FOR IMMEDIATE RELEASE AUGUST 2, 2023

ARTIS REAL ESTATE INVESTMENT TRUST RELEASES SECOND QUARTER RESULTS AND ANNOUNCES FORMATION OF SPECIAL COMMITTEE TO INITIATE STRATEGIC REVIEW

Artis Real Estate Investment Trust (“Artis” or the "REIT") (TSX: AX.UN, AX.PR.E, AX.PR.I) announced today its financial results for the three and six months ended June 30, 2023. The second quarter press release should be read in conjunction with the REIT's consolidated financial statements and Management's Discussion and Analysis ("MD&A") for the period ended June 30, 2023. All amounts are in thousands of Canadian dollars, unless otherwise noted. Artis also announced that its Board of Trustees (the “Board”) has established a Special Committee to initiate a strategic review process to consider and evaluate strategic alternatives that may be available to the REIT to unlock and maximize value for unitholders. The Special Committee will consist of Ben Rodney (Chair), Lis Wigmore and Samir Manji.

“The current interest rate environment combined with Artis’s shorter duration debt exposure significantly impacted our FFO and AFFO per unit. We anticipate this will remain the case in the near term as rates are expected to remain higher for longer. Despite this, our leasing activity, a key component of our business, was strong throughout the second quarter, demonstrating that Artis’s portfolio is well positioned to deliver organic growth for our unitholders,” said Samir Manji, President and Chief Executive Officer of Artis. “Our Same Property NOI (1) increased by 6.9% and 7.7% year over year for the three- and six-month periods ended June 30, respectively. Notably, Artis negotiated and signed over one million square feet of new leases and lease renewals during the second quarter. Renewals that commenced in the quarter were renewed at a weighted-average increase of 4.6% – the tenth consecutive quarter of growth in renewal rents and a clear reflection of the strong demand for high-quality, well-located space across all three asset classes. Furthermore, our sale of 13 properties and one parcel of land unlocked nearly $200 million of liquidity, providing us with significant capital flexibility as we continue to navigate the current environment while remaining focused on our goals of reducing leverage, enhancing liquidity and pursuing capital allocation opportunities that will maximize net asset value per unit for our owners. This commitment to our unitholders has been reaffirmed by the establishment of a Special Committee to consider the avenues available to close the significant value gap that we are witnessing today and enable unitholders to maximize the value of their investment in Artis.”

“The Artis Board and newly formed Special Committee are looking forward to initiating a strategic review that will aim to address the issue of Artis’s units trading at a material discount to its intrinsic value,” said Ben Rodney, Board Chair of Artis. “The most recent quarter’s same property metrics and the dispositions achieved this year are reflections of the quality and caliber of our assets and our management platform. With an IFRS net asset value per unit of over $16, our current market unit price grossly undervalues Artis’s units. The Board and management established a plan in 2021 that aimed to enhance value and committed to a timeframe of two to three years to deliver on the plan. Today’s announcement demonstrates our commitment to consider all options available to unlock value for our unitholders. We will provide further updates in due course.”

SECOND QUARTER HIGHLIGHTS

Business Strategy Update

- The Board formed a Special Committee to initiate a strategic review to evaluate alternatives that may be available to the REIT to unlock and maximize value for unitholders.
- Disposed of five retail properties located in Canada and eight industrial properties and a parcel of development land in the U.S. for an aggregate sale price of $279.7 million.
- Utilized the normal course issuer bid ("NCIB") to purchase 4,418,842 common units at a weighted-average price of $7.10 and 332,900 preferred units at a weighted-average price of $16.80.

Balance Sheet and Liquidity

- Obtained new mortgage financing on previously unencumbered properties in the aggregate amount of $186.7 million, including an interest-only mortgage in the amount of $171.9 million for a three-year term.
- Repaid a net balance of $305.8 million on the revolving credit facilities and repaid $50.0 million on the non-revolving credit facilities.
- Improved Total Debt to GBV (1) to 47.2% at June 30, 2023, compared to 48.5% at December 31, 2022.
- Improved Total Debt to Adjusted EBITDA (1) to 7.8 at June 30, 2023 compared to 8.3 at December 31, 2022.

