
ARTIS
REIT

# 2023

# ANNUAL REPORT

ARTIS REAL ESTATE INVESTMENT TRUST

TSX: AX.UN

**ON THE COVER:**

**300 MAIN**
Winnipeg, Manitoba

##### 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 for the years ended December 31, 2023, 2022 and 2021 and the REIT's annual Management's Discussion and Analysis ("MD&A") for 2023, 2022 and 2021. These documents are available on SEDAR+ at www.sedarplus.ca 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 REIT's strategy, real property ownership, geographic concentration, current economic conditions, strategic initiatives, pandemics and other public health events, 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 units, changes in legislation and investment eligibility, availability of cash flow, fluctuations in cash distributions, the nature of trust units, legal rights attaching to trust 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 2023 Annual MD&A and the section entitled "Risk Factors" in the REIT's Annual Information Form dated February 29, 2024, 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.

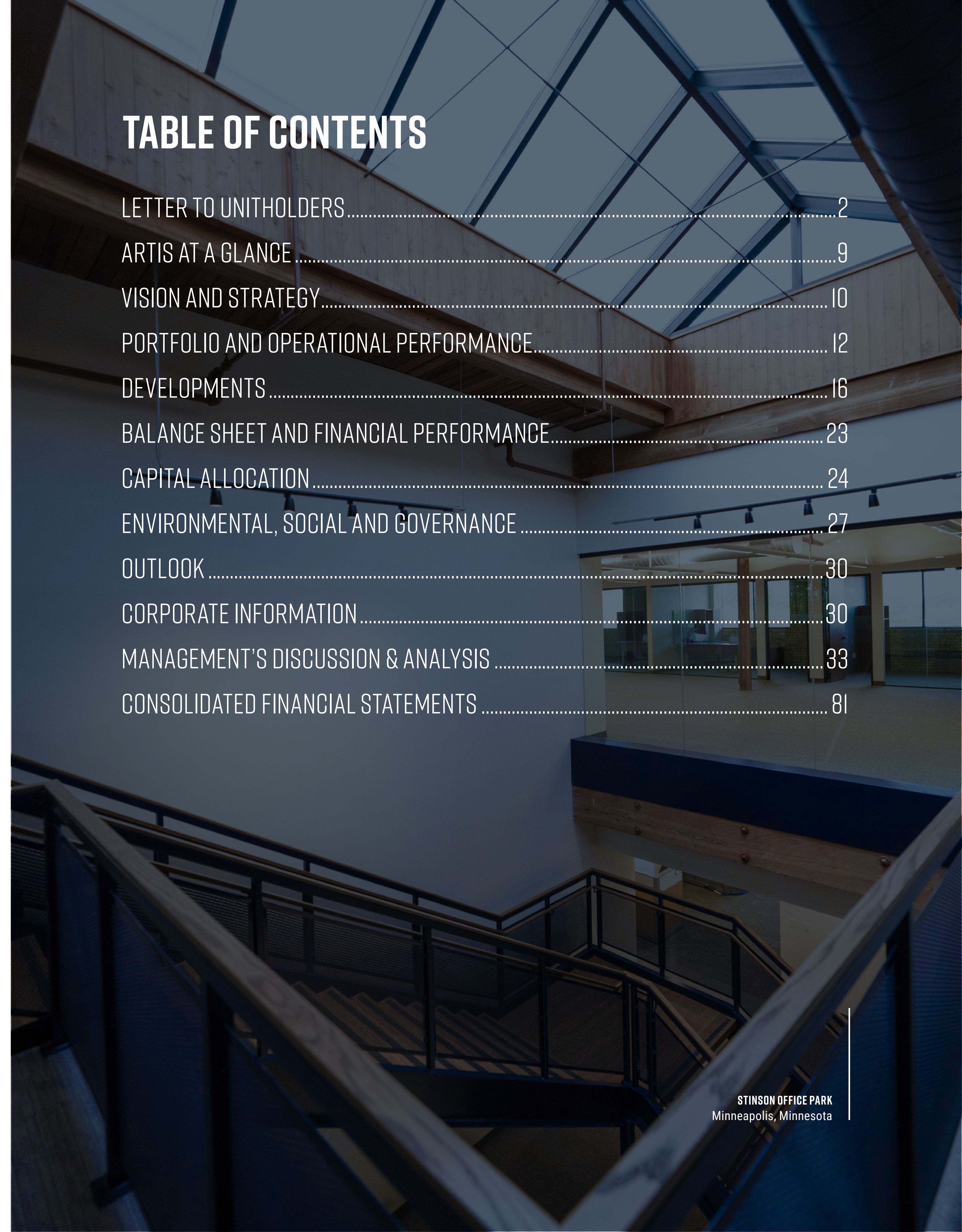
Non-GAAP measures and ratios include Same Property Net Operating Income ("Same Property NOI"), Funds From Operations ("FFO"), Adjusted Funds from Operations ("AFFO"), FFO per Unit, AFFO per Unit, FFO Payout Ratio, AFFO Payout Ratio, Net Asset Value ("NAV"), NAV per Unit, Gross Book Value ("GBV"), Total 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 2023 Annual MD&A.

##### EQUITY ACCOUNTED INVESTMENTS

At December 31, 2023, the REIT's portfolio was comprised of 119 commercial properties totalling approximately 13.7 million square feet of gross leasable area. The REIT also has joint ownership interest in 11 investment properties, one parcel of development land and properties acquired as part of the acquisition of Cominar Real Estate Investment Trust (the "Cominar Transaction"), which have been excluded from financial and operating metrics throughout this Annual Report, unless otherwise noted. Refer to the Equity Accounted Investments section of the 2023 Annual MD&A for further information.



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**STINSON OFFICE PARK**
Minneapolis, Minnesota

**SAMIR MANJI**
President and
Chief Executive Officer

# LETTER TO UNITHOLDERS

Dear Fellow Artis Unitholders:

This is my fourth annual letter to you, our valued unitholders, having now concluded my third full year as President and CEO of Artis REIT. Over the past three years, both Artis and the broader economic landscape have undergone significant changes. In 2023, external factors continued to have a significant impact on our business, in particular our interest costs and our net asset value ("NAV") per unit. Broader market forces continue to put pressure on Artis's trading price, resulting in a substantial gap between our NAV per unit and the market value of our units. This NAV-to-market-value gap is not a challenge that we face alone; in fact, this is prevalent across the Canadian real estate sector. Higher interest rates, and the corresponding impact on borrowing costs, capitalization rates, and the transaction landscape have created headwinds that the entire sector must navigate. Despite these hurdles, the Artis Board and management team continue to hold an unwavering resolve and commitment to focus on the things that are within our control in order to achieve our fundamental goal of maximizing value for unitholders.

Throughout 2023, there was persistent speculation about an impending recession. The markets we are navigating through today, shaped by the ongoing battle between current inflation levels and the actions of the Federal Reserve and Bank of Canada, continue to present challenges for investors. The promising news of potential interest rate cuts later in the year bodes well for the real estate industry, and we anticipate that this will stimulate increased transactional activity and capital deployment among investors who are currently pens down.

When we announced our vision and strategy for Artis in March 2021, we gave ourselves a two-to-three-year timeline to execute our new plan. At the same time, we recognized that value investing by nature requires patience. Nobody controls the market. Value investing is based on the fundamental premise of "buying low and selling high", but selling high is dependent on both internal and external factors and often one has to time the market to achieve the desired and optimal outcome. In my March 2023 annual letter to unitholders, mindful of the fact that we were entering our third year, I was clear that if our units continued to trade at a significant discount, market permitting, we would consider other options available to achieve and fulfill our commitment to Artis's unitholders – maximizing the value of their investment. With this in mind, in August of last year, Artis's Board announced a strategic review process to consider and evaluate alternatives that may be available to the REIT to unlock and maximize value for unitholders. A Special Committee was formed, comprising Ben Rodney (Chair of Artis's Board), Lis Wigmore (Chair of Artis's Governance, Nominating, and Compensation Committee) and myself. The Board and Special Committee retained BMO Capital Markets to provide advisory services in connection with the strategic review. With the strategic review underway, the Special Committee, alongside our advisors, began the process of evaluating all options with the singular goal of closing the substantial gap between our trading price and the intrinsic value of Artis's units for our owners.

The work we have undertaken over the past seven months enabled us to properly assess the current environment and options available to maximize value for our unitholders. We have explored various alternatives, including the potential sale of the REIT. Given the current market conditions, we do not believe that there is a buyer prepared to acquire the REIT at a reasonable value relative to our NAV; however, there remains healthy interest from potential buyers for high-quality retail, industrial, and office assets. In today's market, office buyers are generally expecting bargain prices or vendor financing, neither of which are compatible with our goal of generating financial liquidity from dispositions. Between announcing the strategic review in August 2023 and filing our 2023 annual results on February 29, 2024, we completed or entered into unconditional agreements for $161.9 million of office sales on favourable terms, and going forward we will continue to consider additional office dispositions. We had also completed or entered into unconditional sale agreements for $256.2 million of retail assets and $55.5 million of industrial assets. This equates to $473.6 million of asset sales at prices in line with International Financial Reporting Standards ("IFRS") values reported at December 31, 2023, including unconditional transactions, since August 2, 2023. We continue to evaluate opportunities to sell additional retail, office, and industrial assets, with a focus on the industrial portfolio, in our effort to further deleverage and strengthen the balance sheet, grow NAV per unit, and enhance liquidity.

As the strategic review process continues, our Board and management team remain focused on the productivity of our core business - our real estate assets and public securities investments. In addition to the oversight and day-to-day management of our diverse portfolio of assets, our primary objective continues to be reducing leverage and enhancing liquidity. This can be challenging, but it is especially important given the current economic environment.

Our portfolio continued to demonstrate operational strength over the last year. The leasing momentum and traction that we experienced in 2022 continued throughout 2023. Our leasing team negotiated and signed new leases and renewals for approximately 1.9 million square feet from January to December. We ended the year with occupancy (including commitments) of 90.9%. Our tenants continue to show resilience despite the volatility businesses have faced over the last several years. The promise of 2024 is already taking shape as our leasing momentum from 2023 has again continued into the new year.

One of our most important key performance indicators ("KPIs") is NAV per unit. With respect to our 2023 financial performance, at December 31, 2023, our NAV per unit was $13.96, compared to $17.38 at December 31, 2022. The drop of over $3 per unit is due to various factors, the most significant of which is fair value losses on investment properties, a product of the upward movement in capitalization rates noted earlier. We are disappointed with this result and the fact that our units continue to trade at a significant discount to NAV. Despite the current market skepticism towards diversified REITs, our operating metrics affirm that the quality of our real estate provides operating stability during an incredibly challenging time for the real estate sector.

Despite the external headwinds we faced in 2023, we have also had noteworthy successes in the year. In this letter, I will provide an update on our key accomplishments and challenges in 2023, and outline the road ahead.

**YEAR IN REVIEW**

Our fundamental near-term objectives in 2023 were to reduce leverage and enhance liquidity to strengthen our balance sheet, while concurrently focusing on bridging the value gap between our intrinsic value and the current trading price of our units. The pursuit of these objectives resulted in capital allocation decisions that included selling assets, refinancing mortgages, obtaining new mortgage financing, and monetizing public securities.

Below, I have summarized our notable investments and capital allocation initiatives in 2023.

***Disposition Strategy***

In 2023, we sold 17 assets including nine industrial, five retail, and three office, and a parcel of development land. The aggregate sale price for these dispositions was $322.4 million, which translated to proceeds of $222.0 million net of costs and related debt and the issuance of a note receivable. The sale prices were, on balance, in line with the IFRS fair values reported prior to the sales. The quality of our real estate portfolio, and the ongoing demand for attractive and well-located real estate, is reflected in the success of our disposition strategy and the pricing we have been able to achieve.

Our disposition strategy is an important component of our liquidity and balance sheet objectives. The liquidity generated from asset sales provides us with flexibility to pursue capital allocation initiatives that support our objectives and our commitment to unitholders.

***Equity Securities Investments***

The redefined strategy announced in 2021 contemplated value investing in equity securities investments of other publicly traded companies or real estate investment trusts ("REITs"). This includes investing in public securities where there is a 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. Identifying companies or REITs that have exceptional properties in strong markets that we can own by investing in these entities through public shares or units is a cost-effective way for Artis to achieve an ownership interest at an often-significant discount to what it would ultimately cost to buy these properties directly.

As a result of recent macroeconomic conditions and our near-term focus on enhancing liquidity and strengthening our balance sheet, we had to take a hard look at our investments from a capital allocation perspective.

At December 31, 2022, our equity securities of Dream Office Real Estate Investment Trust ("Dream Office") and First Capital Real Estate Investment Trust ("First Capital") carried an aggregate fair value of $316.8 million. In June 2023, we had an opportunity to participate in Dream Office's substantial issuer bid, pursuant to which we sold approximately 2.2 million units for aggregate sale proceeds of approximately $34 million. This was a capital allocation decision that supported our liquidity objectives. Building on this, during the third and fourth quarter we monetized additional equity securities, and we ended 2023 with equity securities carrying an aggregate fair value of $152.0 million.

In 2022, as part of the REIT's value-investing strategy, Artis and a consortium of partners closed on the acquisition and privatization of Cominar Real Estate Investment Trust ("Cominar"). We saw this as an opportunity to acquire quality, well-located real estate for much less than its true value. In 2023, we completed the sale of several Cominar assets with additional dispositions in the pipeline. We are working on various means available to reduce our cost of capital in Cominar, while simultaneously pursuing additional dispositions and exploring opportunities to substantially enhance the density at a number of our core retail sites in greater Montreal.

As conveyed earlier, value investing by definition requires patience and time to realize the full potential of any investment. While we are required to mark to market our investments on a quarterly basis, it is time combined with our active engagement in these investments that will ultimately produce the results we aim to achieve.

As our balance sheet and liquidity strengthen, we will be better positioned to further engage with the board and management of our various investee companies to collaborate on ways to unlock and maximize value within each investee company.

***Normal Course Issuer Bid***

We continue to consider our normal course issuer bid ("NCIB") to be one of the most powerful tools available to enhance value for our owners. During the last three NCIB terms, we have acquired the maximum number of common units allowable. These units were purchased at a significant discount to the NAV per unit of $13.96 at December 31, 2023. Under the most recent NCIB term that expired on December 18, 2023, we acquired 7,860,942 units at a weighted-average price of $7.35.

Under previous NCIB terms, we implemented an automatic purchase plan agreement ("APP") with a broker to allow for the purchase of its common and preferred units at times when Artis ordinarily would not be active in the market due to quarterly or self-imposed trading blackout periods. The APP is coterminous with the NCIB and, therefore, the APP also expired on December 18, 2023. Effective December 19, 2023, we renewed our NCIB and on March 5, 2024, we announced that we have implemented an APP.

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. With the APP now in place, we expect to continue to use our NCIB as a tool to enhance unitholder value.

***Development Projects***

Development projects have been an important component of Artis's strategy as they reward our unitholders with additional income streams as lease up occurs while also increasing the overall caliber and value of our portfolio. Going into 2023, we had three development projects underway: (i) Park Lucero East; (ii) Blaine 35 II; and (iii) 300 Main.

Park Lucero East is an industrial development project located in the Greater Phoenix Area, Arizona, in which Artis has a 10% ownership interest and a development management contract in place. This project comprises three buildings totalling approximately 561,000 square feet. Each building was pre-leased to single tenants pursuant to leases that commenced in 2023. We anticipate exiting this investment in 2024 and plan to monetize both our equity and carried interest in the project.

Blaine 35 II is the second and final phase of a three-building, 317,483 square foot industrial development in the Twin Cities Area, Minnesota. Blaine II comprises two buildings totalling approximately 198,900 square feet of leasable area. The project is 100% leased.

Lastly, during the year we completed 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. We welcomed our first residential tenants to the building on July 1, 2023, and leasing efforts for the remaining suites are underway. As leasing progresses, we will see increasing contribution to our overall financial results, both from a revenue and net operating income perspective.

***Real Estate Holdings***

We sold a number of properties last year and, to meet our liquidity and balance sheet objectives, expect to sell additional properties in 2024. In the current market environment, we have intentionally chosen to look at markets and assets that have liquidity and strong values, which aligns with the principle of "buying low and selling high". The current environment is one where cash is king. Continuing on the path of reducing leverage and enhancing liquidity will provide us with flexibility to consider allocating capital to opportunities that we believe provide us with above-average risk-adjusted returns. From a capital allocation standpoint, we remain committed to maintaining a meaningful allocation of our capital to direct ownership of income-producing real estate assets.

***Balance Sheet and Liquidity***

Our primary near-term objectives remain clear: reduce leverage and enhance liquidity to strengthen our balance sheet, while concurrently focusing on bridging the value gap between our intrinsic value and the current trading price of our units. In the face of broader market challenges, we remain focused on what we can control as we navigate the current environment.

We ended 2023 with liquidity of $164.3 million. During 2023, we repaid a net balance of $53.0 million on our revolving credit facilities, repaid the Series D senior unsecured debentures upon maturity with a face value of $250.0 million, repaid maturing mortgages in the amount of $175.1 million, and repaid mortgages in conjunction with property dispositions in the amount of $75.5 million. Also during the year, we drew on construction loans in the amount of $188.9 million and received new mortgage financing in the amount of $124.8 million. We ended the year with total debt of $1.9 billion compared to $2.2 billion at December 31, 2022. This translated into total debt to

Letter to Unitholders

gross book value ("GBV") of 50.9% at December 31, 2023, compared to 48.5% at December 31, 2022. This uptick in our leverage ratio, despite the lower total debt balance, was due primarily to the fair value decrease in our income producing properties. With the firm dispositions announced to date in 2024 and additional dispositions in the pipeline, we anticipate a significant reduction in both total debt and our total debt to GBV in 2024.

At December 31, 2023, NAV per unit was $13.96, compared to $17.38 at December 31, 2022. The change is due to various factors, the most significant of which was fair value losses on investment properties as noted above.

There are numerous levers available to strengthen our balance sheet and enhance liquidity, including selling assets, refinancing mortgages, obtaining new mortgage financing, and monetizing public securities. Striking the right balance between these levers will be critical to effectively managing our business defensively through the external market challenges and ensuring a successful path forward.

#### THE ROAD AHEAD

Three years have passed since we announced our redefined strategy. Since then, our units have continued to trade at a significant discount to NAV. We remain committed in our pursuit of narrowing this gap. Global events, both economic and geopolitical, continue to change and exert a widespread effect on our daily lives and the businesses within which we operate. While there are many external economic and market-based factors that are out of our control, we will continue to focus on what is within our control - our business. At the same time, it is important to not let quarter-to-quarter reporting dictate and influence our decisions insofar as capital allocation and our fundamental conviction around value investing. As I have conveyed previously, Warren Buffett said "In the short run, the market is a voting machine. In the long run, it's a weighing machine." For Artis, weight is measured by NAV per unit. We will continue to do everything we can to increase the weight of our company.

Throughout 2024, we will focus on the following:

***Key Performance Indicators***

Our KPIs are the REIT's NAV per unit, adjusted funds from operations ("AFFO") per unit, AFFO payout ratio, debt-to-gross book value, and distribution per unit. We plan to use the proceeds from dispositions during the year to reduce debt and reallocate some of the capital into initiatives that we believe will achieve the highest possible return over time, ultimately contributing to our most important objective – growing NAV per unit. Our improved liquidity position will allow us to be opportunistic and pursue investments we believe are in line with our strategy, which may include equity securities and real estate acquisitions or developments.

***Drive Organic Growth***

Our organic growth strategy has three main objectives: 1) managing our existing portfolio to achieve optimal efficiency; 2) improving our portfolio's income profile by extracting the maximum value from each individual asset; and 3) constructing, as an owner or development manager, state-of-the-art new generation real estate in strategic locations that are expected to generate strong development yields.

Leasing activity during 2023 remained strong throughout the year. During the 12-month period, approximately 1.9 million square feet of new leases and renewals were negotiated and signed. This included many new leases for space at development projects, which speaks to the continued demand for new generation real estate that is well positioned and designed with features that appeal to the target market.

There were 1,163,799 square feet of new leases and 1,024,276 square feet of renewals that began in 2023. The renewals were negotiated at a weighted-average rental increase of 4.8% compared to expiring rents. We were pleased to report a strong 7.6% increase in same property net operating income year over year. Same property net operating income growth is an important metric, and one that we will continue to monitor closely in the quarters ahead.

Development projects similarly present a compelling opportunity to generate income and create value for our owners. We completed three projects in 2023, including two industrial properties that are fully leased and our mixed-use development at 300 Main that includes 18,481 square feet of retail space and 395 residential rental units.

