a Board Diversity and Renewal Policy communicating its commitment to diversity targets on the Board. At December 31, 2022, the Board exceeded its diversity targets, with 57% female representation and 29% Black, Indigenous and People of Colour representation.

Artis's commitment to governance best practices is summarized below:

- Become a leader—Strive to establish Artis as a leader in governance best practices;
- Continuous improvement—Continuously seek opportunities for improvement in all areas of governance and establish measurable performance targets wherever possible;
- Fulsome Disclosure—To be transparent in disclosure, providing regular comprehensive updates on performance, achievements and goals, and providing stakeholders with disclosure that is accurate and accessible; and
- ESG Excellence—To ensure ESG priorities are considered in strategic decision making and goal setting.

Since the announcement of the Business Transformation Plan and the REIT's commitment to ESG best practices in March 2021, Artis's ESG program has undergone a significant transformation. During this time, Artis has accomplished the following:

- created an internal ESG Committee, comprised of senior level employees across all offices who meet monthly to discuss, implement and collaborate on ESG best practices;
- added Yardi Pulse to complement its reporting tools and provide sustainability-focused, property-level reporting functionality;
- commenced a portfolio-wide, property-by-property climate risk assessment utilizing Moody's Climate on Demand tool;
- incorporated reporting principles of the Sustainability Accounting Standards Board ("SASB") Real Estate Sustainability Accounting Standard;
- submitted to GRESB for the first time since 2019;

- launched an ESG Community website to facilitate collaboration and sharing of ESG insights and ideas with tenants;
- conducted an inaugural annual tenant engagement and satisfaction survey;
- conducted an inaugural annual employee engagement and diversity, equity and inclusion survey;
- provided leadership training to all employees;
- created an internal philanthropy committee to oversee the REIT's charitable giving and community involvement initiatives;
- reviewed and improved all Board mandates, charters, policies and position descriptions, including incorporating enhancements to include applicable responsibility for ESG matters in the mandate and all charters; and
- adopted a comprehensive pay-for-performance structure related to short-term incentive compensation and long-term incentive compensation for the Chief Executive Officer, Chief Financial Officer and Chief Operating Officer.

These are only a few examples of the immense work that has gone in to elevating Artis's ESG program and fulfilling the REIT's commitment to unitholders. Artis looks forward to publishing its 2022 ESG Report in the coming months, providing a comprehensive update on the progress that has been made over the last year.

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. Artis values energy certification and considers it an asset, both with respect to the REIT's existing portfolio and when acquiring new properties.

At December 31, 2022, the REIT had nine properties with a Leadership in Energy and Environmental Design ("LEED") certification, five properties with a Building Owners and Managers Association ("BOMA") Building Environmental Standards ("BEST") certification and 17 properties with an Energy Star certification.

The three major property certifications Artis pursues are:



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



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.



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



STINSON OFFICE PARK
Minneapolis, Minnesota

OUTLOOK

Looking ahead, Artis continues to see strong value in the industrial, office, and retail asset classes. As part of Artis's strategy, the REIT continues to evaluate the sale of a portion of its industrial, office and retail portfolios in an opportunistic and disciplined manner, with the goal of maximizing value on a tax-efficient basis. The macro economic environment, and more specifically higher interest rates, affected the transaction landscape in the second half of 2022 and Artis expects that will continue into 2023. Nonetheless, Artis expects to complete more property dispositions in 2023 and has confidence that it will be able to successfully execute its disposition strategy in the coming year.

In the meantime, Management is closely monitoring interest rate trends and forecasts and is in continuous discussions with lenders in order to manage its debt maturities schedule. While the rising interest rate environment has impacted the public markets and has led to inefficiencies in the public real estate sector, it has also presented compelling opportunities that are in line with the REIT's

value investing strategy. Artis continues to diligently consider all available options and opportunities and, in doing so, is taking into consideration the current environment and how to ensure the best interests of unitholders is achieved.

The REIT continues to believe that the Business Transformation Plan is a strategy that will generate long term NAV per unit growth and create value for Artis's unitholders. Going forward, Artis will continue to focus on improving its balance sheet while deploying some of the proceeds from disposition activity into new real estate investments, including undervalued publicly traded real estate securities and accretive real estate acquisitions or developments. Since the announcement of the Business Transformation Plan on March 10, 2021, the REIT has made significant progress towards its implementation, and continues to have strong conviction in the REIT's vision, strategy and the path forward.

CORPORATE INFORMATION

Head Office:
220 Portage Avenue, Suite 600, Winnipeg, Manitoba
Investor Inquiries:
investorinquiries@artisreit.com, +1 800 941 4751

Transfer Agent: Odyssey Trust Company
Indenture Trustee: BNY Trust Company of Canada
Auditors: Deloitte LLP
Legal Counsel: Norton Rose Fulbright Canada LLP

Toronto Stock Exchange Listings:

Trust Units	AX.UN	\$0.05 per trust unit per month
Preferred Unit Series E	AX.PR.E	\$0.3420 per unit per quarter
Preferred Unit Series I	AX.PR.I	\$0.3750 per unit per quarter

Annual General Meeting:
June 8, 2023, at 2:00 pm ET
TMX Market Centre, 120 Adelaide St. W., Toronto, Ontario

EXECUTIVE MANAGEMENT



Samir Manji
President and Chief Executive Officer



Jaclyn Koenig
Chief Financial Officer



Kim Riley
Chief Operating Officer

BOARD OF TRUSTEES



Heather-Anne Irwin
Member of the Governance, Nominating and Compensation Committee



Samir Manji
Trustee, President and Chief Executive Officer



Ben Rodney
Chair of the Board and Member of the Investment Committee (ex-officio)



Mike Shaikh
Chair of the Audit Committee and Member of the Investment Committee



Aida Tammer
Member of the Governance, Nominating and Compensation Committee and Member of the Audit Committee



Lis Wigmore
Chair of the Governance, Nominating and Compensation Committee and Member of the Investment Committee



Lauren Zucker
Chair of the Investment Committee and Member of the Audit Committee

Artis's Trustees are proven business leaders with a significant breadth of experience in the areas of real estate, corporate governance, finance, accounting, strategic planning and risk management. They also collectively have extensive public company board experience. Artis's Board of Trustees believes that sound governance practices are essential to the long-term interests of Artis and the enhancement of value for all of its unitholders.

Trustees are elected annually by majority vote of the holders of Trust Units entitled to vote thereon. Trustees elected at an annual meeting will be elected for a term expiring at the subsequent annual meeting and will be eligible for re-election. The Trustees have the power to increase the number of Trustees (to a maximum of 10) and to appoint additional Trustees to serve as Trustees until the next annual meeting of holders of Trust Units entitled to vote at such meeting. The Declaration of Trust provides that the investment policies and operations of Artis are the responsibility of its Trustees, of which as at December 31, 2022, there were seven.

The Board of Trustees recognizes that proper and effective corporate governance is a high priority for Artis's stakeholders. The Board of Trustees has three committees which, at December 31, 2022, were structured as follows: the Audit Committee (chaired by Mike Shaikh), the Governance, Nominating and Compensation Committee (chaired by Lis Wigmore) and the Investment Committee (chaired by Lauren Zucker). All Committee members are independent of management.

Additional information about Artis's Board, Trustees and Committees, as well as key governance documents such as the Code of Conduct, Whistleblower Policy, Board Mandate, Declaration of Trust and Committee Charters can be downloaded from Artis's website at www.artisreit.com/governance-documents/.

MANAGEMENT'S DISCUSSION & ANALYSIS 2022 ANNUAL

Years ended December 31, 2022 and 2021
(in thousands of Canadian dollars, except unit and per unit amounts)

TSX: AX.UN 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 consolidation financial statements for the years ended December 31, 2022 and 2021, 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 February 28, 2023. 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's 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's 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's plans to optimize the value and performance of its assets, Artis's goals to grow net asset value ("NAV") per unit and distributions, efficiencies and cost savings, the tax treatment of Artis, Artis's 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.

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's 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's actual results to materially differ from current expectations, refer to the section entitled "Risk Factors" of Artis's Annual Information Form for the year ended December 31, 2022 as well as Artis's 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"), 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's 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 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 (shortfall) of cash flow from operations over distributions declared, excess (shortfall) 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.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 February 28, 2023, there were 115,400,726 common units, 8,469,450 preferred units, 423,833 restricted units and 226,531 deferred units of Artis outstanding (refer to the Outstanding Unit Data section of this MD&A for further details).

The Fourth Amended and Restated Unitholder Rights Plan Agreement dated September 24, 2020 between Artis and TSX Trust Company (formerly AST Trust Company) (the "Rights Plan") was terminated on June 15, 2022. The rescission of the Rights Plan pursuant to section 5.4(c) of the Rights Plan, as described in Artis's management information circular dated May 2, 2022, was approved by a majority of the Independent Unitholders (as defined in the Rights Plan) at the annual meeting of the holders of common units of Artis, held on June 9, 2022.

VISION

Artis's vision is 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.

BUSINESS TRANSFORMATION PLAN

In March 2021, Artis 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 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.

As part of the Business Transformation Plan, Artis will be 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.

The Business Transformation Plan includes several key elements, as outlined below.

Strengthening the Balance Sheet

The first element of the Business Transformation Plan is to strengthen the balance sheet through accretive dispositions, unit repurchases and debt reduction.

Since the announcement of the Business Transformation Plan, Artis has been unlocking value through the monetization of certain assets, including most of its industrial assets in the Greater Toronto Area, Ontario and the Twin Cities Area, Minnesota, and the REIT's remaining office properties in Calgary, Alberta. In aggregate, since March 2021, Artis has sold 48 industrial properties, 11 office properties, six retail properties and a portion of a retail property. In addition, Artis has a portfolio of six industrial properties located in the Twin Cities Area, Minnesota, under an unconditional sale

agreement. Over the short-to-medium term, the REIT will continue to evaluate the sale of a portion of its industrial, office and retail assets in an opportunistic and disciplined manner, with the goal of maximizing value on a tax-efficient basis.

The REIT's NCIB program has remained active since the announcement of the Business Transformation Plan. Under the NCIB that expired on December 16, 2021, Artis purchased 10,160,396 units at a weighted average price of \$11.26, and under the NCIB that expired on December 16, 2022, Artis purchased 8,778,176 common units at a weighted-average price of \$12.39, representing the maximum number of common units allowed under each applicable term. The REIT renewed the NCIB effective December 19, 2022 and as at December 31, 2022 had purchased 387,068 units at a weighted-average price of \$8.94 under the term.

The units purchased under the NCIB in both 2021 and 2022 were purchased at a significant discount to NAV per unit of \$17.38 at December 31, 2022 and NAV per unit of \$17.37 at December 31, 2021.

In 2022, Artis completed the redemption of the outstanding Series A preferred units with a face value of \$81,208.

In addition, Artis is focused on maintaining low leverage and debt metrics within the investment grade credit rating parameters defined by DBRS Morningstar ("DBRS"). The REIT's senior unsecured debentures have a DBRS rating of BBB (low) and the REIT's preferred trust units have a DBRS rating at Pfd-3 (low), both with Stable trends.

Driving Organic Growth

The second element of the Business Transformation Plan is driving organic growth, which is done by creating value for Artis's unitholders through identifying operational efficiencies, increasing occupancy and in-place rents, and the completion of new development projects.

Occupancy at December 31, 2022, was stable at 90.1%, increased from 89.4% at December 31, 2021. In 2022, 982,778 square feet of new leases and 1,456,537 square feet of renewals commenced. These renewals were negotiated at a weighted-average rental increase when compared to expiring rents of 4.9%. Growth in Same Property NOI was 1.8% for the year ended December 31, 2022.

Artis has numerous development projects in progress. The Park Lucero East development project, located in the Greater Phoenix Area, Arizona is well underway. Artis has a 10% ownership interest in the development as well as a development management contract. In 2021, Artis acquired two parcels of industrial development land in the Twin Cities Area, Minnesota. This project, Blaine 35, is expected to total 317,400 square feet upon completion. Construction of the first phase was complete during the second quarter of 2022 and construction of the second phase is currently underway. Approximately 73.4% of the gross leasable area for Blaine 35 I was leased upon completion of construction while 50.3% of the gross leasable area for Blaine 35 II is pre-leased. Leasing for the remainder of the buildings is in progress.

The REIT also has a commercial and residential development project under construction. 300 Main is a 580,000 square foot building located in Winnipeg, Manitoba. 300 Main is connected to 330 Main, a state-of-the-art multi-tenant retail property constructed in 2020. 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. During the first quarter of 2022, Earls Kitchen & Bar, occupying approximately 7,400 square feet, moved into their space on the main floor of the building. Pre-leasing of the first 20 floors of the 40-storey residential apartments is currently underway.

In 2022, Artis completed construction of the fifth and final phase of Park 8Ninety, located in the Greater Houston Area, Texas. This final phase comprises approximately 675,000 square feet of additional industrial space to add to Artis's existing 1,120,414 square feet in the first four phases. Artis has a 95% ownership interest in Park 8Ninety V.

Focusing on Value Investing

The third element of the Business Transformation Plan is to focus on value investing. This involves redeploying capital into new investments including value-added assets, undervalued publicly traded real estate securities and any other real estate investment opportunities. In particular, Artis is focused on identifying investments that are undervalued with potential to produce above average risk-adjusted returns over the medium-to-long term.

Artis will seek to 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 REIT's near-term focus continues to be on publicly listed Canadian real estate entities.

During the first quarter of 2022, Artis participated in an investor group to acquire Cominar Real Estate Investment Trust ("Cominar"). The REIT's contribution to this transaction ("Cominar Transaction") was \$112,000 to acquire approximately 32.64% of Iris Acquisition II LP ("Iris"), an entity formed to acquire the outstanding units of Cominar, and \$100,000 of junior preferred units that carry a rate of return of 18.0% per annum.

At December 31, 2022, Artis invested in equity securities with an aggregate fair value of \$316,768. This includes equity securities of Dream Office Real Estate Investment Trust, where, together with its joint actors, Artis acquired a 14% ownership position. This also includes equity securities of First Capital Real Estate Investment Trust where, together with its joint actors, Artis owns approximately 9% of the outstanding units.

The successful execution of the 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.

SPECIAL DISTRIBUTION

The Board of Trustees declared a special distribution of \$0.16 per common unit (the "Special Distribution"), which was comprised of \$0.08 per common unit payable in cash and \$0.08 per common unit payable in common units. The Special Distribution was payable on December 31, 2022 to unitholders of record on December 31, 2022, 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, 2022. 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 nonresident 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 2022 tax year as allocated and designated by the REIT in computing their respective income for the 2022 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.

BUSINESS ENVIRONMENT AND OUTLOOK

Leasing activity remained strong throughout 2022. There continues to be an increase in overall activity and in interest from new tenant prospects across Artis's portfolio. Occupancy including commitments increased to 92.3% at December 31, 2022, compared to 91.5% at December 31, 2021. Artis's leasing team has been working diligently to accommodate the increase in activity. In 2022, 3,690,415 square feet of new leases and renewals were negotiated and signed (some of which were at properties that are held in joint venture arrangements, properties that are currently under development and properties that were subsequently sold as part of our disposition plan). This magnitude of leasing activity is indicative of the strong demand for high quality space. In terms of new leases and renewals that commenced during the year, a notable 982,778 square feet of new leases and 1,456,537 square feet of renewals began. The renewals that commenced in 2022 were negotiated at a weighted-average increase of 4.9% over expiring rates. The fourth quarter marked the eighth consecutive quarter of growth in weighted-average rental rates on renewals. These are important indicators of the strength of the REIT's portfolio and are reflective of the leasing momentum that has been gaining over the last year.

As part of Artis's strategy, the REIT continues to evaluate the sale of a portion of its industrial, office and retail portfolios in an opportunistic and disciplined manner, with the goal of maximizing value on a tax-efficient basis. During 2022, Artis sold three office properties and one industrial property located in Canada and 18 industrial properties and two office properties located in the U.S. for an aggregate sale price of \$514,148. In aggregate since the announcement of the REIT's Business Transformation Plan, Artis has sold 48 industrial properties, 11 office properties, six retail properties and a portion of a retail property. In addition, Artis has a portfolio of six industrial properties located in the Twin Cities Area, Minnesota, under an unconditional sale agreement. The REIT's disposition plan is on track, but the macro economic environment, and more specifically higher interest rates, affected the transaction landscape in the second half of 2022 and Artis expects that will continue into 2023. Nonetheless, Artis has confidence that it will be able to successfully execute its disposition strategy in the coming year. Management is closely monitoring interest rate trends and forecasts and is in continuous discussions with lenders in order to manage its debt maturities schedule. While this rising interest rate environment has impacted the public markets and has led to inefficiencies in the public real estate sector, it has also presented compelling opportunities that are in line with the Artis's value investing strategy. Artis continues to diligently consider all available options and opportunities and, in doing so, is taking into consideration the current environment and how to ensure the best interests of unitholders is achieved. The REIT continues to believe that the Business Transformation Plan is a strategy that will generate long term NAV per unit growth and create value for Artis's unitholders.

Going forward, Artis will continue to focus on improving its balance sheet while deploying some of the proceeds from disposition activity into new real estate investments, including undervalued publicly traded real estate securities and value-add real estate acquisitions or developments. Since the announcement of the Business Transformation Plan on March 10, 2021, the REIT has made significant progress towards its implementation, and continues to have strong conviction in the REIT's vision, strategy and the path forward.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG") UPDATE

As part of Artis's 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 ensuring that excellence in ESG practices is an integral part of its business model and is a core component of its corporate culture.

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. Since the announcement of the Business Transformation Plan and the REIT's commitment to ESG best practices in March 2021, Artis's ESG program has undergone a significant transformation. During this time, Artis has accomplished the following:

- created an internal ESG Committee, comprised of senior level employees across all offices who meet monthly to discuss, implement and collaborate on ESG best practices;
- added Yardi Pulse to complement its reporting tools and provide sustainability-focused, property-level reporting functionality;
- commenced a portfolio-wide, property-by-property climate risk assessment utilizing Moody's Climate on Demand tool;
- incorporated reporting principles of the Sustainability Accounting Standards Board ("SASB") Real Estate Sustainability Accounting Standard;
- submitted to GRESB for the first time since 2019;
- launched an ESG Community website to facilitate collaboration and sharing of ESG insights and ideas with tenants;
- conducted an inaugural annual tenant engagement and satisfaction survey;
- conducted an inaugural annual employee engagement and diversity, equity and inclusion survey;
- provided leadership training to all employees;
- created an internal philanthropy committee to oversee the REIT's charitable giving and community involvement initiatives;
- reviewed and improved all Board mandates, charters, policies and position descriptions, including incorporating enhancements to include applicable responsibility for ESG matters in the mandate and all charters; and
- adopted a comprehensive pay-for-performance structure related to short-term incentive compensation and long-term incentive compensation for the Chief Executive Officer, Chief Financial Officer and Chief Operating Officer.

These are only a few examples of the immense work that has gone in to elevating our ESG program and fulfilling our commitment to unitholders.

At December 31, 2022, the REIT had 9 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 17 properties with an Energy Star certification.

Additional information about Artis's comprehensive corporate sustainability program, including a copy of Artis's 2021 ESG Report can be accessed on the REIT's website at the following link: www.artisreit.com.

2022 OVERVIEW

SELECTED FINANCIAL INFORMATION

000's, except per unit amounts	Year ended December 31,			% Change	Year ended December 31,	
	2022	2021	Change		2020	2020
Revenue:						
Rental revenue from investment properties	\$ 372,512	\$ 401,638	\$ (29,126)	(7.3)%	\$ 458,917	
Condominium sales	—	17,861	(17,861)	(100.0)%	—	
Total revenue	372,512	419,499	(46,987)	(11.2)%	458,917	
Net operating income	\$ 209,980	\$ 237,785	\$ (27,805)	(11.7)%	\$ 269,275	
Net (loss) income	(5,294)	389,175	(394,469)	(101.4)%	21,543	
Total comprehensive income (loss)	105,537	387,702	(282,165)	(72.8)%	(6,274)	
Basic (loss) income per common unit	(0.18)	2.87	(3.05)	(106.3)%	0.03	
Diluted (loss) income per common unit	(0.19)	2.86	(3.05)	(106.6)%	0.02	
Distributions per unit:						
Common units ⁽¹⁾	\$ 0.76	\$ 2.98	\$ (2.22)	(74.5)%	\$ 0.54	
Preferred units - Series A	1.06	1.42	(0.36)	(25.4)%	1.42	
Preferred units - Series E	1.37	1.37	—	—%	1.37	
Preferred units - Series I	1.50	1.50	—	—%	1.50	
FFO ⁽²⁾	\$ 164,791	\$ 174,343	\$ (9,552)	(5.5)%	\$ 192,411	
FFO per unit ⁽²⁾	1.39	1.34	0.05	3.7%	1.41	
FFO payout ratio ⁽²⁾⁽³⁾	43.2%	44.0%		(0.8)%	38.3%	
AFFO ⁽²⁾	\$ 112,552	\$ 124,476	\$ (11,924)	(9.6)%	\$ 139,552	
AFFO per unit ⁽²⁾	0.95	0.96	(0.01)	(1.0)%	1.02	
AFFO payout ratio ⁽²⁾⁽³⁾	63.2%	61.5%		1.7%	52.9%	
Same Property NOI growth (decline) ⁽²⁾	1.8%	(4.1)%		5.9%	(1.7)%	
Adjusted EBITDA interest coverage ratio ⁽²⁾	2.98	3.80	(0.82)	(21.6)%	3.48	

(1) Includes the Special Distribution declared in December 2021 and December 2022. 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 and December 2022.

000's, except per unit amounts	December 31,		% Change	December 31,	
	2022	2021		2020	2020
Total assets	\$ 4,553,913	\$ 4,576,024	(0.5)%	\$ 4,859,841	
Total non-current financial liabilities	974,063	1,166,123	(16.5)%	1,648,305	
NAV per unit ⁽¹⁾	17.38	17.37	0.1%	15.03	
Secured mortgages and loans to GBV ⁽¹⁾	18.9%	23.7%	(4.8)%	26.2%	
Total debt to GBV ⁽¹⁾	48.5%	42.9%	5.6%	49.3%	
Unencumbered assets ⁽¹⁾	\$ 2,034,409	\$ 1,902,748	6.9%	\$ 1,901,073	

(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 property dispositions throughout 2021 and 2022.

Artis reported portfolio occupancy of 92.3% (including commitments) at December 31, 2022, increased from 91.5% at December 31, 2021. During the year, 982,778 square feet of new leases and 1,456,537 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 4.9%.

Net (loss) income and total comprehensive income (loss) were impacted by the fair value change on investment properties (loss of \$178,431 in 2022, compared to gain of \$197,511 in 2021), the fair value change on financial instruments (loss of \$21,130 in 2022, compared to a gain of \$21,224 in 2021), interest expense (\$89,437 in 2022, compared to \$69,648 in 2021), and equity securities expenses (\$1,890 in 2022, compared to \$186 in 2021).

Partially offsetting the above decreases to net income was net income from equity accounted investments (\$74,659 in 2022, compared to \$16,795 in 2021), interest and other income (\$18,944 in 2022 compared to \$1,885 in 2021), distribution income from equity securities (\$10,710 in 2022, compared to \$898 in 2021) and corporate expenses (\$7,661 in 2022, compared to \$12,527 in 2021).

Foreign exchange had an impact on Artis's financial results, due to a higher US dollar to Canadian dollar average exchange rate of 1.3017 in 2022, compared to 1.2537 in 2021.

FFO per unit for 2022 was \$1.39 increased from \$1.34 for 2021, while AFFO per unit for 2022 was \$0.95 compared to \$0.96 for 2021. FFO per unit in 2022 was primarily impacted by an increase in interest and other income due to the preferred investment as part of the Cominar Transaction, increased distribution income from equity securities, an increase in income from equity accounted investments primarily due to the investment in common units as part of the Cominar Transaction and realized gains on the sale of equity securities, partially offset by decreased net operating income as a result of dispositions completed in 2021 and 2022 and increased 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. The REIT reported conservative FFO and AFFO payout ratios of 43.2% and 63.2%, respectively, for 2022.

Balance Sheet and Liquidity

During 2022, Artis drew a net balance of \$457,523 on its revolving credit facilities and issued three-year Series E senior unsecured debentures for gross proceeds of \$200,000. The cash was primarily used for purchases of equity securities, repurchases of units under the NCIB, the Cominar Transaction and the redemption of the Series A preferred units. Also during 2022, the REIT received new mortgage financing in the amount of \$24,000, repaid or partially repaid 14 mortgages in the amount of \$165,768, and drew on a construction loan in the amount of \$28,259. Total debt to GBV was 48.5% at December 31, 2022, compared to 42.9% at December 31, 2021. Artis's Adjusted EBITDA interest coverage ratio was 2.98 for 2022, compared to 3.80 for 2021.

In 2022, Artis utilized the NCIB to purchase 8,156,276 common units for an aggregate market price of \$100,572 and 47,300 Series A, 94,400 Series E and 68,800 Series I preferred units for an aggregate market price of \$5,087.

At December 31, 2022, NAV per unit was \$17.38, increased from \$17.37 at December 31, 2021. The increase is primarily due to net operating income, the impact of foreign exchange, income from equity accounted investments, and the impact of units purchased under the NCIB, partially offset by the fair value loss on investment properties, distributions to unitholders, and the fair value loss on financial instruments during the year.

Distributions

In 2022, Artis declared distributions of \$104,696 to unitholders, which included distributions to preferred unitholders in the amount of \$15,856.

The distributions to unitholders included the Special Distribution of \$0.16 per common unit, which was comprised of \$0.08 per common unit payable in cash and \$0.08 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, 2021	76	8,748	47	7,051	33	2,143	156	17,942
New development	1	119	—	—	—	—	1	119
Acquisition	1	576	—	—	—	—	1	576
Dispositions	(19)	(2,694)	(5)	(481)	—	—	(24)	(3,175)
Portfolio properties, December 31, 2022	59	6,749	42	6,570	33	2,143	134	15,462

New Development

In 2022, Artis completed the development of Blaine 35 I, a 118,500 square foot industrial property located in the Twin Cities Area, Minnesota.