(1) Represents a non-GAAP measure, ratio or other supplementary financial measure. Refer to the Notice with Respect to Non-GAAP & Supplementary Financial Measures Disclosure.

Financial and Operational

- Same Property NOI [(1)] in Canadian dollars for the second quarter of 2023 increased 6.9% compared to the second quarter of 2022.
- Renewals totalling 269,026 square feet and new leases totalling 525,331 square feet commenced during the second quarter of 2023.
- Weighted-average rental rate on renewals that commenced during the second quarter of 2023 increased 4.6%.

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BUSINESS STRATEGY UPDATE

Strategic Review Process

The Board has established a Special Committee to initiate a strategic review process to consider and evaluate strategic alternatives that may be available to the REIT to unlock and maximize value for unitholders. There can be no assurance that the strategic review process will result in the REIT pursuing any transaction or that any alternative transaction will be available to the REIT. Neither the Board nor the Special Committee has set a timetable for completion of this process and the REIT does not intend to disclose further developments unless and until it determines that disclosure is appropriate or necessary.

Strengthening the Balance Sheet

During the second quarter of 2023, the REIT continued unlocking value through the monetization of certain assets and sold five retail properties in Canada and eight industrial properties and one parcel of land in U.S. for a total sale price of $279.7 million. The sale proceeds, net of costs of $5.4 million, related debt of $75.5 million and notes receivable of $0.3 million were $198.5 million.

The REIT's NCIB program has remained active since the announcement of the Business Transformation Plan. During the second quarter of 2023, the REIT purchased 4,418,842 units at a weighted-average price of $7.10 compared to NAV per unit of $16.28 at June 30, 2023.

Driving Organic Growth

The REIT has a commercial and residential development project under construction. 300 Main is a 580,000 square foot building located in Winnipeg, Manitoba. 300 Main will be a best-in-class amenity-rich apartment building with main floor commercial space. Pre-leasing of the first 20 floors of the 40-storey residential apartments is currently underway and the first apartment tenants moved into the building on July 1, 2023.

Focusing on Value Investing

At June 30, 2023, Artis invested in equity securities with an aggregate fair value of $168.9 million. This includes equity securities of Dream Office Real Estate Investment Trust ("Dream Office") and First Capital Real Estate Investment Trust.

As announced on June 27, 2023, pursuant to Dream Office's substantial issuer bid ("SIB"), Artis sold 2,185,035 units. As a result of the disposition of units and completion of the SIB, Artis and its joint actors own and exercise control and direction over units representing approximately 14.8% of the issued and outstanding voting units of Dream Office as at June 27, 2023.

BALANCE SHEET AND LIQUIDITY

The REIT's balance sheet metrics are as follows:

	June 30, 2023	December 31, 2022
Total investment properties	$ 3,250,419	$ 3,683,571
Unencumbered assets	1,659,698	2,034,409
NAV per unit [(1)]	16.28	17.38
Total Debt to GBV [(1)]	47.2 %	48.5 %
Total Debt to Adjusted EBITDA [(1)]	7.8	8.3
Adjusted EBITDA interest coverage ratio [(1)]	2.04	2.98
Unencumbered assets to unsecured debt [(1)]	1.77	1.54

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At June 30, 2023, Artis had $35.0 million of cash on hand and $416.0 million available on its revolving credit facilities. Under the terms of the revolving credit facilities, the REIT must maintain certain financial covenants which limit the total borrowing capacity of the revolving credit facilities to $519.7 million.

Liquidity and capital resources may be impacted by financing activities, portfolio acquisition, disposition and development activities or debt repayments occurring subsequent to June 30, 2023.