Sustainability initiatives are another important element of our organic growth strategy. These initiatives result in cost benefits and efficiencies and implementation of environmental best practices often translates directly to organic growth. Analysis of key environmental risks (including both physical and transitional climate risks) allows us to proactively allocate capital, both with respect to our existing portfolio and our new development projects, to ensure these investments are best positioned to produce long-term sustainable growth for our unitholders. Tenant engagement is an important component. Strong rapport is important in any successful business relationship and contributes to promoting tenant retention. In 2023, we conducted our second annual tenant satisfaction survey. These surveys are a valuable tool to help us to understand what we are doing well and where there is opportunity for improvement. Our ESG Community website has provided an effective means of engaging with our tenants on ESG matters. This website is exclusively for tenants and was created to foster our ongoing commitment to the environment, corporate social responsibility, and sustainability. We are fulfilling this commitment by providing a platform for collaboration on ESG matters and developing a long-term ESG strategy for employees, tenants, investors, and stakeholders.

Through new and innovative avenues, we can engage with our tenants and work together as partners in pursuit of environmental protection and sustainability. Collectively we can make an impactful and positive change.

***NCIB***

On December 15, 2023, we renewed our NCIB. Under the terms of this bid, we can acquire up to 7,021,296 units prior to its expiry on December 18, 2024. We view our NCIB as a very valuable tool to enhance unitholder value during times when our units are trading at a discount to NAV. We expect to utilize our NCIB over the course of 2024 through our APP mentioned above.

***Environmental, Social and Governance***

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 performance. This extends beyond sustainability initiatives at the property level to our overall Environmental, Social, and Governance ("ESG") initiatives across the organization. As part of our strategy, we committed to making ESG a focal point and to establishing a company-wide ESG-minded culture at Artis – a commitment we have taken very seriously.

Over the last three years we have made significant progress with our efforts to adopt ESG best practices. Through our ongoing sustainability initiatives, we are confident in our ability to 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. We look forward to publishing our 2023 ESG Report in the coming months, which will provide an update on this important part of our strategy.

#### FINAL THOUGHTS AND OUR ANNUAL GENERAL MEETING

2023 was a challenging year in many respects, including the rising interest rate environment that we witnessed and, with persistently high inflation data, the evolution of the "higher for longer" stance taken by the Bank of Canada and the Federal Reserve. The high level of floating rate debt that Artis had going into 2023 was a concern as we navigated the impact and effect of rising interest rates. We began last year with a commitment to reduce debt through monetizing assets, despite the expectation some had at that time that rates would come down as 2023 progressed. While the latter did not materialize, our plan to reduce debt served us well insofar as our ability to navigate the year and set the stage for 2024. A number of sale transactions we secured in 2023 will close in the first half of 2024 and this will have a positive impact on our goal of reducing leverage and enhancing liquidity. If we continue the momentum we have with our disposition plan, we will further strengthen our balance sheet and liquidity position. This in turn will give us a greater level of flexibility and potentially put us in a position where we can go from defence to offence.

As noted previously, our recent strategic review update confirmed that the current market environment is not conducive to attracting buyers for the entire REIT. The Board and management team are well aware that Artis's unit price continues to trade at a significant discount to its NAV per unit. As we have stated in the past, this is not acceptable. We remain committed to using all near-term levers available to us to address this issue. At the same time, we will continue to evaluate opportunities available to us from a capital allocation standpoint to grow NAV. Our investments in Dream Office and First Capital represent capital allocation decisions that followed monetizing office and retail assets at fair market value and allocating a portion of the sale proceeds to companies that we believed were materially undervalued. Warren Buffett said, "It's far better to buy a wonderful company at a fair price than a fair company at a wonderful price." In selling our own assets at full value and buying these investments at what we believed to be a discount to fair value, we allocated capital in a manner that we believe will benefit Artis's owners in the long term. Recently, Blackstone announced it would acquire Tricon Residential REIT. I believe this is just the beginning of what could be a busy year for M&A activity in the public real estate space. Blackstone is just one of many private equity firms that have raised substantial capital that has yet to be put to work. I believe that both Dream Office and First Capital represent wonderful companies that are materially undervalued and could be potential targets for M&A activity. Even at what Warren Buffett refers to as a "fair price," these companies would sell for meaningful premiums to their current trading price. While there is no guarantee this will happen, it is certainly a possibility as we finally start to see interest rate cuts on both sides of the border this year and the substantial dry powder currently on the sidelines go to work.

As I said in my letter last year, when we announced a new vision and strategy for Artis three 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 couple of years very difficult, but history has demonstrated that there will always be ebbs and flows, periods of time when the economy provides tailwinds for our business and periods when it creates headwinds. While we did not identify a buyer for the REIT through our strategic review process, we will continue to focus on the big picture. This means focusing on the value of our units, not the price of our units. We are confident that with the continued 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 in the long term. Rest assured, we will do our best to stay true to the commitment we presented to our owners in March 2021. All of this will require patience, a fundamental criteria of value investing. We know this patience is not easy to maintain with the decline we have seen in our unit price, but I believe we will see the benefit on the other side as interest rates decrease and real estate values begin to increase.

Thank you for trusting us with your capital. While we still have a lot of work ahead of us, we look forward to the rest of 2024 with even greater determination and resolve to work hard for our unitholders and to deliver stronger results.

In closing, I invite all our stakeholders to join us in person at our next annual general meeting scheduled for 2:00 pm ET on May 23, 2024, at the Hilton Toronto hotel in downtown Toronto, Ontario. I look forward to seeing you there.

Samir A. Manji
President & Chief Executive Officer


**DOWNTOWN SKYLINE**
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.

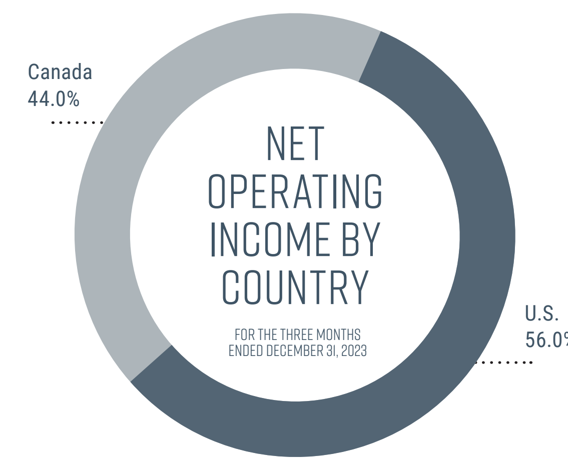
Artis's common units trade on the Toronto Stock Exchange under the symbol AX.UN and the REIT's preferred units trade under the symbols AX.PR.E and AX.PR.I. Artis's common units also trade in the United States on the OTCQX Best Market ("OTCQX") under the symbol ARESF.

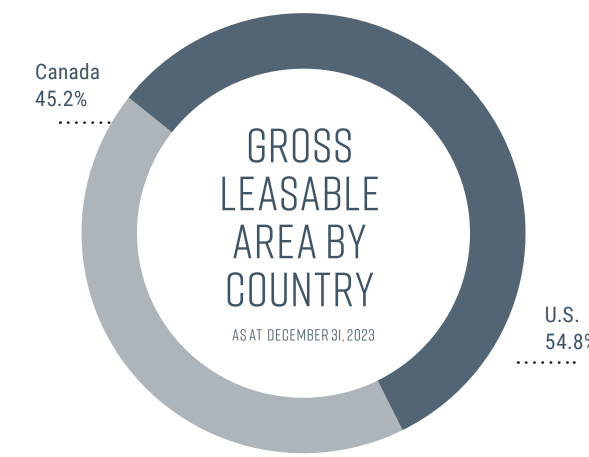
Artis owns a portfolio of industrial, office and retail properties in Canada and the United States. At December 31, 2023, the REIT's portfolio comprised 119 commercial properties totalling approximately 13.7 million square feet of gross leasable area.

**$0.60** Per Common Unit | ANNUAL DISTRIBUTION

**119** Total Number | PROPERTIES

**13.7** Million Sq.Ft. | GROSS LEASABLE AREA




## KEY FINANCIAL METRICS

As at or for the year ended December 31, 2023

| | |
|---|---|
| $13.96 | NAV PER UNIT |
| $336M | REVENUE |
| 50.9% | TOTAL DEBT TO GBV |
| $3.7B | TOTAL ASSETS |
| $0.63 | AFFO PER UNIT |
| $1.08 | FFO PER UNIT |
| 95.2% | AFFO PAYOUT RATIO |
| 55.6% | FFO PAYOUT RATIO |

# VISION AND STRATEGY

### VISION

Artis's vision is to become a best-in-class real estate asset management and investment platform focused on value investing.

### BUSINESS STRATEGY

In March 2021, Artis unveiled a redefined strategy to achieve its vision and to create an asset management and investment platform, focused on value investing in real estate.

The goal of the strategy is to generate meaningful long-term growth in NAV per unit by strengthening the balance sheet, driving organic growth and scaling-up through value investing. As part of this strategy, Artis will concentrate its ownership in the highest and best return opportunities in an effort to maximize long-term value for unitholders.

"The goal of the strategy is to generate meaningful long-term growth in NAV per unit by strengthening the balance sheet, driving organic growth and scaling-up through value investing."

**MAX AT KIERLAND**
Scottsdale, Arizona

Portfolio and Operational Performance

# PORTFOLIO AND OPERATIONAL PERFORMANCE

On December 31, 2023, Artis's portfolio comprised 119 properties totalling 13.7 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, 2023, Canadian assets account for 45.2% of the portfolio by gross leasable area, while 54.8% of the portfolio by gross leasable area is located in the U.S. By asset class, Artis's industrial portfolio accounts for 41.6% of the REIT's gross leasable area, while office assets represent 45.2% and retail assets represent 13.2%. The REIT also has joint ownership interest in 11 investment properties, 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 2023, Artis's portfolio continued to maintain a healthy occupancy level above 90% (including commitments) throughout the year. During the year, approximately 2.2 million square feet of lease transactions (including new leases and renewals) commenced. The weighted-average increase in rental rates achieved on these renewals was 4.8%. Looking ahead to 2024, a manageable 11.3% of Artis's gross leasable area expires, 31.7% of which was renewed or committed to new leases at the end of 2023. Artis's property managers work closely with tenants, fostering long lasting relationships while ensuring their space is aligned with their business strategy and overall needs in order to promote tenant retention.

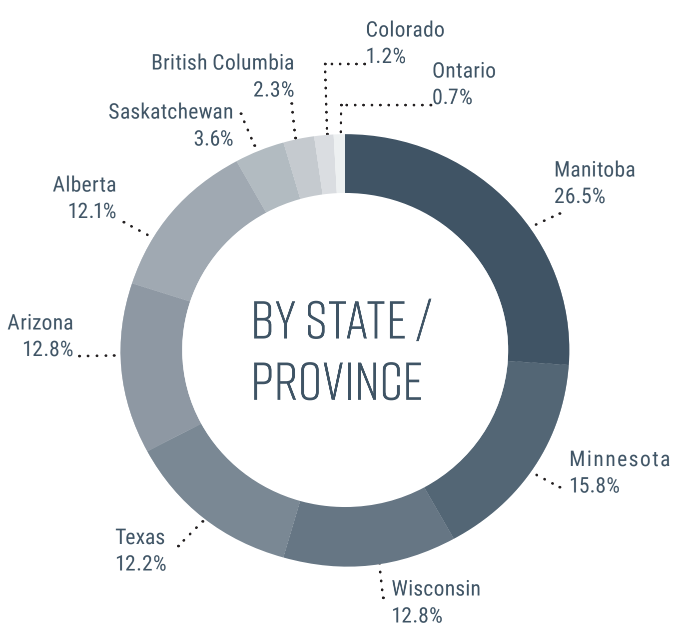
Artis has 978 tenant leases in its portfolio with a weighted-average term to maturity of 5.1 years. The properties have a diverse tenant base, with the top 10 tenants representing 19.2% of the REIT's total gross revenue (in Canadian and US dollars) and a weighted-average term to maturity of 8.5 years. Artis's rent collections remained strong throughout 2023.

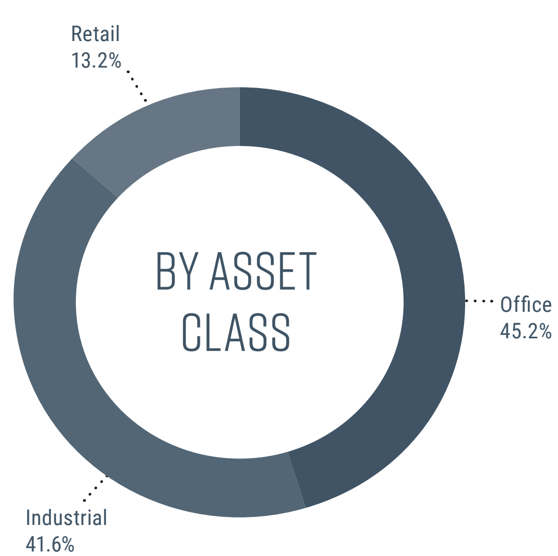
Development projects continue to present a compelling opportunity to create value for unitholders by enhancing the portfolio with new generation real estate at building costs that are well below the REIT's estimated fair value upon completion. In 2023, Artis completed the following development projects:

- Park Lucero East, an industrial development project in the Greater Phoenix Area, Arizona, which comprises 561,000 square feet and is 100.0% leased. Artis has a 10% ownership interest in Park Lucero East as well as a development management contract.
- Blaine 35, an industrial development project in the Twin Cities Area, Minnesota. Blaine 35 I, comprises one building which was completed in 2022 and Blaine 35 II, comprises two single-tenant industrial buildings. The first building totals 98,900 square feet was 100.0% committed upon completion in 2022. The second building totals 100,000 square feet and was 100.0% occupied upon completion in 2023.

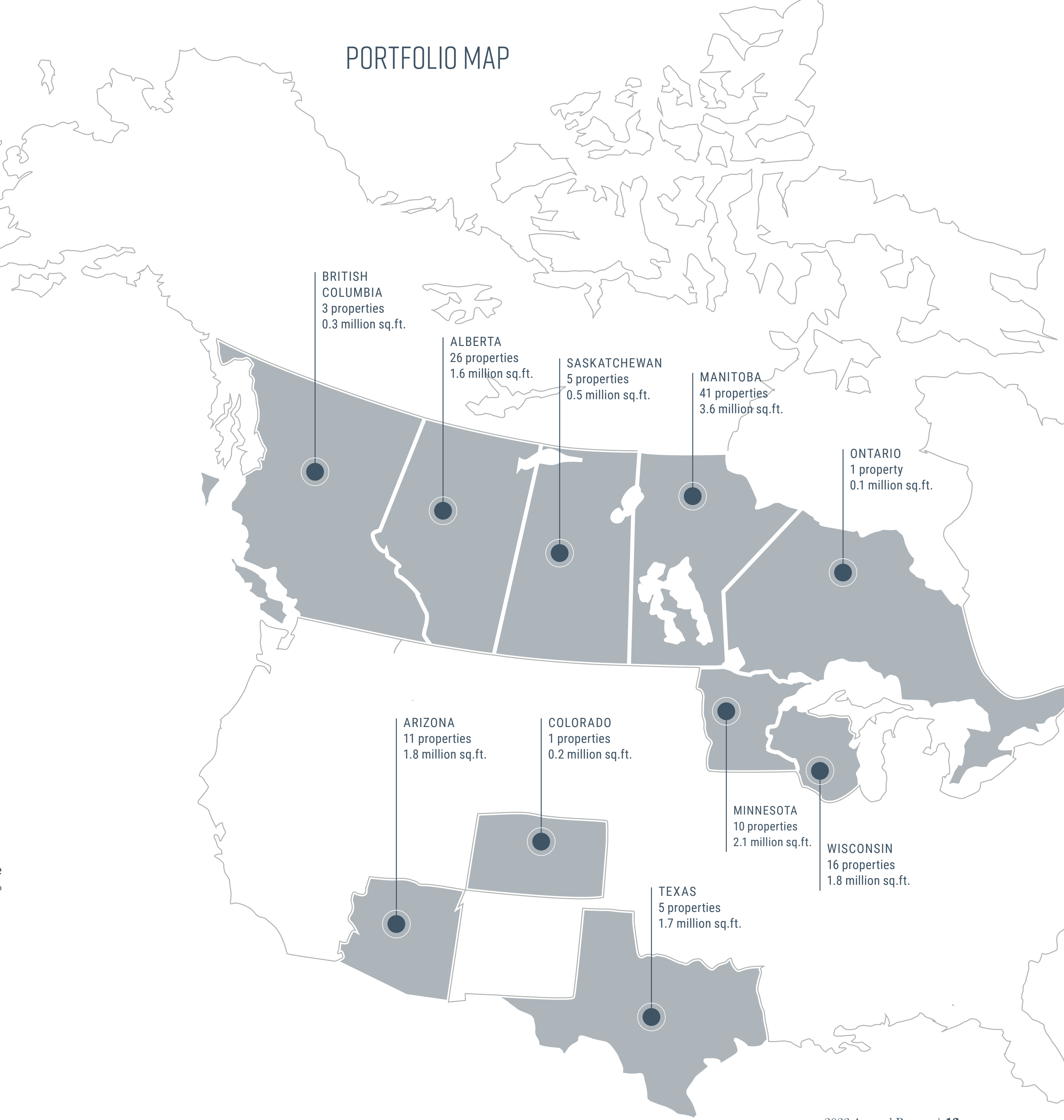
## PORTFOLIO

By Gross Leasable Area as at December 31, 2023




## PORTFOLIO MAP



- 300 Main is a 580,000 square foot residential and commercial 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 is 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. Residential tenants began moving into the building on July 1, 2023, and leasing of the remaining apartment units is currently underway.

As part of Artis's strategy – to build a best-in-class asset management and investment platform focused on growing net asset value per unit for investors through value investing, 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 non-core 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 redefined strategy, Artis sold 17 properties totalling 1,967,590 square feet of gross leasable area and a parcel of land for aggregate sale prices of $141.9 million and US$147.2 million in 2023. These dispositions included the sale of three office properties, five retail properties and nine industrial properties.

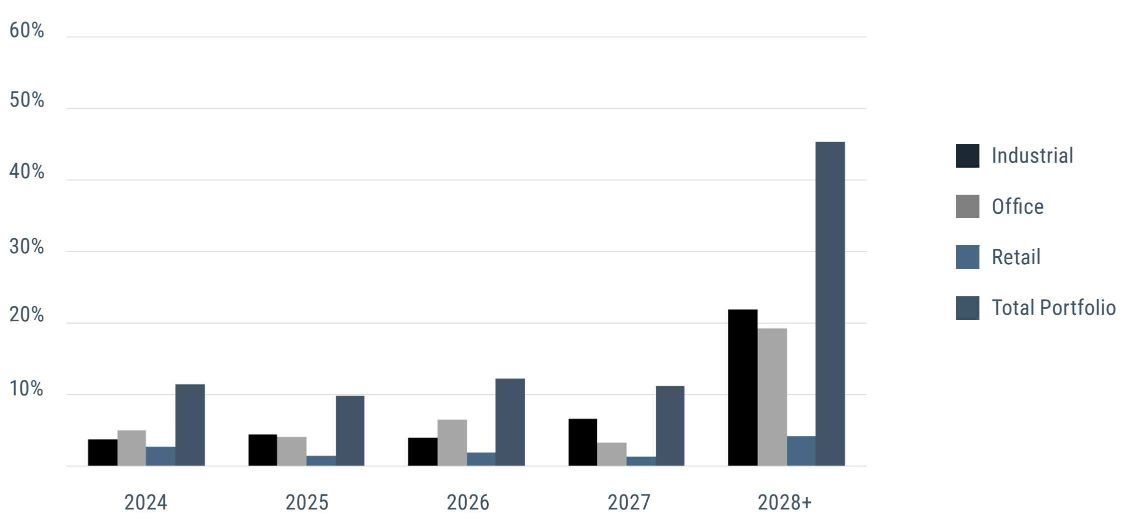
## TOP 10 TENANTS

| Tenant | % of Total Gross Revenue [1] | Weighted-Average Lease Term in Years |
|---|---|---|
| GOVERNMENT | 4.1% | 7.1 |
| PRIME THERAPEUTICS | 2.4% | 10.8 |
| BellMTS | 2.1% | 3.0 |
| Catalent | 1.7% | 12.6 |
| WIN | 1.7% | 8.9 |
| CBRE | 1.5% | 3.0 |
| Bell | 1.5% | 5.9 |
| PBP | 1.4% | 7.9 |
| TDS telecom | 1.4% | 6.0 |
| RECIPE | 1.4% | 5.0 |

(1) In Canadian and US dollars

## LEASE EXPIRIES BY YEAR

By Gross Leasable Area




BOULDER LAKES BUSINESS PARK
Twin Cities Area, Minnesota

# DEVELOPMENTS

## BLAINE 35

Twin Cities Area, Minnesota

Blaine 35 is a two-phase industrial development project located in the Twin Cities Area, Minnesota, comprising three buildings that total 317,483 square feet of leasable area.