Acquisition

On September 30, 2022, the REIT acquired the remaining 5% interest in Park 8Ninety II, an industrial property located in the Greater Houston Area, Texas, for total consideration of US\$2,508. The REIT now owns 100% of the property.

Dispositions

During 2022, Artis sold 19 industrial properties and five office properties for an aggregate sale price of \$514,148. The sale proceeds, net of costs of \$8,592, and related debt of \$164,821, were \$340,735.

PARTICIPATION IN INVESTOR GROUP TO ACQUIRE COMINAR REAL ESTATE INVESTMENT TRUST

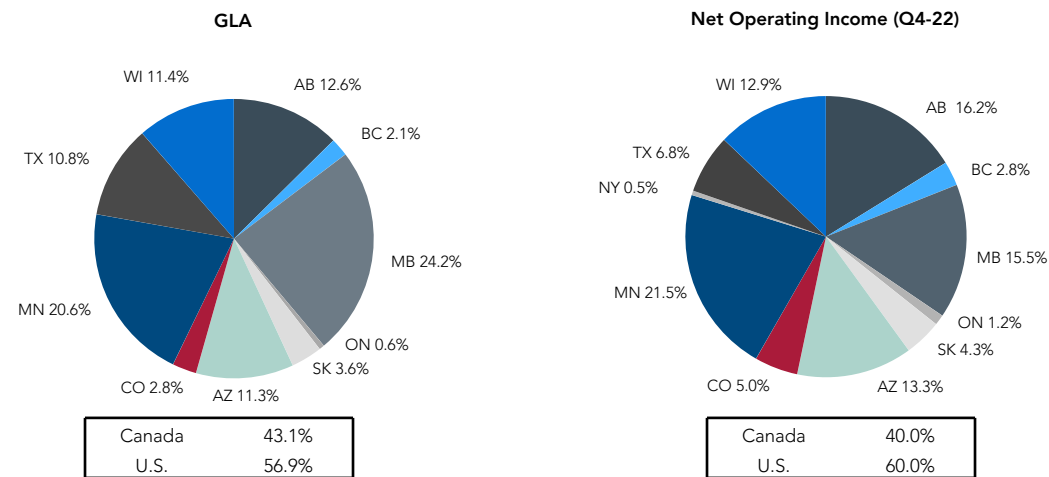
On March 1, 2022, Artis participated in a consortium to acquire all of the outstanding units of Cominar for consideration of \$11.75 per unit in cash under a Plan of Arrangement. Also under the Plan of Arrangement, certain of Cominar's office, retail and industrial assets were acquired by other parties not part of the consortium. The REIT's contribution to the Cominar Transaction was \$112,000 to acquire 32.64% of the total common equity units in the newly-formed entity and \$100,000 of junior preferred units that carry a rate of return of 18.0% per annum. As part of the consideration, the REIT contributed its previously-owned Cominar units with a fair value of \$13,488.

PROPERTY PORTFOLIO

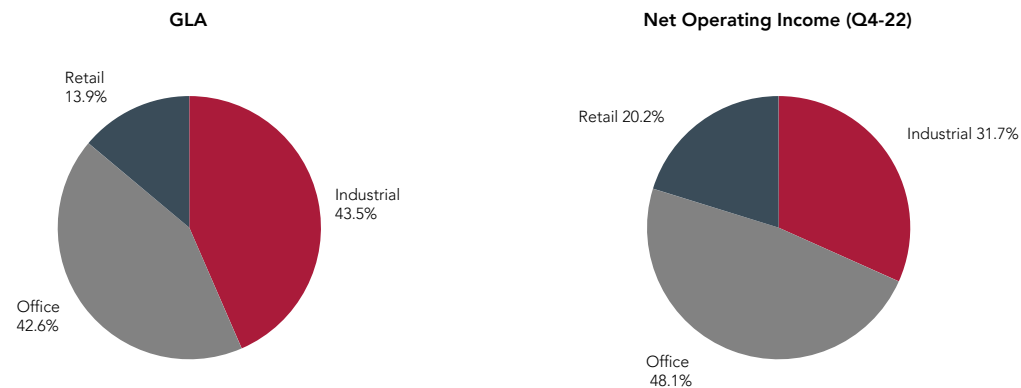
At December 31, 2022, the REIT's portfolio was comprised of 134 commercial properties totalling approximately 15.5 million square feet ("S.F.") of gross leasable area ("GLA").

The REIT also has ownership interest in ten investment properties, one investment property under development, one parcel of development land and properties acquired as part of the Cominar Transaction, 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	2.3 %	87.3%	87.3 %
	Greater Edmonton Area	AB	2	94	0.6 %	100.0%	100.0 %
	Greater Vancouver Area	BC	1	73	0.5 %	100.0%	100.0 %
	Red Deer	AB	1	126	0.8 %	61.6%	61.6 %
	Saskatoon	SK	2	269	1.7 %	100.0%	100.0 %
	Winnipeg	MB	26	1,658	10.6 %	96.8%	99.5 %
Industrial total			37	2,570	16.5 %	94.3%	96.1 %
Office	Greater Edmonton Area	AB	1	29	0.2 %	27.5%	27.5 %
	Greater Toronto Area	ON	1	100	0.6 %	100.0%	100.0 %
	Greater Vancouver Area	BC	2	248	1.6 %	89.8%	89.8 %
	Saskatoon	SK	1	64	0.5 %	89.6%	89.6 %
	Winnipeg	MB	9	1,511	9.8 %	82.8%	83.6 %
Office total			14	1,952	12.7 %	84.0%	84.6 %
Retail	Calgary	AB	5	344	2.2 %	96.2%	96.2 %
	Fort McMurray	AB	8	187	1.2 %	86.9%	89.4 %
	Grande Prairie	AB	5	355	2.3 %	65.3%	65.3 %
	Greater Edmonton Area	AB	5	459	3.0 %	95.1%	95.1 %
	Saskatoon	SK	3	219	1.4 %	99.6%	99.6 %
	Winnipeg	MB	7	579	3.8 %	98.2%	99.3 %
Retail total			33	2,143	13.9 %	90.9%	91.4 %
Total Canadian portfolio			84	6,665	43.1 %	90.2%	91.2 %
U.S. portfolio:							
Industrial	Greater Phoenix Area	AZ	7	921	5.9 %	100.0%	100.0 %
	Twin Cities Area	MN	10	1,590	10.3 %	85.9%	96.9 %
	Greater Houston Area	TX	5	1,668	10.8 %	98.1%	98.1 %
Industrial total			22	4,179	27.0 %	93.9%	98.1 %
Office	Greater Denver Area	CO	2	430	2.8 %	87.7%	88.8 %
	Greater Phoenix Area	AZ	4	833	5.4 %	90.1%	96.5 %
	Madison	WI	16	1,762	11.4 %	83.6%	85.8 %
	Twin Cities Area	MN	6	1,593	10.3 %	87.1%	87.3 %
Office total			28	4,618	29.9 %	86.4%	88.5 %
Total U.S. portfolio			50	8,797	56.9 %	89.9%	93.0 %
Total Canadian and U.S. portfolio			134	15,462	100.0 %	90.1%	92.3 %

(1) Information is as at December 31, 2022, 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, 2022, plus commitments on vacant space.

New Developments in Process

At December 31, 2022, Artis had two development projects in process, 300 Main 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. During Q1-22, Earls Kitchen & Bar, occupying approximately 7,400 square feet, moved into their space on the main floor of the building. Pre-leasing of the first 20 floors of the 40-storey residential apartments is currently underway.

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. During Q2-22, construction of the first phase of the project, Blaine 35 I, comprising 118,500 square feet of leasable area was complete. Approximately 73.4% of the building was leased upon completion of construction while leasing for the remainder of the building is in progress. Construction of the second phase, Blaine 35 II is currently underway and will comprise two buildings expected to total approximately 198,900 square feet of leasable area. Pre-leasing is in progress and Artis has negotiated leases for approximately 50.3% of the gross leasable area of Blaine 35 II.

Refer to the Risks and Uncertainties section of this MD&A for discussion of the risks related to Artis's 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

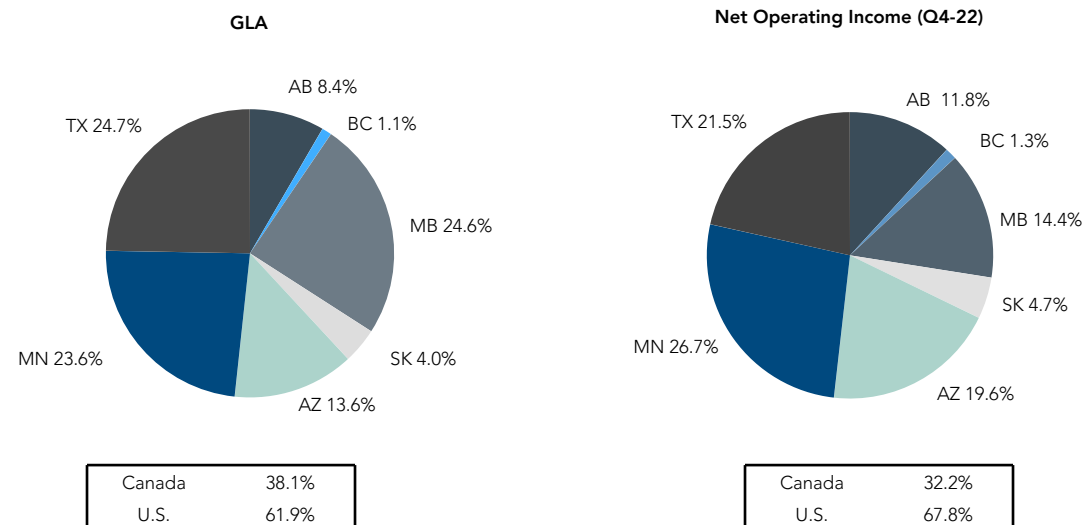
Artis is exploring an opportunity for a densification project at Poco Place in Port Coquitlam, British Columbia. The site provides access to major transportation routes and frontage on four streets, including Lougheed Highway, an east-west arterial corridor. Preliminary plans to build 600 to 900 apartment 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's industrial portfolio is comprised of both single tenant and multi-tenant properties strategically located in Canadian and U.S. markets. At December 31, 2022, the REIT's industrial portfolio was comprised of 59 properties totalling approximately 6.7 million square feet of gross leasable area.

At December 31, 2022, the fair value of the properties in Artis's industrial portfolio was \$1,138,565, and represented 43.5% of the REIT's GLA at December 31, 2022, and 31.7% of Q4-22 net operating income. Below is a breakdown of REIT's industrial portfolio by geographical region:

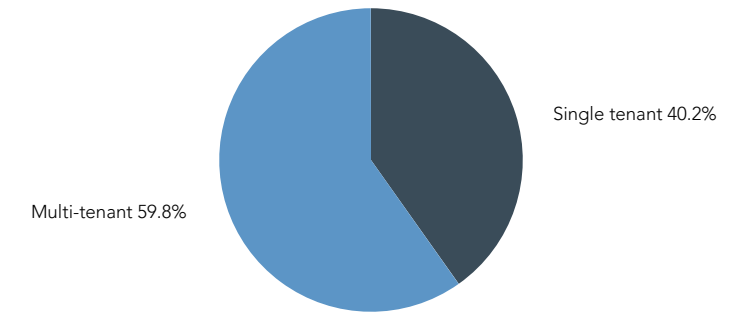


The following is a historical summary of key performance indicators related to the REIT's industrial portfolio:

	Q4-22	Q3-22	Q2-22	Q1-22	Q4-21	Q3-21	Q2-21	Q1-21
Number of properties	59	76	75	75	76	74	103	102
Occupancy (including commitments)	97.3 %	95.3 %	95.0 %	95.2 %	95.5 %	95.6 %	96.5 %	97.9 %
Same Property NOI growth (decline) ⁽¹⁾	7.6 %	4.4 %	4.5 %	0.0 %	(3.0)%	(1.4)%	(4.2)%	1.1 %
Leasable area renewed (in S.F.)	189,058	313,782	167,209	157,318	435,376	138,716	214,085	327,096
Increase in weighted-average rental rate	19.2 %	5.5 %	18.3 %	12.2 %	23.1 %	3.7 %	13.3 %	8.5 %

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

Artis's 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 Q4-22 net operating income:



Artis's industrial portfolio includes 224 tenant leases with a weighted-average term to maturity of 5.7 years. Approximately 39.4% of the REIT's industrial gross revenue is derived from national or government tenants. As indicated below, the largest tenant by gross revenue is 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's top 10 industrial tenants by gross revenue:

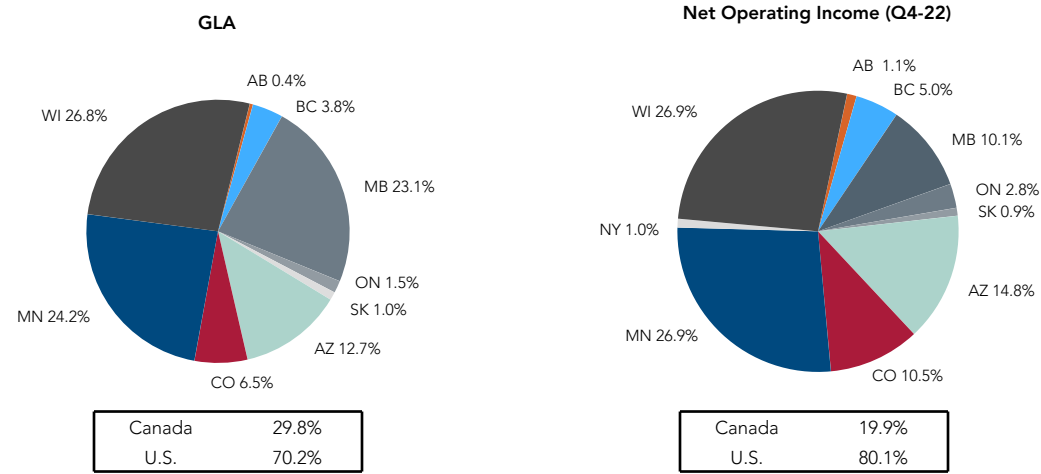
Tenant	Tenant location	% of total industrial gross revenue ⁽²⁾	Owned share of GLA (000's of S.F.)	% of total industrial GLA	Weighted-average remaining lease term
Bell Canada	Canada	9.5 %	111	1.6 %	7.0
PBP, Inc.	U.S.	5.1 %	519	7.7 %	8.9
Silent Aire USA Inc.	U.S.	4.1 %	289	4.3 %	5.0
Civeo Canada Ltd.	Canada	3.7 %	72	1.1 %	5.5
Maple Leaf Consumer Foods Inc.	Canada	3.1 %	163	2.4 %	6.5
Distribution Alternatives, Inc.	U.S.	3.0 %	403	6.0 %	10.0
SunGard Recovery Services Inc.	U.S.	2.9 %	99	1.5 %	3.0
St. Jude Medical Cardiology Div. Inc.	U.S.	2.4 %	185	2.7 %	1.2
Footprint LLC	U.S.	2.2 %	132	2.0 %	7.1
WWR International, LLC	U.S.	1.9 %	125	1.9 %	4.9
Total		37.9 %	2,098	31.2 %	6.9

(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's office portfolio is strategically located across primary and secondary markets in both Canada and the U.S. At December 31, 2022, the REIT's office portfolio was comprised of 42 properties totalling approximately 6.6 million square feet of gross leasable area. At December 31, 2022, the fair value of the properties in Artis's office portfolio was \$1,683,600, representing 42.6% of the REIT's GLA at December 31, 2022, and 48.1% of Q4-22 net operating income. Below is a breakdown of REIT's office portfolio by geographical region:

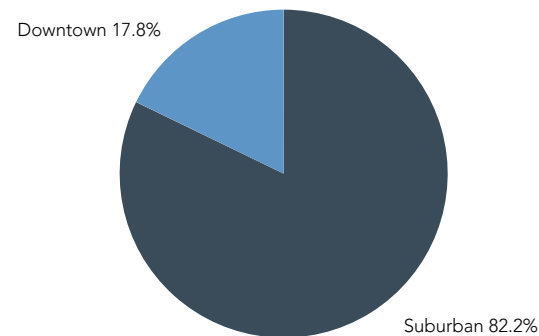


The following is a historical summary of key performance indicators related to the REIT's office portfolio:

	Q4-22	Q3-22	Q2-22	Q1-22	Q4-21	Q3-21	Q2-21	Q1-21
Number of properties	42	43	44	45	47	53	52	53
Occupancy (including commitments)	87.3 %	87.4 %	88.3 %	87.2 %	86.4 %	85.9 %	86.0 %	86.3 %
Same Property NOI growth (decline) ⁽¹⁾	7.0 %	6.1 %	(1.4)%	(6.4)%	(4.0)%	(8.7)%	(9.2)%	(10.4)%
Leasable area renewed (in S.F.)	58,967	109,383	143,219	22,302	286,546	105,402	48,738	111,941
(Decrease) increase in weighted-average rental rate	(0.7)%	(0.4)%	1.0 %	7.9 %	(2.6)%	0.9 %	7.8 %	(1.6)%

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

Artis's 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 Q4-22 net operating income:



Artis's office portfolio includes 479 tenant leases with a weighted-average term to maturity of 5.5 years. Approximately 49.6% 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, civic or municipal services.

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

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	U.S. & Canada	7.4 %	454	6.9 %	7.9
AT&T ⁽³⁾	U.S.	4.6 %	257	3.9 %	0.2
Bell MTS	Canada	4.2 %	214	3.3 %	4.0
Prime Therapeutics, LLC	U.S.	4.2 %	386	5.9 %	11.8
Catalent Pharma Solutions, LLC	U.S.	3.0 %	233	3.5 %	13.6
TDS Telecommunications Corporation	U.S.	2.9 %	150	2.3 %	6.0
CB Richard Ellis, Inc.	U.S.	2.7 %	108	1.6 %	4.0
Recipe Unlimited Corporation	Canada	2.4 %	100	1.5 %	6.0
UCare Minnesota	U.S.	2.1 %	124	1.9 %	10.6
Telephone and Data Systems, LLC	U.S.	1.8 %	105	1.6 %	1.3
Total		35.3 %	2,131	32.4 %	7.3

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

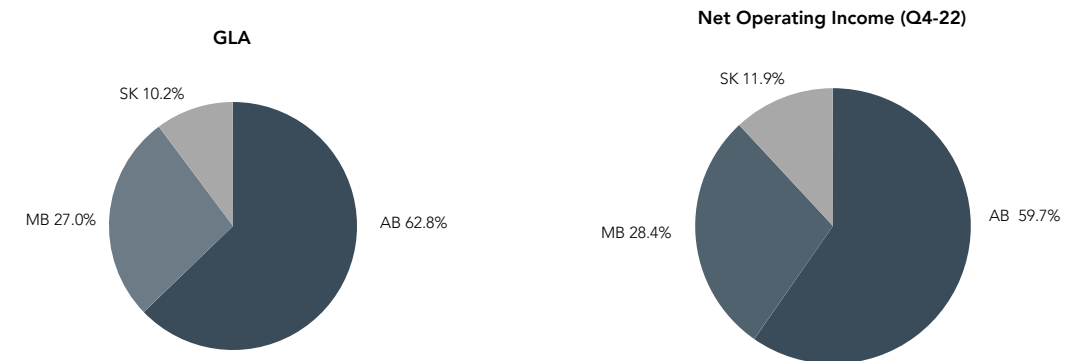
(2) Total gross revenue is in Canadian and US dollars.

(3) AT&T vacated their premises on February 28, 2023.

Retail Portfolio

Artis's retail portfolio is primarily open-air, service-based properties located across Western Canada. At December 31, 2022, the REIT's retail portfolio was comprised of 33 properties totalling approximately 2.1 million square feet of gross leasable area.

At December 31, 2022, the fair value of the properties in Artis's retail portfolio was \$670,561, and represented 13.9% of the REIT's GLA at December 31, 2022, and 20.2% of Q4-22 net operating income. Below is a breakdown of REIT's retail portfolio by geographical region:

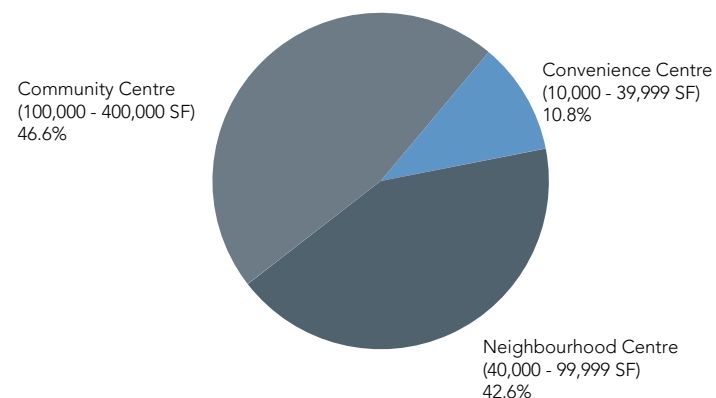


The following is a historical summary of key performance indicators related to the REIT's retail portfolio:

	Q4-22	Q3-22	Q2-22	Q1-22	Q4-21	Q3-21	Q2-21	Q1-21
Number of properties	33	33	33	33	33	33	36	39
Occupancy (including commitments)	91.4 %	92.3 %	91.4 %	91.4 %	91.5 %	91.5 %	90.8 %	90.6 %
Same Property NOI (decline) growth ⁽¹⁾	(1.8)%	(0.4)%	(0.6)%	2.9 %	3.5 %	1.6 %	13.8 %	(4.0)%
Leasable area renewed (in S.F.)	77,336	63,772	77,996	76,195	64,609	85,350	63,574	39,176
Increase (decrease) in weighted-average rental rate	5.2 %	5.1 %	(3.8)%	4.5 %	(2.0)%	2.4 %	1.5 %	6.3 %

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

Artis's retail properties are primarily open-air neighbourhood and community strip centres that provide a wide array of necessities such as food and services. The following is a breakdown of the REIT's retail property type based on Q4-22 net operating income:



Artis's retail portfolio includes 403 tenant leases with a weighted-average term to maturity of 4.0 years. Approximately 62.1% of the REIT's retail gross revenue is derived from national or government tenants. As indicated below, the largest tenant by gross revenue is Shoppers Drug Mart, a leading Canadian retail pharmacy and marketplace chain.

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

Top 10 Retail Tenants by Gross Revenue ⁽¹⁾

Tenant	Tenant location	% of total retail gross revenue	Owned share of GLA (000's of S.F.)	% of total retail GLA	Weighted-average remaining lease term
Shoppers Drug Mart	Canada	3.8 %	64	3.0 %	4.2
Cineplex Entertainment LP	Canada	3.7 %	108	5.0 %	2.9
Sport Chek International Ltd.	Canada	3.3 %	81	3.8 %	1.9
Winners	Canada	2.6 %	84	3.9 %	4.9
Jysk Linen 'n Furniture	Canada	2.5 %	75	3.5 %	2.5
The Brick	Canada	2.4 %	62	2.9 %	2.4
PetSmart, Inc.	Canada	1.8 %	40	1.9 %	2.5
Sobeys	Canada	1.5 %	37	1.7 %	5.3
Mark's Work Warehouse	Canada	1.5 %	44	2.1 %	3.7
GoodLife Fitness Centres, Inc.	Canada	1.5 %	35	1.6 %	13.8
Total		24.6 %	630	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's residential portfolio is comprised of one development project, 300 Main, located in Winnipeg, Manitoba. At December 31, 2022, the fair value of Artis's residential portfolio was \$190,845.

PORTFOLIO OCCUPANCY

Occupancy levels impact the REIT's revenues and net operating income. Occupancy and commitments at December 31, 2022, and the previous four quarterly periods, were as follows:

Occupancy Report by Asset Class ⁽¹⁾

	Q4-22 % Committed ⁽²⁾	Q4-22	Q3-22	Q2-22	Q1-22	Q4-21
Industrial	97.3%	94.1%	93.3%	93.6%	94.5%	93.9%
Office	87.3%	85.7%	86.2%	87.1%	83.1%	83.5%
Retail	91.4%	90.9%	91.7%	90.0%	89.9%	90.2%
Total portfolio	92.3%	90.1%	90.5%	90.7%	89.5%	89.4%

Occupancy Report by Geographical Region ⁽¹⁾

	Q4-22 % Committed ⁽²⁾	Q4-22	Q3-22	Q2-22	Q1-22	Q4-21
Canada:						
Alberta	85.0 %	84.7 %	86.4 %	84.7 %	84.8 %	86.8 %
British Columbia	92.1 %	92.1 %	93.5 %	93.5 %	91.8 %	91.8 %
Manitoba	93.1 %	91.4 %	90.9 %	90.4 %	90.4 %	90.8 %
Ontario	100.0 %	100.0 %	100.0 %	100.0 %	89.9 %	88.2 %
Saskatchewan	98.6 %	98.6 %	98.6 %	97.2 %	97.0 %	96.5 %
Total Canada	91.2 %	90.2 %	90.5 %	89.6 %	89.4 %	90.1 %
U.S.:						
Arizona	98.3 %	95.3 %	94.6 %	96.1 %	87.4 %	88.4 %
Colorado	88.8 %	87.7 %	88.4 %	89.9 %	92.3 %	93.0 %
Minnesota	92.1 %	86.5 %	89.4 %	89.7 %	88.7 %	87.1 %
New York	N/A	N/A	100.0 %	100.0 %	100.0 %	100.0 %
Texas	98.1 %	98.1 %	95.6 %	100.0 %	100.0 %	100.0 %
Wisconsin	85.8 %	83.6 %	85.0 %	86.0 %	86.5 %	86.3 %
Total U.S.	93.0 %	89.9 %	90.5 %	91.3 %	89.6 %	88.9 %
Total portfolio	92.3 %	90.1 %	90.5 %	90.7 %	89.5 %	89.4 %

⁽¹⁾ Information is as at December 31, 2022, and excludes properties under development and properties held in equity accounted investments.

⁽²⁾ Percentage committed is based on occupancy at December 31, 2022, plus commitments on vacant space.