FINANCIAL AND OPERATIONAL RESULTS

	Three months ended June 30,			Six months ended June 30,		
$000's, except per unit amounts	2023	2022	% Change	2023	2022	% Change
Revenue	$ 84,278	$ 91,055	(7.4)%	$ 174,533	$ 184,296	(5.3)%
Net operating income	46,867	52,425	(10.6)%	94,928	103,887	(8.6)%
Net (loss) income	(84,954)	(19,556)	334.4 %	(107,715)	217,457	(149.5)%
Total comprehensive (loss) income	(115,441)	30,553	(477.8)%	(139,112)	244,329	(156.9)%
Distributions per common unit	0.15	0.15	— %	0.30	0.30	— %
FFO (1) (2)	$ 29,946	$ 44,939	(33.4)%	$ 63,763	$ 86,947	(26.7)%
FFO per unit (1) (2)	0.26	0.38	(31.6)%	0.56	0.72	(22.2)%
FFO payout ratio (1)	57.7 %	39.5 %	18.2 %	53.6 %	41.7 %	11.9 %
AFFO (1) (2)	$ 17,079	$ 31,567	(45.9)%	$ 37,940	$ 61,138	(37.9)%
AFFO per unit (1) (2)	0.15	0.27	(44.4)%	0.33	0.51	(35.3)%
AFFO payout ratio (1)	100.0 %	55.6 %	44.4 %	90.9 %	58.8 %	32.1 %

(1) Represents a non-GAAP measure, ratio or other supplementary financial measure. Refer to the Notice with Respect to Non-GAAP & Supplementary Financial Measures Disclosure.

(2) The REIT also calculates FFO and AFFO, adjusted for the impact of the realized gain (loss) on equity securities. Refer to FFO and AFFO section of Artis's Q2-23 MD&A.

Artis reported portfolio occupancy of 90.3% at June 30, 2023, compared to 90.5% at March 31, 2023. Weighted-average rental rate on renewals that commenced during the second quarter of 2023 increased 4.6%.

Artis's portfolio has a stable lease expiry profile with 52.8% of gross leasable area expiring in 2027 or later. Weighted-average in-place rents for the total portfolio are $14.85 per square foot and are estimated to be 0.6% below market rents. Information about Artis's lease expiry profile is as follows:

	Current vacancy	Monthly tenants	2023	2024	2025	2026	2027 & later	Total portfolio
Expiring square footage	9.7 %	0.3 %	7.2 %	8.6 %	9.5 %	11.9 %	52.8 %	100.0 %
In-place rents	N/A	N/A	$ 16.53	$ 16.30	$ 16.47	$ 17.05	$ 13.62	$ 14.85
Market rents	N/A	N/A	$ 17.25	$ 16.04	$ 16.45	$ 17.07	$ 13.70	$ 14.94

UPCOMING WEBCAST AND CONFERENCE CALL

A conference call with management will be held on Thursday, August 3, 2023, at 12:00 p.m. CT (1:00 p.m. ET). In order to participate, please dial 1-416-764-8688 or 1-888-390-0546. You will be required to identify yourself and the organization on whose behalf you are participating.

Alternatively, you may access the simultaneous webcast by following the link from our website at https://www.artisreit.com/investor-link/conference-calls/. Prior to the webcast, you may follow the link to confirm you have the right software and system requirements.

If you cannot participate on Thursday, August 3, 2023, a replay of the conference call will be available by dialing 1-416-764-8677 or 1-888-390-0541 and entering passcode 205041#. The replay will be available until Thursday, August 10, 2023. The webcast will be archived 24 hours after the end of the conference call and will be accessible for 90 days.

CAUTIONARY STATEMENTS

This press release 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.

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; credit, market, currency, operational, liquidity and funding risks; 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 and legal rights attaching to units, preferred units and debentures, dilution, unitholder liability, failure to obtain additional financing, potential conflicts of interest and risks and uncertainties regarding strategic alternatives including the terms of their availability, whether they will be available at all and the effects of their implementation.

For more information on the risks, uncertainties and assumptions that could cause 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, the section entitled “Risk and Uncertainties” of Artis’s Q2-23 MD&A, as well as Artis’s other public filings, available on SEDAR+ at www.sedarplus.ca.