Throughout the planning stages of Blaine 35, Artis worked closely with the city and local community representatives to collaborate and ensure sustainability was a key consideration in the design plans for the site. The development project incorporates distinct architectural design, lush landscaping and sustainable wetlands.

The site also features improved infiltration and evapotranspiration and a campus environment that is favourable for pollinators such as honeybees and butterflies. The infrastructure is designed to support the installation of electric vehicle charging stations and the site design allows for the extension of the Regional Bicycle Transportation Network along 35W Service Drive.

Construction of the second and final phase of Blaine 35 was complete in 2023. The entire development is 100% leased.

### MARKET

According to CBRE's quarterly Minneapolis Industrial Market Report, the Twin Cities industrial market showcased robust growth in 2023, with 5.15 million square feet of space absorbed throughout the year. This performance indicates a strong market, further supported by a 10% increase in leasing activity compared to the previous year.

# 300 MAIN

Winnipeg, Manitoba

Transforming the heart of Winnipeg's business district, 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 and is Manitoba's tallest residential apartment tower.

Residents started moving into the first twenty floors of the building in the third quarter of 2023. The 580,000 square foot development is connected to Artis's multi-tenant retail space at 330 Main and the Shops of Winnipeg Square. It is also adjacent to Artis's 360 Main office tower. Additionally, the commercial space within 300 Main welcomed Earls Kitchen & Bar in 2022.

300 Main is pet-friendly, not only does the building boast pet washing stations, its second-floor outdoor area includes a dog run and pet playground, the first of its kind in Winnipeg. Additionally, this second-floor area includes spacious outdoor seating, private dining areas, co-working space, fireplaces, multiple BBQs and a pizza oven.

Luxury urban living at 300 Main is elevated to another level with the exclusive tenant lounge located on the 40th floor, providing breathtaking panoramic views of the city and includes private reading nooks, a fully equipped kitchen and dining room, two outdoor patios with fireplaces, a group theatre area and a games room with arcades, billiards and a poker table.

## MARKET

According to the Canada Mortgage and Housing Corporation's (CMHC) rental market report, the 2023 vacancy rate in Winnipeg's purpose-built rental market was 1.8% -- a low not seen since 2012. Despite low vacancy rates, average two-bedroom rent grew by 4.4%. Within the property's downtown neighbourhood, 300 Main 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 Shops of Winnipeg Square retail concourse and Winnipeg Square Parkade, providing tenants with access to heated underground parking.

Developments

# PARK LUCERO EAST

Greater Phoenix Area, Arizona

Artis has a 10% ownership interest in, and a development management contract for Park Lucero East, an industrial development project in the Greater Phoenix Area, Arizona. 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.

The site is located along the South Loop 202 Freeway with 202 Freeway and Germann Road frontage. This area has proven to generate strong demand and attract high-quality tenants, in part due to the number of quality restaurants within walking distance. 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.

## MARKET

According to CBRE's quarterly Phoenix Industrial Market Report, the Greater Phoenix industrial market exhibited solid performance in Q4 of 2023, with a healthy net absorption of 2.7 million square feet. The market boasts a competitive asking lease rate of $1.08 per square foot. Over the year, the total absorption reached 12.9 million square feet, signaling a resilient and dynamic market underpinned by vigorous leasing activities and a steady increase in project starts.

# SELECTED FINANCIAL INFORMATION

| 000'S, EXCEPT PER UNIT AMOUNTS (YEAR ENDED DEC 31) | 2023 | 2022 | 2021 |
|---|---|---|---|
| Revenue | $ 335,837 | $ 372,512 | $ 419,499 |
| Net Operating Income | 184,017 | 209,980 | 237,785 |
| Net (Loss) Income | (332,068) | (5,294) | 389,175 |
| Total Comprehensive (Loss) Income | (364,399) | 105,537 | 387,702 |
| Basic (Loss) Income per Common Unit | (3.10) | (0.18) | 2.87 |
| Diluted (Loss) Income per Common Unit | (3.10) | (0.19) | 2.86 |
| Distributions per Unit | | | |
| Common Units (1) | $ 0.60 | $ 0.76 | $ 2.98 |
| Preferred Units—Series A | - | 1.06 | 1.42 |
| Preferred Units—Series E | 1.48 | 1.37 | 1.37 |
| Preferred Units—Series I | 1.67 | 1.50 | 1.50 |
| FFO (2) | $ 120,539 | $ 163,189 | $ 174,343 |
| FFO per Unit- Diluted (2) | 1.08 | 1.38 | 1.34 |
| FFO Payout Ratio (2) | 55.6 % | 43.5% | 44.0% |
| AFFO (2) | $ 69,998 | $ 110,950 | $ 124,476 |
| AFFO per Unit - Diluted (2) | 0.63 | 0.94 | 0.96 |
| AFFO Payout Ratio (2) | 95.2% | 63.8% | 61.5% |
| Same Property NOI Growth (Decline) (2) | 7.6% | 1.8% | (4.1)% |
| Adjusted EBITDA Interest Coverage Ratio (2) | 2.08 | 2.98 | 3.80 |

(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 of this annual report.

| 000'S, EXCEPT PER UNIT AMOUNTS (AS AT DEC 31) | 2023 | 2022 | 2021 |
|---|---|---|---|
| Total Assets | $ 3,735,030 | $ 4,553,913 | $ 4,576,024 |
| Total Non-Current Financial Liabilities | 1,047,231 | 974,063 | 1,166,123 |
| NAV per Unit (1) | 13.96 | 17.38 | 17.37 |
| Secured Mortgages and Loans to GBV (1) | 24.3% | 18.9% | 23.7% |
| Total Debt to GBV (1) | 50.9% | 48.5% | 42.9% |
| Unencumbered Assets (1) | $ 1,567,001 | $ 2,034,409 | $ 1,902,748 |

(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.





# BALANCE SHEET AND FINANCIAL PERFORMANCE

A critical component of Artis's strategy is the strengthening of the REIT's balance sheet to provide liquidity and flexibility to navigate the current environment and to capitalize on opportunities that align with Artis's overall strategy. In line with the REIT's liquidity objectives, in 2023, Artis sold 17 properties totalling 1,967,590 square feet of gross leasable area and a parcel of land for aggregate sale prices of $141.9 million and US$147.2 million.

The REIT's NCIB program has been active since the announcement of the redefined strategy. Under the NCIB that expired on December 16, 2021, Artis purchased 10,160,396 units at a weighted average price of $11.26, under the NCIB that expired on December 16, 2022, Artis purchased 8,778,176 common units at a weighted-average price of $12.39, and under the NCIB that expired on December 18, 2023, Artis purchased 7,860,942 units at a weighted-average price of $7.35, representing the maximum number of common units allowed under each of the terms. These units were purchased at a significant discount to NAV per unit of $13.96 at December 31, 2023.

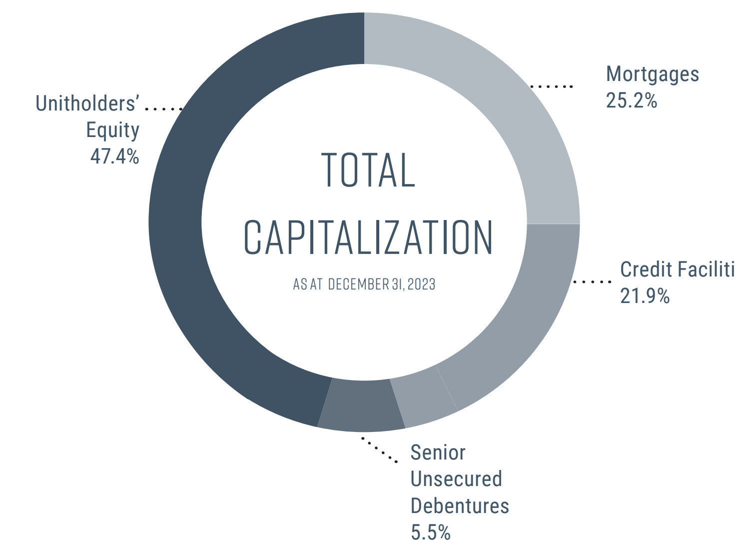
At December 31, 2023 Artis's liquidity included $28.9 million of cash on hand and $135.3 million available to be drawn on the REIT's unsecured revolving credit facilities. At December 31, 2023, the REIT had 85 unencumbered properties and two unencumbered parcels of development land, representing a fair value of $1.6 billion.

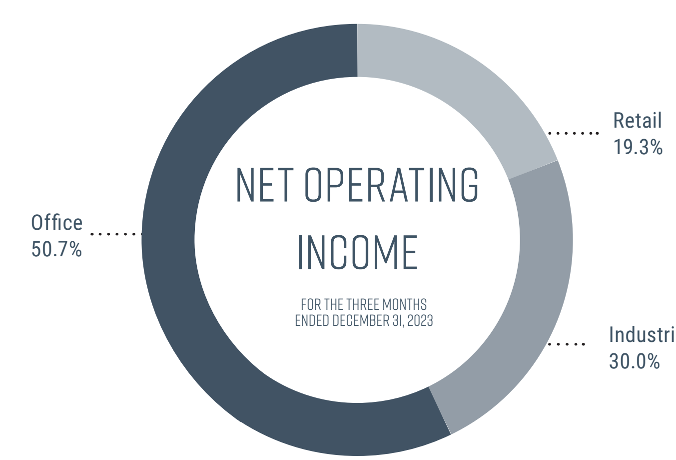
During 2023, Artis repaid a net balance of $53.0 million on our revolving credit facilities, repaid the Series D senior unsecured debentures upon maturity with a face value of $250.0 million, repaid maturing mortgages in the amount of $175.1 million and repaid mortgages related to property dispositions in the amount of $75.5 million Also during the year, Artis drew on construction loans in the amount of $188.9 million and received new mortgage financing in the amount of $124.8 million. Total debt to GBV was 50.9% at December 31, 2023, compared to 48.5% at December 31, 2022. Artis's Adjusted EBITDA interest coverage ratio was 2.08 for 2023, compared to 2.98 for 2022.

Artis's primary objective is to generate meaningful and long-term growth in NAV per unit. In accordance with this objective, NAV is a critical area of focus and an important key performance indicator for Artis. At December 31, 2023, Artis's NAV per unit was $13.96, compared to $17.38 at December 31, 2022. The decrease is due to various factors, the most significant of which is fair value losses on investment properties, a product of the upward movement in capitalization rates.

In the real estate industry, other common key performance indicators include funds from operations ("FFO") and adjusted funds from operations ("AFFO"). FFO in 2023 was primarily impacted by decreased net operating income as a result of dispositions completed in 2022 and 2023 and increased interest expense, partially offset by an increase to other income due to the preferred investment as part of the Cominar Transaction. 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 2023, FFO was $120.5 million, compared to $163.2 million in 2022. On a per unit basis, FFO was $1.08, compared to $1.38 year over year. AFFO was $70.0 million in 2023, compared to $111.0 million in 2022. This translates to a per unit AFFO of $0.63 in 2023, compared to $0.94 in 2022. The REIT reported FFO and AFFO payout ratios of 55.0% and 93.8%, respectively, for 2023. These metrics are adjusted for the impact of the realized gain (loss) on equity securities. Please refer to the FFO and AFFO section of the 2023 Annual MD&A for further information.

Artis continues to maintain its investment grade credit rating from Morningstar 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, 2023, Morningstar 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. On February 2, 2024, Morningstar DBRS changed the trend to negative from stable and confirmed Artis's ratings at BBB (low) and Pfd-3 (low).



# CAPITAL ALLOCATION

Effective capital allocation is a fundamental component of Artis's vision and strategy. As part of the announcement of the redefined strategy in 2021, 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. Artis's near-term priority, given the current macroeconomic environment, is to reduce leverage and enhance liquidity to strengthen the REIT's balance sheet. There are a number of levers available to Artis to strengthen its balance sheet and enhance liquidity, including selling assets, refinancing mortgages, obtaining new mortgage financing and monetizing public securities.

During the year ended December 31, 2023, Artis sold 17 properties and a parcel of land for aggregate sale prices of $141.9 million and US$147.2 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 (as described in the Portfolio and Operational Performance section) and manage it's near term debt obligations.

Since the announcement of the redefined strategy 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, under the NCIB that expired on December 16, 2022, Artis purchased 8,778,176 common units at a weighted-average price of $12.39, and under the NCIB that expired on December 18, 2023, Artis purchased 7,860,942 units at a weighted-average price of $7.35, representing the maximum number of common units allowed under each of the terms. These units were purchased at a significant discount to NAV per unit of $13.96 at December 31, 2023.

Artis continues to view the NCIB as a powerful tool for enhancing value for unitholders and may continue to use it in circumstances where the REIT's units trade at a significant discount to NAV.

In 2023, Artis elected to reset the rate on the Series I and Series E preferred units and repaid the $250.0 million Series D senior unsecured debenture upon maturity on September 18, 2023.

With respect to investment public real estate entities, at the end of 2022, Artis held equity securities with an aggregate fair value of $316.8 million. This includes equity securities of Dream Office REIT and First Capital REIT. Artis's equity securities investments are one of the capital allocation levers available to the REIT to pursue Artis's liquidity and balance sheet objectives. During 2023, Artis monetized a portion of its equity securities and, most notably, participated in Dream Office REIT's substantial issuer bid, pursuant to which Artis sold approximately 2.2 million units for aggregate sale proceeds of nearly $34 million. This was a capital allocation decision that supported the REIT's liquidity objectives. Building on this, during the second half of the year Artis monetized additional equity securities, ending 2023 with equity securities investments with an aggregate fair value of $152.0 million. Artis will continue to evaluate its public securities from a capital allocation standpoint in relation to market conditions and the REIT's liquidity objectives going forward.

## DISPOSITIONS

| DISPOSITION DATE | ASSET CLASS | PROPERTY NAME | LOCATION |
|---|---|---|---|
| March 14, 2023 | Office | North 48 Commercial Centre | Saskatoon, SK |
| April 19, 2023 | Retail | Liberton Square | Greater Edmonton Area, AB |
| May 15, 2023 | Retail | Gateway Power Centre | Grande Prairie, AB |
| May 29, 2023 | Retail | Visions Building | Calgary, AB |
| May 30, 2023 | Retail | Namao South | Edmonton, AB |
| June 7, 2023 | Industrial | Clearwater Creek Distribution Center | Twin Cities Area, MN |
| June 9, 2023 | Land | 1630 Aspen | Madison, WI |
| June 16, 2023 | Industrial | Eagle Creek | Twin Cities Area, MN |
| June 16, 2023 | Retail | St. Vital Square | Winnipeg, MB |
| June 27, 2023 | Industrial | Minnesota Industrial Portfolio II [1] | Twin Cities Area, MN |
| September 29, 2023 | Office | EMC Building | Edmonton, AB |
| November 17, 2023 | Office | 161 Inverness | Greater Denver Area, CO |
| December 4, 2023 | Industrial | Memorial Crossing | Calgary, AB |

[1] Minnesota Industrial Portfolio II comprises six industrial properties.



CEDAR PORT
Greater Houston Area, Texas




# ENVIRONMENTAL, SOCIAL AND GOVERNANCE

At Artis, ensuring that the REIT conducts its business in a sustainable manner is fundamental to the success of the company. Artis continues to implement positive changes that reinforce environmental, social and governance ("ESG") as a focal point in day-to-day operations while 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

Artis is committed to sustainable business practices that protect, preserve and benefit the community and the environment. A commitment to environmental responsibility is embedded in our operations, activities, and organizational culture and is reinforced and demonstrated through the implementation and management of internal policies and goals that support this objective. Artis is committed to minimizing its impact on the environment by using energy efficient and environmentally friendly systems, fixtures and products in its buildings as well as reducing excessive waste generation and reusing materials where possible. 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. Artis recognizes that effective employee engagement and rewarding productivity inspires team members to put their best foot forward, ultimately attracting and retaining talented people, whose determination, innovation, and ability to build strong relationships with tenants and investment partners is fundamental to Artis's growth.

This goes far beyond day-to-day operations and extends to company policies on important topics such as diversity, equity and inclusion and belonging, 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 169 employees, (of which 136 are based in Canada and 33 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 commitment to robust corporate governance practices is critical to the company's reputation, workplace culture, operations, and strong results. Artis integrates these practices into its broader risk management approach, and comprehensive policies, aiming to exceed its stakeholder expectations. 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, suppliers and other partners and stakeholders.

Strong and effective governance practices are ingrained in 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, 2023, 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.

The REIT's commitment to ESG best practices continues to evolve and expand since the announcement of the redefined strategy. In addition to the significant transformation of Artis's ESG program throughout 2022, some accomplishments in 2023 include the following:

- ESG Committee, comprised of senior level employees across all offices continued to 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;
- conducted a portfolio-wide, property-by-property climate risk assessment utilizing Moody's Climate on Demand tool;
- incorporated reporting principles of the Global Reporting Initiative ("GRI") and the United Nations Sustainable Development Goals;
- submitted to GRESB for the second consecutive year;
- published a Tenant Sustainability Guide;
- enhanced ESG disclosure on company website;
- conducted the second annual tenant engagement and satisfaction survey;
- conducted the second annual employee engagement and diversity, equity and inclusion survey;
- provided leadership training to all employees;
- created an internal Diversity, Equity, Inclusion and Belonging committee to oversee the REIT's DEIB initiatives; and
- 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.

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 it's 2023 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, 2023, the REIT had four properties with a Leadership in Energy and Environmental Design ("LEED") certification, four properties with a Building Owners and Managers Association ("BOMA") Building Environmental Standards ("BEST") certification and seven 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 BEST®

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

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


220 PORTAGE & 360 MAIN
Winnipeg, Manitoba

# OUTLOOK

On February 29, 2024, Artis provided an update on the strategic review process that was initiated on August 2, 2023. Since the announcement of the strategic review, the Special Committee and the Board have been working with the REIT's financial advisors to explore options available to unlock and maximize value for unitholders, including the potential sale of the REIT. In the current market, Artis and its advisors do not believe that there is a buyer prepared to acquire the REIT at a reasonable value relative to management's latest published NAV per unit of $13.96. There continues to be a healthy appetite in the private transaction environment for quality retail and industrial assets. There is also buyer interest for certain office assets, but office buyers in general are expecting bargain prices or vendor financing, neither of which are compatible with Artis's desire to generate financial liquidity from dispositions.

The work undertaken by the Board and Special Committee has enabled Artis to properly assess the current environment and options available to the REIT in an effort to create and maximize value for unitholders. Artis continues to see strong value in the industrial, office, and retail asset classes. As part of the strategic review process, the REIT is continuing to evaluate opportunities relating to the sale of additional retail, office, and industrial assets, with a focus on the industrial portfolio, in its efforts to further deleverage and strengthen the balance sheet, grow NAV per unit, and enhance liquidity. Higher interest rates and other macro economic factors continue to impact the real estate sector; however, Artis continues to focus on the REIT's disposition strategy and has confidence that it will be able to successfully execute this strategy in the coming year. In the meantime, management continues to closely monitor 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 may also present 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.

Going forward, Artis will continue to focus on increasing liquidity and improving its balance sheet while considering strategic capital allocation initiatives in relation to the macro economic environment as it relates to opportunities to deploy 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. The Board remains committed to pursuing strategic alternatives that may be available to the REIT to unlock and maximize value for unitholders, including pursuing near-term opportunities available to enhance and grow NAV per unit.

# 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 | $0.449875 per unit per quarter |
| Preferred Unit Series I | AX.PR.I | $0.4370625 per unit per quarter |

**Annual General Meeting:**
May 23, 2024, at 2:00 pm ET
Hilton Toronto, 145 Richmond Street West, Toronto, Ontario

## EXECUTIVE MANAGEMENT


**Samir Manji**
President and
Chief Executive Officer


**Jaclyn Koenig**
Chief Financial Officer

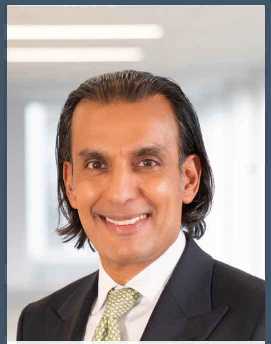

**Kim Riley**
Chief Operating Officer



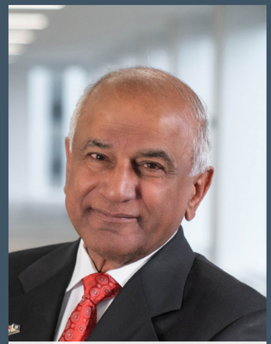


## BOARD OF TRUSTEES


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

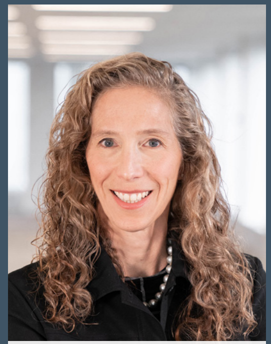

Samir Manji
President and
Chief Executive Officer


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, 2023, 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 standing committees which, at December 31, 2023, 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 members of the standing committees are independent of management. In addition, Artis has announced that a Special Committee was established to consider and evaluate strategic alternatives available to Artis. The Special Committee consists of Ben Rodney (Chair), Lis Wigmore and Samir Manji.