PORTFOLIO LEASING ACTIVITY AND LEASE EXPIRIES

Renewal Summary ⁽¹⁾

	Q4-22	Q3-22	Q2-22	Q1-22	Q4-21	Q3-21	Q2-21	Q1-21
Leasable area renewed (in S.F.)	325,361	486,937	388,424	255,815	746,531	329,468	326,397	478,213
Increase in weighted-average rental rate	6.9 %	3.0 %	3.7 %	7.8 %	3.9 %	2.0 %	7.3 %	4.3 %

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

In 2022, 1,456,537 square feet were renewed at an increase in the weighted-average rental rate of 4.9%, compared to 1,920,609 square feet renewed at an increase in the weighted-average rental rate of 4.1% in 2021.

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, 2022, 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, 2022, were estimated to be 1.1% above in-place rents across the portfolio, compared to 1.1% above in-place rents at September 30, 2022 and 0.2% above in-place rents at December 31, 2021. Today's market rents for the 2023 and 2024 lease expiries are estimated to be 3.2% above and 1.6% 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
Industrial:				
Current vacancy	400,376	2.6 %	N/A	N/A
Monthly tenants	3,600	0.0 %	N/A	N/A
2023	700,273	4.5 %	\$7.67	\$8.01
2024	704,673	4.6 %	\$7.08	\$7.20
2025	625,272	4.0 %	\$10.19	\$10.53
2026	474,911	3.1 %	\$8.54	\$9.16
2027+	3,839,637	24.7 %	\$7.89	\$7.80
	6,748,742	43.5 %	\$8.05	\$8.13
Office:				
Current vacancy	941,748	6.1 %	N/A	N/A
Monthly tenants	43,310	0.3 %	N/A	N/A
2023	1,074,136	6.9 %	\$18.40	\$18.89
2024	381,488	2.5 %	\$21.09	\$20.89
2025	489,143	3.3 %	\$20.50	\$20.35
2026	881,842	5.6 %	\$18.99	\$18.60
2027+	2,758,680	17.9 %	\$17.45	\$17.99
	6,570,347	42.6 %	\$18.39	\$18.66
Retail:				
Current vacancy	194,596	1.3 %	N/A	N/A
Monthly tenants	12,570	0.1 %	N/A	N/A
2023	498,269	3.2 %	\$22.34	\$23.17
2024	312,078	2.0 %	\$24.57	\$23.47
2025	247,021	1.6 %	\$25.36	\$24.73
2026	315,327	2.0 %	\$24.46	\$25.06
2027+	562,794	3.7 %	\$24.45	\$24.55
	2,142,655	13.9 %	\$24.04	\$24.13
Total Portfolio:				
Current vacancy	1,536,720	10.0 %	N/A	N/A
Monthly tenants	59,480	0.4 %	N/A	N/A
2023	2,272,678	14.6 %	\$15.96	\$16.48
2024	1,398,239	9.1 %	\$14.81	\$14.57
2025	1,361,436	8.9 %	\$16.64	\$16.64
2026	1,672,080	10.7 %	\$17.05	\$17.14
2027+	7,161,111	46.3 %	\$12.87	\$13.04
	15,461,744	100.0 %	\$14.45	\$14.61

Lease Maturities and Rental Rates by Geographical Location

	Square Feet Expiring	% of GLA	Weighted-Average In-Place Rental Rate	Weighted-Average Market Rental Rate
Alberta:				
Current vacancy	296,933	2.0 %	N/A	N/A
Monthly tenants	12,570	0.1 %	N/A	N/A
2023	357,639	2.3 %	\$23.27	\$23.94
2024	188,268	1.2 %	\$24.23	\$22.80
2025	241,061	1.6 %	\$23.53	\$23.01
2026	254,564	1.6 %	\$23.75	\$24.21
2027+	592,910	3.8 %	\$22.28	\$21.33
	1,943,945	12.6 %	\$23.14	\$22.77
British Columbia:				
Current vacancy	25,268	0.2 %	N/A	N/A
Monthly tenants	1,146	0.0 %	N/A	N/A
2023	36,648	0.2 %	\$23.99	\$29.12
2024	28,126	0.2 %	\$30.14	\$31.91
2025	19,532	0.1 %	\$26.63	\$26.87
2026	49,268	0.3 %	\$25.09	\$24.72
2027+	160,737	1.1 %	\$15.59	\$15.18
	320,725	2.1 %	\$20.35	\$20.89
Manitoba:				
Current vacancy	322,135	2.1 %	N/A	N/A
Monthly tenants	14,006	0.1 %	N/A	N/A
2023	638,236	4.1 %	\$11.11	\$11.72
2024	421,860	2.7 %	\$14.68	\$14.23
2025	431,314	2.8 %	\$12.75	\$13.13
2026	730,883	4.7 %	\$12.39	\$12.82
2027+	1,189,026	7.7 %	\$13.42	\$13.54
	3,747,460	24.2 %	\$12.84	\$13.08
Ontario:				
Current vacancy	—	0.0 %	N/A	N/A
Monthly tenants	—	0.0 %	N/A	N/A
2023	—	0.0 %	N/A	N/A
2024	—	0.0 %	N/A	N/A
2025	—	0.0 %	N/A	N/A
2026	—	0.0 %	N/A	N/A
2027+	100,398	0.6 %	\$16.00	\$16.50
	100,398	0.6 %	\$16.00	\$16.50
Saskatchewan:				
Current vacancy	7,579	0.0 %	N/A	N/A
Monthly tenants	—	0.0 %	N/A	N/A
2023	45,942	0.3 %	\$19.78	\$19.56
2024	43,841	0.3 %	\$25.85	\$24.36
2025	12,339	0.2 %	\$26.52	\$26.41
2026	22,127	0.1 %	\$30.33	\$30.68
2027+	420,018	2.7 %	\$15.01	\$14.45
	551,846	3.6 %	\$17.17	\$16.61
Arizona:				
Current vacancy	82,233	0.5 %	N/A	N/A
Monthly tenants	15,038	0.1 %	N/A	N/A
2023	237,203	1.5 %	\$18.24	\$18.52
2024	153,440	1.0 %	\$13.67	\$13.70
2025	306,461	2.0 %	\$16.41	\$17.28
2026	175,176	1.2 %	\$20.78	\$22.72
2027+	784,788	5.0 %	\$18.05	\$19.25
	1,754,339	11.3 %	\$17.66	\$18.63

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	52,937	0.3 %	N/A	N/A
Monthly tenants	9,304	0.1 %	N/A	N/A
2023	287,178	1.9 %	\$20.28	\$19.64
2024	18,067	0.1 %	\$31.35	\$28.30
2025	45,112	0.3 %	\$31.31	\$28.33
2026	6,034	0.0 %	\$28.80	\$28.30
2027+	11,047	0.1 %	\$32.78	\$28.70
	429,679	2.8 %	\$22.70	\$21.55
Minnesota:				
Current vacancy	429,303	2.8 %	N/A	N/A
Monthly tenants	7,416	0.0 %	N/A	N/A
2023	260,347	1.7 %	\$10.55	\$10.15
2024	359,469	2.4 %	\$7.28	\$7.47
2025	110,314	0.7 %	\$16.46	\$15.38
2026	207,717	1.3 %	\$18.98	\$16.35
2027+	1,808,737	11.7 %	\$11.53	\$11.83
	3,183,303	20.6 %	\$11.65	\$11.58
Texas:				
Current vacancy	31,642	0.2 %	N/A	N/A
Monthly tenants	—	0.0 %	N/A	N/A
2023	—	0.0 %	N/A	N/A
2024	36,501	0.2 %	\$9.41	\$8.40
2025	95,591	0.6 %	\$8.09	\$7.42
2026	—	0.0 %	N/A	N/A
2027+	1,504,441	9.8 %	\$6.37	\$6.05
	1,668,175	10.8 %	\$6.54	\$6.19
Wisconsin:				
Current vacancy	288,690	1.9 %	N/A	N/A
Monthly tenants	—	0.0 %	N/A	N/A
2023	409,485	2.6 %	\$15.05	\$16.52
2024	148,667	1.0 %	\$15.76	\$16.86
2025	99,712	0.6 %	\$16.17	\$16.13
2026	226,311	1.5 %	\$16.57	\$16.24
2027+	589,009	3.8 %	\$12.96	\$14.54
	1,761,874	11.4 %	\$14.59	\$15.69
Total portfolio:				
Current vacancy	1,536,720	10.0 %	N/A	N/A
Monthly tenants	59,480	0.4 %	N/A	N/A
2023	2,272,678	14.6 %	\$15.96	\$16.48
2024	1,398,239	9.1 %	\$14.81	\$14.57
2025	1,361,436	8.9 %	\$16.64	\$16.64
2026	1,672,080	10.7 %	\$17.05	\$17.14
2027+	7,161,111	46.3 %	\$12.87	\$13.04
	15,461,744	100.0 %	\$14.45	\$14.61

LARGEST SEGMENTS BY NET OPERATING INCOME

Artis's real estate is diversified across five Canadian provinces and five U.S. states, and across the industrial, office and retail asset classes. For the three months ended December 31, 2022, the five largest segments of the REIT's portfolio (by net operating income) were Twin Cities Area office, Madison office, Twin Cities Area industrial, Greater Phoenix Area office and Greater Houston Area industrial.

Twin Cities Area Office Segment

The Twin Cities Area office segment represents 13.0% of Q4-22 net operating income and 10.3% of the overall portfolio by GLA. Direct vacancy in the Twin Cities Area office market, as reported by CBRE, was 21.1% at December 31, 2022, compared to 20.6% at September 30, 2022. At December 31, 2022, the Twin Cities Area office segment of Artis's portfolio was 87.1% occupied, compared to 87.2% at September 30, 2022. During 2023, 97,614 square feet come up for renewal, which represents 0.6% of the total portfolio GLA; 20.2% was renewed or committed to new leases at December 31, 2022. Of Artis's total Twin Cities Area office GLA, 65.3% expires in 2027 or later.

Madison Office Segment

The Madison office segment represents 12.9% of Q4-22 net operating income and 11.4% of the overall portfolio by GLA. At December 31, 2022, the Madison office segment of Artis's portfolio was 83.6% occupied, compared to 85.0% at September 30, 2022. During 2023, 409,485 square feet come up for renewal, which represents 2.6% of the total portfolio GLA; 7.6% was renewed or committed to new leases at December 31, 2022. Of Artis's total Madison office GLA, 33.4% expires in 2027 or later.

Twin Cities Area Industrial Segment

The Twin Cities Area industrial segment represents 8.5% of Q4-22 net operating income and 10.3% of the overall portfolio by GLA. The availability rate in the Twin Cities Area industrial market, as report by CBRE, was 3.6% at December 31, 2022, improved from 3.9% at September 30, 2022. At December 31, 2022, the Twin Cities Area industrial segment of Artis's portfolio was 85.9% occupied, compared to 90.2% at September 30, 2022. During 2023, 162,733 square feet come up for renewal, which represents 1.1% of the total portfolio GLA; 19.5% was renewed or committed to new leases at December 31, 2022. Of Artis's total Twin Cities Area industrial GLA, 50.1% expires in 2027 or later.

Greater Phoenix Area Office Segment

The Greater Phoenix Area office segment represents 7.1% of Q4-22 net operating income and 5.4% of the overall portfolio by GLA. Overall direct vacancy in the Greater Phoenix Area office market, as reported by CBRE, was 23.9% at December 31, 2022, compared to 22.2% at September 30, 2022. At December 31, 2022, the Greater Phoenix Area office segment of Artis's portfolio was 90.1% occupied, increased from 88.5% at September 30, 2022. During 2023, 100,762 square feet come up for renewal, which represents 0.7% of the total portfolio GLA; 43.9% was renewed or committed to new leases at December 31, 2022. Of Artis's total Greater Phoenix Area office segment GLA, 46.8% expires in 2027 or later.

Greater Houston Area Industrial Segment

The Greater Houston Area industrial segment represents 6.8% of Q4-22 net operating income and 10.8% of the overall portfolio by GLA. The availability rate in the Greater Houston Area industrial market, as reported by CBRE, was 6.0% at December 31, 2022, compared to 6.6% at September 30, 2022. At December 31, 2022, the Greater Houston Area industrial segment of Artis's portfolio was 98.1% occupied, increased from 95.6% at September 30, 2022. During 2023, no leases come up for renewal in this segment. Of Artis's total Greater Houston Area industrial segment GLA, 90.2% expires in 2027 or later.

FINANCIAL & OPERATING RESULTS

NET OPERATING INCOME

	Three months ended December 31,		Year ended December 31,	
	2022	2021	2022	2021
Rental revenue from investment properties				
Rental income	\$ 97,905	\$ 99,186	\$ 389,041	\$ 420,123
Tenant inducements amortized to revenue	(6,301)	(5,938)	(25,405)	(24,765)
Straight-line rent adjustments	424	303	1,379	3,405
Lease termination income	2,074	2,104	7,497	2,875
Condominium sales ⁽¹⁾	—	2,010	—	17,861
	94,102	97,665	372,512	419,499
Property operating and realty tax expenses	41,725	40,776	162,532	165,676
Condominium cost of sales ⁽¹⁾	—	1,462	—	16,038
Net operating income	\$ 52,377	\$ 55,427	\$ 209,980	\$ 237,785

(1) In 2021, the REIT completed the conversion of an industrial property to commercial condominium units and all units were sold during the year.

Rental income is revenue earned from tenants primarily related to lease agreements.

Tenant inducement costs are amortized over the term of the tenant's lease.

Rent steps and lease termination income (if it is likely the tenant will exercise the lease termination option) are accounted for by straight-lining the incremental increases and lease termination payments over the entire non-cancelable lease term, including the tenant fixturing period.

Lease termination income relates to payments received from tenants where the REIT and the tenant agreed to terminate a lease prior to the contractual expiry date. Lease termination income is common in the real estate industry, however, it is unpredictable and period-over-period changes are not indicative of trends.

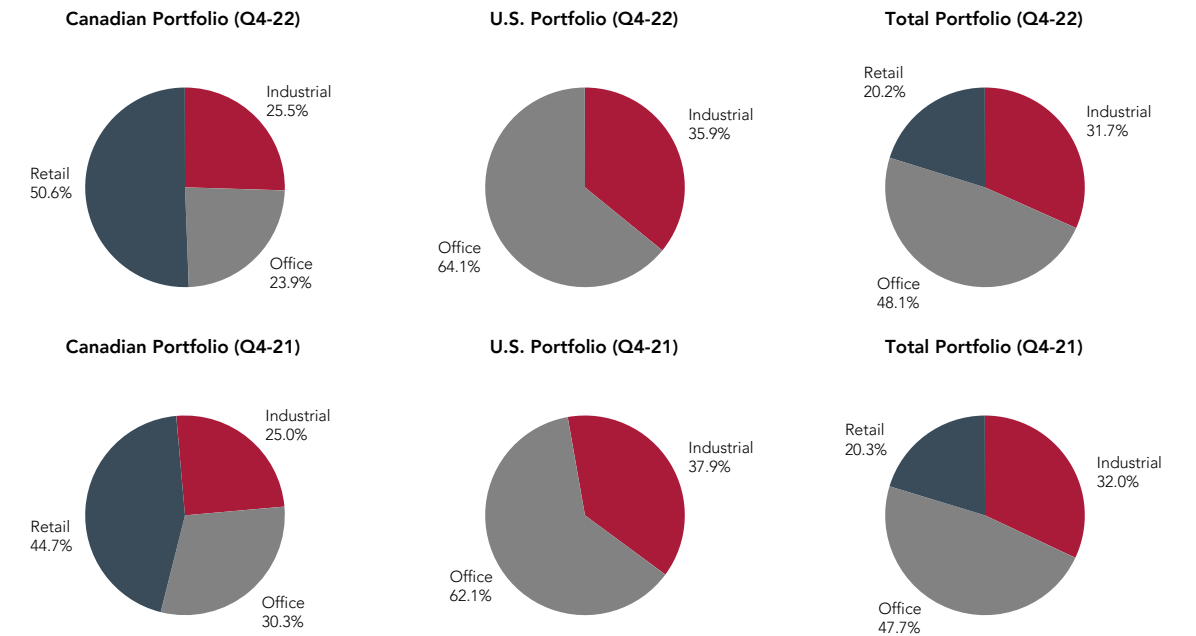
Property operating expenses include costs related to interior and exterior maintenance, insurance, utilities and property management expenses. Also included in property operating expenses is bad debt expense of \$1,189 (Q4-22 - \$561) in 2022 compared to \$574 (Q4-21 - \$188) in 2021.

Net Operating Income by Asset Class

	Three months ended December 31,			Year ended December 31,		
	2022	2021	Change	2022	2021	Change
Canada:						
Industrial	\$ 5,336	\$ 6,275	\$(939)	\$ 21,764	\$ 35,077	\$(13,313)
Office	4,999	7,589	(2,590)	22,704	34,098	(11,394)
Retail	10,579	11,226	(647)	43,174	47,443	(4,269)
	20,914	25,090	(4,176)	87,642	116,618	(28,976)
U.S.:						
Industrial	11,276	11,482	(206)	45,969	46,878	(909)
Office	20,151	18,847	1,304	76,272	74,186	2,086
	31,427	30,329	1,098	122,241	121,064	1,177
Total portfolio:						
Industrial	16,612	17,757	(1,145)	67,733	81,955	(14,222)
Office	25,150	26,436	(1,286)	98,976	108,284	(9,308)
Retail	10,579	11,226	(647)	43,174	47,443	(4,269)
	52,341	55,419	(3,078)	209,883	237,682	(27,799)
REIT	36	8	28	97	103	(6)
Net operating income	\$ 52,377	\$ 55,427	\$(3,050)	\$ 209,980	\$ 237,785	\$(27,805)

In Q4-22, the Canadian industrial segment was primarily impacted by a disposition and condominium sales in Q4-21. The Canadian office segment was impacted by dispositions and increased vacancy at a property in Winnipeg, Manitoba. The U.S. office segment increased due to lease termination income and increased occupancy in certain properties, partially offset by dispositions in 2022.

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

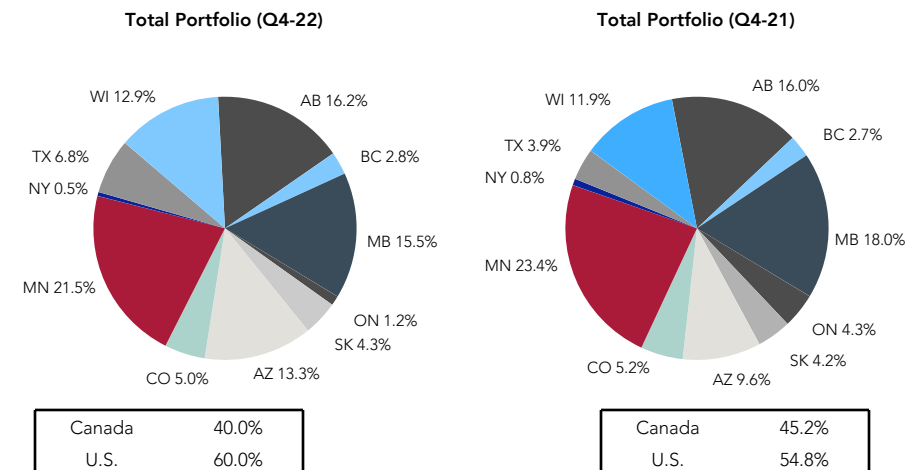


Net Operating Income by Geographical Region

	Three months ended December 31,			Year ended December 31,		
	2022	2021	Change	2022	2021	Change
Canada:						
Alberta	\$ 8,472	\$ 8,866	\$ (394)	\$ 35,517	\$ 40,696	\$ (5,179)
British Columbia	1,459	1,512	(53)	5,817	5,893	(76)
Manitoba	8,089	10,008	(1,919)	34,189	39,065	(4,876)
Ontario	629	2,372	(1,743)	3,303	18,991	(15,688)
Saskatchewan	2,265	2,332	(67)	8,816	11,973	(3,157)
	20,914	25,090	(4,176)	87,642	116,618	(28,976)
U.S.:						
Arizona	6,981	5,303	1,678	23,928	23,938	(10)
Colorado	2,632	2,863	(231)	10,764	8,194	2,570
Minnesota	11,231	12,983	(1,752)	50,418	53,486	(3,068)
New York	264	454	(190)	1,668	1,993	(325)
Texas	3,565	2,138	1,427	10,173	8,476	1,697
Wisconsin	6,754	6,588	166	25,290	24,977	313
	31,427	30,329	1,098	122,241	121,064	1,177
Total portfolio	52,341	55,419	(3,078)	209,883	237,682	(27,799)
REIT	36	8	28	97	103	(6)
Net operating income	\$ 52,377	\$ 55,427	\$ (3,050)	\$ 209,980	\$ 237,785	\$ (27,805)

In Q4-22, net operating income in Ontario and Minnesota was impacted by dispositions. Net operating income decreased in Manitoba due to increased vacancy in certain properties. Net operating income increased in Arizona due to increased occupancy and increased in Texas due to the acquisition of Park 8Ninety II.

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



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's portfolio of investment properties and investment properties held in equity accounted investments. 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.

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,				Year ended December 31,			
	2022	2021	Change	% Change	2022	2021	Change	% Change
Net operating income	\$ 52,377	\$ 55,427			\$ 209,980	\$ 237,785		
Add (deduct) net operating income from:								
Joint venture arrangements	1,548	2,202			8,886	8,845		
Dispositions and unconditional dispositions	(3,273)	(7,592)			(4,058)	(27,502)		
(Re)development properties	360	163			1,402	649		
Lease termination income adjustments	(1,673)	(2,066)			(6,065)	(2,469)		
Disposition of condominium units	—	(548)			—	(1,823)		
Other	(135)	(197)			(367)	(3,642)		
	(3,173)	(8,038)			(202)	(25,942)		
Straight-line rent adjustments ⁽¹⁾	(450)	(473)			(1,706)	(4,341)		
Tenant inducements amortized to revenue ⁽¹⁾	6,098	5,205			25,545	22,052		
Same Property NOI	\$ 54,852	\$ 52,121	\$ 2,731	5.2 %	\$ 233,617	\$ 229,554	\$ 4,063	1.8 %

⁽¹⁾ Includes joint venture arrangements.

Same Property NOI by Asset Class

	Three months ended December 31,				Year ended December 31,			
	2022	2021	Change	% Change	2022	2021	Change	% Change
Industrial	\$ 14,713	\$ 13,678	\$ 1,035	7.6 %	\$ 75,185	\$ 72,419	\$ 2,766	3.8 %
Office	28,921	27,020	1,901	7.0 %	113,145	111,851	1,294	1.2 %
Retail	11,218	11,423	(205)	(1.8)%	45,287	45,284	3	0.0 %
Same Property NOI	\$ 54,852	\$ 52,121	\$ 2,731	5.2 %	\$ 233,617	\$ 229,554	\$ 4,063	1.8 %

	Three months ended				Year ended			
	December 31,		Change	% Change	December 31,		Change	% Change
2022	2021	2022			2021			
Canada:								
Industrial	\$ 7,253	\$ 7,294	\$ (41)	(0.6)%	\$ 29,437	\$ 29,210	\$ 227	0.8 %
Office	6,723	7,607	(884)	(11.6)%	28,969	31,640	(2,671)	(8.4)%
Retail	11,218	11,424	(206)	(1.8)%	45,287	45,285	2	0.0 %
Total Canada	25,194	26,325	(1,131)	(4.3)%	103,693	106,135	(2,442)	(2.3)%
U.S.:								
Industrial	5,494	5,065	429	8.5 %	35,335	34,482	853	2.5 %
Office	16,344	15,402	942	6.1 %	64,640	63,983	657	1.0 %
Total U.S.	21,838	20,467	1,371	6.7 %	99,975	98,465	1,510	1.5 %
Total in functional currency	47,032	46,792	240	0.5 %	203,668	204,600	(932)	(0.5)%
Foreign exchange	7,820	5,329	2,491	46.7 %	29,949	24,954	4,995	20.0 %
Same Property NOI	\$ 54,852	\$ 52,121	\$ 2,731	5.2 %	\$ 233,617	\$ 229,554	\$ 4,063	1.8 %

Same Property NOI by Geographical Region

	Three months ended				Year ended			
	December 31,		Change	% Change	December 31,		Change	% Change
2022	2021	2022			2021			
Alberta	\$ 9,754	\$ 10,234	\$ (480)	(4.7)%	\$ 40,151	\$ 41,361	\$ (1,210)	(2.9)%
British Columbia	1,678	1,705	(27)	(1.6)%	6,667	6,502	165	2.5 %
Manitoba	10,360	11,082	(722)	(6.5)%	43,073	44,768	(1,695)	(3.8)%
Ontario	712	720	(8)	(1.1)%	3,246	3,271	(25)	(0.8)%
Saskatchewan	2,690	2,584	106	4.1 %	10,556	10,233	323	3.2 %
Arizona	5,563	4,452	1,111	25.0 %	20,395	19,244	1,151	6.0 %
Colorado	1,909	1,941	(32)	(1.6)%	7,905	7,929	(24)	(0.3)%
Minnesota	6,194	5,927	267	4.5 %	38,468	39,329	(861)	(2.2)%
New York	—	—	—	— %	1,206	1,173	33	2.8 %
Texas	2,590	2,329	261	11.2 %	9,873	9,137	736	8.1 %
Wisconsin	5,582	5,818	(236)	(4.1)%	22,128	21,653	475	2.2 %
Total in functional currency	47,032	46,792	240	0.5 %	203,668	204,600	(932)	(0.5)%
Foreign exchange	7,820	5,329	2,491	46.7 %	29,949	24,954	4,995	20.0 %
Same Property NOI	\$ 54,852	\$ 52,121	\$ 2,731	5.2 %	\$ 233,617	\$ 229,554	\$ 4,063	1.8 %

Same Property Occupancy

Geographical Region	As at December 31,		Asset Class	As at December 31,	
	2022	2021		2022	2021
Canada:			Industrial	93.4%	93.5%
Alberta	85.0%	86.6%	Office	85.7%	85.9%
British Columbia	92.1%	93.5%	Retail	90.9%	91.7%
Manitoba	91.3%	90.8%			
Ontario	100.0%	100.0%	Total	89.4%	89.7%
Saskatchewan	98.6%	98.6%			
Total Canada	90.2%	90.5%			
U.S.:					
Arizona	95.3%	94.6%			
Colorado	87.7%	88.4%			
Minnesota	84.0%	84.1%			
Texas	97.1%	97.1%			
Wisconsin	83.6%	85.0%			
Total U.S.	88.7%	88.9%			
Total	89.4%	89.7%			

INTEREST AND OTHER INCOME

Interest and other income was \$18,944 (Q4-22 - \$5,589) in 2022, compared to \$1,885 (Q4-21 - \$627) in 2021. The change is primarily due to distribution income from preferred investments in the amount \$15,713 (Q4-22 - \$4,956) in 2022. Refer to the Preferred Investments section of this MD&A for further details.