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 press release 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, NAV per Unit, Total Debt to GBV, Adjusted EBITDA Interest Coverage Ratio and Total Debt to Adjusted EBITDA.

Supplementary financial measures includes unencumbered assets to unsecured debt.

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.

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. Refer to the Notice With Respect to Non-GAAP & Supplementary Financial Measures Disclosure of Artis's Q2-23 MD&A, which is incorporated by reference herein, for further information (available on SEDAR+ at www.sedarplus.ca or Artis's website at www.artisreit.com).

The reconciliation for each non-GAAP measure or ratio and other supplementary financial measures included in this Press Release is outlined below.

NAV per Unit

	June 30, 2023	December 31, 2022
Unitholders' equity	$ 2,000,541	$ 2,229,159
Less face value of preferred equity	(202,877)	(212,547)
NAV attributable to common unitholders	1,797,664	2,016,612
Total number of dilutive units outstanding:		
Common units	109,644,830	115,409,234
Restricted units	502,411	440,617
Deferred units	255,688	203,430
	110,402,929	116,053,281
NAV per unit	$ 16.28	$ 17.38

Total Debt to GBV

	June 30, 2023	December 31, 2022
Total assets	$ 3,983,481	$ 4,553,913
Add: accumulated depreciation	11,163	10,585
Gross book value	3,994,644	4,564,498
Secured mortgages and loans	922,864	864,698
Preferred shares liability	929	950
Carrying value of debentures	449,411	449,091
Credit facilities	513,145	901,159
Total debt	$ 1,886,349	$ 2,215,898
Total debt to GBV	47.2 %	48.5 %

Unencumbered Assets to Unsecured Debt

	June 30, 2023	December 31, 2022
Unencumbered assets	$ 1,659,698	$ 2,034,409
Unencumbered assets in properties held under joint venture arrangements	48,149	50,557
Total unencumbered assets	1,707,847	2,084,966
Senior unsecured debentures	449,411	449,091
Unsecured credit facilities	513,145	901,159
Total unsecured debt	$ 962,556	$ 1,350,250
Unencumbered assets to unsecured debt	1.77	1.54

Adjusted EBITDA Interest Coverage Ratio

	Three months ended June 30, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
Net (loss) income	$ (84,954)	$ (19,556)	$ (107,715)	$ 217,457
Add (deduct):				
Tenant inducements amortized to revenue	6,146	6,429	12,392	12,835
Straight-line rent adjustments	(784)	(243)	(1,331)	(531)
Depreciation of property and equipment	287	314	601	628
Net (income) loss from equity accounted investments	(7,604)	(7,310)	5,853	(147,594)
Distributions from equity accounted investments	982	728	1,956	2,613
Interest expense	30,233	19,903	59,965	35,960
Fair value loss (gain) on investment properties	109,100	18,767	136,808	(52,174)
Fair value loss on financial instruments	14,269	43,854	31,204	23,661
Foreign currency translation (gain) loss	(3,681)	2,573	(5,537)	1,310
Income tax (recovery) expense	(3,557)	(790)	(7,444)	31,177
Adjusted EBITDA	60,437	64,669	126,752	125,342
Interest expense	30,233	19,903	59,965	35,960
Add (deduct):				
Amortization of financing costs	(876)	(801)	(1,739)	(1,528)
Amortization of above- and below-market mortgages, net	231	219	464	437
Adjusted interest expense	$ 29,588	$ 19,321	$ 58,690	$ 34,869
Adjusted EBITDA interest coverage ratio	2.04	3.35	2.16	3.59

Total Debt to Adjusted EBITDA

	June 30, 2023	December 31, 2022
Secured mortgages and loans	$ 922,864	$ 864,698
Preferred shares liability	929	950
Carrying value of debentures	449,411	449,091
Credit facilities	513,145	901,159
Total debt	1,886,349	2,215,898
Quarterly Adjusted EBITDA	60,437	66,812
Annualized Adjusted EBITDA	241,748	267,248
Total Debt to Adjusted EBITDA	7.8	8.3