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 2023 ANNUAL

Years ended December 31, 2023 and 2022
(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 years ended December 31, 2023 and 2022, 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 29, 2024. Additional information, including the REIT's most recent Annual Information Form, has been filed with applicable Canadian securities regulatory authorities and is available on Artis's website at www.artisreit.com or SEDAR+ at www.sedarplus.ca.

## FORWARD-LOOKING DISCLAIMER

This MD&A contains certain statements which are "forward-looking statements" within the meaning of applicable securities laws. 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. Forward-looking statements reflect management's expectations regarding 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 or variations of such words and phrases are intended to identify forward-looking statements. Readers are cautioned not to place undue reliance on forward-looking statements.

Such forward-looking statements reflect management's current beliefs and are based on information currently available to management. Artis cannot assure investors that the 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 MD&A 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 strategy, real property ownership, geographic concentration, current economic conditions, strategic initiatives, pandemics and other public health events, 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 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, developments, and trustees.

In particular, any proposed acquisitions and dispositions described herein or in documents incorporated by reference herein are, in certain cases, subject to conditions that may not be satisfied and there can be no assurance that such acquisitions and dispositions will be completed. In addition, with respect to the strategic review process undertaken by the Board and Special Committee (refer to Business Strategy section of this MD&A), there can be no assurance that such process will result in the REIT pursuing any transaction or that any alternative transaction will be available to the REIT.

The Tax Act contains the SIFT Rules, which are applicable to SIFTs and investors in SIFTs, but do not apply to trusts that satisfy the REIT Exception. As at the date of this MD&A, Artis satisfies the REIT Exception and intends to continue to satisfy the REIT Exception so that the SIFT Rules will not apply to Artis. Should this not occur, certain statements contained in this MD&A relating to the SIFT Rules and the REIT Exception relating to Artis and its holders of common units would no longer be applicable.

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, 2023 as well as Artis's other public filings, available on SEDAR+ at www.sedarplus.ca.

## 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, FFO Adjusted for Impact of Realized Gain (Loss) on Equity Securities, AFFO Adjusted for Impact of Realized Gain (Loss) on Equity Securities, FFO Adjusted for Impact of Realized Gain (Loss) on Equity Securities per Unit, AFFO Adjusted for Impact of Realized Gain (Loss) on Equity Securities per Unit, 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 (shortfall) of cash flow from operations over distributions declared and excess (shortfall) 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 |
| FFO Adjusted for Impact of Realized Gain (Loss) on Equity Securities, AFFO Adjusted for Impact of Realized Gain (Loss) on Equity Securities, FFO Adjusted for Impact of Realized Gain (Loss) on Equity Securities per Unit, AFFO Adjusted for Impact of Realized Gain (Loss) on Equity Securities per Unit | 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 29, 2024, there were 107,953,152 common units, 7,918,049 preferred units, 463,590 restricted units and 358,818 deferred units of Artis outstanding (refer to the Outstanding Unit Data section of this MD&A for further details).

### VISION

Artis's vision is to become a best-in-class real estate asset management and investment platform focused on value investing.

### BUSINESS STRATEGY

In March 2021, Artis unveiled a redefined strategy to achieve its vision and to create an asset management and investment platform, focused on value investing in real estate.

The goal of the strategy is to generate meaningful long-term growth in NAV per unit by strengthening the balance sheet, driving organic growth and scaling-up through value investing. As part of this strategy, Artis will concentrate its ownership in the highest and best return opportunities in an effort to maximize long-term value for unitholders.

#### Business Strategy Update

*Dispositions*

Since the announcement of Artis's redefined strategy, the REIT 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 57 industrial properties, 14 office properties, 11 retail properties, a portion of a retail property and a parcel of development land. Proceeds from dispositions provided capital to strengthen the balance sheet and to pursue other strategy initiatives. 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.

*Normal Course Issuer Bid*

Artis continues to view its Normal Course Issuer Bid ("NCIB") as a valuable tool to enhance unitholder value. The REIT's NCIB program has been active since the announcement of the redefined strategy.

Under the NCIB that expired on December 16, 2021, Artis purchased 10,160,396 units at a weighted average price of $11.26, under the NCIB that expired on December 16, 2022, Artis purchased 8,778,176 common units at a weighted-average price of $12.39, and under the NCIB that expired on December 18, 2023, Artis purchased 7,860,942 units at a weighted-average price of $7.35, representing the maximum number of common units allowed under each of the terms. These units were purchased at a significant discount to NAV per unit of $13.96 at December 31, 2023.

The REIT renewed the NCIB effective December 19, 2023, and as at December 31, 2023, the REIT had not purchased any common or preferred units under the current term.

*Operations and Developments*

Organic growth is an important element of Artis's strategy. Artis's management is focused on identifying operational efficiencies, increasing occupancy and in-place rents, and the completion of new development projects.

Occupancy at December 31, 2023, was stable at 90.1%, unchanged from December 31, 2022. In 2023, 1,163,799 square feet of new leases and 1,024,276 square feet of renewals commenced. These renewals were negotiated at a weighted-average rental increase when compared to expiring rents of 4.8%. Growth in Same Property NOI was 7.6% for the year ended December 31, 2023.

During 2023, Artis completed three development projects, Park Lucero East, Blaine 35 II and 300 Main.

Park Lucero East is an industrial property located in the Greater Phoenix Area, Arizona which comprises 561,000 square feet and is 100.0% leased. Artis has a 10% ownership interest in Park Lucero East as well as a development management contract.

Blaine 35 II, located in the Twin Cities Area, Minnesota comprises two single-tenant industrial buildings. The first building totals 98,900 square feet was 100.0% committed upon completion. The lease for the entire building commenced in the fourth quarter of 2023. The second building totals 100,000 square feet and was 100.0% occupied upon completion.

300 Main is a 580,000 square foot commercial and residential development project 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 is 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. Residential tenants began moving into the building on July 1, 2023, and leasing of the remaining apartment units is currently underway.

*Strategic Value Investments*

During 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. Refer to the Equity Accounted Investments and Preferred Investments sections of this MD&A for further information.

At December 31, 2023, Artis held equity securities with an aggregate fair value of $152,002. This includes equity securities of Dream Office Real Estate Investment Trust and First Capital Real Estate Investment Trust.

*DBRS Credit Rating*

The REIT's senior unsecured debentures have a Morningstar DBRS ("DBRS") rating of BBB (low) and the REIT's preferred trust units have a DBRS rating at Pfd-3 (low), both with Negative trends, as confirmed in DBRS's Rating Report dated February 13, 2024.

The successful execution of Artis's strategy requires suitable opportunities, careful timing, patience 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 its strategy 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.

## UPDATE ON STRATEGIC REVIEW

On August 2, 2023, Artis's Board of Trustees (the "Board") established a Special Committee to initiate a strategic review process to consider and evaluate alternatives that may be available to the REIT to unlock and maximize value for unitholders. Since that time, Artis has entered into unconditional sale agreements or completed sales of nearly $500,000 (in line with IFRS) and will continue to remain focused on unlocking value, enhancing liquidity and maximizing NAV per unit.

On September 11, 2023, the Board announced that the Special Committee retained BMO Nesbitt Burns Inc. to provide financial advisory services to the REIT and Special Committee in connection with the strategic review process.

Over the past several months, the Special Committee and the Board have been working with the REIT's financial advisors to explore options available to unlock and maximize value for unitholders, including the potential sale of the REIT. In the current market, Artis and its advisors do not believe that there is a buyer prepared to acquire the REIT at a reasonable value relative to management's latest published NAV per unit of $13.96. There continues to be a healthy appetite in the private transaction environment for quality retail and industrial assets. There is also buyer interest for certain office assets, but office buyers in general are expecting bargain prices or vendor financing, neither of which are compatible with Artis's desire to generate financial liquidity from dispositions.

Since the announcement of the strategic review, Artis has completed or entered into unconditional agreements for $161,896 of office sales at values and on terms that were acceptable to the REIT, and will continue to consider further office dispositions. In addition, Artis has completed or entered into unconditional sale agreements for $256,200 of retail assets and $55,495 of industrial assets. This equates to $473,591 of asset sales (in line with the REIT's IFRS values reported at December 31, 2023), including unconditional transactions, since August 2, 2023. The REIT is continuing to evaluate opportunities relating to the sale of additional retail, office, and industrial assets, with a focus on the industrial portfolio, in its efforts to further deleverage and strengthen the balance sheet, grow NAV per unit, and enhance liquidity. A portion of this liquidity may be directed towards the NCIB which was renewed on December 19, 2023.

The Board remains committed to pursuing strategic alternatives that may be available to the REIT to unlock and maximize value for unitholders, including pursuing near-term opportunities available to Artis to enhance and grow NAV per unit. The work undertaken over the past several months has enabled Artis to properly assess the current environment and options available to the REIT in an effort to create and maximize value for unitholders.

There can be no assurance that the strategic review process will result in the REIT pursuing any transaction. The REIT has not set a timetable for completion of this process and does not intend to disclose further developments unless it determines that disclosure is appropriate or necessary.

## BUSINESS ENVIRONMENT AND OUTLOOK

Leasing activity in the REIT's portfolio remained strong throughout 2023. Occupancy including commitments was 90.9% at December 31, 2023, compared to 92.3% at December 31, 2022. In 2023, 1,903,218 square feet of new leases and renewals were negotiated and signed (some of which were at properties that are held in joint venture arrangements). With respect to new leases and renewals that commenced during the year, 1,163,799 square feet of new leases and 1,024,276 square feet of renewals began. The renewals that commenced in 2023 were negotiated at a weighted-average increase of 4.8% over expiring rates. The fourth quarter marked the twelfth consecutive quarter of growth in weighted-average rental rates on renewals. There has been a high volume of leasing activity in 2023 and this continues to demonstrate the strong demand for high-quality, well-located space across all three asset classes. Year-over-year Same Property NOI growth for the year ended December 31, 2023, was strong at 7.6%. The increase in weighted-average renewal rents and Same Property NOI growth are important indicators of the stability of the REIT's portfolio and are reflective of the leasing momentum that has been building over the last year.





While higher interest rates and other macro economic factors continue to impact the real estate sector, Artis continues to focus on the REIT's disposition strategy and has confidence that it will be able to successfully execute this strategy in the coming year. During 2023, Artis sold nine industrial properties, five retail properties, three office properties and a parcel of development land for an aggregate sale price of $322,431. The sale proceeds, net of costs of $11,284, related debt of $75,512 and the issuance of a note receivable of $13,619 were $222,016. Subsequent to December 31, 2023, Artis sold one industrial, one office and one retail property located in Winnipeg, Manitoba, and has an additional 12 properties under unconditional sale agreements. Proceeds from transactions is expected to be used to continue reducing overall debt. Management is closely monitoring interest rate trends and forecasts and is in ongoing discussions with lenders in order to manage its debt maturities schedule.

On August 2, 2023, the Board 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. During this process, Artis continues to focus on improving its balance sheet and, more specifically, reducing debt and increasing liquidity through its previously disclosed disposition strategy. Effective December 19, 2022, the REIT renewed its NCIB and, as at December 31, 2023, had purchased 7,860,942 units at a weighted-average price of $7.35 under the term, representing the maximum number of common units allowed under the term. These units were purchased at a significant discount to NAV per unit of $13.96 at December 31, 2023. Going forward, Artis continues to view the NCIB as a compelling tool to enhance unitholder value and, when permitted, will continue to focus on buying back units using the NCIB so long as Artis's units continue to trade at a material discount to its NAV per unit. Further, the Board may consider additional mechanisms that are available to the REIT for returning capital to unitholders, including, subject to market and other conditions, other unit repurchases.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG") UPDATE

As part of Artis's vision, to become a best-in-class real estate asset management and investment platform focused on value investing, 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. During 2023, notable initiatives and improvement to Artis's ESG program included the following:

- Published an enhanced ESG Report, incorporating the principles of the Sustainability Accounting Standards Board ("SASB") Real Estate Sustainability Accounting Standard, Global Reporting Initiative ("GRI") 2021 Universal Standards and the United Nations Sustainable Development Goals;
- Disclosed climate-related risk management activities in accordance with the Task Force on Climate-Related Financial Disclosures ("TCFD");
- Adopted several new policies, including an ESG Policy, Human Rights Policy, Diversity, Equity and Inclusion Policy, Supplier Code of Conduct, and disclosed a Health and Safety Policy Statement;
- Adopted a company-wide LED Lighting Conversion Policy;
- Conducted second annual employee engagement survey and tenant satisfaction survey;
- Published a Tenant Sustainability Guide as a resources for tenants to make their space more sustainable;
- Provided leadership training to employees;
- Formed a Health and Safety Committee and a Diversity, Equity and Inclusion Committee; and
- Conducted a portfolio-wide, property-level climate risk assessment.

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

## 2023 OVERVIEW

### SELECTED FINANCIAL INFORMATION

| 000's, except per unit amounts | 2023 | Year ended December 31, 2022 | Change | % Change | Year ended December 31, 2021 |
|---|---|---|---|---|---|
| Revenue | $ 335,837 | $ 372,512 | $ (36,675) | (9.8)% | $ 419,499 |
| Net operating income | 184,017 | 209,980 | (25,963) | (12.4)% | 237,785 |
| Net (loss) income | (332,068) | (5,294) | (326,774) | 6,172.5 % | 389,175 |
| Total comprehensive (loss) income | (364,399) | 105,537 | (469,936) | (445.3)% | 387,702 |
| Basic (loss) income per common unit | (3.10) | (0.18) | (2.92) | 1,622.2 % | 2.87 |
| Diluted (loss) income per common unit | (3.10) | (0.19) | (2.91) | 1,531.6 % | 2.86 |
| Distributions per unit: | | | | | |
| Common units [1] | $ 0.60 | $ 0.76 | $ (0.16) | (21.1)% | $ 2.98 |
| Preferred units - Series A | — | 1.06 | (1.06) | (100.0)% | 1.42 |
| Preferred units - Series E | 1.48 | 1.37 | 0.11 | 8.0 % | 1.37 |
| Preferred units - Series I | 1.67 | 1.50 | 0.17 | 11.3 % | 1.50 |
| FFO [2] [3] | $ 120,539 | $ 163,189 | $ (42,650) | (26.1)% | $ 174,343 |
| FFO per unit - diluted [2] [3] | 1.08 | 1.38 | (0.30) | (21.7)% | 1.34 |
| FFO payout ratio [2] | 55.6 % | 43.5 % | | 12.1 % | 44.0 % |
| AFFO [2] [3] | $ 69,998 | $ 110,950 | $ (40,952) | (36.9)% | $ 124,476 |
| AFFO per unit - diluted [2] [3] | 0.63 | 0.94 | (0.31) | (33.0)% | 0.96 |
| AFFO payout ratio [2] | 95.2 % | 63.8 % | | 31.4 % | 61.5 % |
| Same Property NOI growth (decline) [2] | 7.6 % | 1.8 % | | 5.8 % | (4.1)% |
| Adjusted EBITDA interest coverage ratio [2] | 2.08 | 2.98 | (0.90) | (30.2)% | 3.80 |

(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 of this MD&A.
(3) 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 this MD&A.

| 000's, except per unit amounts | December 31, 2023 | December 31, 2022 | % Change | December 31, 2021 |
|---|---|---|---|---|
| Total assets | $ 3,735,030 | $ 4,553,913 | (18.0)% | $ 4,576,024 |
| Total non-current financial liabilities | 1,047,231 | 974,063 | 7.5 % | 1,166,123 |
| NAV per unit [1] | 13.96 | 17.38 | (19.7)% | 17.37 |
| Secured mortgages and loans to GBV [1] | 24.3 % | 18.9 % | 5.4 % | 23.7 % |
| Total debt to GBV [1] | 50.9 % | 48.5 % | 2.4 % | 42.9 % |
| Unencumbered assets [1] | $ 1,567,001 | $ 2,034,409 | (23.0)% | $ 1,902,748 |

(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**

Revenue and net operating income decreased year-over-year primarily due to the impact of property dispositions throughout 2022 and 2023.

Artis reported portfolio occupancy of 90.1% at December 31, 2023, unchanged from December 31, 2022. During the year, 1,163,799 square feet of new leases and 1,024,276 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 4.8%.

Net (loss) income and total comprehensive (loss) income were impacted by the fair value change on investment properties (loss of $344,286 in 2023, compared to a loss of $178,431 in 2022), net loss from equity accounted investments (loss of $57,385 in 2023, compared to income of $74,659 in 2022), interest expense ($121,876 in 2023, compared to $89,437 in 2022) and the fair value change on financial instruments (loss of $41,730 in 2023, compared to a loss of $21,130 in 2022).

Partially offsetting the above decreases to net income was interest and other income ($32,359 in 2023, compared to $18,944 in 2022), distribution income from equity securities ($12,365 in 2023, compared to $10,710 in 2022), equity securities expenses ($878 in 2023, compared to $1,890 in 2022) and corporate expenses ($6,984 in 2023, compared to $7,661 in 2022).

Foreign exchange had an impact on Artis's financial results, due to a higher US dollar to Canadian dollar average exchange rate of 1.3495 in 2023, compared to 1.3017 in 2022.



Management's Discussion & Analysis

FFO per unit (diluted) for 2023 was $1.08 compared to $1.38 for 2022, while AFFO per unit (diluted) for 2023 was $0.63 compared to $0.94 for 2022. FFO in 2023 was primarily impacted by decreased net operating income as a result of dispositions completed in 2022 and 2023 and increased interest expense, partially offset by an increase to other income due to the preferred investment as part of the Cominar Transaction. In 2023, Artis sold certain equity securities (refer to Equity Securities section of this MD&A). Including the impact of the realized loss on the disposition of equity securities, FFO per unit (diluted) for 2023 was $0.89, while AFFO per unit (diluted) for 2023 was $0.44.

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 FFO and AFFO payout ratios of 55.6% and 95.2%, respectively, for 2023.

**Balance Sheet and Liquidity**

During 2023, Artis repaid a net balance of $53,020 on its revolving credit facilities and repaid the Series D senior unsecured debentures upon maturity with a face value of $250,000. Also during 2023, the REIT drew on construction loans in the amount of $188,898, received new mortgage financing in the amount of $124,767, and repaid mortgages in the amount of $175,086. Total debt to GBV was 50.9% at December 31, 2023, compared to 48.5% at December 31, 2022.

In 2023, Artis utilized the NCIB to purchase 7,473,874 common units for an aggregate market price of $54,305, and 357,101 Series E and 226,700 Series I preferred units for an aggregate market price of $10,377. The REIT has purchased the maximum number of common units allowed under the term of the NCIB that expired on December 18, 2023.

At December 31, 2023, NAV per unit was $13.96, compared to $17.38 at December 31, 2022. The change is primarily due to the fair value losses on investment properties and financial instruments, interest expense, corporate expenses, distributions to unitholders and the impact of foreign exchange, partially offset by the impact of net operating income, units purchased under the NCIB, interest and other income and distribution income from equity securities.

**Distributions**

In 2023, Artis declared distributions of $79,458 to unitholders, which included distributions to preferred unitholders in the amount of $13,025.

## 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, 2022 | 59 | 6,749 | 42 | 6,573 | 33 | 2,143 | 134 | 15,465 |
| New developments | 2 | 199 | — | — | — | — | 2 | 199 |
| Dispositions | (9) | (1,247) | (3) | (350) | (5) | (340) | (17) | (1,937) |
| Portfolio properties, December 31, 2023 | 52 | 5,701 | 39 | 6,223 | 28 | 1,803 | 119 | 13,727 |

In addition, Artis owns one commercial/residential property which comprises 395 residential units and 18,481 square feet of leasable commercial space.