DISTRIBUTION INCOME FROM EQUITY SECURITIES

Distribution income from equity securities was \$10,710 (Q4-22 - \$4,440) in 2022, compared to \$898 (Q4-21 - \$552) in 2021. Refer to Equity Securities section of this MD&A for further details.

INTEREST EXPENSE

	Three months ended				Year ended			
	December 31,		Change	% Change	December 31,		Change	% Change
2022	2021	2022			2021			
Mortgages and other loans ⁽¹⁾	\$ 8,239	\$ 7,795	\$ 444		\$ 31,250	\$ 33,365	\$ (2,115)	
Senior unsecured debentures	5,420	2,524	2,896		17,674	11,303	6,371	
Credit facilities ⁽¹⁾	12,859	4,952	7,907		33,557	20,178	13,379	
Preferred shares ⁽¹⁾	46	40	6		183	140	43	
	26,564	15,311	11,253	73.5 %	82,664	64,986	17,678	27.2 %
Foreign exchange	2,449	1,149	1,300		6,773	4,662	2,111	
Total interest expense	\$ 29,013	\$ 16,460	\$ 12,553	76.3 %	\$ 89,437	\$ 69,648	\$ 19,789	28.4 %

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

During 2022, interest expense on mortgages and other loans was impacted by the repayment of mortgages upon disposition of investment properties and the repayment of maturing mortgages, partially offset by increased interest expense on mortgages at variable rates. Interest expense on senior unsecured debentures increased primarily due to the issuance of the Series E senior unsecured debentures in April 2022. Interest expense on credit facilities increased primarily due to higher balances drawn on the revolving credit facilities during the year and fluctuations to variable interest rates.

Financing costs on mortgages and other loans, senior unsecured debentures and the credit facilities are netted against the related debt and amortized on an effective interest basis over the expected term of the debt.

At December 31, 2022, the weighted-average effective interest rate on mortgages and other loans secured by properties, was 4.84%, compared to 3.31% at December 31, 2021. The weighted-average nominal interest rate on mortgages and other loans secured by properties at December 31, 2022, was 4.46%, compared to 3.04% at December 31, 2021.

CORPORATE EXPENSES

	Three months ended				Year ended			
	December 31,		Change	% Change	December 31,		Change	% Change
2022	2021	2022			2021			
Accounting, legal and consulting	\$ 427	\$ 723	\$ (296)	(40.9)%	\$ 1,774	\$ 3,262	\$ (1,488)	(45.6)%
Public company costs	340	688	(348)	(50.6)%	1,116	1,837	(721)	(39.2)%
Salaries and benefits	508	1,545	(1,037)	(67.1)%	2,722	4,999	(2,277)	(45.5)%
Depreciation of property and equipment	312	343	(31)	(9.0)%	1,254	1,362	(108)	(7.9)%
General and administrative	171	248	(77)	(31.0)%	795	1,067	(272)	(25.5)%
Total corporate expenses	\$ 1,758	\$ 3,547	\$ (1,789)	(50.4)%	\$ 7,661	\$ 12,527	\$ (4,866)	(38.8)%

Corporate expenses in 2022 were \$7,661 (Q4-22 - \$1,758), or 2.1% (Q4-22 - 1.9%) of total revenues compared to \$12,527 (Q4-21 - \$3,547), or 3.0% (Q4-21 - 3.6%) of total revenues in 2021.

Public company costs include public reporting costs, investor communication costs and trustee fees and expenses. Trustees fees include a fair value gain on unit-based compensation of \$577 (Q4-22 - gain of \$100) in 2022 compared to a fair value loss of \$131 (Q4-21 - loss of \$71) in 2021.

Salaries and benefits include a fair value gain on unit-based compensation of \$484 (Q4-22 - gain of \$147) in 2022 compared to a fair value loss of \$511 (Q4-21 - loss of \$138) in 2021.

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

EQUITY SECURITIES EXPENSES

The REIT invests in equity securities of publicly-traded Canadian real estate entities. In connection with these investments, the REIT incurred commissions, service and professional fees of \$1,890 (Q4-22 - \$759) in 2022, compared to \$186 (Q4-21 - \$95) in 2021.

Included in equity securities expenses are fees paid to Sandpiper. Refer to the Related Party Transactions section of this MD&A for further details.

FAIR VALUE (LOSS) GAIN ON INVESTMENT PROPERTIES

The changes in fair value on investment properties, period-over-period, are recognized as fair value gains and losses in the consolidated statement of operations. Fair values of the investment properties are determined through either the discounted cash flow method or the overall capitalization method. External valuations are performed for a selection of properties representing various geographical regions and asset classes across the REIT's portfolio. Fair value changes in individual properties result from changes in the projected income and cash flow projections of those properties, as well as from changes in capitalization rates and discount rates applied. In 2022, the fair value loss on investment properties was \$178,431 (Q4-22 - loss of \$156,533), compared to a gain of \$197,511 (Q4-21 - gain of \$9,247) in 2021. The fair value loss in 2022 was primarily due to rising interest rates exerting upward pressure on capitalization rates in markets across both Canada and the U.S.

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

	Three months ended		Year ended	
	December 31, 2022		December 31, 2022	
Canada:				
Industrial	\$	(8,018)	\$	(4,217)
Office		(49,894)		(56,432)
Retail		(18,551)		6,254
Residential		(9,744)		(12,138)
		(86,207)		(66,533)
U.S.:				
Industrial		(28,136)		26,190
Office		(42,190)		(138,088)
		(70,326)		(111,898)
Total portfolio:				
Industrial		(36,154)		21,973
Office		(92,084)		(194,520)
Retail		(18,551)		6,254
Residential		(9,744)		(12,138)
Total portfolio	\$	(156,533)	\$	(178,431)

FAIR VALUE (LOSS) GAIN 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 \$19,525 (Q4-22 - gain of \$283) in 2022, compared to an unrealized gain of \$15,966 (Q4-21 - gain of \$5,708) in 2021. The REIT anticipates holding the mortgages and related interest rate swap contracts until maturity.

In conjunction with the Business Transformation Plan, the REIT commenced purchasing equity securities during 2021. The REIT recorded a fair value loss on equity securities of \$41,432 (Q4-22 - gain of \$17,656) in 2022, compared to a gain of \$5,320 (Q4-21 - gain of \$5,864) in 2021.

FOREIGN CURRENCY TRANSLATION (LOSS) GAIN

Artis held certain US dollar denominated monetary assets and liabilities, including cash 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 \$6,683 (Q4-22 - gain of \$1,583) in 2022, compared to a loss of \$3,244 (Q4-21 - gain of \$473) in 2021.

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 related to the Canadian investment properties. The REIT's investment in Iris as part of the Cominar Transaction is through a taxable subsidiary subject to current and deferred 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.

Income tax (recovery) expense comprised of:

	Three months ended		Year ended	
	December 31,		December 31,	
	2022	2021	2022	2021
Current income tax expense	\$ 421	\$ 436	\$ 735	\$ 1,332
Deferred income tax (recovery) expense, net	(6,315)	(38)	13,620	(43)
Income tax (recovery) expense	\$ (5,894)	\$ 398	\$ 14,355	\$ 1,289

The deferred tax expense recorded in 2022 was primarily due to the bargain purchase gain related to the acquisition of Cominar by Iris, partially offset by the REIT's share of net loss of Iris in 2022. The deferred taxes are recorded at the undistributed rate of tax. Actual taxes payable are expected to be reduced due to the benefit of dividend refunds.

OTHER COMPREHENSIVE INCOME (LOSS)

Other comprehensive income includes unrealized foreign currency translation gains of \$110,831 (Q4-22 - losses of \$19,358) in 2022, compared to losses of \$1,473 (Q4-21 - losses of \$7,469) in 2021. 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. Management considers FFO and AFFO to be valuable recurring earnings measures for evaluating the REIT's operating performance. 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, 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.

In addition, the REIT includes the realized gains and losses on the disposition of equity securities (and excludes the unrealized gains or losses of equity securities) in its calculation of FFO and AFFO. The REIT also adjusted FFO and AFFO for strategic initiative expenses for a total of \$18 for 2021. Although these adjustments to arrive at FFO and AFFO are not in accordance with the guidelines set out by REALpac as issued in January 2022, management believes the resulting FFO and AFFO provide a better representation of recurring operating performance.

000's, except per unit amounts	Three months ended December 31,				Year ended December 31,			
	2022	2021	Change	% Change	2022	2021	Change	% Change
Net (loss) income	\$ (128,301)	\$ 60,404			\$ (5,294)	\$ 389,175		
Add (deduct):								
Tenant inducements amortized to revenue	6,301	5,938			25,405	24,765		
Incremental leasing costs	368	749			2,695	3,000		
Distributions on preferred shares treated as interest expense	63	50			240	176		
Transaction costs	—	—			—	11		
Strategic initiative expenses	—	—			—	18		
Remeasurement component of unit-based compensation	(435)	28			(1,725)	(63)		
Adjustments for equity accounted investments	29,211	(1,492)			(62,140)	(9,945)		
Fair value loss (gain) on investment properties	156,533	(9,247)			178,431	(197,511)		
Fair value (gain) loss on financial instruments	(18,075)	(11,302)			21,130	(21,224)		
Realized gain on disposition of equity securities	740	—			1,602	—		
Foreign currency translation (gain) loss	(1,583)	(473)			6,683	3,244		
Deferred income tax (recovery) expense	(6,315)	(38)			13,620	(43)		
Preferred unit distributions	(3,077)	(4,294)			(15,856)	(17,260)		
FFO	\$ 35,430	\$ 40,323	\$ (4,893)	(12.1)%	\$ 164,791	\$ 174,343	\$ (9,552)	(5.5)%
Add (deduct):								
Amortization of recoverable capital expenditures	\$ (2,393)	\$ (2,953)			\$ (8,180)	\$ (9,848)		
Straight-line rent adjustments	(424)	(303)			(1,379)	(3,405)		
Non-recoverable property maintenance reserve	(850)	(1,100)			(4,150)	(4,400)		
Leasing costs reserve	(7,900)	(7,900)			(31,900)	(31,600)		
Adjustments for equity accounted investments	(1,816)	(148)			(6,630)	(614)		
AFFO	\$ 22,047	\$ 27,919	\$ (5,872)	(21.0)%	\$ 112,552	\$ 124,476	\$ (11,924)	(9.6)%

FFO in 2022 was primarily impacted by an increase in interest and other income due to the preferred investment as part of the Cominar Transaction, increased distribution income from equity securities, an increase in income from equity accounted investments primarily due to the investment in common units as part of the Cominar Transaction and realized gains on the sale of equity securities, partially offset by decreased net operating income as a result of dispositions completed in 2021 and 2022 and increased interest expense.

Actual capital expenditures are by nature variable. 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 joint venture arrangements. Approximately 71.7% (Q4-22 - 66.8%) is recoverable from tenants in 2022, compared to 76.2% (Q4-21 - 73.2%) in 2021. The non-recoverable property maintenance reserve reflects management's estimate of a normalized expenditure using the 2019, 2020, 2021 and 2022 actual expenditures and the 2023 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 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,	
	2022	2021	2022	2021
Basic units	115,781,374	124,637,757	117,932,876	129,553,433
Add:				
Restricted units	399,997	414,281	356,076	366,757
Deferred units	202,914	133,552	180,635	105,727
Diluted units	116,384,285	125,185,590	118,469,587	130,025,917

FFO and AFFO per Unit

000's, except per unit amounts	Three months ended December 31,				Year ended December 31,			
	2022	2021	Change	% Change	2022	2021	Change	% Change
FFO per unit:								
Basic	\$ 0.31	\$ 0.32	\$ (0.01)	(3.1)%	\$ 1.40	\$ 1.35	\$ 0.05	3.7%
Diluted	0.30	0.32	(0.02)	(6.3)%	1.39	1.34	0.05	3.7%
AFFO per unit:								
Basic	\$ 0.19	\$ 0.22	\$ (0.03)	(13.6)%	\$ 0.95	\$ 0.96	\$ (0.01)	(1.0)%
Diluted	0.19	0.22	(0.03)	(13.6)%	0.95	0.96	(0.01)	(1.0)%

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 (excluding any Special Distributions) 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			Year ended		
	December 31,		% Change	December 31,		% Change
	2022	2021		2022	2021	
Distributions per common unit ⁽¹⁾	\$ 0.15	\$ 0.15		\$ 0.60	\$ 0.59	
FFO per unit	0.30	0.32		1.39	1.34	
FFO payout ratio	50.0 %	46.9 %	3.1 %	43.2 %	44.0 %	(0.8)%
Distributions per common unit ⁽¹⁾	\$ 0.15	\$ 0.15		\$ 0.60	\$ 0.59	
AFFO per unit	0.19	0.22		0.95	0.96	
AFFO payout ratio	78.9 %	68.2 %	10.7 %	63.2 %	61.5 %	1.7 %

(1) Excludes the Special Distribution declared in December 2021 and December 2022.

FINANCIAL POSITION**ASSETS****Investment Properties, Investment Properties Under Development and Investment Properties Held for Sale**

Artis's total investment properties are as follows:

	December 31, 2022	December 31, 2021
Investment properties	\$ 3,156,206	\$ 3,741,544
Investment properties under development	191,552	195,161
Investment properties held for sale	335,813	62,904
Total	\$ 3,683,571	\$ 3,999,609

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

Balance, December 31, 2021	\$ 3,999,609
Additions:	
Acquisition	5,219
Reclassification from equity accounted investments ⁽¹⁾	98,930
Capital expenditures	
Investment properties	26,622
Investment properties under development	60,340
Capitalized interest ⁽²⁾	1,346
Leasing commissions	12,055
Straight-line rent adjustments	1,379
Tenant inducement additions, net of amortization	11,140
Dispositions	(504,929)
Foreign currency translation gain	150,291
Fair value loss	(178,431)
Balance, December 31, 2022	\$ 3,683,571

(1) On September 30, 2022, the REIT increased its ownership interest in Park 8Ninety II to 100%.

(2) During 2022, interest was capitalized to investment properties under development at a weighted-average effective interest rate of 4.60%.

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				Year ended			
	December 31,		Change	% Change	December 31,		Change	% Change
	2022	2021			2022	2021		
New and (re)development expenditures	\$ 8,372	\$ 17,870	\$ (9,498)		\$ 60,340	\$ 69,008	\$ (8,668)	
Building improvements expenditures:								
Recoverable from tenants	419	918	(499)		1,704	2,150	(446)	
Non-recoverable	4,020	1,740	2,280		15,805	11,548	4,257	
Property maintenance expenditures:								
Recoverable from tenants	1,477	1,429	48		5,821	4,945	876	
Non-recoverable	544	112	432		3,292	2,919	373	
Total capital expenditures	\$ 14,832	\$ 22,069	\$ (7,237)	(32.8)%	\$ 86,962	\$ 90,570	\$ (3,608)	(4.0)%

Capital Expenditures by Asset Class

	Three months ended				Year ended			
	December 31,		Change	% Change	December 31,		Change	% Change
	2022	2021			2022	2021		
Canada:								
Industrial	\$ 104	\$ 391	\$ (287)		\$ 623	\$ 1,677	\$ (1,054)	
Office	2,663	1,808	855		7,439	6,796	643	
Retail	293	1,114	(821)		1,194	1,816	(622)	
Residential	4,851	11,477	(6,626)		32,226	55,768	(23,542)	
	7,911	14,790	(6,879)		41,482	66,057	(24,575)	
U.S.:								
Industrial	1,950	6,531	(4,581)		29,861	16,371	13,490	
Office	4,971	748	4,223		15,619	8,142	7,477	
	6,921	7,279	(358)		45,480	24,513	20,967	
Total portfolio:								
Industrial	2,054	6,922	(4,868)		30,484	18,048	12,436	
Office	7,634	2,556	5,078		23,058	14,938	8,120	
Retail	293	1,114	(821)		1,194	1,816	(622)	
Residential	4,851	11,477	(6,626)		32,226	55,768	(23,542)	
Total portfolio	\$ 14,832	\$ 22,069	\$ (7,237)	(32.8)%	\$ 86,962	\$ 90,570	\$ (3,608)	(4.0)%

In 2022, new and (re)development expenditures included \$32,226 for 300 Main, and \$27,918 for Blaine 35 I and Blaine 35 II.

In 2021, new and (re)development expenditures included \$55,768 for 300 Main, \$12,773 for Blaine 35 I and Blaine 35 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				Year ended			
	December 31,		Change	% Change	December 31,		Change	% Change
2022	2021	2022			2021			
Investment property leasing costs:								
Tenant inducements	\$ 6,816	\$ 7,955	\$ (1,139)		\$ 34,421	\$ 25,718	\$ 8,703	
Leasing commissions	2,578	3,798	(1,220)		11,552	8,799	2,753	
Investment property (re)development related leasing costs:								
Tenant inducements	1,210	951	259		2,124	2,623	(499)	
Leasing commissions	304	910	(606)		503	1,006	(503)	
Total leasing costs	\$ 10,908	\$ 13,614	\$ (2,706)	(19.9)%	\$ 48,600	\$ 38,146	\$ 10,454	27.4 %

Leasing Costs by Asset Class

	Three months ended				Year ended			
	December 31,		Change	% Change	December 31,		Change	% Change
2022	2021	2022			2021			
Canada:								
Industrial	\$ 525	\$ 209	\$ 316		\$ 2,463	\$ 3,395	\$ (932)	
Office	366	2,534	(2,168)		1,802	7,788	(5,986)	
Retail	352	1,157	(805)		3,183	5,256	(2,073)	
Residential	—	920	(920)		448	920	(472)	
	1,243	4,820	(3,577)		7,896	17,359	(9,463)	
U.S.:								
Industrial	3,217	4,091	(874)		9,381	7,643	1,738	
Office	6,448	4,703	1,745		31,323	13,144	18,179	
	9,665	8,794	871		40,704	20,787	19,917	
Total portfolio:								
Industrial	3,742	4,300	(558)		11,844	11,038	806	
Office	6,814	7,237	(423)		33,125	20,932	12,193	
Retail	352	1,157	(805)		3,183	5,256	(2,073)	
Residential	—	920	(920)		448	920	(472)	
Total leasing costs	\$ 10,908	\$ 13,614	\$ (2,706)	(19.9)%	\$ 48,600	\$ 38,146	\$ 10,454	27.4 %

In 2022, leasing costs included \$8,027 for two office tenants in the Twin Cities Area, Minnesota, \$6,959 for one office tenant in the Greater Phoenix Area, Arizona, and \$3,082 for an office tenant in Madison, Wisconsin. Leasing costs related to new and (re)developments included \$1,877 for three industrial tenants in the Twin Cities Area, Minnesota and \$751 for three retail tenants in Winnipeg, Manitoba.

Acquisition

During 2022, the REIT acquired the remaining 5% interest in Park 8Ninety II, an industrial property located in the Greater Houston Area, Texas, for total consideration of US\$2,508. The REIT now owns 100% of the property.

Dispositions

During 2022, Artis sold 19 industrial properties and five office properties for an aggregate sale price of \$514,148. The sale proceeds, net of costs of \$8,592 and related debt of \$164,821, were \$340,735.

Completed new development

During 2022, Artis completed the development of Blaine 35 I, an industrial property located in the Twin Cities Area, Minnesota. Refer to the Portfolio Summary section for further details.

Investment properties held for sale

At December 31, 2022, the REIT had one office property, one retail property and one parcel of development land located in Canada and 10 industrial properties, three office properties, two industrial properties under development and one parcel of development land located in the U.S. with an aggregate fair value of \$335,813, classified as held for sale. These properties were actively marketed for sale or under conditional sale agreements at December 31, 2022.

Foreign currency translation gain on investment properties

In 2022, the foreign currency translation gain on investment properties was \$150,291 due to the change in the year end US dollar to Canadian dollar exchange rate from 1.2678 at December 31, 2021 to 1.3544 at December 31, 2022.

Fair value (loss) gain on investment properties

During 2022, the REIT recorded a loss on the fair value of investment properties of \$178,431 (Q4-22 - loss of \$156,533), compared to a gain of \$197,511 (Q4-21 - gain of \$9,247) in 2021. The fair value loss in 2022 was primarily due to rising interest rates exerting upward pressure on capitalization rates in markets across both Canada and the U.S.

Artis determines the fair value of investment properties based upon either the discounted cash flow method or the overall capitalization method. Capitalization rates are estimated using market surveys, available appraisals and market comparables. Under the overall capitalization method, year one income is stabilized and capitalized at a rate deemed appropriate for each investment property. Individual properties were valued using capitalization rates in the range of 3.75% to 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.

Capitalization Rates

	December 31, 2022			December 31, 2021		
	Maximum	Minimum	Weighted-average	Maximum	Minimum	Weighted-average
Industrial:						
Canadian industrial portfolio	8.50 %	3.75 %	6.23 %	7.75 %	3.50 %	5.76 %
U.S. industrial portfolio	7.75 %	5.00 %	5.49 %	7.75 %	4.50 %	5.74 %
Total industrial portfolio	8.50 %	3.75 %	5.81 %	7.75 %	3.50 %	5.75 %
Office:						
Canadian office portfolio	8.25 %	4.25 %	6.21 %	7.75 %	4.75 %	5.99 %
U.S. office portfolio	8.25 %	6.25 %	7.35 %	8.00 %	6.00 %	7.00 %
Total office portfolio	8.25 %	4.25 %	6.94 %	8.00 %	4.75 %	6.61 %
Retail:						
Canadian retail portfolio	8.75 %	6.00 %	6.65 %	8.75 %	5.50 %	6.54 %
Total retail portfolio	8.75 %	6.00 %	6.65 %	8.75 %	5.50 %	6.54 %
Residential:						
Canadian residential portfolio	4.50 %	4.50 %	4.50 %	4.50 %	4.50 %	4.50 %
Total residential portfolio	4.50 %	4.50 %	4.50 %	4.50 %	4.50 %	4.50 %
Total:						
Canadian portfolio	8.75 %	3.75 %	6.20 %	8.75 %	3.50 %	6.00 %
U.S. portfolio	8.25 %	5.00 %	6.66 %	8.00 %	4.50 %	6.49 %
Total portfolio	8.75 %	3.75 %	6.40 %	8.75 %	3.50 %	6.22 %

Preferred Investments

At December 31, 2022, the REIT had preferred investments of \$114,184, compared to \$nil at December 31, 2021. The change is due to the junior preferred units acquired as part of the Cominar Transaction in the amount of \$100,000 and additional junior preferred units received in-kind for interest income in the amount of \$14,184. This preferred investment carries a rate of return of 18.0% per annum.

Equity Securities

At December 31, 2022, the REIT had investments in equity securities of \$316,768, compared to \$77,186 at December 31, 2021.

The change in equity securities is a result of the following:

Balance, December 31, 2021	\$	77,186
Purchases		335,971
Dispositions		(41,469)
Reclassification to equity accounted investments ⁽¹⁾		(13,488)
Fair value loss		(41,432)
Balance, December 31, 2022	\$	316,768

⁽¹⁾ Refer to Participation in Investor Group to Acquire Cominar REIT section of this MD&A for further details.

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. This note receivable was repaid subsequent to year end.

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, 2022 was \$38,695, compared to \$36,282 at December 31, 2021.

Accounts Receivable

At December 31, 2022, Artis had accounts receivable outstanding as follows:

	December 31, 2022	December 31, 2021
Rents receivable	\$ 5,229	\$ 5,578
Deferred rents receivable	238	955
Allowance for doubtful accounts	(2,187)	(1,717)
Accrued recovery income	3,470	3,181
Other receivables	10,557	6,799
	\$ 17,307	\$ 14,796

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, 2022, the outstanding balance of rent deferrals granted to tenants was \$238, compared to \$955 at December 31, 2021.

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, 2022, an allowance for doubtful accounts in the amount of \$2,187 was recorded, compared to \$1,717 at December 31, 2021.

Cash

At December 31, 2022, the REIT had \$29,168 of cash on hand, compared to \$221,474 at December 31, 2021. 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, 2022 was 1.6 years, compared to 2.3 years at December 31, 2021.

At December 31, 2022, Artis had mortgages and loans payable outstanding, as follows:

	Canada		U.S.		Total Portfolio	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Fixed rate mortgages	\$ 285,848	\$ 348,186	\$ 48,750	\$ 46,524	\$ 334,598	\$ 394,710
Variable rate mortgages:						
Hedged	25,575	60,124	191,561	347,392	217,136	407,516
Unhedged	4,097	4,532	310,905	280,763	315,002	285,295
Net above- and below- market mortgage adjustments	—	—	782	1,604	782	1,604
Financing costs	(1,476)	(1,588)	(1,344)	(2,498)	(2,820)	(4,086)
	\$ 314,044	\$ 411,254	\$ 550,654	\$ 673,785	\$ 864,698	\$ 1,085,039

At December 31, 2022, unhedged variable rate mortgage debt as a percentage of total debt, including credit facilities and debentures was 14.2%, compared to 14.5% at December 31, 2021. 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, 2022	December 31, 2021
Canadian portfolio:		
Industrial	\$ 52,618	\$ 57,479
Office	51,041	69,081
Retail	211,861	286,282
	315,520	412,842
U.S. portfolio:		
Industrial	162,900	278,519
Office	388,316	396,160
	551,216	674,679
Total portfolio:		
Industrial	215,518	335,998
Office	439,357	465,241
Retail	211,861	286,282
	866,736	1,087,521

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

Balance, December 31, 2021	\$ 1,087,521
Add (deduct):	
New fixed rate mortgage	24,000
Assumed variable rate mortgage on acquisition of investment property	37,703
Draws on construction loan	28,259
Partial repayment of variable rate mortgage	(6,913)
Partial repayment of hedged mortgage	(8,420)
Repayment of fixed rate mortgages	(73,753)
Repayment of hedged mortgages	(47,517)
Repayment of variable rate mortgages	(29,165)
Repayment of hedged mortgages upon disposition of investment properties	(113,760)
Repayment of variable mortgage upon disposition of investment property	(51,061)
Principal repayments	(25,380)
Foreign currency translation loss	45,222
Balance, December 31, 2022	\$ 866,736

During 2022, Artis also renewed two mortgages in the amount of US\$62,101.