Same Property NOI

	Three months ended June 30, 2023	2022	Change	% Change
Net operating income	$ 46,867	$ 52,425		
Add (deduct) net operating income from:				
Joint venture arrangements	2,795	2,607		
Dispositions and unconditional dispositions	(2,928)	(9,905)		
(Re)development properties	(1,564)	(2,318)		
Lease termination income adjustments	121	(313)		
Other	174	(222)		
	(1,402)	(10,151)		
Straight-line rent adjustments (1)	(628)	(655)		
Tenant inducements amortized to revenue (1)	5,875	5,799		
Same Property NOI	$ 50,712	$ 47,418	$ 3,294	6.9 %

(1) Includes joint venture arrangements.

FFO and AFFO

	Three months ended June 30, 2023	2022	Six months ended June 30, 2023	2022
Net (loss) income	$ (84,954)	$ (19,556)	$ (107,715)	$ 217,457
Add (deduct):				
Tenant inducements amortized to revenue	6,146	6,429	12,392	12,835
Incremental leasing costs	770	849	1,294	1,665
Distributions on preferred shares treated as interest expense	62	59	124	117
Remeasurement component of unit-based compensation	(293)	(611)	(938)	(271)
Adjustments for equity accounted investments	(4,400)	(2,112)	10,224	(139,936)
Fair value loss (gain) on investment properties	109,100	18,767	136,808	(52,174)
Fair value loss on financial instruments	14,269	43,854	31,204	23,661
Foreign currency translation (gain) loss	(3,681)	2,573	(5,537)	1,310
Deferred income tax (recovery) expense	(3,940)	(1,054)	(7,901)	30,819
Preferred unit distributions	(3,133)	(4,259)	(6,192)	(8,536)
FFO	$ 29,946	$ 44,939	$ 63,763	$ 86,947
Add (deduct):				
Amortization of recoverable capital expenditures	$ (1,811)	$ (1,899)	$ (3,628)	$ (3,775)
Straight-line rent adjustments	(784)	(243)	(1,331)	(531)
Non-recoverable property maintenance reserve	(550)	(1,100)	(1,250)	(2,200)
Leasing costs reserve	(7,500)	(8,000)	(15,400)	(16,000)
Adjustments for equity accounted investments	(2,222)	(2,130)	(4,214)	(3,303)
AFFO	$ 17,079	$ 31,567	$ 37,940	$ 61,138

FFO and AFFO Per Unit

	Three months ended June 30, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
Basic units	112,721,748	118,364,595	114,051,554	120,116,779
Add:				
Restricted units	465,075	425,446	431,084	391,093
Deferred units	255,183	164,957	243,755	158,371
Diluted units	113,442,006	118,954,998	114,726,393	120,666,243

	Three months ended June 30, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
FFO per unit:				
Basic	$ 0.27	$ 0.38	$ 0.56	$ 0.72
Diluted	0.26	0.38	0.56	0.72
AFFO per unit:				
Basic	$ 0.15	$ 0.27	$ 0.33	$ 0.51
Diluted	0.15	0.27	0.33	0.51

FFO and AFFO Payout Ratios

	Three months ended June 30, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
Distributions per common unit	$ 0.15	$ 0.15	$ 0.30	$ 0.30
FFO per unit	0.26	0.38	0.56	0.72
FFO payout ratio	57.7 %	39.5 %	53.6 %	41.7 %
Distributions per common unit	$ 0.15	$ 0.15	$ 0.30	$ 0.30
AFFO per unit	0.15	0.27	0.33	0.51
AFFO payout ratio	100.0 %	55.6 %	90.9 %	58.8 %

ABOUT ARTIS REAL ESTATE INVESTMENT TRUST

Artis is a diversified Canadian real estate investment trust with a portfolio of industrial, office and retail properties in Canada and the United States. Artis's vision is 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.

For further information please contact:

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