**New Developments**

In 2023, Artis completed the development of Blaine 35 II, comprised of two industrial buildings totalling 198,900 square feet, located in the Twin Cities Area, Minnesota and 300 Main, a commercial/residential property totalling 395 residential units and 18,481 square feet of leasable commercial space located in Winnipeg, Manitoba.

**Dispositions**

During 2023, Artis sold nine industrial properties, five retail properties, three office properties and a parcel of development land for an aggregate sale price of $322,431. The sale proceeds, net of costs of $11,284, related debt of $75,512 and the issuance of a note receivable of $13,619 were $222,016.

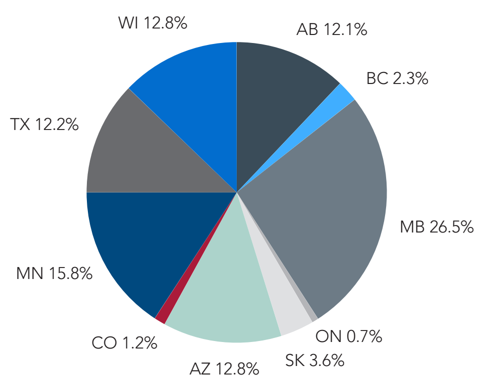
## PROPERTY PORTFOLIO

At December 31, 2023, the REIT's portfolio was comprised of 119 commercial properties totalling approximately 13.7 million square feet ("S.F.") of gross leasable area ("GLA").

The REIT also has joint ownership interest in 11 investment properties, 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 the Equity Accounted Investments section of this MD&A for further information.

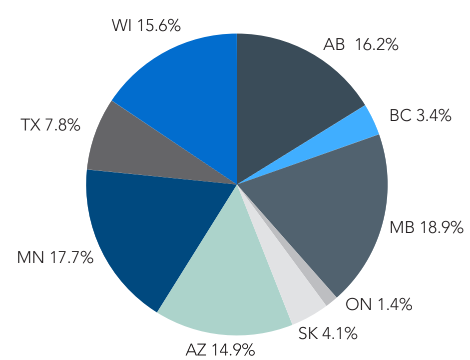
**Diversification by Geographical Region**

**GLA**




| | |
|---|---|
| Canada | 45.2% |
| U.S. | 54.8% |

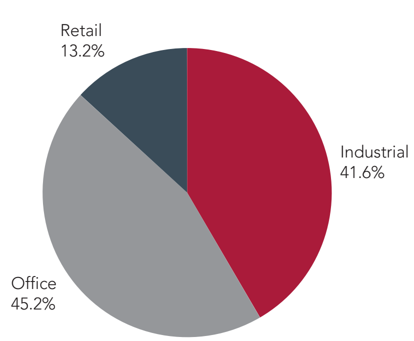
**Net Operating Income (Q4-23)**



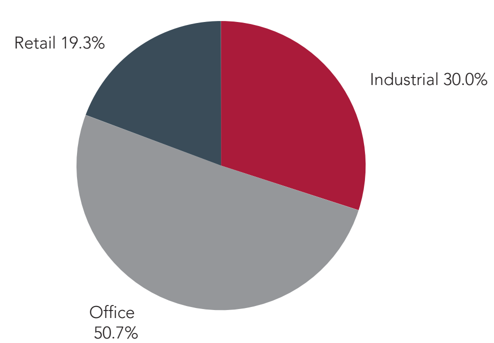

| | |
|---|---|
| Canada | 44.0% |
| U.S. | 56.0% |

**Diversification by Asset Class**

**GLA**




**Net Operating Income (Q4-23)**








**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 | 4 | 319 | 2.3 % | 87.6% | 87.6 % |
| | Greater Edmonton Area | AB | 2 | 94 | 0.7 % | 100.0% | 100.0 % |
| | Greater Vancouver Area | BC | 1 | 73 | 0.5 % | 100.0% | 100.0 % |
| | Red Deer | AB | 1 | 126 | 0.9 % | 76.3% | 85.2 % |
| | Saskatoon | SK | 2 | 269 | 2.0 % | 100.0% | 100.0 % |
| | Winnipeg | MB | 26 | 1,658 | 12.1 % | 97.7% | 98.0 % |
| Industrial total | | | 36 | 2,539 | 18.5 % | 95.8% | 96.4 % |
| Office | Greater Toronto Area | ON | 1 | 100 | 0.7 % | 100.0% | 100.0 % |
| | Greater Vancouver Area | BC | 2 | 248 | 1.8 % | 90.1% | 90.1 % |
| | Winnipeg | MB | 9 | 1,512 | 11.0 % | 82.1% | 82.3 % |
| Office total | | | 12 | 1,860 | 13.5 % | 84.1% | 84.3 % |
| Retail | Calgary | AB | 4 | 294 | 2.1 % | 95.7% | 96.0 % |
| | Fort McMurray | AB | 8 | 187 | 1.4 % | 81.7% | 84.5 % |
| | Grande Prairie | AB | 4 | 311 | 2.3 % | 57.6% | 57.6 % |
| | Greater Edmonton Area | AB | 3 | 331 | 2.4 % | 94.8% | 95.2 % |
| | Saskatoon | SK | 3 | 219 | 1.6 % | 91.1% | 97.0 % |
| | Winnipeg | MB | 6 | 461 | 3.4 % | 97.2% | 98.9 % |
| Retail total | | | 28 | 1,803 | 13.2 % | 87.3% | 88.9 % |
| Total Canadian portfolio | | | 76 | 6,202 | 45.2 % | 89.8% | 90.6 % |
| U.S. portfolio: | | | | | | | |
| Industrial | Greater Phoenix Area | AZ | 7 | 921 | 6.7 % | 97.2% | 97.2 % |
| | Twin Cities Area | MN | 4 | 573 | 4.2 % | 100.0% | 100.0 % |
| | Greater Houston Area | TX | 5 | 1,668 | 12.2 % | 100.0% | 100.0 % |
| Industrial total | | | 16 | 3,162 | 23.1 % | 99.2% | 99.2 % |
| Office | Greater Denver Area | CO | 1 | 173 | 1.2 % | 59.0% | 59.0 % |
| | Greater Phoenix Area | AZ | 4 | 833 | 6.1 % | 91.2% | 91.4 % |
| | Madison | WI | 16 | 1,763 | 12.8 % | 81.2% | 84.4 % |
| | Twin Cities Area | MN | 6 | 1,594 | 11.6 % | 85.5% | 85.9 % |
| Office total | | | 27 | 4,363 | 31.7 % | 83.8% | 85.3 % |
| Total U.S. portfolio | | | 43 | 7,525 | 54.8 % | 90.3% | 91.1 % |
| Total Canadian and U.S. portfolio | | | 119 | 13,727 | 100.0 % | 90.1% | 90.9 % |

(1) Information is as at December 31, 2023, and excludes properties held in equity accounted investments and Artis's commercial/residential property (300 Main).
(2) Percentage committed is based on occupancy at December 31, 2023, plus commitments on vacant space.

**Future Development Program**

| Asset class | City | Province / State | Estimated owned share of GLA (000's of S.F.) | Property |
|---|---|---|---|---|
| Industrial | Greater Houston Area | TX | 650 | Cedar Port - Future Phases |
| Office | Madison | WI | 50 | Heartland Trail Land |

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

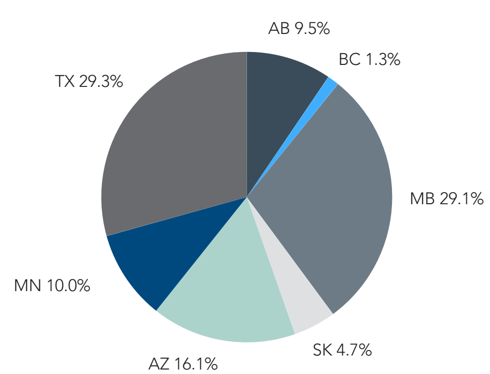
## PORTFOLIO SUMMARY BY ASSET CLASS

### 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, 2023, the REIT's industrial portfolio was comprised of 52 properties totalling approximately 5.7 million square feet of gross leasable area.

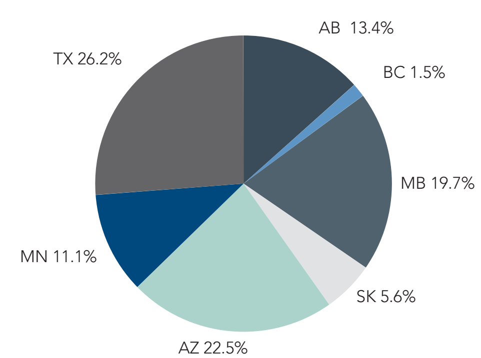
At December 31, 2023, the fair value of the properties in Artis's industrial portfolio was $930,584, and represented 41.6% of the REIT's GLA at December 31, 2023, and 30.0% of Q4-23 net operating income. Below is a breakdown of REIT's industrial portfolio by geographical region:

GLA




| | |
|---|---|
| Canada | 44.6% |
| U.S. | 55.4% |

Net Operating Income (Q4-23)



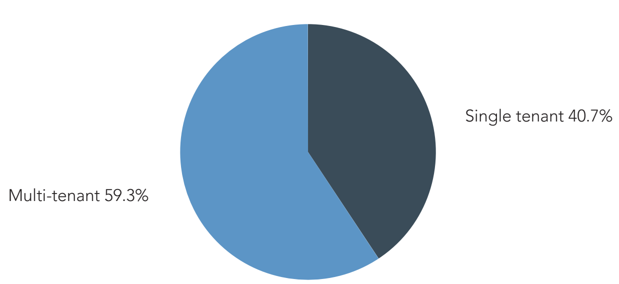

| | |
|---|---|
| Canada | 40.2% |
| U.S. | 59.8% |

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

| | Q4-23 | Q3-23 | Q2-23 | Q1-23 | Q4-22 | Q3-22 | Q2-22 | Q1-22 |
|---|---|---|---|---|---|---|---|---|
| Number of properties | 52 | 53 | 53 | 61 | 59 | 76 | 75 | 75 |
| Occupancy (including commitments) (2) | 98.0 % | 97.7 % | 98.5 % | 96.8 % | 97.3 % | 95.3 % | 95.0 % | 95.2 % |
| Same Property NOI growth (decline) (1) | 17.6 % | 21.3 % | 10.3 % | 7.6 % | 7.6 % | 4.4 % | 4.5 % | — % |
| Leasable area renewed (in S.F.) (2) | 81,825 | 58,297 | 152,182 | 144,617 | 189,058 | 313,782 | 167,209 | 157,318 |
| Increase in weighted-average rental rate (2) | 17.5 % | 3.8 % | 7.4 % | 8.6 % | 19.2 % | 5.5 % | 18.3 % | 12.2 % |

(1) Represents a non-GAAP measure . Refer to the Notice with Respect to Non-GAAP & Supplementary Measures Disclosure section in this MD&A.
(2) Based on owned share of GLA of properties and excludes properties held in equity accounted investments. Refer to Property Portfolio section of 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 Q4-23 net operating income:




Artis's industrial portfolio includes 212 tenant leases with a weighted-average term to maturity of 4.2 years. Approximately 37.3% of the REIT's industrial gross revenue is derived from national or government tenants. As indicated below, the largest tenant by gross revenue is PBP, Inc., which specializes in the packaging, warehousing, and handling of plastic resin.





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

**Top 10 Industrial Tenants by Gross Revenue (1)**

| Tenant | Tenant location | % of total industrial gross revenue (2) | Owned share of GLA (000's of S.F.) | % of total industrial GLA | Weighted-average remaining lease term |
|---|---|---|---|---|---|
| PBP, Inc. | U.S. | 5.7 % | 518 | 9.1 % | 7.9 |
| Bell Canada | Canada | 5.6 % | 110 | 1.9 % | 6.0 |
| Silent Aire USA Inc. | U.S. | 4.6 % | 288 | 5.1 % | 4.0 |
| Civeo Canada Ltd. | Canada | 4.1 % | 71 | 1.2 % | 4.5 |
| Maple Leaf Consumer Foods Inc. | Canada | 3.4 % | 163 | 2.9 % | 5.5 |
| SunGard Recovery Services Inc. | U.S. | 3.3 % | 98 | 1.7 % | 2.0 |
| Footprint LLC | U.S. | 2.5 % | 131 | 2.3 % | 6.1 |
| Malark Logistics Inc. | U.S. | 2.3 % | 174 | 3.1 % | 9.6 |
| British Columbia Institute of Technology | Canada | 2.2 % | 72 | 1.3 % | 20.6 |
| VWR International, LLC | U.S. | 2.1 % | 125 | 2.2 % | 3.9 |
| Total | | 35.8 % | 1,750 | 30.8 % | 6.7 |

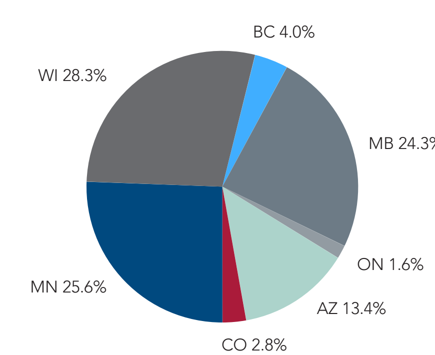
(1) Based on owned share of GLA of properties and excludes properties in equity accounted investments. Refer to the Property Portfolio section of this MD&A.
(2) Total gross revenue is in Canadian and US dollars.

### Office Portfolio

Artis's office portfolio is strategically located across primary and secondary markets in both Canada and the U.S. At December 31, 2023, the REIT's office portfolio was comprised of 39 properties totalling approximately 6.2 million square feet of gross leasable area.

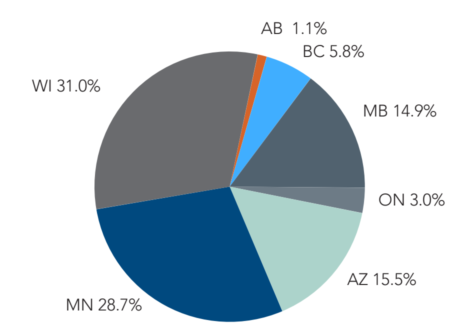
At December 31, 2023, the fair value of the properties in Artis's office portfolio was $1,377,285, representing 45.2% of the REIT's GLA at December 31, 2023, and 50.7% of Q4-23 net operating income. Below is a breakdown of REIT's office portfolio by geographical region:

GLA




| | |
|---|---|
| Canada | 29.9% |
| U.S. | 70.1% |

Net Operating Income (Q4-23)



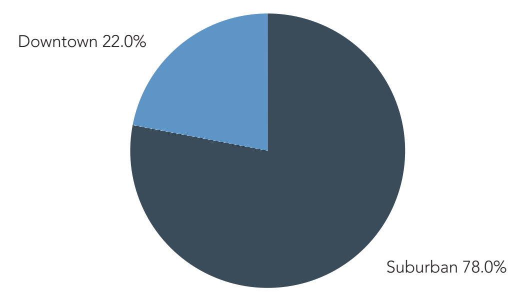

| | |
|---|---|
| Canada | 24.8% |
| U.S. | 75.2% |

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

| | Q4-23 | Q3-23 | Q2-23 | Q1-23 | Q4-22 | Q3-22 | Q2-22 | Q1-22 |
|---|---|---|---|---|---|---|---|---|
| Number of properties | 39 | 40 | 41 | 41 | 42 | 43 | 44 | 45 |
| Occupancy (including commitments) (2) | 85.0 % | 85.4 % | 86.7 % | 86.3 % | 87.3 % | 87.4 % | 88.3 % | 87.2 % |
| Same Property NOI growth (decline) (1) | 4.3 % | 1.3 % | 8.0 % | 11.7 % | 7.0 % | 6.1 % | (1.4)% | (6.4)% |
| Leasable area renewed (in S.F.) (2) | 100,828 | 66,159 | 31,778 | 48,873 | 58,967 | 109,383 | 143,219 | 22,302 |
| Increase (decrease) in weighted-average rental rate (2) | 0.7 % | (5.3)% | 2.7 % | (1.7)% | (0.7)% | (0.4)% | 1.0 % | 7.9 % |

(1) Represents a non-GAAP measure. Refer to the Notice with Respect to Non-GAAP & Supplementary Measures Disclosure section in this MD&A.
(2) Based on owned share of GLA of properties and excludes properties held in equity accounted investments. Refer to the Property Portfolio section of 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 Q4-23 net operating income:




Artis's office portfolio includes 467 tenant leases with a weighted-average term to maturity of 5.2 years. Approximately 45.6% 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:

**Top 10 Office Tenants by Gross Revenue (1)**

| Tenant | Tenant location | % of total office gross revenue (2) | Owned share of GLA (000's of S.F.) | % of total office GLA | Weighted-average remaining lease term |
|---|---|---|---|---|---|
| Government Tenants | U.S. & Canada | 7.4 % | 427 | 6.9 % | 7.2 |
| Prime Therapeutics LLC | U.S. | 4.4 % | 386 | 6.2 % | 10.8 |
| Bell MTS | Canada | 3.9 % | 213 | 3.4 % | 3.0 |
| Catalent Pharma Solutions, LLC | U.S. | 3.1 % | 233 | 3.7 % | 12.6 |
| A WIN Management, Inc. | U.S. | 3.0 % | 153 | 2.5 % | 8.9 |
| CB Richard Ellis, Inc. | U.S. | 2.8 % | 108 | 1.7 % | 3.0 |
| TDS Telecommunications Corporation | U.S. | 2.6 % | 127 | 2.0 % | 6.0 |
| Recipe Unlimited Corporation | Canada | 2.5 % | 100 | 1.6 % | 5.0 |
| UCare Minnesota | U.S. | 2.2 % | 124 | 2.0 % | 9.6 |
| Telephone and Data Systems, LLC | U.S. | 1.9 % | 105 | 1.7 % | 0.3 |
| Total | | 33.8 % | 1,976 | 31.7 % | 7.6 |

(1) Based on owned share of GLA of properties and excludes properties held in equity accounted investments. Refer to the Property Portfolio section of this MD&A.
(2) Total gross revenue is in Canadian and US dollars.

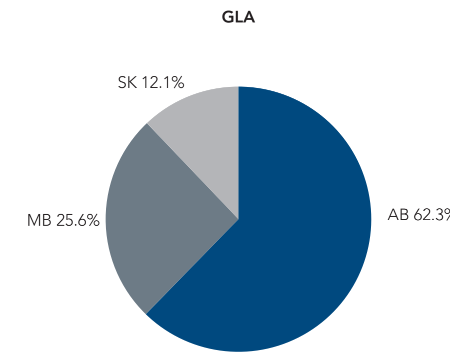


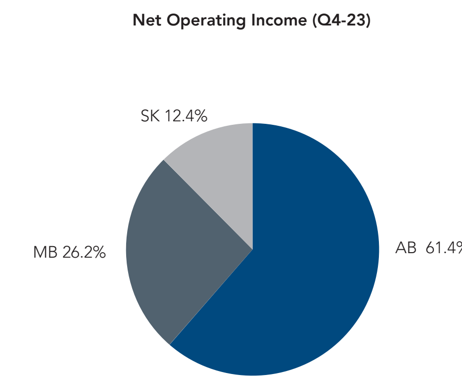
Management's Discussion & Analysis

**Retail Portfolio**

Artis's retail portfolio is primarily open-air, service-based properties located across Western Canada. At December 31, 2023, the REIT's retail portfolio was comprised of 28 properties totalling approximately 1.8 million square feet of gross leasable area.

At December 31, 2023, the fair value of the properties in Artis's retail portfolio was $549,740, and represented 13.2% of the REIT's GLA at December 31, 2023, and 19.3% of Q4-23 net operating income. Below is a breakdown of REIT's retail portfolio by geographical region:



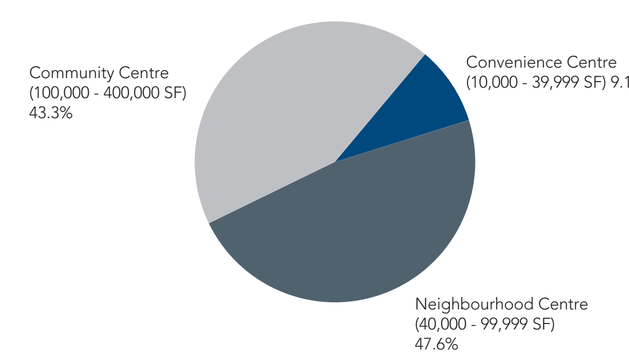




The following is a historical summary of key performance indicators related to the REIT's retail portfolio:

| | Q4-23 | Q3-23 | Q2-23 | Q1-23 | Q4-22 | Q3-22 | Q2-22 | Q1-22 |
|---|---|---|---|---|---|---|---|---|
| Number of properties | 28 | 28 | 28 | 33 | 33 | 33 | 33 | 33 |
| Occupancy (including commitments) | 88.9 % | 89.7 % | 89.5 % | 90.6 % | 91.4 % | 92.3 % | 91.4 % | 91.4 % |
| Same Property NOI growth (decline) (1) | 12.4 % | (2.6)% | (0.5)% | 2.3 % | (1.8)% | (0.4)% | (0.6)% | 2.9 % |
| Leasable area renewed (in S.F.) | 79,236 | 53,331 | 85,066 | 122,084 | 77,336 | 63,772 | 77,996 | 76,195 |
| Increase (decrease) in weighted-average rental rate | 10.2 % | 11.5 % | 3.7 % | 6.1 % | 5.2 % | 5.1 % | (3.8)% | 4.5 % |

(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 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 Q4-23 net operating income:




Artis's retail portfolio includes 299 tenant leases with a weighted-average term to maturity of 5.4 years. Approximately 63.3% of the REIT's retail gross revenue is derived from national tenants. As indicated below, the largest tenant by gross revenue is Cineplex Entertainment, the largest cinema chain in Canada, operating in the film entertainment, amusement and leisure, and media sectors.