Senior Unsecured Debentures

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

	Issued	Maturity	Interest rate	December 31, 2022		December 31, 2021	
				Carrying value	Face value	Carrying value	Face value
Series D	September 18, 2020	September 18, 2023	3.824 %	\$ 249,723	\$ 250,000	\$ 249,346	\$ 250,000
Series E	April 29, 2022	April 29, 2025	5.600 %	199,368	200,000	—	—
				\$ 449,091	\$ 450,000	\$ 249,346	\$ 250,000

At December 31, 2022, the carrying value of the senior unsecured debentures increased \$199,745 compared to December 31, 2021. The change is primarily due to the issuance of the Series E senior unsecured debentures on April 29, 2022.

Credit Facilities

Revolving Credit Facilities

The REIT has unsecured revolving credit facilities in the aggregate amount of \$700,000. On December 1, 2022, 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, 2022 to December 14, 2024. 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, 2022, there was \$601,934 drawn on these facilities (December 31, 2021, \$131,851).

Non-Revolving Credit Facilities

The REIT has unsecured non-revolving credit facilities, as outlined in the table below.

	Interest Rate	December 31, 2022	December 31, 2021
Non-revolving facility maturing February 1, 2023	Variable ⁽¹⁾	\$ 50,000	\$ 150,000
Non-revolving facility maturing February 6, 2023	Variable ⁽²⁾	100,000	200,000
Non-revolving facility maturing July 18, 2023	Variable ⁽³⁾	150,000	150,000
		\$ 300,000	\$ 500,000

(1) The applicable interest rate is banker's acceptance rate plus 1.70% or prime rate plus 0.70%.

(2) The applicable interest rate is banker's acceptance rate plus 1.60% or prime rate plus 0.60%.

(3) The applicable interest rate is banker's acceptance rate plus 1.70% or prime rate plus 0.70%.

On February 4, 2022, the REIT repaid \$100,000 of the \$200,000 non-revolving credit facility that matured on that date and entered into an amended agreement for the remaining balance of \$100,000 with a maturity date of February 6, 2023. On May 31, June 27, August 8, and December 1, 2022, the REIT entered into amended agreements for the other two unsecured non-revolving term credit facilities in the aggregate amount of \$300,000 with the maturity dates extended to December 1, 2022 and July 18, 2023. On December 1, 2022, the REIT entered into an amended agreement to repay \$50,000 of the \$150,000 non-revolving credit facility that matured on that date and extend the maturity dates of the remaining balance. A further repayment of \$50,000 was made on December 30, 2022 with the remaining \$50,000 maturing on February 1, 2023. Refer to Subsequent Events section of the MD&A for further amended agreements subsequent to December 31, 2022.

Accounts Payable & Other Liabilities

Included in accounts payable and other liabilities was accrued distributions payable to unitholders of \$16,247, which were paid subsequent to December 31, 2022.

UNITHOLDERS' EQUITY

Unitholders' equity decreased overall by \$226,194 between December 31, 2021 and December 31, 2022. The overall decrease was primarily due to distributions made to unitholders of \$145,094, the redemption of preferred units in the amount of \$81,208, \$123,520 of common units and \$5,073 of preferred units purchased through the NCIB, partially offset by contributed surplus of \$22,934 and by net loss of \$5,294. The overall decrease was partially offset by other comprehensive income of \$110,831 and the issuance of common units of \$230.

OTHER FINANCIAL MEASURES

The measures and ratios calculated below are non-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, 2022	December 31, 2021	Change
Unitholders' equity	\$ 2,229,159	\$ 2,455,353	\$ (226,194)
Less face value of preferred equity	(212,547)	(299,017)	86,470
NAV attributable to common unitholders	\$ 2,016,612	\$ 2,156,336	\$ (139,724)
Total number of dilutive units outstanding:			
Common units	115,409,234	123,544,536	(8,135,302)
Restricted units	440,617	462,891	(22,274)
Deferred units	203,430	133,552	69,878
	116,053,281	124,140,979	(8,087,698)
NAV per unit	\$ 17.38	\$ 17.37	\$ 0.01

Unitholders' equity decreased primarily due to distributions made to unitholders, units purchased under the NCIB, and by net loss, partially offset by the foreign exchange gain recorded in other comprehensive income. 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, 2022	December 31, 2021
Total assets	\$ 4,553,913	\$ 4,576,024
Add: accumulated depreciation	10,585	9,275
Gross book value	4,564,498	4,585,299
Secured mortgages and loans	\$ 864,698	\$ 1,085,039
Secured mortgages and loans to GBV	18.9 %	23.7 %

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, total indebtedness of the REIT is limited to 70% of GBV.

	December 31, 2022	December 31, 2021
Total assets	\$ 4,553,913	\$ 4,576,024
Add: accumulated depreciation	10,585	9,275
Gross book value	4,564,498	4,585,299
Secured mortgages and loans	864,698	1,085,039
Preferred shares liability	950	889
Carrying value of debentures	449,091	249,346
Credit facilities	901,159	631,253
Total debt	\$ 2,215,898	\$ 1,966,527
Total debt to GBV	48.5 %	42.9 %

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 investment properties held under joint venture arrangements, by total unsecured debt, which consists of senior unsecured debentures and unsecured credit facilities.

Management considers this ratio to be useful as the REIT is required to maintain a minimum a ratio of 1.4 under the terms of its revolving credit facilities. The availability to draw on the revolving credit facilities is limited by the total unencumbered assets.

	December 31, 2022	December 31, 2021
Unencumbered assets	\$ 2,034,409	\$ 1,902,748
Unencumbered investment properties held under joint venture arrangements	50,557	36,805
Total unencumbered assets	2,084,966	1,939,553
Senior unsecured debentures	449,091	249,346
Unsecured credit facilities	901,159	631,253
Total unsecured debt	\$ 1,350,250	\$ 880,599
Unencumbered assets to unsecured debt	1.54	2.20

Adjusted EBITDA Interest Coverage Ratio

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

The REIT calculates 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 expenses. The REIT 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.

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

	Three months ended December 31,		Year ended December 31,	
	2022	2021	2022	2021
Net (loss) income	\$ (128,301)	\$ 60,404	\$ (5,294)	\$ 389,175
Add (deduct):				
Tenant inducements amortized to revenue	6,301	5,938	25,405	24,765
Straight-line rent adjustments	(424)	(303)	(1,379)	(3,405)
Depreciation of property and equipment	312	343	1,254	1,362
Transaction costs	—	—	—	11
Strategic initiative expenses	—	—	—	18
Net loss (income) from equity accounted investments	28,196	(3,276)	(74,659)	(16,795)
Distributions from equity accounted investments ⁽¹⁾	734	839	4,166	4,577
Interest expense	29,013	16,460	89,437	69,648
Fair value loss (gain) on investment properties	156,533	(9,247)	178,431	(197,511)
Fair value (gain) loss on financial instruments	(18,075)	(11,302)	21,130	(21,224)
Foreign currency translation (gain) loss	(1,583)	(473)	6,683	3,244
Income tax (recovery) expense	(5,894)	398	14,355	1,289
Adjusted EBITDA	66,812	59,781	259,529	255,154
Interest expense	29,013	16,460	89,437	69,648
Add (deduct):				
Amortization of financing costs	(787)	(814)	(3,177)	(3,334)
Amortization of above- and below-market mortgages, net	234	216	896	799
Adjusted interest expense	\$ 28,460	\$ 15,862	\$ 87,156	\$ 67,113
Adjusted EBITDA interest coverage ratio	2.35	3.77	2.98	3.80

⁽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's total outstanding debt.

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

	December 31, 2022	December 31, 2021
Secured mortgages and loans	\$ 864,698	\$ 1,085,039
Preferred shares liability	950	889
Carrying value of debentures	449,091	249,346
Credit facilities	901,159	631,253
Total debt	2,215,898	1,966,527
Quarterly Adjusted EBITDA	66,812	59,781
Annualized Adjusted EBITDA	267,248	239,124
Total debt to Adjusted EBITDA	8.3	8.2

EQUITY ACCOUNTED INVESTMENTS

INVESTMENT PROPERTIES

The REIT has interests in the following investment properties held in equity accounted investments:

Property	Investment Type	Property Count	Location	Asset Class	Owned Share of GLA	Ownership Interest	
						December 31, 2022	December 31, 2021
Park 8Ninety II	Joint venture	—	Greater Houston Area, TX	Industrial	—	100 %	95 %
Park 8Ninety V	Joint venture	1	Greater Houston Area, TX	Industrial	640,467	95 %	95 %
Corridor Park ⁽¹⁾	Joint venture	—	Greater Houston Area, TX	Office	—	90 %	90 %
Graham Portfolio	Joint venture	8	Various Cities, AB/BC/SK	Industrial	243,109	75 %	75 %
The Point at Inverness	Joint venture	1	Greater Denver Area, CO	Office	95,199	50 %	50 %
Park Lucero East	Associate	—	Greater Phoenix Area, Arizona	Industrial	—	10 %	10 %

⁽¹⁾ Corridor Park is a parcel of development land.

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 2022, Artis acquired the remaining 5% of Park 8Ninety II and completed construction of the fifth and final phase of Park 8Ninety. Artis also has 100% ownership in Park 8Ninety I, Park 8Ninety III and Park 8Ninety IV.

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. This project is expected to comprise three Class A industrial buildings totalling approximately 561,000 square feet of leasable area.

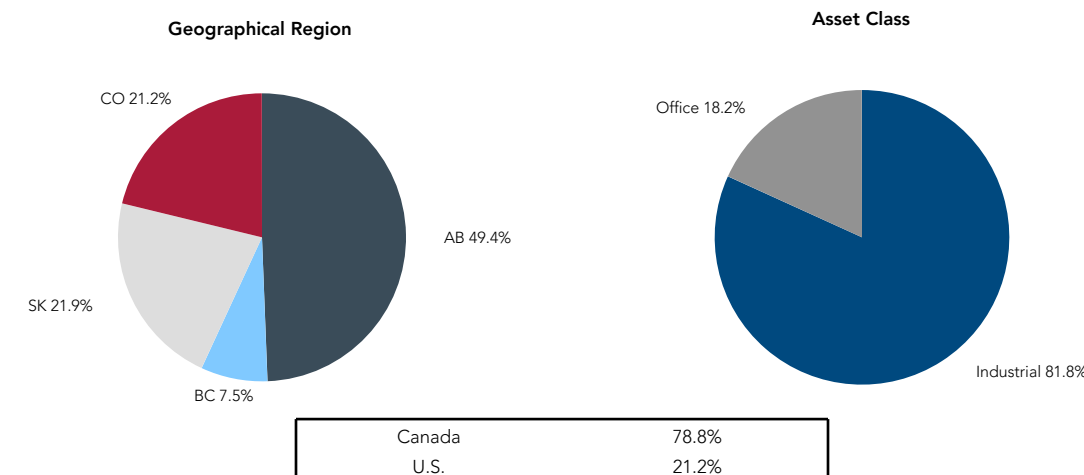
At December 31, 2022, The Point at Inverness, an office property located in the Greater Denver Area, Colorado was classified as held for sale.

Financial and Operating Results

Net Operating Income

	Three months ended December 31,		Year ended December 31,	
	2022	2021	2022	2021
Revenue	\$ 3,363	\$ 4,025	\$ 16,262	\$ 15,760
Total operating expenses	1,828	1,823	7,394	6,913
Net operating income	\$ 1,535	\$ 2,202	\$ 8,868	\$ 8,847

Below is a breakdown of Q4-22 net operating income by geographical region and asset class of the REIT's investment properties held under equity accounted investments at the REIT's ownership interest:



Fair Value Gain (Loss) on Investment Properties

In 2022, the fair value gain on investment properties was \$30,373 (Q4-22 - loss of \$6,036), compared to a gain of \$10,496 (Q4-21 - gain of \$1,653) in 2021. The fair value gain in 2022 was primarily due to value creation at Park 8Ninety V, an industrial development project completed during the year.

Other Expenses and Income, Net

In 2022, other expenses and income, net, were \$3,080 (Q4-22 - \$640), compared to \$2,548 (Q4-21 - \$579) in 2021. The overall change is primarily due to increased interest expense as a result of draws on construction loans and fluctuations to variable interest rates.

Financial Position

Investment properties held in equity accounted investments at the REIT's ownership interest consists of the following:

	December 31, 2022	December 31, 2021
Investment properties	\$ 212,794	\$ 233,635
Investment properties under development	12,452	47,024
Investment properties held for sale	19,303	—
Total	\$ 244,549	\$ 280,659

The change in total investment properties held in equity accounted investments is a result of the following:

Balance, December 31, 2021	\$ 280,659
Additions:	
Capital expenditures	
Investment properties under development	17,703
Capitalized interest ⁽¹⁾	140
Leasing commissions	1,936
Straight-line rent adjustments	488
Tenant inducement additions, net of amortization	687
Reclassification from equity accounted investments ⁽²⁾	(98,930)
Foreign currency translation gain	11,493
Fair value gain	30,373
Balance, December 31, 2022	\$ 244,549

⁽¹⁾ During 2022, interest was capitalized to investment properties under development at a weighted-average effective interest rate of 3.85%.

⁽²⁾ On September 30, 2022, the REIT increased its ownership interest in Park 8Ninety II to 100%. As a result, Park 8Ninety II is no longer included in equity accounted investments.

At December 31, 2022, mortgages and loans payable at the REIT's ownership interest in investment properties held in equity accounted investments were as follows:

	December 31, 2022	December 31, 2021
Fixed rate mortgages	\$ 29,312	\$ 41,044
Variable rate mortgages	35,406	54,035
Financing costs	(345)	(597)
	<u>\$ 64,373</u>	<u>\$ 94,482</u>

The weighted-average term to maturity on mortgages and loans payable at the REIT's ownership interest in equity accounted investments was 1.9 years at December 31, 2022, unchanged from December 31, 2021.

OTHER INVESTMENTS

The REIT has interests in the following other investments held in equity accounted investments:

Investment	Investment Type	Purpose	Ownership Interest	
			December 31, 2022	December 31, 2021
ICE LP	Joint venture	Investment in Iris Acquisition II LP	50.00 %	— %
ICE II LP	Joint venture	Investment in the asset manager of Iris Acquisition II LP	50.00 %	— %
Iris Acquisition II LP	Associate	Investment in Cominar Real Estate Investment Trust	32.64 %	— %

On March 1, 2022, the REIT contributed \$112,000 to acquire common equity units in Iris Acquisition II LP ("Iris"), an entity formed to acquire the outstanding units of Cominar. The REIT's investment in 32.64% of the outstanding common equity units of Iris is determined to be an investment in an associate on the basis of the REIT's significant influence over this investment through representation on the Board of Cominar and the Board of the ultimate general partner of Iris.

In connection with the investment in Iris, the REIT, Sandpiper and an affiliate of Sandpiper entered into two joint ventures, ICE LP and ICE II LP. ICE LP holds 33.33% interest in the ultimate general partner of Iris and certain equity interest in Iris with profit participation rights. ICE II LP holds 33.33% interest in the asset manager of Cominar.

Under the asset management agreement, the asset manager earns a monthly fee of 1/12th of 1.75% of the net asset value of Iris. The asset management agreement has an initial term of six years with an automatic renewal of one year thereafter.

In addition, the REIT acquired junior preferred units of Iris for \$100,000, which carry a rate of return of 18.0% per annum. Refer to Preferred Investments section of this MD&A for further details.

The change in other investments held in equity accounted investments is a result of the following:

Balance, December 31, 2021	\$	—
Contributions:		
Iris Acquisition II LP		112,000
ICE LP		5
ICE II LP		—
Net income from ICE II LP		823
Net income from Iris Acquisition II LP		34,185
		<u>34,185</u>
Balance, December 31, 2022	<u>\$</u>	<u>147,013</u>

The net income from Iris Acquisition II LP in 2022 includes a bargain purchase gain in the amount of \$111,652.

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, 2022	Year ended December 31, 2022	Year ended December 31, 2021	Year ended December 31, 2020
Cash flow from operations	\$ 16,655	\$ 140,744	\$ 199,499	\$ 170,589
Net (loss) income	(128,301)	(5,294)	389,175	21,543
Monthly distributions paid and payable	20,428	86,228	76,250	91,074
Special Distribution payable in cash	9,234	9,234	39,589	—
	<u>29,662</u>	<u>95,462</u>	<u>115,839</u>	<u>91,074</u>
(Shortfall) excess of cash flow from operations over distributions paid and payable	(13,007)	45,282	83,660	79,515
(Shortfall) excess of net income over distributions paid and payable	(157,963)	(100,756)	273,336	(69,531)

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

The shortfall of cash flow from operations over distributions declared for the three months ended December 31, 2022 was primarily due to timing of changes in non-cash operating items. The shortfall of net income over distributions declared for the three months and the year ended December 31, 2022 was primarily due to the non-cash impact of the fair value losses on investment properties and financial instruments. 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, 2022, Artis had \$29,168 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, 2022, the REIT had \$98,066 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, 2022, this covenant did not limit the total borrowing capacity of the revolving credit facilities (December 31, 2021, limited to \$635,313).

At December 31, 2022, the REIT had 91 unencumbered properties, one unencumbered development project and three unencumbered parcels of development land, representing a fair value of \$2,034,409.

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, 2022.

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	\$ 72,581	\$ 72,581	\$ —	\$ —	\$ —
Lease liabilities	1,237	321	380	293	243
Credit facilities	901,934	526,588	375,346	—	—
Senior unsecured debentures	450,000	250,000	200,000	—	—
Mortgages and loans payable	866,736	555,451	135,962	103,678	71,645
Total contractual obligations	\$ 2,292,488	\$ 1,404,941	\$ 711,688	\$ 103,971	\$ 71,888

As at December 31, 2022, the REIT had extension options for mortgages maturing in 2023 in the amount of \$151,137.

Subsequent to December 31, 2022, the \$100,000 non-revolving credit facility that matured on February 6, 2023 was extended to February 6, 2024, the \$150,000 non-revolving credit facility maturing on July 18, 2023 was extended to July 18, 2024, and the \$300,000 revolving credit facility maturing on April 29, 2023 was replaced with a \$280,000 revolving credit facility maturing on April 29, 2025.

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
2023	\$ 539,469	65.6 %	\$ 15,981	\$ 555,450	4.60 %
2024	86,826	10.5 %	8,136	94,962	6.23 %
2025	34,563	4.2 %	6,437	41,000	6.35 %
2026	64,417	7.8 %	4,427	68,844	2.58 %
2027	31,584	3.8 %	3,251	34,835	2.26 %
2028 & later	66,793	8.1 %	4,852	71,645	3.72 %
Total	\$ 823,652	100.0 %	\$ 43,084	\$ 866,736	4.53 %

RISKS AND UNCERTAINTIES

A summary of all risks applicable to the REIT are set forth in Artis's 2022 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's 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's overall profitability as Artis's operating results will depend in part on the performance of its investment portfolio. It is expected that Artis's 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's 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's 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's 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's 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's 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's 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 President & 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 resulted in governments enacting emergency measures, including travel restrictions, physical distancing and the temporary closure of non-essential businesses. These changes caused a disruption to markets where the REIT operates in both Canada and the U.S. and an overall global economic slowdown.

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;
- 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.

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 five U.S. states, with the largest geographical segments, measured by net operating income, located in the provinces of Alberta and Manitoba and in the states of Minnesota and Arizona. 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, 2022, investment properties under development account for 5.2% of Artis's total investment properties (December 31, 2021, 4.9%). At December 31, 2022, the REIT had two development projects in progress, 300 Main 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, 2022, 38.6% of the REIT's mortgages and loans payable bear interest at fixed rates, and a further 25.1% of the REIT's mortgages and loans payable bear interest at variable rates with interest rate swaps in place. At December 31, 2022, the REIT is a party to \$1,434,072 of variable rate debt, including credit facilities (December 31, 2021, \$1,324,662). At December 31, 2022, the REIT had entered into interest rate swaps to hedge the interest rate risk associated with \$217,136 of variable rate debt, including credit facilities, (December 31, 2021, \$907,516). 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, 2022, the REIT's ratio of secured mortgages and loans to GBV was 18.9%, compared to 23.7% at December 31, 2021. At December 31, 2022, the REIT's ratio of total debt to GBV was 48.5%, compared to 42.9% at December 31, 2021. Approximately 65.6% of Artis's maturing mortgage debt comes up for renewal during 2023, and 10.5% in 2024. Management is in discussion with various lenders with respect to the renewal or refinancing of the 2023 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's portfolio includes 1,106 tenant leases with a weighted-average term to maturity of 5.4 years. Approximately 49.7% of the REIT's 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 second largest tenant by gross revenue is AT&T, which is a leading provider of telecommunications, media and technology services globally.

Top 20 Tenants by Gross Revenue ⁽¹⁾

Tenant	Tenant location	% of total gross revenue ⁽²⁾	Owned share of GLA (000's of S.F.)	% of total GLA	Weighted-average remaining lease term
Bell Canada	Canada	2.5 %	115	0.7 %	6.8
AT&T ⁽³⁾	U.S.	2.4 %	257	1.7 %	0.2
Bell MTS	Canada	2.2 %	214	1.4 %	4.0
Prime Therapeutics, LLC	U.S.	2.2 %	386	2.5 %	11.8
Catalent Pharma Solutions, LLC	U.S.	1.6 %	233	1.5 %	13.6
TDS Telecommunications Corporation	U.S.	1.5 %	150	1.0 %	6.0
CB Richard Ellis, Inc.	U.S.	1.4 %	108	0.7 %	4.0
PBP, Inc.	U.S.	1.3 %	519	3.4 %	8.9
Recipe Unlimited Corporation	Canada	1.3 %	100	0.6 %	6.0
UCare Minnesota	U.S.	1.1 %	124	0.8 %	10.6
Silent Aire USA, Inc.	U.S.	1.0 %	289	1.9 %	5.0
Shoppers Drug Mart	Canada	1.0 %	78	0.5 %	4.0
Civeo Canada Ltd.	Canada	1.0 %	72	0.5 %	5.5
Telephone and Data Systems, LLC	U.S.	1.0 %	105	0.7 %	1.3
Soo Line Railroad Company	U.S.	0.9 %	92	0.6 %	4.7
MLT Aikins LLP	Canada	0.9 %	60	0.4 %	1.8
Cineplex Entertainment, LP	Canada	0.8 %	108	0.7 %	2.9
Maple Leaf Consumer Foods, Inc.	Canada	0.8 %	163	1.1 %	6.5
Distribution Alternatives, Inc.	U.S.	0.8 %	403	2.6 %	10.0
U of Wisconsin Medical Foundation	U.S.	0.8 %	101	0.7 %	4.7
Total		26.5 %	3,677	24.0 %	7.1

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	2.5 %	246	1.6 %	5.7
Provincial Government	0.2 %	13	0.1 %	1.7
Civic or Municipal Government	1.2 %	195	1.3 %	11.1
Total	3.9 %	454	3.0 %	7.9
Weighted-average term to maturity (entire portfolio)				5.4

(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.

(3) AT&T vacated their premises on February 28, 2023.

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	TX	WI	
2023	2.3 %	0.2 %	4.1 %	0.3 %	— %	1.5 %	1.9 %	1.7 %	— %	2.6 %	14.6 %
2024	1.2 %	0.2 %	2.7 %	0.3 %	— %	1.0 %	0.1 %	2.4 %	0.2 %	1.0 %	9.1 %
2025	1.6 %	0.1 %	2.8 %	0.2 %	— %	2.0 %	0.3 %	0.7 %	0.6 %	0.6 %	8.9 %
2026	1.6 %	0.3 %	4.7 %	0.1 %	— %	1.2 %	— %	1.3 %	— %	1.5 %	10.7 %
2027 & later	3.8 %	1.1 %	7.7 %	2.7 %	0.6 %	5.0 %	0.1 %	11.7 %	9.8 %	3.8 %	46.3 %
Vacant	2.0 %	0.2 %	2.1 %	— %	— %	0.5 %	0.3 %	2.8 %	0.2 %	1.9 %	10.0 %
Month-to-month	0.1 %	— %	0.1 %	— %	— %	0.1 %	0.1 %	— %	— %	— %	0.4 %
Total portfolio	12.6 %	2.1 %	24.2 %	3.6 %	0.6 %	11.3 %	2.8 %	20.6 %	10.8 %	11.4 %	100.0 %

Artis's real estate is diversified across five Canadian provinces and five 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 Q4-22 net operating income) are Twin Cities Area office, Madison office, Twin Cities Area industrial, Greater Phoenix Area office and Greater Houston Area industrial.

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, 2022 and December 31, 2021. 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's reliance on technology has increased, so have the risks posed to its system. Artis's 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's operations to increased risks, as well as increased costs, and, depending on their magnitude, could have a material adverse effect on Artis's financial position and results of operations.

The Board and management are responsible for overseeing Artis's 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 2022, 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.

Fees paid and accrued to Sandpiper were as follows:

	Three months ended		Year ended	
	December 31,		December 31,	
	2022	2021	2022	2021
Space sharing licence costs	\$ 31	\$ 31	\$ 124	\$ 83
Service fees	446	76	1,231	111
	\$ 477	\$ 107	\$ 1,355	\$ 194

Amounts payable to Sandpiper were \$446 as at December 31, 2022 (December 31, 2021, \$76).

In connection with the investment in Iris on March 1, 2022, the REIT entered into two joint ventures, ICE LP and ICE II LP, with Sandpiper and an affiliate of Sandpiper. As at December 31, 2022, the REIT had a balance payable to ICE II LP of \$738.