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

**Top 10 Retail Tenants by Gross Revenue**

| Tenant | Tenant location | % of total retail gross revenue | Owned share of GLA (000's of S.F.) | % of total retail GLA | Weighted-average remaining lease term |
|---|---|---|---|---|---|
| Cineplex Entertainment LP | Canada | 4.5 % | 107 | 5.9 % | 1.9 |
| Sport Chek International Ltd. | Canada | 4.1 % | 81 | 4.5 % | 4.5 |
| Winners | Canada | 3.4 % | 83 | 4.6 % | 3.9 |
| Jysk Linen 'n Furniture | Canada | 3.0 % | 75 | 4.2 % | 1.5 |
| The Brick | Canada | 2.9 % | 62 | 3.4 % | 1.4 |
| Shoppers Drug Mart | Canada | 2.4 % | 35 | 1.9 % | 6.9 |
| Lucky Supermarket | Canada | 2.3 % | 50 | 2.8 % | 13.9 |
| PetSmart, Inc. | Canada | 2.2 % | 40 | 2.2 % | 3.3 |
| Mark's Work Wearhouse | Canada | 1.9 % | 32 | 1.8 % | 2.8 |
| Sobeys | Canada | 1.8 % | 37 | 2.1 % | 4.3 |
| Total | | 28.5 % | 602 | 33.4 % | 4.0 |

**Residential Portfolio**

Artis's residential portfolio is comprised of one property, 300 Main, located in Winnipeg, Manitoba.

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 span nearly one city block. 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 is a best-in-class amenity-rich apartment building with main floor commercial space.

During 2022, Earls Kitchen & Bar, occupying approximately 7,400 square feet, moved into their space on the main floor of the building. Residential tenants began moving into the building on July 1, 2023, and leasing of the remaining apartment units is currently underway.

**PORTFOLIO OCCUPANCY**

Occupancy levels impact the REIT's revenues and net operating income. Occupancy and commitments at December 31, 2023, and the previous four quarterly periods, were as follows:

**Occupancy Report by Asset Class (1)**

| | Q4-23 % Committed (2) | Q4-23 | Q3-23 | Q2-23 | Q1-23 | Q4-22 |
|---|---|---|---|---|---|---|
| Industrial | 98.0 % | 97.7 % | 97.0 % | 97.5 % | 96.0 % | 94.1 % |
| Office | 85.0 % | 83.9 % | 84.2 % | 84.6 % | 84.6 % | 85.7 % |
| Retail | 88.9 % | 87.3 % | 87.1 % | 87.3 % | 90.2 % | 90.9 % |
| Total portfolio | 90.9 % | 90.1 % | 89.9 % | 90.3 % | 90.5 % | 90.1 % |

(1) Information is as at December 31, 2023, and excludes properties held in equity accounted investments and Artis's commercial/residential property (300 Main). Refer to the Property Portfolio section of this MD&A.

(2) Percentage committed is based on occupancy at December 31, 2023, plus commitments on vacant space.



Management's Discussion & Analysis

**Occupancy Report by Geographical Region (1)**

| | Q4-23% Committed (2) | Q4-23 | Q3-23 | Q2-23 | Q1-23 | Q4-22 |
|---|---|---|---|---|---|---|
| Canada: | | | | | | |
| Alberta | 85.2 % | 84.0 % | 81.7 % | 80.4 % | 83.6 % | 84.7 % |
| British Columbia | 92.4 % | 92.4 % | 92.4 % | 92.4 % | 92.1 % | 92.1 % |
| Manitoba | 91.6 % | 91.1 % | 91.3 % | 92.3 % | 92.4 % | 91.4 % |
| Ontario | 100.0 % | 100.0 % | 100.0 % | 100.0 % | 100.0 % | 100.0 % |
| Saskatchewan | 98.7 % | 96.0 % | 96.4 % | 99.4 % | 99.8 % | 98.6 % |
| Total Canada | 90.6 % | 89.8 % | 89.3 % | 89.7 % | 90.5 % | 90.2 % |
| U.S.: | | | | | | |
| Arizona | 94.5 % | 94.4 % | 96.3 % | 96.9 % | 96.7 % | 95.3 % |
| Colorado | 59.0 % | 59.0 % | 64.8 % | 67.0 % | 67.0 % | 87.7 % |
| Minnesota | 89.6 % | 89.4 % | 88.8 % | 89.4 % | 89.2 % | 86.5 % |
| Texas | 100.0 % | 100.0 % | 98.1 % | 98.1 % | 98.1 % | 98.1 % |
| Wisconsin | 84.4 % | 81.2 % | 81.7 % | 81.5 % | 82.0 % | 83.6 % |
| Total U.S. | 91.1 % | 90.3 % | 90.4 % | 90.7 % | 90.5 % | 89.9 % |
| Total portfolio | 90.9 % | 90.1 % | 89.9 % | 90.3 % | 90.5 % | 90.1 % |

(1) Information is as at December 31, 2023, and excludes properties held in equity accounted investments and Artis's commercial/residential property (300 Main). Refer to the Property Portfolio section of this MD&A.

(2) Percentage committed is based on occupancy at December 31, 2023, plus commitments on vacant space.

**PORTFOLIO LEASING ACTIVITY AND LEASE EXPIRIES**

**Renewal Summary (1)**

| | Q4-23 | Q3-23 | Q2-23 | Q1-23 | Q4-22 | Q3-22 | Q2-22 | Q1-22 |
|---|---|---|---|---|---|---|---|---|
| Leasable area renewed (in S.F.) | 261,889 | 177,787 | 269,026 | 315,574 | 325,361 | 486,937 | 388,424 | 255,815 |
| Increase in weighted-average rental rate | 5.8 % | 3.5 % | 4.6 % | 4.8 % | 6.9 % | 3.0 % | 3.7 % | 7.8 % |

(1) Based on owned share of GLA of properties and excludes properties held in equity accounted investments and Artis's commercial/residential property (300 Main). Refer to the Property Portfolio section of this MD&A.

In 2023, 1,024,276 square feet were renewed at an increase in the weighted-average rental rate of 4.8%, compared to 1,456,537 square feet renewed at an increase in the weighted-average rental rate of 4.9% in 2022.

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, 2023, 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, 2023, were estimated to be 1.7% below in-place rents across the portfolio, compared to 0.9% below in-place rents at September 30, 2023 and 1.1% above in-place rents at December 31, 2022. Today's market rents for the 2024 and 2025 lease expiries are estimated to be 3.0% and 1.9% 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 | 132,988 | 1.0 % | N/A | N/A |
| Monthly tenants | — | 0.0 % | N/A | N/A |
| 2024 | 507,732 | 3.7 % | $7.89 | $8.02 |
| 2025 | 607,127 | 4.4 % | $10.61 | $10.92 |
| 2026 | 537,457 | 3.9 % | $8.76 | $9.70 |
| 2027 | 907,467 | 6.6 % | $8.04 | $8.02 |
| 2028+ | 3,008,820 | 22.0 % | $8.90 | $8.43 |
| | 5,701,591 | 41.6 % | $8.84 | $8.72 |
| *Office:* | | | | |
| Current vacancy | 1,000,828 | 7.3 % | N/A | N/A |
| Monthly tenants | 23,950 | 0.2 % | N/A | N/A |
| 2024 | 679,105 | 4.9 % | $19.63 | $18.72 |
| 2025 | 546,341 | 4.0 % | $21.18 | $20.19 |
| 2026 | 889,617 | 6.5 % | $19.18 | $18.57 |
| 2027 | 443,583 | 3.2 % | $19.04 | $17.79 |
| 2028+ | 2,638,788 | 19.1 % | $18.44 | $18.75 |
| | 6,222,212 | 45.2 % | $19.06 | $18.78 |
| *Retail:* | | | | |
| Current vacancy | 228,368 | 1.7 % | N/A | N/A |
| Monthly tenants | 8,054 | 0.1 % | N/A | N/A |
| 2024 | 370,797 | 2.7 % | $24.01 | $23.46 |
| 2025 | 185,975 | 1.4 % | $25.07 | $24.71 |
| 2026 | 256,093 | 1.9 % | $24.79 | $24.99 |
| 2027 | 176,900 | 1.3 % | $27.07 | $26.18 |
| 2028+ | 576,928 | 4.1 % | $23.97 | $22.75 |
| | 1,803,115 | 13.2 % | $24.60 | $23.91 |
| *Total Portfolio:* | | | | |
| Current vacancy | 1,362,184 | 10.0 % | N/A | N/A |
| Monthly tenants | 32,004 | 0.3 % | N/A | N/A |
| 2024 | 1,557,634 | 11.3 % | $16.85 | $16.36 |
| 2025 | 1,339,443 | 9.8 % | $16.93 | $16.62 |
| 2026 | 1,683,167 | 12.3 % | $16.71 | $16.72 |
| 2027 | 1,527,950 | 11.1 % | $13.44 | $12.96 |
| 2028+ | 6,224,536 | 45.2 % | $14.34 | $14.13 |
| | 13,726,918 | 100.0 % | $15.15 | $14.89 |





*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 | 265,341 | 1.9 % | N/A | N/A |
| Monthly tenants | 8,054 | 0.1 % | N/A | N/A |
| 2024 | 203,511 | 1.5 % | $24.52 | $23.23 |
| 2025 | 202,203 | 1.5 % | $22.82 | $22.49 |
| 2026 | 234,842 | 1.7 % | $23.62 | $23.48 |
| 2027 | 142,166 | 1.0 % | $25.26 | $23.65 |
| 2028+ | 605,904 | 4.4 % | $24.88 | $21.76 |
| | 1,662,021 | 12.1 % | $24.35 | $22.57 |
| British Columbia: | | | | |
| Current vacancy | 24,508 | 0.2 % | N/A | N/A |
| Monthly tenants | 1,906 | 0.0 % | N/A | N/A |
| 2024 | 58,256 | 0.4 % | $26.30 | $29.67 |
| 2025 | 19,532 | 0.1 % | $27.06 | $27.48 |
| 2026 | 49,268 | 0.4 % | $25.09 | $24.97 |
| 2027 | 7,930 | 0.1 % | $29.77 | $28.45 |
| 2028+ | 159,325 | 1.1 % | $15.69 | $17.87 |
| | 320,725 | 2.3 % | $20.50 | $22.32 |
| Manitoba: | | | | |
| Current vacancy | 322,166 | 2.4 % | N/A | N/A |
| Monthly tenants | 10,999 | 0.1 % | N/A | N/A |
| 2024 | 601,101 | 4.4 % | $14.23 | $14.21 |
| 2025 | 418,525 | 3.0 % | $12.32 | $12.88 |
| 2026 | 777,942 | 5.7 % | $11.34 | $12.10 |
| 2027 | 288,156 | 2.1 % | $12.64 | $12.46 |
| 2028+ | 1,212,478 | 8.8 % | $12.64 | $12.73 |
| | 3,631,367 | 26.5 % | $12.58 | $12.85 |
| Ontario: | | | | |
| Current vacancy | — | 0.0 % | N/A | N/A |
| Monthly tenants | — | 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 | — | 0.0 % | N/A | N/A |
| 2028+ | 100,398 | 0.7 % | $16.00 | $16.50 |
| | 100,398 | 0.7 % | $16.00 | $16.50 |
| Saskatchewan: | | | | |
| Current vacancy | 19,435 | 0.1 % | N/A | N/A |
| Monthly tenants | — | 0.1 % | N/A | N/A |
| 2024 | 47,547 | 0.3 % | $25.38 | $25.70 |
| 2025 | 12,339 | 0.1 % | $26.84 | $27.13 |
| 2026 | 20,581 | 0.1 % | $30.54 | $31.08 |
| 2027 | 164,266 | 1.2 % | $13.63 | $14.00 |
| 2028+ | 223,531 | 1.7 % | $15.90 | $14.58 |
| | 487,699 | 3.6 % | $17.00 | $16.56 |
| Arizona: | | | | |
| Current vacancy | 98,735 | 0.8 % | N/A | N/A |
| Monthly tenants | — | 0.0 % | N/A | N/A |
| 2024 | 165,558 | 1.2 % | $15.18 | $14.91 |
| 2025 | 350,629 | 2.6 % | $17.10 | $17.20 |
| 2026 | 210,069 | 1.5 % | $21.04 | $22.05 |
| 2027 | 361,411 | 2.6 % | $11.87 | $11.94 |
| 2028+ | 568,027 | 4.1 % | $24.06 | $24.14 |
| | 1,754,429 | 12.8 % | $18.65 | $18.82 |

*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 | 70,960 | 0.5 % | N/A | N/A |
| Monthly tenants | 4,759 | 0.0 % | N/A | N/A |
| 2024 | 23,703 | 0.2 % | $30.56 | $29.19 |
| 2025 | 45,112 | 0.3 % | $31.81 | $28.33 |
| 2026 | 7,286 | 0.1 % | $27.70 | $27.65 |
| 2027 | 1,565 | 0.0 % | $49.50 | $38.00 |
| 2028+ | 19,527 | 0.1 % | $31.32 | $28.26 |
| | 172,912 | 1.2 % | $31.38 | $28.63 |
| *Minnesota:* | | | | |
| Current vacancy | 230,505 | 1.7 % | N/A | N/A |
| Monthly tenants | 6,286 | 0.0 % | N/A | N/A |
| 2024 | 127,604 | 0.9 % | $10.09 | $9.29 |
| 2025 | 77,103 | 0.6 % | $21.50 | $19.07 |
| 2026 | 161,354 | 1.2 % | $23.25 | $19.55 |
| 2027 | 145,090 | 1.1 % | $16.67 | $15.52 |
| 2028+ | 1,418,575 | 10.3 % | $13.62 | $13.88 |
| | 2,166,517 | 15.8 % | $14.74 | $14.38 |
| *Texas:* | | | | |
| Current vacancy | — | 0.0 % | N/A | N/A |
| Monthly tenants | — | 0.0 % | N/A | N/A |
| 2024 | 36,501 | 0.3 % | $9.59 | $8.40 |
| 2025 | 95,591 | 0.7 % | $8.30 | $7.42 |
| 2026 | — | — % | N/A | N/A |
| 2027 | 274,517 | 2.0 % | $6.92 | $6.20 |
| 2028+ | 1,261,566 | 9.2 % | $6.42 | $6.25 |
| | 1,668,175 | 12.2 % | $6.68 | $6.36 |
| *Wisconsin:* | | | | |
| Current vacancy | 330,534 | 2.4 % | N/A | N/A |
| Monthly tenants | — | 0.0 % | N/A | N/A |
| 2024 | 293,853 | 2.1 % | $17.30 | $15.69 |
| 2025 | 118,409 | 0.9 % | $18.33 | $16.53 |
| 2026 | 221,825 | 1.6 % | $15.84 | $15.09 |
| 2027 | 142,849 | 1.0 % | $14.96 | $13.99 |
| 2028+ | 655,205 | 4.8 % | $14.49 | $14.88 |
| | 1,762,675 | 12.8 % | $15.64 | $15.13 |
| *Total portfolio:* | | | | |
| Current vacancy | 1,362,184 | 10.0 % | N/A | N/A |
| Monthly tenants | 32,004 | 0.3 % | N/A | N/A |
| 2024 | 1,557,634 | 11.3 % | $16.85 | $16.36 |
| 2025 | 1,339,443 | 9.8 % | $16.93 | $16.62 |
| 2026 | 1,683,167 | 12.3 % | $16.71 | $16.72 |
| 2027 | 1,527,950 | 11.1 % | $13.44 | $12.96 |
| 2028+ | 6,224,536 | 45.2 % | $14.34 | $14.13 |
| | 13,726,918 | 100.0 % | $15.15 | $14.89 |

## LARGEST MARKETS BY NET OPERATING INCOME

Artis's real estate is diversified across five Canadian provinces and five U.S. states, and across the industrial, office, retail and residential asset classes. For the three months ended December 31, 2023, the five largest markets of the REIT's portfolio (by net operating income) were Madison office, Twin Cities Area office, Greater Phoenix Area office, Greater Houston Area industrial and Winnipeg office.

### Madison Office Market

The Madison office market represents 15.6% of Q4-23 net operating income and 12.8% of the overall portfolio by GLA. At December 31, 2023, Artis's Madison office portfolio was 81.2% occupied, compared to 81.7% at September 30, 2023. During 2024, 293,853 square feet come up for renewal, which represents 2.1% of the total portfolio GLA; 27.8% was renewed or committed to new leases at December 31, 2023. Of Artis's total Madison office GLA, 37.2% expires in 2028 or later.

### Twin Cities Area Office Market

The Twin Cities Area office market represents 14.7% of Q4-23 net operating income and 11.6% 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, 2023, compared to 20.8% at September 30, 2023. At December 31, 2023, Artis's Twin Cities Area office portfolio was 85.5% occupied, unchanged from September 30, 2023. During 2024, 47,004 square feet come up for renewal, which represents 0.3% of the total portfolio GLA; 38.6% was renewed or committed to new leases at December 31, 2023. Of Artis's total Twin Cities Area office GLA, 58.1% expires in 2028 or later.

### Greater Phoenix Area Office Market

The Greater Phoenix Area office market represents 8.1% of Q4-23 net operating income and 6.1% of the overall portfolio by GLA. The availability rate in the Greater Phoenix Area office market, as reported by CBRE, was 24.6% at December 31, 2023, improved from 28.6% at September 30, 2023. At December 31, 2023, Artis's Greater Phoenix Area office portfolio was 91.2% occupied, compared to 92.1% at September 30, 2023. During 2024, 56,754 square feet come up for renewal, which represents 0.4% of the total portfolio GLA; 29.5% was renewed or committed to new leases at December 31, 2023. Of Artis's total Greater Phoenix Area office GLA, 48.1% expires in 2028 or later.

### Greater Houston Area Industrial Market

The Greater Houston Area industrial market represents 7.8% of Q4-23 net operating income and 12.2% 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, 2023, improved from 8.3% at September 30, 2023. At December 31, 2023, Artis's Greater Houston Area industrial portfolio was 100.0% occupied, increased from 98.1% at September 30, 2023. During 2024, one unit comprising 36,501 square feet comes up for renewal, which represents 0.3% of the total portfolio GLA; this unit has not been renewed or committed to a new lease at December 31, 2023. Of Artis's total Greater Houston Area industrial market GLA, 75.6% expires in 2028 or later.

### Winnipeg Office Market

The Winnipeg office market represents 7.7% of Q4-23 net operating income and 11.0% of the overall portfolio by GLA. Overall direct vacancy in the Winnipeg office market, as reported by CBRE, was 18.3% at December 31, 2023, compared to 17.4% at September 30, 2023. At December 31, 2023, Artis's Winnipeg office portfolio was 82.1% occupied, increased from 81.8% September 30, 2023. During 2024, 199,535 square feet come up for renewal, which represents 1.5% of the total portfolio GLA; 26.7% was renewed or committed to new leases at December 31, 2023. Of Artis's total Winnipeg office market GLA, 29.7% expires in 2028 or later.

## FINANCIAL & OPERATING RESULTS

### NET OPERATING INCOME

| | Three months ended December 31, 2023 | Three months ended December 31, 2022 | Year ended December 31, 2023 | Year ended December 31, 2022 |
|---|---|---|---|---|
| Revenue: | | | | |
| Rental income | $ 86,033 | $ 97,905 | $ 356,759 | $ 389,041 |
| Tenant inducements amortized to revenue | (6,177) | (6,301) | (24,595) | (25,405) |
| Straight-line rent adjustments | 509 | 424 | 2,554 | 1,379 |
| Lease termination income | 527 | 2,074 | 1,119 | 7,497 |
| | 80,892 | 94,102 | 335,837 | 372,512 |
| Property operating and realty tax expenses | 35,540 | 41,725 | 151,820 | 162,532 |
| Net operating income | $ 45,352 | $ 52,377 | $ 184,017 | $ 209,980 |

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 $612 (Q4-23 - $178) in 2023 compared to $1,189 (Q4-22 - $561) in 2022.

**Net Operating Income by Asset Class**

| | Three months ended December 31, 2023 | Three months ended December 31, 2022 | Change | Year ended December 31, 2023 | Year ended December 31, 2022 | Change |
|---|---|---|---|---|---|---|
| Canada: | | | | | | |
| Industrial | $ 5,485 | $ 5,336 | $ 149 | $ 22,070 | $ 21,764 | $ 306 |
| Office | 5,716 | 4,999 | 717 | 23,219 | 22,704 | 515 |
| Retail/residential | 8,755 | 10,579 | (1,824) | 36,737 | 43,174 | (6,437) |
| | 19,956 | 20,914 | (958) | 82,026 | 87,642 | (5,616) |
| U.S.: | | | | | | |
| Industrial | 8,128 | 11,276 | (3,148) | 34,627 | 45,969 | (11,342) |
| Office | 17,276 | 20,151 | (2,875) | 67,359 | 76,272 | (8,913) |
| | 25,404 | 31,427 | (6,023) | 101,986 | 122,241 | (20,255) |
| Total portfolio: | | | | | | |
| Industrial | 13,613 | 16,612 | (2,999) | 56,697 | 67,733 | (11,036) |
| Office | 22,992 | 25,150 | (2,158) | 90,578 | 98,976 | (8,398) |
| Retail/residential | 8,755 | 10,579 | (1,824) | 36,737 | 43,174 | (6,437) |
| | 45,360 | 52,341 | (6,981) | 184,012 | 209,883 | (25,871) |
| REIT | (8) | 36 | (44) | 5 | 97 | (92) |
| Net operating income | $ 45,352 | $ 52,377 | $ (7,025) | $ 184,017 | $ 209,980 | $ (25,963) |

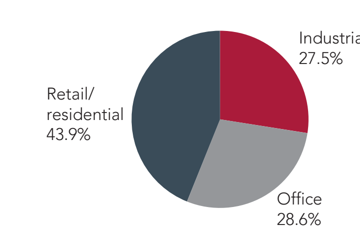
In Q4-23, the Canadian retail/residential segment and the U.S. industrial segment decreased primarily due to dispositions. The U.S. office segment decreased primarily due to vacancy at a property that was undergoing redevelopment, which was sold during the quarter.

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

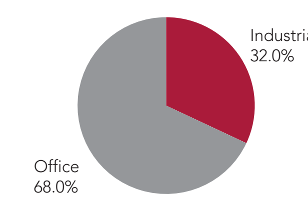




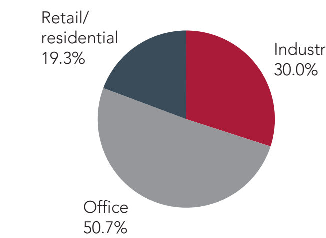
**Canadian Portfolio (Q4-23)**



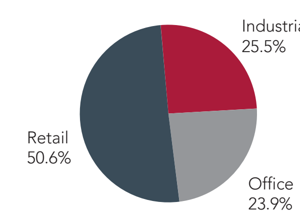

**U.S. Portfolio (Q4-23)**



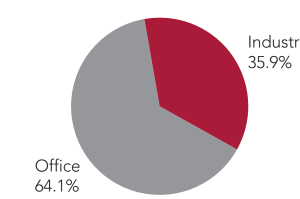

**Total Portfolio (Q4-23)**



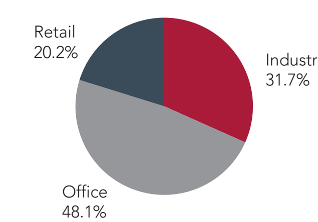

**Canadian Portfolio (Q4-22)**




**U.S. Portfolio (Q4-22)**




**Total Portfolio (Q4-22)**



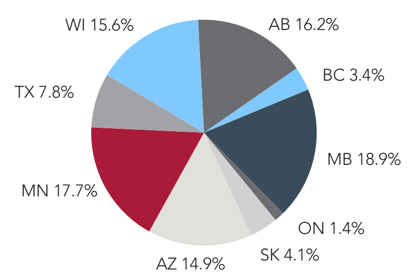

**Net Operating Income by Geographical Region**

| | Three months ended December 31, 2023 | Three months ended December 31, 2022 | Change | Year ended December 31, 2023 | Year ended December 31, 2022 | Change |
|---|---|---|---|---|---|---|
| Canada: | | | | | | |
| Alberta | $ 7,351 | $ 8,472 | $ (1,121) | $ 30,899 | $ 35,517 | $ (4,618) |
| British Columbia | 1,521 | 1,459 | 62 | 5,827 | 5,817 | 10 |
| Manitoba | 8,579 | 8,089 | 490 | 34,283 | 34,189 | 94 |
| Ontario | 637 | 629 | 8 | 2,734 | 3,303 | (569) |
| Saskatchewan | 1,868 | 2,265 | (397) | 8,283 | 8,816 | (533) |
| | 19,956 | 20,914 | (958) | 82,026 | 87,642 | (5,616) |
| U.S.: | | | | | | |
| Arizona | 6,747 | 6,981 | (234) | 27,328 | 23,928 | 3,400 |
| Colorado | (146) | 2,632 | (2,778) | 1,195 | 10,764 | (9,569) |
| Minnesota | 8,180 | 11,231 | (3,051) | 34,345 | 50,418 | (16,073) |
| New York | — | 264 | (264) | — | 1,668 | (1,668) |
| Texas | 3,540 | 3,565 | (25) | 14,312 | 10,173 | 4,139 |
| Wisconsin | 7,083 | 6,754 | 329 | 24,806 | 25,290 | (484) |
| | 25,404 | 31,427 | (6,023) | 101,986 | 122,241 | (20,255) |
| Total portfolio | 45,360 | 52,341 | (6,981) | 184,012 | 209,883 | (25,871) |
| REIT | (8) | 36 | (44) | 5 | 97 | (92) |
| Net operating income | $ 45,352 | $ 52,377 | $ (7,025) | $ 184,017 | $ 209,980 | $ (25,963) |

In Q4-23, Alberta and Minnesota were primarily impacted by dispositions. Colorado decreased primarily due to vacancy at a property that was undergoing redevelopment that was sold during the quarter.

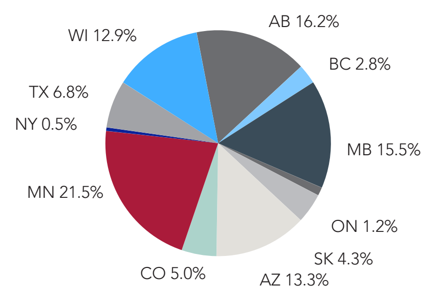
The U.S. portfolio was also impacted by the effect of foreign exchange.

**Total Portfolio (Q4-23)**




| | |
|---|---|
| Canada | 44.0% |
| U.S. | 56.0% |

**Total Portfolio (Q4-22)**




| | |
|---|---|
| Canada | 40.0% |
| U.S. | 60.0% |

## 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 joint venture arrangements. Adjustments are made to this measure to exclude certain non-cash revenue items and other non-recurring revenue amounts. Lease termination income related to significant tenants has been excluded, other than the portion that covers lost revenue due to vacancy.

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, 2023 | 2022 | Change | % Change | Year ended December 31, 2023 | 2022 | Change | % Change |
|---|---|---|---|---|---|---|---|---|
| Net operating income | $ 45,352 | $ 52,377 | | | $ 184,017 | $ 209,980 | | |
| Add (deduct) net operating income from: | | | | | | | | |
| Joint venture arrangements | 3,116 | 1,548 | | | 11,123 | 8,886 | | |
| Dispositions and unconditional dispositions | (6,215) | (14,943) | | | (9,174) | (40,569) | | |
| (Re)development properties | 340 | 227 | | | (2,716) | (6,634) | | |
| Lease termination income adjustments | (101) | (374) | | | (135) | (1,289) | | |
| Other | (51) | 76 | | | 301 | 172 | | |
| | (2,911) | (13,466) | | | (601) | (39,434) | | |
| Straight-line rent adjustments (1) | (699) | (804) | | | (2,697) | (3,045) | | |
| Tenant inducements amortized to revenue (1) | 5,922 | 5,532 | | | 24,220 | 22,969 | | |
| Same Property NOI | $ 47,664 | $ 43,639 | $ 4,025 | 9.2 % | $ 204,939 | $ 190,470 | $ 14,469 | 7.6 % |

(1) Includes joint venture arrangements.

*Same Property NOI by Asset Class*

| | Three months ended December 31, 2023 | 2022 | Change | % Change | Year ended December 31, 2023 | 2022 | Change | % Change |
|---|---|---|---|---|---|---|---|---|
| Industrial | $ 15,567 | $ 13,238 | $ 2,329 | 17.6 % | $ 62,531 | $ 54,849 | $ 7,682 | 14.0 % |
| Office | 26,830 | 25,714 | 1,116 | 4.3 % | 107,648 | 101,126 | 6,522 | 6.4 % |
| Retail | 5,267 | 4,687 | 580 | 12.4 % | 34,760 | 34,495 | 265 | 0.8 % |
| Same Property NOI | $ 47,664 | $ 43,639 | $ 4,025 | 9.2 % | $ 204,939 | $ 190,470 | $ 14,469 | 7.6 % |

*Same Property NOI by Asset Class*





| | Three months ended December 31, 2023 | 2022 | Change | % Change | Year ended December 31, 2023 | 2022 | Change | % Change |
|---|---|---|---|---|---|---|---|---|
| Canada: | | | | | | | | |
| Industrial | $ 7,548 | $ 7,338 | $ 210 | 2.9 % | $ 29,647 | $ 29,523 | $ 124 | 0.4 % |
| Office | 6,237 | 5,450 | 787 | 14.4 % | 27,759 | 26,519 | 1,240 | 4.7 % |
| Retail | 5,267 | 4,687 | 580 | 12.4 % | 34,760 | 34,495 | 265 | 0.8 % |
| Total Canada | 19,052 | 17,475 | 1,577 | 9.0 % | 92,166 | 90,537 | 1,629 | 1.8 % |
| U.S.: | | | | | | | | |
| Industrial | 5,885 | 4,346 | 1,539 | 35.4 % | 24,362 | 19,507 | 4,855 | 24.9 % |
| Office | 15,124 | 14,919 | 205 | 1.4 % | 59,198 | 57,256 | 1,942 | 3.4 % |
| Total U.S. | 21,009 | 19,265 | 1,744 | 9.1 % | 83,560 | 76,763 | 6,797 | 8.9 % |
| Total in functional currency | 40,061 | 36,740 | 3,321 | 9.0 % | 175,726 | 167,300 | 8,426 | 5.0 % |
| Foreign exchange | 7,603 | 6,899 | 704 | 10.2 % | 29,213 | 23,170 | 6,043 | 26.1 % |
| Same Property NOI | $ 47,664 | $ 43,639 | $ 4,025 | 9.2 % | $ 204,939 | $ 190,470 | $ 14,469 | 7.6 % |

*Same Property NOI by Geographical Region*

| | Three months ended December 31, 2023 | 2022 | Change | % Change | Year ended December 31, 2023 | 2022 | Change | % Change |
|---|---|---|---|---|---|---|---|---|
| Alberta | $ 6,703 | $ 6,473 | $ 230 | 3.6 % | $ 33,503 | $ 34,158 | $ (655) | (1.9)% |
| British Columbia | 1,766 | 1,678 | 88 | 5.2 % | 6,736 | 6,667 | 69 | 1.0 % |
| Manitoba | 8,157 | 6,869 | 1,288 | 18.8 % | 40,082 | 37,878 | 2,204 | 5.8 % |
| Ontario | — | — | — | — % | 2,131 | 2,152 | (21) | (1.0)% |
| Saskatchewan | 2,426 | 2,455 | (29) | (1.2)% | 9,714 | 9,682 | 32 | 0.3 % |
| Arizona | 5,735 | 5,563 | 172 | 3.1 % | 22,835 | 20,395 | 2,440 | 12.0 % |
| Colorado | 478 | 662 | (184) | (27.8)% | 2,275 | 2,686 | (411) | (15.3)% |
| Minnesota | 6,044 | 5,665 | 379 | 6.7 % | 25,071 | 22,886 | 2,185 | 9.5 % |
| Texas | 2,976 | 1,971 | 1,005 | 51.0 % | 12,010 | 9,223 | 2,787 | 30.2 % |
| Wisconsin | 5,776 | 5,404 | 372 | 6.9 % | 21,369 | 21,573 | (204) | (0.9)% |
| Total in functional currency | 40,061 | 36,740 | 3,321 | 9.0 % | 175,726 | 167,300 | 8,426 | 5.0 % |
| Foreign exchange | 7,603 | 6,899 | 704 | 10.2 % | 29,213 | 23,170 | 6,043 | 26.1 % |
| Same Property NOI | $ 47,664 | $ 43,639 | $ 4,025 | 9.2 % | $ 204,939 | $ 190,470 | $ 14,469 | 7.6 % |

*Same Property Occupancy*

| | As at December 31, | |
|---|---|---|
| **Geographical Region** | **2023** | **2022** |
| Canada: | | |
| Alberta | 86.5% | 87.9% |
| British Columbia | 92.9% | 92.7% |
| Manitoba | 90.7% | 90.7% |
| Ontario | 100.0% | 100.0% |
| Saskatchewan | 96.6% | 99.8% |
| Total Canada | 90.2% | 90.9% |
| U.S.: | | |
| Arizona | 94.4% | 95.3% |
| Colorado | 66.1% | 72.8% |
| Minnesota | 88.3% | 79.1% |
| Texas | 100.0% | 98.7% |
| Wisconsin | 81.2% | 83.6% |
| Total U.S. | 90.8% | 89.1% |
| Total | 90.5% | 89.9% |

| | As at December 31, | |
|---|---|---|
| **Asset Class** | **2023** | **2022** |
| Industrial | 97.9% | 94.4% |
| Office | 84.3% | 85.6% |
| Retail | 87.4% | 89.6% |
| Total | 90.5% | 89.9% |

## INTEREST AND OTHER INCOME

Interest and other income was $32,359 (Q4-23 - $9,052) in 2023, compared to $18,944 (Q4-22 - $5,589) in 2022. The change is primarily due to interest income from preferred investments in the amount of $29,900 (Q4-23 - $8,219) in 2023, compared to $15,713 (Q4-22 - $4,956) in 2022, which is partially due to additional interest income in the amount of $7,179 (Q4-23 - $1,966) in 2023 which may or may not be recurring in future quarters. Refer to the Preferred Investments section of this MD&A for further details.

## DISTRIBUTION INCOME FROM EQUITY SECURITIES

Distribution income from equity securities was $12,365 (Q4-23 - $2,501) in 2023, compared to $10,710 (Q4-22 - $4,440) in 2022. Refer to Equity Securities section of this MD&A for further details.

## INTEREST EXPENSE

| | Three months ended December 31, | | | | Year ended December 31, | | | |
|---|---|---|---|---|---|---|---|---|
| | **2023** | **2022** | **Change** | **% Change** | **2023** | **2022** | **Change** | **% Change** |
| Mortgages and other loans (1) | $ 12,313 | $ 8,239 | $ 4,074 | | $ 41,453 | $ 31,250 | $ 10,203 | |
| Senior unsecured debentures | 2,883 | 5,420 | (2,537) | | 18,515 | 17,674 | 841 | |
| Credit facilities (1) | 14,168 | 12,859 | 1,309 | | 50,036 | 33,557 | 16,479 | |
| Preferred shares (1) | 46 | 46 | — | | 184 | 183 | 1 | |
| | 29,410 | 26,564 | 2,846 | 10.7 % | 110,188 | 82,664 | 27,524 | 33.3 % |
| Foreign exchange | 3,406 | 2,449 | 957 | | 11,688 | 6,773 | 4,915 | |
| Total interest expense | $ 32,816 | $ 29,013 | $ 3,803 | 13.1 % | $ 121,876 | $ 89,437 | $ 32,439 | 36.3 % |

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

During 2023, interest expense on mortgages and other loans was impacted by new mortgage financing and increased interest expense on mortgages at variable rates, partially offset by the repayment of mortgages upon disposition of investment properties and the repayment of maturing mortgages. Interest expense on senior unsecured debentures increased due to the issuance of the Series E senior unsecured debentures on April 29 2022, partially offset by the repayment of the Series D senior unsecured debentures on September 18, 2023. Interest expense on credit facilities increased primarily due to fluctuations to balances drawn on the revolving credit facilities and increase 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, 2023, the weighted-average effective interest rate on mortgages and other loans secured by properties, was 6.63%, compared to 4.84% at December 31, 2022. The weighted-average nominal interest rate on mortgages and other loans secured by properties at December 31, 2023, was 6.17%, compared to 4.46% at December 31, 2022.





## CORPORATE EXPENSES

| | Three months ended December 31, | | | | Year ended December 31, | | | |
|---|---|---|---|---|---|---|---|---|
| | **2023** | **2022** | **Change** | **% Change** | **2023** | **2022** | **Change** | **% Change** |
| Accounting, legal and consulting | $ 630 | $ 427 | $ 203 | 47.5 % | $ 2,022 | $ 1,774 | $ 248 | 14.0 % |
| Public company costs | 421 | 340 | 81 | 23.8 % | 967 | 1,116 | (149) | (13.4)% |
| Salaries and benefits | 551 | 508 | 43 | 8.5 % | 2,071 | 2,722 | (651) | (23.9)% |
| Depreciation of property and equipment | 311 | 312 | (1) | (0.3)% | 1,226 | 1,254 | (28) | (2.2)% |
| General and administrative | 221 | 171 | 50 | 29.2 % | 698 | 795 | (97) | (12.2)% |
| Total corporate expenses | $ 2,134 | $ 1,758 | $ 376 | 21.4 % | $ 6,984 | $ 7,661 | $ (677) | (8.8)% |

Corporate expenses in 2023 were $6,984 (Q4-23 - $2,134 ), or 2.1% (Q4-23 - 2.6%) of total revenues compared to $7,661 (Q4-22 - $1,758) or 2.1% (Q4-22 - 1.9%) of total revenues in 2022.

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 $579 (Q4-23 - loss of $56) in 2023 compared to a fair value gain of $577 (Q4-22 - gain of $100) in 2022.

Salaries and benefits include a fair value gain on unit-based compensation of $854 (Q4-23 - gain of $90) in 2023 compared to a fair value gain of $484 (Q4-22 - gain of $147) in 2022.

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 $878 (Q4-23 - $171) in 2023, compared to $1,890 (Q4-22 - $759) in 2022.

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 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 2023, the fair value loss on investment properties was $344,286 (Q4-23 - loss of $119,803), compared to a loss of $178,431 (Q4-22 - loss of $156,533) in 2022. The fair value loss in 2023 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 December 31, 2023 | Year ended December 31, 2023 |
|---|---|---|
| Canada: | | |
| Industrial | $ 5,199 | $ (658) |
| Office | (21,319) | (75,325) |
| Retail | (9,509) | (3,976) |
| Residential | (538) | (7,592) |
| | (26,167) | (87,551) |
| U.S.: | | |
| Industrial | (23,040) | (49,413) |
| Office | (70,596) | (207,322) |
| | (93,636) | (256,735) |
| Total portfolio: | | |
| Industrial | (17,841) | (50,071) |
| Office | (91,915) | (282,647) |
| Retail | (9,509) | (3,976) |
| Residential | (538) | (7,592) |
| Total portfolio | $ (119,803) | $ (344,286) |

## 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 loss on the fair value adjustment of the interest rate swaps outstanding of $9,865 (Q4-23 - loss of $6,315) in 2023, compared to an unrealized gain of $19,525 (Q4-22 - gain of $283) in 2022. The REIT anticipates holding the mortgages and related interest rate swap contracts until maturity.

Additionally, the REIT recorded a fair value loss on equity securities of $31,862 (Q4-23 - gain of $18,227) in 2023, compared to a loss of $41,432 (Q4-22 - gain of $17,656) in 2022.

**FOREIGN CURRENCY TRANSLATION GAIN (LOSS)**

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 gain (loss) is primarily due to remeasurement of these assets and liabilities into Canadian dollars at the exchange rate in effect at the balance sheet date. The REIT recorded a foreign currency translation gain of $6,932 (Q4-23 - gain of $3,880) in 2023, compared to a loss of $6,683 (Q4-22 - gain of $1,583) in 2022.