SUBSEQUENT EVENTS

Subsequent to December 31, 2022, the following transactions took place:

- The REIT received full repayment of a note receivable in the amount of \$6,000.
- The REIT entered into an unconditional sale agreement to sell an office property located in Saskatoon, Saskatchewan, for a sale price of \$14,550 with expected closing in March 2023.
- The REIT entered into an amended agreement to extend the maturity date of the \$50,000 non-revolving credit facility to April 3, 2023, at an interest rate of BA rate plus 1.70% or prime plus 0.70%.
- The REIT entered into an amended agreement to extend the maturity date of the \$100,000 non-revolving credit facility to February 6, 2024, at an interest rate of BA rate plus 1.70% or prime plus 0.70%.
- The REIT entered into an amended agreement to extend the maturity date of the \$150,000 non-revolving credit facility to July 18, 2024, at an interest rate of BA rate plus 1.70% or prime plus 0.70%. The amended agreement provides for CORRA as the Canadian benchmark replacement rate on Canadian dollar term advances when the publication of CDOR ceases.
- The REIT entered into an amended and restated agreement to reduce the \$300,000 revolving credit facility to \$280,000 and extend the maturity date from April 29, 2023 to April 29, 2025. The amended and restated agreement amends the interest rate on US dollar term advances for all revolving credit facilities to SOFR plus 1.70%, to provide for the cessation of the LIBOR rate. In addition, the amended and restated agreement provides for CORRA as the Canadian benchmark replacement rate on Canadian dollar term advances when the publication of CDOR ceases.
- The REIT repaid a net balance of \$1,000 and repaid a net balance of US\$12,000 on its revolving term credit facilities.
- The REIT repaid a mortgage in the amount of US\$28,867 and received new mortgage financing in the amount of US\$37,000.
- The REIT purchased through the NCIB 10,900 common units at a weighted-average price of \$9.00, 13,700 Series E preferred units at a weighted-average price of \$23.52 and 18,700 Series I preferred units at a weighted-average price of \$24.87.
- The REIT sold equity securities for aggregate net proceeds of \$19,477.
- The REIT declared a monthly cash distribution of \$0.05 per common unit for the months of January and February 2023.
- The REIT declared a quarterly cash distribution of \$0.3750 per Series I preferred unit for the three months ended January 31, 2023.

OUTSTANDING UNIT DATA

As of February 28, 2023, the balance of common units outstanding is as follows:

	Total
Units outstanding at December 31, 2022	115,409,234
Units issued on redemption of restricted units	2,392
Units purchased and cancelled through NCIB	(10,900)
Units outstanding at February 28, 2023	115,400,726

As of February 28, 2023, the balance of preferred units outstanding is as follows:

	Series E	Series I	Total
Preferred units outstanding at December 31, 2022	3,605,110	4,896,740	8,501,850
Preferred units purchased and cancelled through NCIB	(12,600)	(17,200)	(29,800)
Preferred units purchased through NCIB, not cancelled at February 28, 2023	(1,100)	(1,500)	(2,600)
Preferred units outstanding at February 28, 2023	3,591,410	4,878,040	8,469,450

The balance of restricted units outstanding as of February 28, 2023 is 423,833, none of which have vested.

The balance of deferred units outstanding as of February 28, 2023 is 226,531. All of these deferred units have vested, none of which are redeemable.

SUMMARIZED QUARTERLY INFORMATION

\$000's, except per unit amounts	Q4-22	Q3-22	Q2-22	Q1-22	Q4-21	Q3-21	Q2-21	Q1-21
Revenue	\$ 94,102	\$ 94,114	\$ 91,055	\$ 93,241	\$ 97,665	\$ 97,658	\$ 103,299	\$ 120,877
Net operating income	52,377	53,716	52,425	51,462	55,427	56,089	62,037	64,232
Net (loss) income	(128,301)	(94,450)	(19,556)	237,013	60,404	39,855	217,056	71,860
Total comprehensive (loss) income	(147,659)	8,867	30,553	213,776	52,935	81,345	198,431	54,991
Basic (loss) income per common unit	(1.13)	(0.85)	(0.20)	1.91	0.45	0.28	1.62	0.50
Diluted (loss) income per common unit	(1.14)	(0.86)	(0.21)	1.90	0.45	0.28	1.61	0.50
FFO ⁽¹⁾	\$ 35,430	\$ 42,414	\$ 44,939	\$ 42,008	\$ 40,323	\$ 42,019	\$ 45,428	\$ 46,573
FFO per unit ⁽¹⁾	0.30	0.36	0.38	0.34	0.32	0.33	0.34	0.35
FFO payout ratio ⁽¹⁾⁽²⁾	50.0 %	41.7 %	39.5 %	44.1 %	46.9 %	45.5 %	44.1 %	40.0 %
AFFO ⁽¹⁾	\$ 22,047	\$ 29,367	\$ 31,567	\$ 29,571	\$ 27,919	\$ 29,827	\$ 32,795	\$ 33,935
AFFO per unit ⁽¹⁾	0.19	0.25	0.27	0.24	0.22	0.23	0.25	0.25
AFFO payout ratio ⁽¹⁾⁽²⁾	78.9 %	60.0 %	55.6 %	62.5 %	68.2 %	65.2 %	60.0 %	56.0 %
Same Property NOI growth (decline) ⁽¹⁾	5.2 %	4.3 %	0.7 %	(2.6)%	(2.3)%	(4.7)%	(3.9)%	(5.4)%
Adjusted EBITDA interest coverage ratio ⁽¹⁾	2.35	2.83	3.35	3.90	3.77	3.79	3.86	3.78
Leasable area renewed (in square feet)	325,361	486,937	388,424	255,815	786,531	329,468	326,397	478,213
Increase in weighted-average rental rate	6.9 %	3.0 %	3.7 %	7.8 %	3.9 %	2.0 %	7.3 %	4.3 %
	2022	2022	2022	2022	2021	2021	2021	2021
	Dec 31	Sept 30	Jun 30	Mar 31	Dec 31	Sept 30	Jun 30	Mar 31
Number of properties	134	152	152	153	156	161	194	197
GLA (000's of square feet)	15,462	18,065	17,585	17,712	17,929	18,526	21,108	21,524
Occupancy	90.1 %	90.5 %	90.7 %	89.5 %	89.4 %	89.1 %	90.6 %	91.4 %
NAV per unit ⁽¹⁾	\$ 17.38	\$ 19.26	\$ 19.37	\$ 19.09	\$ 17.37	\$ 17.45	\$ 16.78	\$ 15.34
Total debt to Adjusted EBITDA ⁽¹⁾	8.3	9.2	8.9	8.5	8.2	8.0	9.0	8.8
Secured mortgages and loans to GBV ⁽¹⁾	18.9 %	20.5 %	20.5 %	22.0 %	23.7 %	24.4 %	23.6 %	27.3 %
Total debt to GBV ⁽¹⁾	48.5 %	47.9 %	46.0 %	43.0 %	42.9 %	43.0 %	47.5 %	49.2 %
Fair value unencumbered assets ⁽¹⁾	\$2,034,409	\$2,103,103	\$1,954,006	\$1,889,416	\$1,902,748	\$1,905,921	\$2,363,222	\$1,876,380
Total assets	\$4,553,913	\$5,180,503	\$4,998,257	\$4,798,662	\$4,576,024	\$4,593,164	\$4,955,764	\$4,853,520
Total non-current financial liabilities	974,063	556,374	1,159,071	1,186,622	1,166,123	1,285,852	1,619,338	1,489,308

(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 and December 2022.

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. The quarterly financial results have also been impacted by the 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 7.48% at December 31, 2022 and 7.37% at December 31, 2021. 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 6.40% at December 31, 2022 and 6.22% at December 31, 2021.

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.

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, 2022 and 2021.

CHANGES IN ACCOUNTING STANDARDS

New or Revised Accounting Standard Adopted During the Year

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. These amendments had no impact on the consolidated financial statements.

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. These amendments had no impact on the consolidated financial statements as no onerous contracts were identified during the year.

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. These amendments were adopted when assessing the terms of the new and modified financial liabilities during the year and have no material impact on consolidated financial statements.

Future Changes in Accounting Standards

In May 2017, the IASB issued IFRS 17 *Insurance Contracts*, which establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts. IFRS 17 replaced IFRS 4 *Insurance Contracts*. In June 2020, the IASB issued amendments to IFRS 17 that included changing the effective date to 2023. IFRS 17 applies to all types of insurance contracts, regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. The amendments are applied retrospectively for annual periods beginning on or after January 1, 2023, with early application permitted. The REIT does not expect a material impact to its consolidated financial statements from the adoption of this standard.

In January 2020, the Board 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. In October 2022, the IASB issued further amendments to IAS 1 that clarify only covenants with which an entity must comply on or before the reporting date will affect a liability's classification as current or non-current and specify additional disclosures requirements. The amendments are effective for annual periods beginning on or after January 1, 2024 and are to be applied retroactively. The REIT is in the process of assessing the impact of these amendments.

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, 2022, 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, 2022, 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, 2022, 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, 2022.

CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2022 and 2021
(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
February 28, 2023

"Jaclyn Koenig"

Jaclyn Koenig, CPA, CA
Chief Financial Officer
February 28, 2023

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Independent Auditor's Report

To the Unitholders and the Board of Trustees 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, 2022 and 2021, 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, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

Key Audit Matter Description

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

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February 28, 2023
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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.

Investment in Iris Acquisition II LP – Refer to Notes 2 and 5 to the financial statements

Key Audit Matter Description

The Trust acquired 32.64% of the common equity units of Iris Acquisition II LP ("Iris"), an entity formed to acquire the outstanding units of Cominar Real Estate Investment Trust ("Cominar"). The Trust has significant influence over Iris and recorded its investment in an associate using the equity method. As part of the acquisition of Cominar, Iris recognized the assets acquired and the liabilities assumed at fair value, with the fair value of investment properties having the most estimation uncertainty. As the net of the assets acquired and the liabilities assumed exceeded the purchase price, Iris recognized a bargain purchase gain. The Trust recognized its share of the gain in its Consolidated Statement of Operations.

While there are several estimates and assumptions that are required to determine the fair value of the investment properties, the assumptions with the highest degree of subjectivity and impact on fair values and on the related bargain purchase gain are the estimated future rental income, discount rates and terminal capitalization rates. Auditing these assumptions required a high degree of auditor judgment 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 future rental income, discount rates and terminal capitalization rates used to determine the fair value of investment properties on the date of acquisition included the following procedures, 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 assumptions by considering industry surveys and comparing to recent market transactions.

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February 28, 2023
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Other Information

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

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

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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February 28, 2023
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As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

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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
February 28, 2023

Consolidated Balance Sheets

	Note	December 31, 2022	December 31, 2021
ASSETS			
Non-current assets:			
Investment properties	4	\$ 3,156,206	\$ 3,741,544
Investment properties under development	4	191,552	195,161
Equity accounted investments	5	326,050	180,078
Preferred investments	5	114,184	—
Equity securities	7	316,768	77,186
Property and equipment	8	5,343	6,411
Notes receivable	9	37,702	35,448
Deferred rents receivable	11	—	122
		4,147,805	4,235,950
Current assets:			
Investment properties held for sale	4	335,813	62,904
Prepaid expenses and other assets	10	12,161	7,979
Notes receivable	9	993	834
Accounts receivable and other receivables	11	17,307	14,674
Cash held in trust		10,666	32,209
Cash		29,168	221,474
		406,108	340,074
Total assets		\$ 4,553,913	\$ 4,576,024
LIABILITIES AND UNITHOLDERS' EQUITY			
Non-current liabilities:			
Mortgages and loans payable	12	\$ 388,569	\$ 783,129
Senior unsecured debentures	13	199,368	249,346
Credit facilities	14	374,735	131,643
Deferred tax liabilities	24	9,525	—
Other long-term liabilities		1,866	2,005
		974,063	1,166,123
Current liabilities:			
Mortgages and loans payable	12	476,129	301,910
Senior unsecured debentures	13	249,723	—
Security deposits and prepaid rent		25,513	31,867
Accounts payable and other liabilities	15	72,902	121,161
Credit facilities	14	526,424	499,610
		1,350,691	954,548
Total liabilities		2,324,754	2,120,671
Unitholders' equity		2,229,159	2,455,353
Commitments, contingencies and guarantees	30		
Subsequent events	34		
Total liabilities and unitholders' equity		\$ 4,553,913	\$ 4,576,024

See accompanying notes to consolidated financial statements.

Consolidated Statements of Operations

	Note	2022	Year ended December 31, 2021
Revenue:			
Rental revenue from investment properties	19	\$ 372,512	\$ 401,638
Condominium sales	19	—	17,861
Total revenue		372,512	419,499
Expenses:			
Property operating		102,450	100,819
Realty taxes		60,082	64,857
Condominium cost of sales		—	16,038
Total operating expenses		162,532	181,714
Net operating income		209,980	237,785
Other income (expenses):			
Interest and other income	20	18,944	1,885
Distribution income from equity securities	7	10,710	898
Interest expense	21	(89,437)	(69,648)
Corporate expenses	22	(7,661)	(12,527)
Equity securities expenses	7	(1,890)	(186)
Strategic initiative expenses		—	(18)
Transaction costs	3	—	(11)
Net income from equity accounted investments	5	74,659	16,795
Fair value (loss) gain on investment properties	4	(178,431)	197,511
Fair value (loss) gain on financial instruments	23	(21,130)	21,224
Foreign currency translation loss		(6,683)	(3,244)
Income before income taxes		9,061	390,464
Income tax expense	24	(14,355)	(1,289)
Net (loss) income		(5,294)	389,175
Other comprehensive income that may be reclassified to net income in subsequent years:			
Unrealized foreign currency translation gain (loss)		102,923	(774)
Unrealized foreign currency translation gain (loss) on equity accounted investments		7,908	(699)
Other comprehensive income (loss)		110,831	(1,473)
Total comprehensive income		\$ 105,537	\$ 387,702
Basic (loss) income per unit attributable to common unitholders	16	\$ (0.18)	\$ 2.87
Diluted (loss) income per unit attributable to common unitholders	16	(0.19)	2.86
Weighted-average number of common units outstanding:			
Basic	16	117,932,876	129,553,433
Diluted	16	118,469,587	130,025,917

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Unitholders' Equity

	Common units capital contributions	Retained earnings (deficit)	Accumulated other comprehensive income	Contributed surplus	Total common equity	Total preferred equity	Total
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 16)	428	—	—	—	428	—	428
Units acquired and cancelled through normal course issuer bid (note 16)	(142,912)	—	—	19,274	(123,638)	(3,521)	(127,159)
Units acquired through normal course issuer bid, not cancelled at year end (note 16)	(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 16)	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
Changes for the year:							
Issuance of common units, net of issue costs (note 16)	230	—	—	—	230	—	230
Redemption of preferred units (note 16)	—	—	—	(3,866)	(3,866)	(77,342)	(81,208)
Units acquired and cancelled through normal course issuer bid (note 16)	(123,195)	—	—	22,800	(100,395)	(4,969)	(105,364)
Units acquired through normal course issuer bid, not cancelled at year end (note 16)	(325)	—	—	134	(191)	(104)	(295)
Net loss	—	(5,294)	—	—	(5,294)	—	(5,294)
Other comprehensive income	—	—	110,831	—	110,831	—	110,831
Distributions	—	(145,094)	—	—	(145,094)	—	(145,094)
Distributions in units (note 16)	9,234	(9,234)	—	—	—	—	—
Unitholders' equity, December 31, 2022	\$ 1,751,927	\$ (72,956)	\$ 256,589	\$ 87,793	\$ 2,023,353	\$ 205,806	\$ 2,229,159

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

	Note	2022	2021
Cash provided by (used in):			
Operating activities:			
Net (loss) income		\$ (5,294)	\$ 389,175
Adjustments for:			
Interest income on preferred investments received in-kind	5	(14,184)	—
Distribution income from equity securities	7	(10,710)	(898)
Net income from equity accounted investments	5	(74,659)	(16,795)
Fair value loss (gain) on investment properties	4	178,431	(197,511)
Fair value loss (gain) on financial instruments	23	21,130	(21,224)
Unrealized foreign currency translation loss		9,415	3,388
Deferred taxes		13,837	—
Other items not affecting cash	25	26,840	27,307
Changes in non-cash operating items	25	(4,062)	16,057
		140,744	199,499
Investing activities:			
Acquisition of investment properties, net of related debt	3	(3,276)	(5,339)
Proceeds from dispositions of investment properties, net of costs and related debt	3	340,735	791,725
Additions to investment properties		(26,130)	(22,628)
Additions to investment properties under development		(63,855)	(66,532)
Additions to tenant inducements and leasing commissions		(48,600)	(38,146)
Contributions to equity accounted investments		(120,640)	(11,690)
Distributions from equity accounted investments		4,166	41,476
Purchase of preferred investments	5	(100,000)	—
Purchases of equity securities		(336,261)	(71,576)
Proceeds from disposition of equity securities, net of costs		41,469	—
Distributions from equity securities		9,384	686
Additions to property and equipment		(21)	(5)
Issuances of notes receivable		(2,580)	(150)
Notes receivable principal repayments		854	1,503
Change in deposits on investment properties		—	1,196
Change in cash held in trust		15,766	(10,260)
		(288,989)	610,260
Financing activities:			
Repayment of mortgages and loans payable		(191,148)	(278,051)
Advance of mortgages and loans payable, net of financing costs		51,172	130,244
Issuance of senior unsecured debentures, net of financing costs	13	199,200	—
Repayment of senior unsecured debentures		—	(250,000)
Advance of revolving credit facilities		897,221	438,820
Repayment of revolving credit facilities, including financing costs		(439,698)	(436,777)
Repayment of non-revolving credit facilities, including financing costs		(200,284)	—
Repayment of lease liabilities		(305)	(288)
Issuance of preferred shares, net of issue costs		—	222
Purchase of common units under normal course issuer bid	16	(100,572)	(125,772)
Purchase of preferred units under normal course issuer bid	16	(5,087)	(3,485)
Redemption of preferred units	16	(81,208)	—
Distributions paid on common units		(160,006)	(80,624)
Distributions paid on preferred units		(15,856)	(17,263)
		(46,571)	(622,974)
Foreign exchange gain (loss) on cash held in foreign currency		2,510	(14)
(Decrease) increase in cash		(192,306)	186,771
Cash, beginning of year		221,474	34,703
Cash, end of year		\$ 29,168	\$ 221,474

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Years ended December 31, 2022 and 2021

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 REIT's vision is to become a best-in-class real estate asset management and investment platform focused on growing net asset value per unit and distributions for its investors through value investing. The REIT owns, manages, leases and develops industrial, office, retail and residential properties in Canada and the United States (the "U.S."), and holds other real estate investments. 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 \$1.3680 per Series E Unit and \$1.50 per Series I Unit.

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 preferred investments, 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 cost. All derivative instruments, including embedded derivatives, are classified as 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 as 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 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 FVTPL are recognized immediately in net income.

Financial assets, other than those classified as 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) 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.

(i) 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.

(j) 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.

(k) 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.

(l) 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.

(m) 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.

(n) Income 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 income tax obligations relating to the distributions are those of the individual unitholders, no provision for income taxes is required on such amounts. The REIT intends to distribute all of its taxable income to its unitholders, and no current and deferred income tax is recognized relating to Canadian investment properties.

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 taxable subsidiaries of the REIT account for income taxes as follows:

Current income tax assets and liabilities are measured at the amount expected to be received from or paid to tax authorities based on the tax rates and laws enacted or substantively enacted at the consolidated balance sheet dates.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the REIT is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax liabilities are measured by applying the appropriate tax rate to taxable temporary differences between the carrying amounts of assets and liabilities, and their respective tax basis. The appropriate tax rate is determined by reference to the rates that are expected to apply to the year and the jurisdiction in which the assets are expected to be realized or the liabilities settled, based on tax laws and rates that have been enacted or substantively enacted at the reporting date. Deferred tax assets are recorded for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax credits and unused tax losses can be utilized.

(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.

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 (l). 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 (l). 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). 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). 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.
- Income taxes - The REIT operates in Canada and the U.S. and is subject to tax laws and related tax treaties in each jurisdiction. These laws and treaties can be subject to different interpretations by relevant taxation authorities. The critical estimates and assumptions underlying the recognition and measurement of income tax expense, deferred tax liabilities and deferred tax assets are described in note 2 (n) and note 24.
- Allowance for doubtful accounts - The critical estimates and assumptions underlying the valuation of allowance for doubtful accounts are described in note 32.
- Fair value of financial instruments - The fair value of financial instruments is estimated as the amount for which an instrument could be exchanged, or liability settled, between knowledgeable, willing parties in an arm's length transaction. The estimates and assumptions underlying the fair value of financial instruments are described in note 33.

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

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. These amendments had no impact on the consolidated financial statements.

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. These amendments had no impact on the consolidated financial statements as no onerous contracts were identified during the year.

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. These amendments were adopted when assessing the terms of the new and modified financial liabilities during the year and have no material impact on consolidated financial statements.

(r) Future changes in accounting standards:

In May 2017, the IASB issued IFRS 17 *Insurance Contracts*, which establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts. IFRS 17 replaced IFRS 4 *Insurance Contracts*. In June 2020, the IASB issued amendments to IFRS 17 that included changing the effective date to 2023. IFRS 17 applies to all types of insurance contracts, regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. The amendments are applied retrospectively for annual periods beginning on or after January 1, 2023, with early application permitted. The REIT does not expect a material impact to its consolidated financial statements from the adoption of this standard.

In January 2020, the Board 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. In October 2022, the IASB issued further amendments to IAS 1 that clarify only covenants with which an entity must comply on or before the reporting date will affect a liability's classification as current or non-current and specify additional disclosures requirements. The amendments are effective for annual periods beginning on or after January 1, 2024 and are to be applied retroactively. The REIT is in the process of assessing the impact of these amendments.

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 September 30, 2022, the REIT acquired an additional 5% interest in Park 8Ninety II, 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 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 acquisitions of the interests in Park 8Ninety II and Park 8Ninety IV have been accounted for using the acquisition method, with the results of operations included in the REIT's accounts from the date of acquisition. The net assets acquired, excluding the acquisitions of equity accounted investments and including the acquisitions of land, were as follows:

	Year ended December 31,	
	2022	2021
Investment properties	\$ 5,219	\$ 5,823
Long-term debt, including acquired above- and below-market mortgages, net of financing costs	(1,885)	(487)
Other net (liabilities) assets	(58)	3
	3,276	5,339
Consideration was comprised of the following:		
Cash consideration	3,276	5,339
Total consideration	\$ 3,276	\$ 5,339
Transaction costs expensed	\$ —	\$ 11

Dispositions:

The REIT disposed of the following properties during the year ended December 31, 2022:

Property	Property count	Location	Disposition date	Asset class
Cancross Office Portfolio	2	Greater Toronto Area, ON	January 20, 2022	Office
2150-2180 Dunwin Drive	1	Greater Toronto Area, ON	March 10, 2022	Industrial
Meadowdale Office	1	Greater Toronto Area, ON	June 24, 2022	Office
Rocky Mountain Business Center	1	Greater Denver Area, CO	June 30, 2022	Industrial
New Brighton Office Center	1	Twin Cities Area, MN	September 19, 2022	Office
Minnesota Industrial Portfolio I	17	Twin Cities Area, MN	November 4, 2022	Industrial
Hartford Corporate Plaza	1	New Hartford, NY	November 15, 2022	Office

The cash proceeds received from the sale of the above properties, net of costs and related debt, were \$340,735. The assets and liabilities associated with the properties were derecognized.

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 9). 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, 2022		
	Investment properties	Investment properties under development	Investment properties held for sale
Balance, beginning of year	\$ 3,741,544	\$ 195,161	\$ 62,904
Additions:			
Acquisitions (note 3)	5,219	—	—
Reclassification from equity accounted investments ⁽¹⁾	98,930	—	—
Capital expenditures	24,223	60,340	2,399
Capitalized interest ⁽²⁾	—	1,346	—
Leasing commissions	8,434	258	3,363
Straight-line rent adjustments	966	7	406
Tenant inducement additions, net of amortization	8,277	1,740	1,123
Dispositions	(18,412)	—	(486,517)
Foreign currency translation gain	115,183	956	34,152
Fair value loss	(124,258)	(9,352)	(44,821)
Reclassification of investment properties under development	5,888	(5,888)	—
Reclassification of investment properties held for sale	(709,788)	(53,016)	762,804
Balance, end of year	\$ 3,156,206	\$ 191,552	\$ 335,813

(1) On September 30, 2022, the REIT increased its ownership interest in Park 8Ninety II to 100%. See note 3 for further information.

(2) During the year ended December 31, 2022, interest was capitalized to investment properties under development at a weighted-average effective rate of 4.60%.

	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.

At December 31, 2022, investment properties under development included 300 Main, a commercial and residential/multi-family development project with a fair value of \$190,845 (December 31, 2021, \$174,997). 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 10 industrial properties, four office properties, one retail property, two industrial properties under development and two parcels of development land classified as investment properties held for sale that were actively marketed for sale or under unconditional sale agreements at December 31, 2022 (December 31, 2021, one industrial and two office properties). The properties held for sale had an aggregate mortgage payable balance of \$72,018 at December 31, 2022 (December 31, 2021, \$nil). This balance is not accounted for as held for sale but is included in current liabilities as the REIT intends to repay the mortgages upon disposition of the related investment properties.

At December 31, 2022, included in investment properties was \$48,962 (December 31, 2021, \$48,916) 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 \$10,420 at December 31, 2022 (December 31, 2021, \$11,448). The lease payments required under this lease were fully paid at the time of acquisition of the property.

At December 31, 2022, investment properties with a fair value of \$1,649,162 (December 31, 2021, \$2,096,861) 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, 2022, properties (including the REIT's ownership interest in properties held in equity accounted investments except for those held in Iris Acquisition II LP) with an appraised value of \$615,315 (year ended December 31, 2021, \$775,751), 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, 2022 and 2021.

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 current global macroeconomic environment has created estimation uncertainty in the determination of the fair values of investment properties as at December 31, 2022. The REIT has reviewed the valuation of its properties in light of the difficulty in anticipating the impact of factors including, but not limited to, inflationary pressures, rising interest rates, labour and supply shortages and the on-going COVID-19 pandemic, on property cash flows and capitalization rates. As a result of this estimation uncertainty, there is a risk that the assumptions used to determine fair values as at December 31, 2022 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 33.

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

	December 31, 2022			December 31, 2021		
	Maximum	Minimum	Weighted-average	Maximum	Minimum	Weighted-average
Canada:						
Discount rate	9.50 %	5.00 %	7.21 %	9.50 %	4.75 %	7.11 %
Terminal capitalization rate	9.00 %	3.75 %	6.23 %	9.00 %	3.50 %	6.09 %
Capitalization rate	8.75 %	3.75 %	6.20 %	8.75 %	3.50 %	6.00 %
Investment horizon (years)	12.0	10.0	10.4	12.0	10.0	10.5
U.S.:						
Discount rate	10.00 %	6.00 %	7.82 %	9.75 %	6.00 %	7.65 %
Terminal capitalization rate	8.25 %	5.25 %	6.79 %	8.50 %	4.75 %	6.63 %
Capitalization rate	8.25 %	5.00 %	6.66 %	8.00 %	4.50 %	6.49 %
Investment horizon (years)	12.0	10.0	10.4	12.0	10.0	10.4
Total portfolio:						
Discount rate	10.00 %	5.00 %	7.48 %	9.75 %	4.75 %	7.37 %
Terminal capitalization rate	9.00 %	3.75 %	6.48 %	9.00 %	3.50 %	6.34 %
Capitalization rate	8.75 %	3.75 %	6.40 %	8.75 %	3.50 %	6.22 %
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, 2022:

	Change to fair value if capitalization rate increased by 0.25%	Change to fair value if capitalization rate decreased by 0.25%
Canada	\$ (70,904)	\$ 77,337
U.S.	(70,384)	76,254
	\$ (141,288)	\$ 153,591

Note 5. Equity accounted investments and preferred investments

The REIT has the following equity accounted investments:

	Principal purpose	Location	Ownership interest	
			December 31, 2022	December 31, 2021
Associates:				
Iris Acquisition II LP	Investment in Cominar Real Estate Investment Trust	Greater Montreal & Quebec City Areas, QC/Greater Ottawa Area, ON	32.64 %	— %
Park Lucero East	Investment property	Greater Phoenix Area, AZ	10.00 %	10.00 %
Joint ventures:				
Park 8Ninety II ⁽¹⁾	Investment property	Greater Houston Area, TX	— %	95.00 %
Park 8Ninety V	Investment property	Greater Houston Area, TX	95.00 %	95.00 %
Corridor Park	Investment property	Greater Houston Area, TX	90.00 %	90.00 %
Graham Portfolio	Investment property	Various Cities, AB/BC/SK	75.00 %	75.00 %
The Point at Inverness	Investment property	Greater Denver Area, CO	50.00 %	50.00 %
ICE LP	Investment in Iris Acquisition II LP	—	50.00 %	— %
ICE II LP	Investment in the asset manager of Cominar Real Estate Investment Trust	—	50.00 %	— %

(1) During the year ended December 31, 2022, the REIT increased its ownership interest in this property to 100%. See note 3 for further information.

On March 1, 2022, the REIT contributed \$112,000 to acquire common equity units of Iris Acquisition II LP ("Iris"), an entity formed to acquire the outstanding units of Cominar Real Estate Investment Trust ("Cominar") for consideration of \$11.75 per unit in cash under a Plan of Arrangement. As part of the consideration, the REIT contributed its previously-owned Cominar units with a fair value of \$13,488. The REIT's investment in 32.64% of the outstanding common equity units of Iris is determined to be an investment in an associate and measured using the equity method, on the basis that the REIT has significant influence over this investment through representation on the Board of Cominar and the Board of the ultimate general partner of Iris.

In addition, the REIT acquired junior preferred units of Iris for \$100,000. The junior preferred units have a rate of return of 18.00% per annum, are redeemable by Iris at any time and are redeemable by the REIT commencing on March 1, 2025. Distributions on the junior preferred units are paid quarterly in cash, or at the election of Iris, in-kind through additional junior preferred units. The REIT's investment in the junior preferred units is classified as a financial instrument measured at amortized cost. During the year ended December 31, 2022, the REIT received income from its investment in the junior preferred units of \$15,713, comprised of \$1,529 cash and \$14,184 in-kind junior preferred units.

In connection with the investment in Iris, the REIT, Sandpiper Asset Management Inc. ("Sandpiper") and an affiliate of Sandpiper entered into two joint ventures, ICE LP and ICE II LP. ICE LP holds a 33.33% interest in the ultimate general partner of Iris and an equity interest in Iris with profit participation rights. ICE II LP holds a 33.33% interest in the asset manager of Cominar. Under the asset management agreement, the asset manager earns a monthly fee of 1/12th of 1.75% of the net asset value of Iris. The asset management agreement has an initial term of six years with an automatic renewal of one year thereafter. The REIT's 50% interest in each of ICE LP and ICE II LP are determined to be joint ventures and measured using the equity method, on the basis that the REIT has joint control over these entities. Sandpiper is a related party to the REIT (see note 27). During the year ended December 31, 2022, the REIT contributed \$5 in aggregate to ICE LP and ICE II LP.

In addition, during the year ended December 31, 2022, the REIT contributed \$22,123 to Park 8Ninety II, Corridor Park and Park 8Ninety V equity accounted investments.

The REIT is contingently liable for the obligations of certain associates and joint ventures. As at December 31, 2022, the co-owners' share of mortgage liabilities was \$49,982 (December 31, 2021, \$30,388). Management has assessed that the assets available from its associates and joint ventures 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, 2022				December 31, 2021			
	Iris	Other associate	Joint ventures	Total	Iris	Other associate	Joint ventures	Total
Non-current assets:								
Investment properties	\$ 666,538	\$ —	\$ 212,794	\$ 879,332	\$ —	\$ —	\$ 233,635	\$ 233,635
Investment properties under development	—	12,452	—	12,452	—	4,687	42,337	47,024
Other non-current assets	7,611	—	823	8,434	—	—	—	—
Current assets:								
Investment properties held for sale	102,119	—	19,303	121,422	—	—	—	—
Other current assets	20,055	50	7,019	27,124	—	29	4,501	4,530
Total assets	796,323	12,502	239,939	1,048,764	—	4,716	280,473	285,189
Non-current liabilities:								
Mortgages, loans and other debt	435,007	4,255	59,159	498,421	—	715	47,544	48,259
Current liabilities:								
Mortgages, loans and other debt	192,715	—	959	193,674	—	—	46,223	46,223
Other current liabilities	22,416	178	8,025	30,619	—	1,171	9,458	10,629
Total liabilities	650,138	4,433	68,143	722,714	—	1,886	103,225	105,111
REIT's share of net assets of equity accounted investments	\$ 146,185	\$ 8,069	\$ 171,796	\$ 326,050	\$ —	\$ 2,830	\$ 177,248	\$ 180,078

	Year ended December 31, 2022				Year ended December 31, 2021			
	Iris	Other associate	Joint ventures	Total	Iris	Other associate	Joint ventures	Total
Revenue	\$ 87,736	\$ —	\$ 16,262	\$ 103,998	\$ —	\$ 2	\$ 15,758	\$ 15,760
Operating expenses	45,710	18	7,376	53,104	—	—	6,913	6,913
Net operating income	42,026	(18)	8,886	50,894	—	2	8,845	8,847
Fair value (loss) gain on investment properties	(53,683)	5,133	25,240	(23,310)	—	—	10,496	10,496
Bargain purchase gain	111,652	—	—	111,652	—	—	—	—
Other expenses and income, net	(65,810)	(112)	(2,968)	(68,890)	—	—	(2,548)	(2,548)
REIT's share of net income	34,185	5,003	31,158	70,346	—	2	16,793	16,795
Deferred tax impact of temporary differences in Iris ⁽¹⁾	4,313	—	—	4,313	—	—	—	—
Net income from equity accounted investments	\$ 38,498	\$ 5,003	\$ 31,158	\$ 74,659	\$ —	\$ 2	\$ 16,793	\$ 16,795

(1) The REIT's investment in Iris is through a taxable subsidiary. This adjustment reflects the estimated deferred income tax impact, primarily as a result of temporary differences relating to transaction costs and fair value adjustments.

Iris is a material associate of the REIT. The summarized financial information of Iris on a 100% basis is presented below with reconciliations to the REIT's carrying amount of its share of investment in Iris and net income from Iris.

	December 31, 2022
<i>Amounts in Iris' financial statements at 100%:</i>	
Non-current assets	\$ 2,065,407
Current assets	374,303
Non-current liabilities	(1,332,743)
Current liabilities	(659,040)
Net assets	447,927
REIT's ownership percentage	32.64 %
REIT's share of net assets in Iris	\$ 146,185

	For the period March 1 to December 31, 2022
<i>Amounts in Iris' financial statements at 100%:</i>	
Revenue	\$ 268,796
Operating expenses	(140,047)
Bargain purchase gain	342,072
Other (expenses) income	(362,220)
Net income	108,601
REIT's ownership percentage	32.64 %
REIT's share of net income before adjustments	35,448
Adjustments:	
Equity issue costs deducted from equity	(1,263)
Deferred tax impact of temporary differences in Iris ⁽¹⁾	4,313
REIT's share of net income from Iris	\$ 38,498

(1) The REIT's investment in Iris is through a taxable subsidiary. This adjustment reflects the estimated deferred income tax impact, primarily as a result of temporary differences relating to transaction costs and fair value adjustments.

Note 6. Joint operations

The REIT has interests in the following joint operations:

Property	Location	Principal purpose	Ownership interest	
			December 31, 2022	December 31, 2021
Cliveden Building	Greater Vancouver Area, BC	Investment property	50.00 %	50.00 %
Kincaid Building	Greater Vancouver Area, BC	Investment property	50.00 %	50.00 %

The REIT includes its proportionate share of the assets, liabilities, revenues, expenses and cash flows of the joint operations in these consolidated financial statements.

The REIT is contingently liable for the obligations of certain joint operations. As at December 31, 2022, the co-owners' share of mortgage liabilities was \$4,097 (December 31, 2021, \$4,532). Management has assessed that the assets available from its joint operations are sufficient for the purpose of satisfying such obligations.

Note 7. Equity securities

The REIT invests in equity securities of publicly-traded Canadian real estate entities. The equity securities are measured at fair values using quoted market prices in active markets.

	December 31, 2022	December 31, 2021
Balance, beginning of year	\$ 77,186	\$ —
Purchases	335,971	71,866
Dispositions	(41,469)	—
Reclassified to equity accounted investments (note 5)	(13,488)	—
Fair value (loss) gain (note 23)	(41,432)	5,320
Balance, end of year	\$ 316,768	\$ 77,186

For the year ended December 31, 2022, the REIT received distributions income of \$10,710 (2021, \$898) and incurred commissions, service and professional fees of \$1,890 (2021, \$186), inclusive of services fees paid to Sandpiper (note 27).

Note 8. Property and equipment

	December 31, 2022	December 31, 2021
Office furniture and fixtures	\$ 12,327	\$ 12,236
Office equipment and software	1,461	1,432
Right-of-use leased assets	2,140	2,018
Accumulated depreciation	(10,585)	(9,275)
	\$ 5,343	\$ 6,411

Note 9. Notes receivable

	December 31, 2022	December 31, 2021
Note receivable, maturing in January 2024, bearing interest at 5.00% per annum, interest-only monthly payment until maturity, secured by an office property.	\$ 10,033	\$ 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.	10,321	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.	6,020	6,000
Note receivable from tenant, maturing in November 2031, bearing interest at 8.50% per annum, repayable in blended monthly installments of \$68 (US\$50).	5,094	5,111
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.	3,610	3,249
Other notes receivable	3,617	1,922
	38,695	36,282
Current portion	993	834
Non-current portion	\$ 37,702	\$ 35,448

Note 10. Prepaid and other assets

	December 31, 2022	December 31, 2021
Prepaid insurance	\$ 1,958	\$ 3,937
Prepaid realty taxes	356	755
Prepaid acquisition, disposition and development costs	634	735
Derivative instruments (note 33)	5,885	1,029
Other prepaid expenses	3,328	1,523
	\$ 12,161	\$ 7,979

Note 11. Accounts receivable and other receivables

	December 31, 2022	December 31, 2021
Rents receivable	\$ 5,229	\$ 5,578
Deferred rents receivable	238	955
Allowance for doubtful accounts	(2,187)	(1,717)
Accrued recovery income	3,470	3,181
Other receivables	10,557	6,799
	17,307	14,796
Non-current portion of deferred rents receivable, net of related allowance for doubtful accounts of \$nil (December 31, 2021, \$53)	—	122
Current portion	\$ 17,307	\$ 14,674

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

Note 12. Mortgages and loans payable

	December 31, 2022	December 31, 2021
Mortgages and loans payable	\$ 866,736	\$ 1,087,521
Net above- and below-market mortgage adjustments	782	1,604
Financing costs	(2,820)	(4,086)
	864,698	1,085,039
Current portion	476,129	301,910
Non-current portion	\$ 388,569	\$ 783,129

Certain of the REIT's investment properties have been pledged as security under mortgages and other security agreements. As at December 31, 2022, 38.6% of the REIT's mortgages and loans payable bear interest at fixed rates (December 31, 2021, 36.3%), and a further 25.1% of the REIT's mortgages and loans payable bear interest at variable rates with interest rate swaps in place (December 31, 2021, 37.5%). The weighted-average effective rate on all mortgages and loans payable was 4.84% and the weighted-average nominal rate was 4.46% at December 31, 2022 (December 31, 2021, 3.31% and 3.04%, respectively). Maturity dates range from January 13, 2023 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 13. 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 %		
Series E	April 29, 2022	April 29, 2025	5.600 %		
	Face value	Unamortized financing costs	Carrying value	Current portion	Non-current portion
Series D	\$ 250,000	\$ (277)	\$ 249,723	\$ 249,723	\$ —
Series E	200,000	(632)	199,368	—	199,368
December 31, 2022	\$ 450,000	\$ (909)	\$ 449,091	\$ 249,723	\$ 199,368
December 31, 2021	250,000	(654)	249,346	—	249,346

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 April 29, 2022, the REIT issued 5.600% Series E senior unsecured debentures for gross proceeds of \$200,000. Interest is payable semi-annually on October 29 and April 29 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.

During the year ended December 31, 2022, financing cost amortization of \$545 (2021, \$427) 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 and Series E senior unsecured debenture supplemental indentures, the REIT must maintain a consolidated EBITDA to consolidated interest expense ratio of not less than 1.65, consolidated indebtedness to aggregate assets of not more than 65% and minimum adjusted unitholders' equity of \$300,000. As at December 31, 2022 and 2021, the REIT was in compliance with these requirements.

Note 14. Credit facilities

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

	December 31, 2022			December 31, 2021			Applicable interest rates
	Borrowing capacity	Amounts drawn	Available to be drawn ⁽¹⁾	Amounts drawn	Available to be drawn ⁽¹⁾		
Revolving facilities maturing December 14, 2024	\$ 400,000	\$ 375,346	\$ 24,654	\$ —	\$ 400,000	BA rate plus 1.70% or prime plus 0.70% or LIBOR plus 1.70% or U.S. base rate plus 0.70% ⁽²⁾	
Revolving facility maturing April 29, 2023	300,000	226,588	73,412	131,851	168,149	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 1, 2023	50,000	50,000	—	150,000	—	BA rate plus 1.70% or prime plus 0.70%	
Non-revolving facility maturing February 6, 2023	100,000	100,000	—	200,000	—	BA rate plus 1.60% or prime plus 0.60%	
Non-revolving facility maturing July 18, 2023	150,000	150,000	—	150,000	—	BA rate plus 1.70% or prime plus 0.70%	
Financing costs		(775)		(598)			
Total credit facilities	\$ 1,000,000	\$ 901,159	\$ 98,066	\$ 631,253	\$ 568,149		
Current portion		526,424		499,610			
Non-current portion		\$ 374,735		\$ 131,643			

(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, 2022, this covenant did not limit the total borrowing capacity of the revolving credit facilities (December 31, 2021, limited to \$635,313).

(2) Under the December 1, 2022 amendment, the parties agreed to execute a further amendment on or before February 28, 2023 to provide for the discontinuance of the LIBOR Rate and to replace the availability of LIBOR Advances with advances based on the Secured Overnight Financing Rate (see note 31(a)).

The unsecured revolving term credit facilities in the aggregate amount of \$700,000 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 December 1, 2022, 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, 2022 to December 14, 2024.

All non-revolving credit facilities can be utilized for general corporate and working capital purposes, property acquisitions and development financing. On February 4, 2022, the REIT repaid \$100,000 of the \$200,000 non-revolving credit facility that matured on that date and entered into an amended agreement for the remaining balance of \$100,000 with a maturity date of February 6, 2023. On May 31, June 27 and August 8, 2022, the REIT entered into amended agreements for the other two unsecured non-revolving term credit facilities in the aggregate amount of \$300,000 with the maturity dates extended to December 1, 2022 and July 18, 2023. On December 1, 2022, the REIT entered into another amended agreement to repay \$50,000 of the \$150,000 non-revolving credit facility that matured on that date and extend the maturity dates of the remaining balance. A further repayment of \$50,000 was made on December 30, 2022 with the remaining \$50,000 maturing on February 1, 2023. Refer to note 34 for further amended agreements subsequent to December 31, 2022.

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, 2022 and 2021 the REIT was in compliance with these requirements.

Note 15. Accounts payable and other liabilities

	December 31, 2022	December 31, 2021
Accounts payable and accrued liabilities	\$ 29,473	\$ 36,752
Distributions payable	16,247	47,016
Accrued interest	7,935	6,454
Accrued realty taxes	10,163	10,193
Tenant installments payable	4,449	7,314
Derivative instruments (note 33)	—	7,689
Cash-settled unit-based payments liability	3,540	4,533
Other payables and liabilities	1,095	1,210
	\$ 72,902	\$ 121,161

Note 16. 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, 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 18)	—	256,091
Balance at December 31, 2021	123,544,536	1,865,983
Restricted units redeemed	20,974	230
Units acquired and cancelled through normal course issuer bid	(8,134,776)	(123,195)
Units acquired through normal course issuer bid, not cancelled at year end	(21,500)	(325)
Special distribution in units ⁽¹⁾ (note 18)	—	9,234
Balance at December 31, 2022	115,409,234	\$ 1,751,927

(1) The common units issued as part of the special distribution declared on December 31, 2022 and 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, 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
Units acquired and cancelled through normal course issuer bid	(47,300)	(92,200)	(66,700)	(206,200)
Units acquired through normal course issuer bid, not cancelled at year end	—	(2,200)	(2,100)	(4,300)
Preferred units redeemed	(3,248,300)	—	—	(3,248,300)
Number of units outstanding at December 31, 2022	—	3,605,110	4,896,740	8,501,850

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, 2023	April 30, 2023	
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
Units acquired and cancelled through normal course issuer bid	(1,126)	(2,226)	(1,617)	(4,969)
Units acquired through normal course issuer bid, not cancelled at year end	—	(53)	(51)	(104)
Preferred units redeemed	(77,342)	—	—	(77,342)
Carrying value at December 31, 2022	\$ —	\$ 87,006	\$ 118,800	\$ 205,806
Face value at December 31, 2022	\$ —	\$ 90,128	\$ 122,419	\$ 212,547
Face value at December 31, 2021	82,390	92,488	124,139	299,017

(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%. On September 30, 2022, the REIT redeemed all 3,248,300 outstanding Series A Units with an aggregate face value of \$81,208.

(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. 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 E Units and Series I Units rank equally with each other and with the outstanding 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, 2022, 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 6, 2022 as follows:

	Public float	10% of public float
Common units	78,609,420	7,860,942
Preferred unit series:		
Series E	3,610,010	361,001
Series I	4,805,340	480,534

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 18, 2023, or the date on which the REIT has purchased the maximum number of units permitted under the bid. During the year ended December 31, 2022, the REIT acquired 8,156,276 common units at market prices aggregating \$100,572, resulting in contributed surplus of \$22,948, which was the excess of stated capital over redemption proceeds. During the year ended December 31, 2022, the REIT also acquired 47,300, 94,400 and 68,800 Series A, E and I Units, respectively, at market prices aggregating \$5,087, resulting in reduction of contributed surplus of \$14, which was the excess of redemption proceeds over stated capital.

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.

(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, 2022, the REIT had not issued any securities under this short form base shelf prospectus.

(e) Weighted-average common units:

	Year ended December 31,	
	2022	2021
Net income	\$ (5,294)	\$ 389,175
Adjustment for distributions to preferred unitholders (note 18)	(15,856)	(17,260)
Net (loss) income attributable to common unitholders	(21,150)	371,915
Adjustment for restricted units	(484)	511
Adjustment for deferred units	(1,241)	(574)
Diluted net (loss) income attributable to common unitholders	\$ (22,875)	\$ 371,852

The weighted-average number of common units outstanding was as follows:

Basic common units	117,932,876	129,553,433
Effect of dilutive securities:		
Restricted units	356,076	366,757
Deferred units	180,635	105,727
Diluted common units	118,469,587	130,025,917
Net (loss) income per unit attributable to common unitholders:		
Basic	\$ (0.18)	\$ 2.87
Diluted	(0.19)	2.86

The computation of diluted net (loss) income per unit attributable to common unitholders includes restricted units and deferred units when these instruments are dilutive. For the year ended December 31, 2022 and 2021 there were no anti-dilutive units.

Note 17. 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, 2022 amounted to \$1,168 (2021, \$2,915). 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 December 31,	
	2022	2021
	Number of units	Number of units
Balance, beginning of year	462,891	404,937
Granted	185,600	153,915
Accrued	31,457	97,404
Redeemed	(208,063)	(172,412)
Expired	(31,268)	(20,953)
Balance, end of year	440,617	462,891
Restricted units vested at end of year	20,702	12,068

(b) Deferred units:

Unit-based compensation expense related to deferred units outstanding under the equity incentive plan for the year ended December 31, 2022 amounted to \$245 (2021, \$442). Deferred units can only be granted to trustees of the REIT and vest immediately. Deferred units are redeemable within a specified time frame after a trustee ceases to be a trustee. The deferred units accrue additional deferred units after the grant date. Each deferred unit is valued at the closing price of the REIT's common units on the balance sheet date.

The REIT's deferred units outstanding are as follows:

	Year ended December 31,	
	2022	2021
	Number of units	Number of units
Balance, beginning of year	133,552	92,908
Granted	57,244	60,474
Accrued	12,634	27,112
Redeemed	—	(46,942)
Balance, end of year	203,430	133,552
Deferred units vested at end of year	203,430	133,552

(c) Unit options:

At December 31, 2022 and 2021, no unit options had been granted under the REIT's equity incentive plan.

(d) Installment units:

At December 31, 2022 and 2021, no installment units had been granted under the REIT's equity incentive plan.

Note 18. Distributions to unitholders

Total distributions declared to unitholders were as follows:

	Year ended December 31, 2022		Year ended December 31, 2021	
	Total distributions	Distributions per unit	Total distributions	Distributions per unit
Common unitholders				
Monthly distributions paid and payable in cash	\$ 70,372	\$ 0.60	\$ 76,250	\$ 0.59
Special distribution payable in cash	9,234	0.08	39,589	0.32
Special distribution payable in units	9,234	0.08	256,091	2.07
	88,840	0.76	371,930	2.98
Preferred unitholders - Series A	3,461	1.06	4,699	1.42
Preferred unitholders - Series E	4,973	1.37	5,116	1.37
Preferred unitholders - Series I	7,422	1.50	7,445	1.50

In December, 2022, the Board of Trustees declared a special distribution of \$0.16 per common unit, which was comprised of \$0.08 per common unit payable in cash and \$0.08 per common unit payable in common units. In December, 2021, 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 distributions were payable on December 31, 2022 and 2021 to unitholders of record at the close of business on December 31, 2022 and 2021, respectively. The special distributions were principally made to distribute to common unitholders a portion of the capital gain realized by the REIT from transactions completed during the years ended December 31, 2022 and 2021. Immediately following the issuance of common units on December 31, 2022 and 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, 2022, the special distributions declared in common units of \$9,234 (2021 - \$256,091) was recorded as capital contributions.

Note 19. Revenue

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

	Year ended December 31,	
	2022	2021
Base rent	\$ 241,234	\$ 259,461
Operating cost and realty tax recoveries	137,782	148,678
Parking and other revenue	10,025	11,984
Tenant inducements amortized to revenue	(25,405)	(24,765)
Straight-line rent adjustments	1,379	3,405
Lease termination income	7,497	2,875
Rental revenue from investment properties	372,512	401,638
Condominium sales	—	17,861
	\$ 372,512	\$ 419,499

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

The REIT leases industrial, office and retail properties to tenants under operating leases. Minimum rental commitments on non-cancellable tenant operating leases over their remaining terms were as follows:

	December 31,	
	2022	2021
Not later than one year	\$ 226,816	\$ 243,363
One to two years	207,145	216,381
Two to three years	186,235	190,052
Three to four years	154,818	155,783
Four to five years	129,051	127,128
Later than five years	448,926	468,143
	\$ 1,352,991	\$ 1,400,850

Note 20. Interest and other income

	Year ended December 31,	
	2022	2021
Interest on junior preferred units of Iris (note 5)	\$ 15,713	\$ —
Interest on notes receivable	1,738	1,190
Other	1,493	695
	\$ 18,944	\$ 1,885

Note 21. Interest expense

	Year ended December 31,	
	2022	2021
Interest on mortgages and loans payable	\$ 36,175	\$ 36,751
Interest on senior unsecured debentures	17,130	10,876
Interest on credit facilities	33,851	19,486
Amortization of above- and below-market mortgages, net	(896)	(799)
Amortization of financing costs	3,177	3,334
	\$ 89,437	\$ 69,648

Note 22. Corporate expenses

	Year ended December 31,	
	2022	2021
Accounting, legal and consulting	1,774	3,262
Public company costs ⁽¹⁾	1,116	1,837
Salaries and benefits ⁽²⁾	2,722	4,999
Depreciation of property and equipment	1,254	1,362
General and administrative	795	1,067
	\$ 7,661	\$ 12,527

⁽¹⁾ Includes public reporting costs, investor communications costs, and trustee fees and expenses. For the year ended December 31, 2022, trustee fees include fair value gain on unit-based compensation of \$577 (2021, fair value loss of \$131).

⁽²⁾ For the year ended December 31, 2022, salaries and benefits include fair value gain on unit-based compensation of \$484 (2021, fair value loss of \$511).

Note 23. Fair value (loss) gain on financial instruments

The REIT recorded (losses) gains on the following:

	Year ended December 31,	
	2022	2021
Interest rate swaps	\$ 19,525	\$ 15,966
Foreign currency contracts	—	305
Other derivatives	777	(367)
Equity securities (note 7)	(41,432)	5,320
	\$ (21,130)	\$ 21,224

Note 24. 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, 2022 and 2021.

The REIT is subject to corporate income taxes in Canada and the U.S. through its Canadian subsidiary that holds the investment in Iris and its U.S. management subsidiary.

Income tax expense comprised of:

	Year ended December 31,	
	2022	2021
Current income tax expense	\$ 735	\$ 1,332
Deferred income tax (recovery) expense, net	13,620	(43)
Income tax expense	\$ 14,355	\$ 1,289

The tax effects of temporary differences that give rise to the deferred tax liabilities are presented below:

	December 31,	
	2022	2021
Equity accounted investment	\$ 9,323	\$ —
Property and equipment	183	186
Other	19	15
Deferred tax liabilities⁽¹⁾	\$ 9,525	\$ 201

(1) The deferred tax liabilities balance as at December 31, 2021 was included in accounts payable and other liabilities for financial statement presentation in 2021.

Changes in the deferred tax liabilities consist of the following:

	December 31,	
	2022	2021
Balance, beginning of year	\$ 201	\$ 245
Deferred tax expense (recovery) recognized in net income	13,620	(43)
Deferred tax recovery recognized in income from equity investments (note 5)	(4,313)	—
Foreign currency translation of deferred tax balance	17	(1)
Balance, end of year	\$ 9,525	\$ 201

Deferred tax liabilities have not been recognized for the temporary differences associated with the REIT's investments in the U.S. subsidiaries that are REITs for U.S. income tax purposes. These temporary differences are primarily differences between the carrying amounts and the tax basis of investment properties in the U.S.

The following table reconciles the expected income taxes based on the Canadian statutory tax rate and the income tax expense recognized for the years ended December 31, 2022 and 2021:

	Year ended December 31,	
	2022	2021
Income before income taxes	\$ 9,061	\$ 390,464
Less:		
Income distributed and not subject to income tax	38,917	(386,876)
Income subject to income tax in subsidiary corporations	47,978	3,588
Statutory tax rate ⁽¹⁾	50.67 %	50.67 %
Tax calculated at statutory tax rate	24,310	1,818
Increase (decrease) resulting from:		
Effect of different tax rate in U.S.	(494)	(1,127)
Non-taxable gain	(10,419)	—
Other items	958	598
Income tax expense	\$ 14,355	\$ 1,289

(1) The statutory tax rate includes refundable dividend tax on hand (RDTOH) of 30.67%, which applies to the income in the taxable subsidiary with the investment in Iris (note 5). This income tax is refundable at the rate of 38.33% when taxable dividends are paid.

For the year ended December 31, 2022, in connection with the income distributions made by the REIT's US subsidiaries to the Canadian parent entity, withholding taxes in the amount of \$49,632 was paid to the tax authorities and included in distributions. The benefit of the withholding taxes paid are allocated to the unitholders in the form of foreign tax credits.

Note 25. Supplemental cash flow information

(a) Other items not affecting cash:

	Year ended December 31,	
	2022	2021
Tenant inducements amortized to revenue	\$ 25,405	\$ 24,765
Straight-line rent adjustments	(1,379)	(3,405)
Depreciation of property and equipment	1,254	1,362
Unit-based compensation	(721)	2,050
Amortization of above- and below-market mortgages, net	(896)	(799)
Amortization of financing costs included in interest expense	3,177	3,334
	\$ 26,840	\$ 27,307

(b) Changes in non-cash operating items:

	Year ended December 31,	
	2022	2021
Inventory properties	\$ —	\$ 15,058
Prepaid expenses and other assets	1,569	428
Accounts receivable and other receivables	(1,801)	3,650
Security deposits and prepaid rent	(7,908)	1,878
Accounts payable and other liabilities	4,078	(4,957)
	\$ (4,062)	\$ 16,057

(c) Other supplemental cash flow information:

	Year ended December 31,	
	2022	2021
Interest paid	\$ 88,415	\$ 71,563
Interest received	3,256	1,734
Income taxes paid	736	1,437

Note 26. Subsidiaries

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

Name of entity	Country	Ownership interest	
		December 31, 2022	December 31, 2021
Artis General Partner Ltd.	Canada	100.00 %	100.00 %
AX L.P.	Canada	100.00 %	100.00 %
Artis Property Management General Partner Ltd.	Canada	100.00 %	100.00 %
AX Property Management L.P.	Canada	100.00 %	100.00 %
Winnipeg Square Leaseco, Inc.	Canada	100.00 %	100.00 %
AX QC Ltd.	Canada	100.00 %	100.00 %
AR GL General Partner Ltd.	Canada	75.00 %	75.00 %
AR GL Limited Partnership	Canada	75.00 %	75.00 %
ICE LP	Canada	50.00 %	— %
ICE II LP	Canada	50.00 %	— %
IRIS Acquisition II LP	Canada	32.64 %	— %
Artis US Holdings, Inc.	U.S.	100.00 %	100.00 %
Artis US Holdings II GP, Inc.	U.S.	100.00 %	100.00 %
Artis US Holdings II, LLC	U.S.	100.00 %	100.00 %
Artis US Holdings II L.P.	U.S.	100.00 %	100.00 %
Artis US Holdings III GP, Inc.	U.S.	100.00 %	100.00 %
Artis US Holdings III, LLC	U.S.	100.00 %	100.00 %
Artis US Holdings III L.P.	U.S.	100.00 %	100.00 %
Artis US Holdings IV GP, Inc.	U.S.	100.00 %	100.00 %
Artis US Holdings IV, LLC	U.S.	100.00 %	100.00 %
Artis US Holdings IV L.P.	U.S.	100.00 %	100.00 %
AX US Management, Inc.	U.S.	100.00 %	100.00 %
Park 8Ninety Phase II, LP ⁽¹⁾	U.S.	100.00 %	95.00 %
Park 8Ninety Phase V, LP	U.S.	95.00 %	95.00 %
Artis/Core Park West Land, Ltd.	U.S.	90.00 %	90.00 %
Tower Business Center L.P.	U.S.	80.00 %	80.00 %
ARTIS HRA Inverness Point GP, LLC	U.S.	50.00 %	50.00 %
ARTIS HRA Inverness Point, LP	U.S.	50.00 %	50.00 %
USCIF Artis Park Lucero Venture LP	U.S.	10.00 %	10.00 %

⁽¹⁾ On September 30, 2022, the REIT increased its ownership interest in this property to 100%. Effective as of September 30, 2022, the REIT no longer discloses its interests in this property as a joint venture. See note 3 for further information.

Note 27. Related party transactions

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 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.

Fees paid and accrued to Sandpiper were as follows:

	Year ended December 31,	
	2022	2021
Space sharing licence costs	\$ 124	\$ 83
Service fees	1,231	111
	\$ 1,355	\$ 194

Amounts payable to Sandpiper were \$446 as at December 31, 2022 (December 31, 2021, \$76).

In connection with the investment in Iris on March 1, 2022, the REIT entered into two joint ventures, ICE LP and ICE II LP, with Sandpiper and an affiliate of Sandpiper (see note 5). As at December 31, 2022, the REIT had a balance payable to ICE II LP of \$738.

Note 28. Key management personnel

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

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

	Year ended December 31,	
	2022	2021
Short-term benefits	\$ 6,347	\$ 7,387
Unit-based compensation	1,413	1,571
	\$ 7,760	\$ 8,958

(a) Short-term benefits:

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

(b) Unit-based compensation:

Refer to note 17 for more information on the REIT's equity incentive plan.

Note 29. Segmented information

The REIT owns and operates properties located in Canada and the U.S., through direct ownership and equity accounted investments. These properties are managed and reported internally by country. The segmented information for Canada and U.S. presented below includes the REIT's proportionate share of revenue, expenses, assets and liabilities of investment properties held in equity accounted investments which were set up to develop and operate specific investment properties. Other income (expenses), including interest expense relating to senior unsecured debentures and credit facilities, interest income from notes receivables not related to owned investment properties, distribution income from equity securities and fair value gain (loss) on financial instruments, have not been allocated to the segments. In addition, the REIT's investments in Iris Acquisition II LP, ICE LP and ICE II LP ("Iris Entities" - see note 5) are considered separately by executive management and evaluated based on the distributions received. Accordingly, the investments in Iris Entities are not allocated to the segments.

Year ended December 31, 2022					
	Canada	U.S.	REIT ⁽¹⁾	Equity accounted investment properties adjustment ⁽²⁾	Total
Revenue:					
Rental revenue from investment properties	\$ 170,821	\$ 217,856	\$ 97	\$ (16,262)	\$ 372,512
Condominium sales	—	—	—	—	—
Total revenue	170,821	217,856	97	(16,262)	372,512
Expenses:					
Property operating	51,162	55,260	—	(3,972)	102,450
Realty taxes	26,605	36,899	—	(3,422)	60,082
Condominium cost of sales	—	—	—	—	—
Total operating expenses	77,767	92,159	—	(7,394)	162,532
Net operating income	93,054	125,697	97	(8,868)	209,980
Other income (expenses):					
Interest and other income	40	531	18,387	(14)	18,944
Distribution income from equity securities	—	—	10,710	—	10,710
Interest expense	(13,880)	(26,792)	(52,665)	3,900	(89,437)
Corporate expenses	—	—	(7,661)	—	(7,661)
Equity securities expenses	—	—	(1,890)	—	(1,890)
Net income from equity accounted investments	—	—	39,321	35,338	74,659
Fair value loss on investment properties	(59,418)	(88,640)	—	(30,373)	(178,431)
Fair value loss on financial instruments	—	—	(21,130)	—	(21,130)
Foreign currency translation loss	—	—	(6,683)	—	(6,683)
Income (loss) before income taxes	19,796	10,796	(21,514)	(17)	9,061
Income tax expense	—	(736)	(13,636)	17	(14,355)
Net income (loss)	\$ 19,796	\$ 10,060	\$ (35,150)	\$ —	\$ (5,294)
Acquisitions of investment properties	\$ —	\$ 5,219	\$ —	\$ —	\$ 5,219
Additions to investment properties, investment properties under development and investment properties held for sale	41,482	63,183	—	(17,703)	86,962
Additions to tenant inducements	6,375	31,529	—	(1,359)	36,545
Additions to leasing commissions	1,521	12,470	—	(1,936)	12,055

December 31, 2022

	Canada	U.S.	REIT	Equity accounted investment properties adjustment ⁽²⁾	Total
Total assets	\$ 1,897,378	\$ 2,098,827	\$ 629,546	\$ (71,838)	\$ 4,553,913
Total liabilities	372,166	634,781	1,389,645	(71,838)	2,324,754

(1) Includes corporate expenses, interest relating to senior unsecured debentures and credit facilities, distribution income from equity securities, fair value gain (loss) on financial instruments and income from Iris Entities that are not allocated to the segments.

(2) Adjustment for the REIT's proportionate share of revenue, expenses, assets and liabilities of investment properties held in equity accounted investments, excluding Iris Entities.

Year ended December 31, 2021					
	Canada	U.S.	REIT ⁽¹⁾	Equity accounted investment properties adjustment ⁽²⁾	Total
Revenue:					
Rental revenue from investment properties	\$ 204,799	\$ 212,496	\$ 103	\$ (15,760)	\$ 401,638
Condominium sales	17,861	—	—	—	17,861
Total revenue	222,660	212,496	103	(15,760)	419,499
Expenses:					
Property operating	53,844	50,610	—	(3,635)	100,819
Realty taxes	30,760	37,375	—	(3,278)	64,857
Condominium cost of sales	16,038	—	—	—	16,038
Total operating expenses	100,642	87,985	—	(6,913)	181,714
Net operating income	122,018	124,511	103	(8,847)	237,785
Other income (expenses):					
Interest and other income	62	558	1,269	(4)	1,885
Distribution income from equity securities	—	—	898	—	898
Interest expense	(16,916)	(23,316)	(31,962)	2,546	(69,648)
Corporate expenses	—	—	(12,527)	—	(12,527)
Equity securities expenses	—	—	(186)	—	(186)
Strategic initiative expenses	—	—	(18)	—	(18)
Transaction costs	—	(11)	—	—	(11)
Net income from equity accounted investments	—	—	—	16,795	16,795
Fair value gain on investment properties	184,883	23,124	—	(10,496)	197,511
Fair value gain on financial instruments	—	—	21,224	—	21,224
Foreign currency translation loss	—	—	(3,244)	—	(3,244)
Income (loss) before income taxes	290,047	124,866	(24,443)	(6)	390,464
Income tax expense	—	(1,295)	—	6	(1,289)
Net income (loss)	\$ 290,047	\$ 123,571	\$ (24,443)	\$ —	\$ 389,175
Acquisitions of investment properties	\$ —	\$ 5,823	\$ —	\$ —	\$ 5,823
Additions to investment properties, investment properties under development and investment properties held for sale	66,055	55,174	—	(30,659)	90,570
Additions to tenant inducements	14,808	15,814	—	(2,281)	28,341
Additions to leasing commissions	2,552	7,779	—	(526)	9,805

December 31, 2021

	Canada	U.S.	REIT	Equity accounted investment properties adjustment ⁽²⁾	Total
Total assets	\$ 2,026,027	\$ 2,334,821	\$ 320,287	\$ (105,111)	\$ 4,576,024
Total liabilities	483,242	792,076	950,464	(105,111)	2,120,671

(1) Includes corporate expenses, interest relating to senior unsecured debentures and credit facilities, distribution income from equity securities, fair value gain (loss) on financial instruments and income from Iris Entities that are not allocated to the segments.

(2) Adjustment for the REIT's proportionate share of revenue, expenses, assets and liabilities of investment properties held in equity accounted investments, excluding Iris Entities.

Note 30. Commitments, contingencies and guarantees

(a) Unconditional sale agreement:

The REIT entered into an agreement to sell a portfolio comprised of six industrial properties located in the Twin Cities Area, Minnesota, for a sale price of \$101,343 (US \$74,825), with expected closing in March 2023.

(b) Letters of credit:

As at December 31, 2022, the REIT had issued letters of credit in the amount of \$63 (December 31, 2021, \$75).

(c) Contingencies:

The REIT is contingently liable for bonds that have been provided to support industrial development projects in the amount of \$4,288 (December 31, 2021, \$5,842).

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.

(d) Guarantees:

At December 31, 2022, the REIT has guaranteed certain debt assumed by purchasers in connection with the dispositions of two properties (December 31, 2021, two 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, 2022 was \$41,639 (December 31, 2021, \$43,586), with an estimated weighted-average remaining term of 0.4 years (December 31, 2021, 1.4 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 31. Capital management

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

The REIT's Declaration of Trust permits the REIT to incur indebtedness, provided that after giving effect to incurring or assuming any indebtedness (as defined in the Declaration of Trust), the amount of such indebtedness of the REIT is not more than 70% of the gross book value of the REIT's total assets. As at December 31, 2022, the ratio of indebtedness to gross book value was 48.5% (December 31, 2021, 42.9%), which is consistent with the REIT's objectives. Gross book value is defined as the consolidated book value of the assets of the REIT, plus the amount of accumulated depreciation of property and equipment. Total debt includes mortgages and loans, debentures, preferred shares liabilities and credit facilities. As at December 31, 2022, the REIT is in compliance with the requirement in the Declaration of Trust.

The total managed capital for the REIT is summarized below:

	Note	December 31, 2022	December 31, 2021
Mortgages and loans payable	12	\$ 864,698	\$ 1,085,039
Senior unsecured debentures	13	449,091	249,346
Credit facilities	14	901,159	631,253
Total debt		2,214,948	1,965,638
Unitholders' equity		2,229,159	2,455,353
		\$ 4,444,107	\$ 4,420,991

Note 32. Risk management

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

(a) Market risk:

(i) Interest rate risk:

The REIT is exposed to interest rate risk on its borrowings. The Declaration of Trust restricts the REIT's indebtedness to 70% of the gross book value of the REIT's total assets. The REIT also monitors the amount of variable rate debt. The majority of the REIT's debt financing is in fixed rate terms or variable 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, 2022, the REIT had variable rate debt, including credit facilities, of \$1,434,072 (December 31, 2021, \$1,324,662). At December 31, 2022, the REIT had entered into interest rate swaps to hedge the interest rate risk associated with \$217,136 of variable rate debt, including swaps on credit facilities (December 31, 2021, \$907,516).

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	\$	8,416
Fixed rate debt due within one year		5,544
	\$	13,960

The REIT has variable rate debts and interest rate swaps linked to US dollar LIBOR ("USD LIBOR") and Bankers' Acceptance ("BA") rate, which are 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 after June 30, 2023. In 2022, the REIT undertook amendments to most LIBOR-linked financial instruments to switch the reference rate from USD LIBOR to the alternative reference rate, the Secured Overnight Financing Rate ("SOFR"), or include appropriate fallback clauses to the same effect when USD LIBOR ceases. The remaining LIBOR-linked financial instruments will mature prior to June 30, 2023, with the remainder to be transitioned prior to June 30, 2023.

Canadian Dollar Offered Rate ("CDOR") is a benchmark reference rate for BA borrowings denominated in Canadian dollars that is administered by Refinitive Benchmark Services (UK) Limited ("RBSL"). In May, 2022, RBSL published a notice stating that the calculation and publication for all tenors of CDOR will cease after June 28, 2024. The Canadian Alternative Reference Rate Working Group recommends the transition to the Canadian Overnight Repo Rate Average ("CORRA") as a key financial benchmark for Canadian derivatives and securities. The REIT is monitoring the transition and intends to negotiate with counterparties to incorporate fallback provisions in its debt agreements as appropriate.

As at December 31, 2022, the REIT had variable rate debt and interest rate swaps linked to USD LIBOR and CDOR as follows:

	December 31, 2022	
	USD LIBOR	CDOR
	Maturing after June 30, 2023	Maturing after June 28, 2024
Financial assets:		
Interest rate swaps ⁽¹⁾	\$ 5,157	\$ —
Financial liabilities:		
Mortgages and loans payable ⁽²⁾	\$ 90,420	\$ —
Credit facilities ⁽²⁾	75,846	299,500
	\$ 166,266	\$ 299,500

⁽¹⁾ Interest rate swaps are disclosed at the fair values as at December 31, 2022.

⁽²⁾ Mortgages and loans payable and credit facilities are disclosed at the outstanding balances as at December 31, 2022.

(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 1.3030 for the year ended December 31, 2022, and the year-end exchange rate of 1.3544 at December 31, 2022, would have decreased net loss by \$31,375 for the year ended December 31, 2022. A \$0.10 weakening in the US dollar against the Canadian dollar would have decreased other comprehensive income by approximately \$129,098 for the year ended December 31, 2022. 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, notes receivable and preferred investments.

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 five 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.

Included in property operating expenses are expected credit losses of \$1,189 during the year ended December 31, 2022 (2021, \$574).

The aging of accounts receivable is summarized as follows:

	December 31, 2022	December 31, 2021
Past due 0 - 30 days	\$ 1,778	\$ 2,630
Past due 31 - 90 days	517	623
Past due more than 91 days	2,934	2,325
	<u>5,229</u>	<u>5,578</u>

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

	December 31, 2022	December 31, 2021
Balance, beginning of year	\$ 1,717	\$ 1,989
Additional provisions recorded	1,452	1,393
Reversal of previous provisions	(264)	(819)
Amounts written-off	(746)	(852)
Foreign currency translation loss	28	6
Balance, end of year	<u>\$ 2,187</u>	<u>\$ 1,717</u>

The REIT is also exposed to credit risk as a holder of notes receivable and preferred investments. Management mitigates this risk by carrying out credit checks and related due diligence on the issuers 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 issuers' 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, 2022 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	\$ 72,581	\$ 72,581	\$ —	\$ —	\$ —
Lease liabilities	1,237	321	380	293	243
Credit facilities	901,934	526,588	375,346	—	—
Senior unsecured debentures	450,000	250,000	200,000	—	—
Mortgages and loans payable	866,736	555,451	135,962	103,678	71,645
	<u>\$ 2,292,488</u>	<u>\$ 1,404,941</u>	<u>\$ 711,688</u>	<u>\$ 103,971</u>	<u>\$ 71,888</u>

Subsequent to December 31, 2022, the \$100,000 non-revolving credit facility that matured on February 6, 2023 was extended to February 6, 2024, the \$150,000 non-revolving credit facility maturing on July 18, 2023 was extended to July 18, 2024, and the \$300,000 revolving credit facility maturing on April 29, 2023 was replaced with a \$280,000 revolving credit facility maturing on April 29, 2025 (see note 34).

Note 33. Fair value measurements

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

There were no transfers of assets or liabilities between hierarchy levels during the year ended December 31, 2022 and 2021.

		December 31, 2022		December 31, 2021	
	Fair value hierarchy	Carrying value	Fair value	Carrying value	Fair value
Assets:					
Investment properties	Level 3	\$ 3,156,206	\$ 3,156,206	\$ 3,741,544	\$ 3,741,544
Investment properties under development	Level 3	191,552	191,552	195,161	195,161
Preferred investments	Level 2	114,184	113,239	—	—
Equity securities	Level 1	316,768	316,768	77,186	77,186
Notes receivable	Level 2	38,695	36,212	36,282	36,473
Investment properties held for sale	Level 3	335,813	335,813	62,904	62,904
Derivative instruments	Level 2	5,885	5,885	1,029	1,029
		<u>4,159,103</u>	<u>4,155,675</u>	<u>4,114,106</u>	<u>4,114,297</u>
Liabilities:					
Mortgages and loans payable	Level 2	864,698	842,138	1,085,039	1,088,737
Senior unsecured debentures	Level 2	449,091	436,609	249,346	254,346
Credit facilities	Level 2	901,159	901,934	631,253	631,851
Derivative instruments	Level 2	—	—	7,689	7,689
		<u>2,214,948</u>	<u>2,180,681</u>	<u>1,973,327</u>	<u>1,982,623</u>
		<u>\$ 1,944,155</u>	<u>\$ 1,974,994</u>	<u>\$ 2,140,779</u>	<u>\$ 2,131,674</u>

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 prices on the principal securities exchange on which the majority of the trading occurs.

The fair values of preferred investments, 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 swaps. The REIT entered into interest rate swaps on a number of mortgages and the non-revolving credit facilities. The swaps are not designated in a hedge relationship.

Note 34. Subsequent events

The following events occurred subsequent to December 31, 2022:

- The REIT received full repayment of a note receivable in the amount of \$6,000.
- The REIT entered into an unconditional sale agreement to sell an office property located in Saskatoon, Saskatchewan, for a sale price of \$14,550 with expected closing in March 2023.
- The REIT entered into an amended agreement to extend the maturity date of the \$50,000 non-revolving credit facility to April 3, 2023, at an interest rate of BA rate plus 1.70% or prime plus 0.70%.
- The REIT entered into an amended agreement to extend the maturity date of the \$100,000 non-revolving credit facility to February 6, 2024, at an interest rate of BA rate plus 1.70% or prime plus 0.70%.
- The REIT entered into an amended agreement to extend the maturity date of the \$150,000 non-revolving credit facility to July 18, 2024, at an interest rate of BA rate plus 1.70% or prime plus 0.70%. The amended agreement provides for CORRA as the Canadian benchmark replacement rate on Canadian dollar term advances when the publication of CDOR ceases.
- The REIT entered into an amended and restated agreement to reduce the \$300,000 revolving credit facility to \$280,000 and extend the maturity date from April 29, 2023 to April 29, 2025. The amended and restated agreement amends the interest rate on US dollar term advances for all revolving credit facilities to SOFR plus 1.70%, to provide for the cessation of the LIBOR rate. In addition, the amended and restated agreement provides for CORRA as the Canadian benchmark replacement rate on Canadian dollar term advances when the publication of CDOR ceases.
- The REIT repaid a net balance of \$1,000 and repaid a net balance of \$16,122 (US\$12,000) on its revolving term credit facilities.
- The REIT repaid mortgages in the amount of \$38,745 (US\$28,867) and received new mortgage financing in the amount of \$49,661 (US\$37,000).
- The REIT purchased through the NCIB 10,900 common units at a weighted-average price of \$9.00, 13,700 Series E Units at a weighted-average price of \$23.52 and 18,700 Series I Units at a weighted-average price of \$24.87.
- The REIT sold equity securities for aggregate net proceeds of \$19,477.
- The REIT declared a monthly cash distribution of \$0.05 per common unit for the months of January and February 2023.
- The REIT declared a quarterly cash distribution of \$0.3750 per Series I Unit for the three months ended January 31, 2023.

Note 35. Comparative figures

Certain comparative figures in the consolidated statements of operations and note 29 segmented reporting for the year ended December 31, 2021 have been reclassified to conform with the financial statement presentation adopted for the year ended December 31, 2022. Equity securities expenses were previously included in corporate expenses for the year ended December 31, 2021 and are now presented as a separate line item on the consolidated statements of operations and segmented reporting. This reclassification is intended to provide additional details on the REIT's results of operations.

Certain comparison figures in the consolidated statements of cash flows for the year ended December 31, 2021 have been reclassified to conform with the financial statement presentation adopted for the year ended December 31, 2022. Changes in accrual balances relating to additions to investment properties, additions to investment properties under development and purchases of equity securities were previously included in changes in non-cash operating items and are now included with the respective line item on the consolidated statements of cash flows. The reclassifications are intended to better represent cash provided by operating activities and investing activities.

Note 36. Approval of financial statements

These consolidated financial statements were approved by the Board of Trustees and authorized for issue on February 28, 2023.



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