**INCOME TAX EXPENSE (RECOVERY)**

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 expense (recovery) comprised of:

| | Three months ended December 31, 2023 | Three months ended December 31, 2022 | Year ended December 31, 2023 | Year ended December 31, 2022 |
|---|---|---|---|---|
| Current income tax expense | $ 77 | $ 421 | $ 601 | $ 735 |
| Deferred income tax expense (recovery), net | 2,990 | (6,315) | (6,206) | 13,620 |
| Income tax expense (recovery) | $ 3,067 | $ (5,894) | $ (5,605) | $ 14,355 |

The deferred tax recovery recorded in 2023 was primarily due to the REIT's share of net loss of Iris for the year. 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 (LOSS) GAIN**

Other comprehensive (loss) gain includes unrealized foreign currency translation losses of $29,897 (Q4-23 - losses of $25,770) in 2023, compared to gains of $110,831 (Q4-22 - losses of $19,358) in 2022. 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 in accordance with the guidelines set out by the Real Property Association of Canada ("REALpac"), as issued in January 2022, except for the add-back of strategic review expenses in the amount of $207 (Q4-23 - $28) in 2023. Although the add-back of these expenses to arrive at FFO and AFFO is not in accordance with the guidelines set out by REALpac, management believes it provides a better representation of recurring FFO and AFFO. 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. FFO and AFFO include adjustments related to the REIT's equity accounted investments.

Prior to June 30, 2023, the REIT adjusted FFO and AFFO for the impact of realized gain (loss) on equity securities. Effective June 30, 2023, the REIT calculates FFO and AFFO excluding the impact of realized gain (loss) on equity securities. The REIT presents the calculation including the impact of these transactions separately for information purposes. Refer to FFO and AFFO, Adjusted for Impact of Realized Loss on Equity Securities section of this MD&A on the following page.





**FFO and AFFO**

| 000's, except per unit amounts | Three months ended December 31, 2023 | Three months ended December 31, 2022 | Change | % Change | Year ended December 31, 2023 | Year ended December 31, 2022 | Change | % Change |
|---|---|---|---|---|---|---|---|---|
| Net loss | $ (86,837) | $ (128,301) | | | $ (332,068) | $ (5,294) | | |
| Add (deduct): | | | | | | | | |
| Tenant inducements amortized to revenue | 6,177 | 6,301 | | | 24,595 | 25,405 | | |
| Incremental leasing costs | 456 | 368 | | | 2,274 | 2,695 | | |
| Distributions on preferred shares treated as interest expense | 63 | 63 | | | 249 | 240 | | |
| Remeasurement component of unit-based compensation | (34) | (435) | | | (1,433) | (1,725) | | |
| Strategic review expenses | 28 | — | | | 207 | — | | |
| Adjustments for equity accounted investments | 4,381 | 29,211 | | | 66,862 | (62,140) | | |
| Fair value loss on investment properties | 119,803 | 156,533 | | | 344,286 | 178,431 | | |
| Fair value (gain) loss on financial instruments | (12,201) | (18,075) | | | 41,730 | 21,130 | | |
| Foreign currency translation (gain) loss | (3,880) | (1,583) | | | (6,932) | 6,683 | | |
| Deferred income tax expense (recovery) | 2,990 | (6,315) | | | (6,206) | 13,620 | | |
| Preferred unit distributions | (3,671) | (3,077) | | | (13,025) | (15,856) | | |
| FFO | $ 27,275 | $ 34,690 | $ (7,415) | (21.4)% | $ 120,539 | $ 163,189 | $ (42,650) | (26.1)% |
| Add (deduct): | | | | | | | | |
| Amortization of recoverable capital expenditures | $ (1,985) | $ (2,393) | | | $ (7,403) | $ (8,180) | | |
| Straight-line rent adjustments | (509) | (424) | | | (2,554) | (1,379) | | |
| Non-recoverable property maintenance reserve | (400) | (850) | | | (2,200) | (4,150) | | |
| Leasing costs reserve | (7,500) | (7,900) | | | (30,400) | (31,900) | | |
| Adjustments for equity accounted investments | (1,463) | (1,816) | | | (7,984) | (6,630) | | |
| AFFO | $ 15,418 | $ 21,307 | $ (5,889) | (27.6)% | $ 69,998 | $ 110,950 | $ (40,952) | (36.9)% |

FFO in 2023 was primarily impacted by decreased net operating income as a result of dispositions completed in 2022 and 2023 and increased interest expense, partially offset by an increase to other income due to the preferred investment as part of the Cominar Transaction.

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 67.7% (Q4-23 - 66.9%) is recoverable from tenants in 2023, compared to 71.7% (Q4-22 - 66.8%) in 2022. The non-recoverable property maintenance reserve reflects management's estimate of a normalized expenditure using the 2020, 2021, 2022 and 2023 actual expenditures and the 2024 annual budgeted expenditures, adjusted for the impact of dispositions. 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, 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, Adjusted for Impact of Realized Gain (Loss) on Equity Securities**

The REIT also calculates FFO and AFFO, adjusted for the impact of realized gain (loss) on equity securities. Although these adjustments are not in accordance with the guidelines set out by REALpac as issued in January 2022, management believes the resulting FFO and AFFO provide relevant information. Realized gain (loss) on equity securities is a result of equity security disposition activity and may not recur in future quarters.

| 000's, except per unit amounts | Three months ended December 31, 2023 | 2022 | Change | % Change | Year ended December 31, 2023 | 2022 | Change | % Change |
|---|---|---|---|---|---|---|---|---|
| FFO | $ 27,275 | $ 34,690 | | | $ 120,539 | $ 163,189 | | |
| Add (deduct): | | | | | | | | |
| Realized gain (loss) on equity securities | — | 740 | | | (20,683) | 1,602 | | |
| FFO, adjusted for impact of realized gain (loss) on equity securities | $ 27,275 | $ 35,430 | $ (8,155) | (23.0)% | $ 99,856 | $ 164,791 | $ (64,935) | (39.4)% |
| AFFO | $ 15,418 | $ 21,307 | | | $ 69,998 | $ 110,950 | | |
| Add (deduct): | | | | | | | | |
| Realized (loss) gain on equity securities | — | 740 | | | (20,683) | 1,602 | | |
| AFFO, adjusted for impact of realized gain (loss) on equity securities | $ 15,418 | $ 22,047 | $ (6,629) | (30.1)% | $ 49,315 | $ 112,552 | $ (63,237) | (56.2)% |

**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 for FFO and AFFO purposes:

| | Three months ended December 31, 2023 | 2022 | Year ended December 31, 2023 | 2022 |
|---|---|---|---|---|
| Basic units | 107,947,620 | 115,781,374 | 111,294,362 | 117,932,876 |
| Add: | | | | |
| Restricted units | 443,082 | 399,997 | 402,558 | 356,076 |
| Deferred units | 322,874 | 202,914 | 281,001 | 180,635 |
| Diluted units | 108,713,576 | 116,384,285 | 111,977,921 | 118,469,587 |

*FFO and AFFO per Unit*

| | Three months ended December 31, 2023 | 2022 | Change | % Change | Year ended December 31, 2023 | 2022 | Change | % Change |
|---|---|---|---|---|---|---|---|---|
| FFO per unit: | | | | | | | | |
| Basic | $ 0.25 | $ 0.30 | $ (0.05) | (16.7)% | $ 1.08 | $ 1.38 | $ (0.30) | (21.7)% |
| Diluted | 0.25 | 0.30 | (0.05) | (16.7)% | 1.08 | 1.38 | (0.30) | (21.7)% |
| AFFO per unit: | | | | | | | | |
| Basic | $ 0.14 | $ 0.18 | $ (0.04) | (22.2)% | $ 0.63 | $ 0.94 | $ (0.31) | (33.0)% |
| Diluted | 0.14 | 0.18 | (0.04) | (22.2)% | 0.63 | 0.94 | (0.31) | (33.0)% |

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 per Unit, Adjusted for Impact of Realized Gain (Loss) on Equity Securities*

| | Three months ended December 31, 2023 | 2022 | Change | % Change | Year ended December 31, 2023 | 2022 | Change | % Change |
|---|---|---|---|---|---|---|---|---|
| FFO, adjusted for impact of realized gain (loss) on equity securities per unit: | | | | | | | | |
| Basic | $ 0.25 | $ 0.31 | $ (0.06) | (19.4)% | $ 0.90 | $ 1.40 | $ (0.50) | (35.7)% |
| Diluted | 0.25 | 0.30 | (0.05) | (16.7)% | 0.89 | 1.39 | (0.50) | (36.0)% |
| AFFO, adjusted for impact of realized gain (loss) on equity securities per unit: | | | | | | | | |
| Basic | $ 0.14 | $ 0.19 | $ (0.05) | (26.3)% | $ 0.44 | $ 0.95 | $ (0.51) | (53.7)% |
| Diluted | 0.14 | 0.19 | (0.05) | (26.3)% | 0.44 | 0.95 | (0.51) | (53.7)% |

**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 December 31, 2023 | 2022 | % Change | Year ended December 31, 2023 | 2022 | % Change |
|---|---|---|---|---|---|---|
| Distributions per common unit (1) | $ 0.15 | $ 0.15 | | $ 0.60 | $ 0.60 | |
| FFO per unit - diluted | 0.25 | 0.30 | | 1.08 | 1.38 | |
| FFO payout ratio | 60.0 % | 50.0 % | 10.0 % | 55.6 % | 43.5 % | 12.1 % |
| Distributions per common unit (1) | $ 0.15 | $ 0.15 | | $ 0.60 | $ 0.60 | |
| AFFO per unit - diluted | 0.14 | 0.18 | | 0.63 | 0.94 | |
| AFFO payout ratio | 107.1 % | 83.3 % | 23.8 % | 95.2 % | 63.8 % | 31.4 % |

(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, 2023 | December 31, 2022 |
|---|---|---|
| Investment properties | $ 2,494,134 | $ 3,156,206 |
| Investment properties under development | 947 | 191,552 |
| Investment properties held for sale | 571,760 | 335,813 |
| Total | $ 3,066,841 | $ 3,683,571 |

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

| | | |
|---|---|---|
| Balance, December 31, 2022 | $ | 3,683,571 |
| Additions: | | |
| Capital expenditures | | |
| Investment properties | | 25,199 |
| Investment properties under development | | 26,870 |
| Capitalized interest [(1)] | | 2,770 |
| Leasing commissions | | 7,128 |
| Straight-line rent adjustments | | 2,554 |
| Tenant inducement additions, net of amortization | | 12,978 |
| Dispositions | | (310,921) |
| Foreign currency translation loss | | (39,022) |
| Fair value loss | | (344,286) |
| Balance, December 31, 2023 | $ | 3,066,841 |

(1) During 2023, interest was capitalized to investment properties under development at a weighted-average effective interest rate of 6.87%

*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 December 31, 2023 | 2022 | Change | % Change | Year ended December 31, 2023 | 2022 | Change | % Change |
|---|---|---|---|---|---|---|---|---|
| New and (re)development expenditures | $ 2,086 | $ 8,372 | $ (6,286) | | $ 26,870 | $ 60,340 | $ (33,470) | |
| Building improvements expenditures: | | | | | | | | |
| Recoverable from tenants | 1,698 | 419 | 1,279 | | 2,405 | 1,704 | 701 | |
| Non-recoverable | 2,999 | 4,020 | (1,021) | | 16,888 | 15,805 | 1,083 | |
| Property maintenance expenditures: | | | | | | | | |
| Recoverable from tenants | 1,265 | 1,477 | (212) | | 4,180 | 5,821 | (1,641) | |
| Non-recoverable | 780 | 544 | 236 | | 1,726 | 3,292 | (1,566) | |
| Total capital expenditures | $ 8,828 | $ 14,832 | $ (6,004) | (40.5)% | $ 52,069 | $ 86,962 | $ (34,893) | (40.1)% |





*Capital Expenditures by Asset Class*

| | Three months ended December 31, 2023 | 2022 | Change | % Change | Year ended December 31, 2023 | 2022 | Change | % Change |
|---|---|---|---|---|---|---|---|---|
| Canada: | | | | | | | | |
| Industrial | $ 51 | $ 104 | $ (53) | | $ 809 | $ 623 | $ 186 | |
| Office | 1,902 | 2,663 | (761) | | 9,243 | 7,439 | 1,804 | |
| Retail | 1,231 | 293 | 938 | | 1,548 | 1,194 | 354 | |
| Residential | 1,575 | 4,851 | (3,276) | | 17,940 | 32,226 | (14,286) | |
| | 4,759 | 7,911 | (3,152) | | 29,540 | 41,482 | (11,942) | |
| U.S.: | | | | | | | | |
| Industrial | (1,319) | 1,950 | (3,269) | | 2,090 | 29,861 | (27,771) | |
| Office | 5,388 | 4,971 | 417 | | 20,439 | 15,619 | 4,820 | |
| | 4,069 | 6,921 | (2,852) | | 22,529 | 45,480 | (22,951) | |
| Total portfolio: | | | | | | | | |
| Industrial | (1,268) | 2,054 | (3,322) | | 2,899 | 30,484 | (27,585) | |
| Office | 7,290 | 7,634 | (344) | | 29,682 | 23,058 | 6,624 | |
| Retail | 1,231 | 293 | 938 | | 1,548 | 1,194 | 354 | |
| Residential | 1,575 | 4,851 | (3,276) | | 17,940 | 32,226 | (14,286) | |
| Total portfolio | $ 8,828 | $ 14,832 | $ (6,004) | (40.5)% | $ 52,069 | $ 86,962 | $ (34,893) | (40.1)% |

In 2023, new and (re)development expenditures included $17,940 for 300 Main.

In 2022, new and (re)development expenditures included $32,226 for 300 Main, and $27,918 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 December 31, 2023 | 2022 | Change | % Change | Year ended December 31, 2023 | 2022 | Change | % Change |
|---|---|---|---|---|---|---|---|---|
| Investment property leasing costs: | | | | | | | | |
| Tenant inducements | $ 7,171 | $ 6,816 | $ 355 | | $ 35,331 | $ 34,421 | $ 910 | |
| Leasing commissions | 1,042 | 2,578 | (1,536) | | 5,277 | 11,552 | (6,275) | |
| Investment property (re)development related leasing costs: | | | | | | | | |
| Tenant inducements | 671 | 1,210 | (539) | | 1,938 | 2,124 | (186) | |
| Leasing commissions | 547 | 304 | 243 | | 1,851 | 503 | 1,348 | |
| Total leasing costs | $ 9,431 | $ 10,908 | $ (1,477) | (13.5)% | $ 44,397 | $ 48,600 | $ (4,203) | (8.6)% |

*Leasing Costs by Asset Class*

| | Three months ended December 31, 2023 | 2022 | Change | % Change | Year ended December 31, 2023 | 2022 | Change | % Change |
|---|---|---|---|---|---|---|---|---|
| Canada: | | | | | | | | |
| Industrial | $ 116 | $ 525 | $ (409) | | $ 3,199 | $ 2,463 | $ 736 | |
| Office | 520 | 366 | 154 | | 1,471 | 1,802 | (331) | |
| Retail | 791 | 352 | 439 | | 3,095 | 3,183 | (88) | |
| Residential | (248) | — | (248) | | (248) | 448 | (696) | |
| | 1,179 | 1,243 | (64) | | 7,517 | 7,896 | (379) | |
| U.S.: | | | | | | | | |
| Industrial | 1,939 | 3,217 | (1,278) | | 6,945 | 9,381 | (2,436) | |
| Office | 6,313 | 6,448 | (135) | | 29,935 | 31,323 | (1,388) | |
| | 8,252 | 9,665 | (1,413) | | 36,880 | 40,704 | (3,824) | |
| Total portfolio: | | | | | | | | |
| Industrial | 2,055 | 3,742 | (1,687) | | 10,144 | 11,844 | (1,700) | |
| Office | 6,833 | 6,814 | 19 | | 31,406 | 33,125 | (1,719) | |
| Retail | 791 | 352 | 439 | | 3,095 | 3,183 | (88) | |
| Residential | (248) | — | (248) | | (248) | 448 | (696) | |
| Total leasing costs | $ 9,431 | $ 10,908 | $ (1,477) | (13.5)% | $ 44,397 | $ 48,600 | $ (4,203) | (8.6)% |

In 2023, leasing costs included $8,704 for three office tenants in the Greater Phoenix Area, Arizona. Leasing costs related to new and (re)developments included $3,649 for three industrial tenants in the Twin Cities Area, Minnesota.

**Dispositions**

During 2023, Artis sold nine industrial properties, five retail properties, three office properties and a parcel of development land for an aggregate sale price of $322,431. The sale proceeds, net of costs of $11,284, related debt of $75,512 and the issuance of a note receivable of $13,619 were $222,016.

*Completed new developments*

During 2023, Artis completed the development of Blaine 35 II, comprised of two industrial buildings totalling 198,900 square feet, located in the Twin Cities Area, Minnesota and 300 Main, a commercial/residential property located in Winnipeg, Manitoba. Refer to the Portfolio Summary section for further details.

*Investment properties held for sale*

At December 31, 2023, the REIT had 16 retail properties, seven office properties, one industrial property, one parking lot and one parcel of development land located in Canada and three office properties and one industrial property located in the U.S. with an aggregate fair value of $571,760, classified as held for sale. These properties were actively marketed for sale or under unconditional or conditional sale agreements at December 31, 2023.

*Foreign currency translation loss on investment properties*

In 2023, the foreign currency translation loss on investment properties was $39,022 due to the change in the period end US dollar to Canadian dollar exchange rate from 1.3544 at December 31, 2022 to 1.3226 at December 31, 2023.

*Fair value loss on investment properties*

During 2023, the REIT recorded a loss on the fair value of investment properties of $344,286 (Q4-23 - loss of $119,803), compared to a loss of $178,431 (Q4-22 - loss of $156,533) in 2022. The fair value loss in 2023 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 4.25% to 9.00%.

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





*Capitalization Rates*

| | December 31, 2023 Maximum | Minimum | Weighted-average | December 31, 2022 Maximum | Minimum | Weighted-average |
|---|---|---|---|---|---|---|
| Industrial: | | | | | | |
| Canadian industrial portfolio | 9.00 % | 4.25 % | 6.48 % | 8.50 % | 3.75 % | 6.23 % |
| U.S. industrial portfolio | 8.00 % | 5.50 % | 6.16 % | 7.75 % | 5.00 % | 5.49 % |
| Total industrial portfolio | 9.00 % | 4.25 % | 6.32 % | 8.50 % | 3.75 % | 5.81 % |
| Office: | | | | | | |
| Canadian office portfolio | 8.75 % | 5.00 % | 6.72 % | 8.25 % | 4.25 % | 6.21 % |
| U.S. office portfolio | 9.00 % | 7.25 % | 8.21 % | 8.25 % | 6.25 % | 7.35 % |
| Total office portfolio | 9.00 % | 5.00 % | 7.67 % | 8.25 % | 4.25 % | 6.94 % |
| Retail: | | | | | | |
| Canadian retail portfolio | 8.75 % | 6.00 % | 6.96 % | 8.75 % | 6.00 % | 6.65 % |
| Total retail portfolio | 8.75 % | 6.00 % | 6.96 % | 8.75 % | 6.00 % | 6.65 % |
| 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 | 9.00 % | 4.25 % | 6.46 % | 8.75 % | 3.75 % | 6.20 % |
| U.S. portfolio | 9.00 % | 5.50 % | 7.49 % | 8.25 % | 5.00 % | 6.66 % |
| Total portfolio | 9.00 % | 4.25 % | 6.89 % | 8.75 % | 3.75 % | 6.40 % |

**Preferred Investments**

At December 31, 2023, the REIT had preferred investments of $144,084, compared to $114,184 at December 31, 2022. The change is due to junior preferred units received in-kind for interest income in the amount of $29,900.

The junior preferred units 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.

**Equity Securities**

At December 31, 2023, the REIT had investments in equity securities of $152,002, compared to $316,768 at December 31, 2022.

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

| | | |
|---|---|---|
| Balance, December 31, 2022 | $ | 316,768 |
| Purchases | | 1,125 |
| Dispositions | | (134,029) |
| Fair value loss | | (31,862) |
| Balance, December 31, 2023 | $ | 152,002 |

**Notes Receivable**

On November 17, 2023, the REIT disposed of an office property and received as partial consideration a note receivable in the amount of US$11,500. The REIT receives quarterly interest-only payments at an effective rate of 8.967% per annum. The note receivable is secured by the office property and matures in November 2028.

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. This note receivable was repaid subsequent to year end.

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, 2023 was $47,170, compared to $38,695 at December 31, 2022.

**Accounts Receivable**

At December 31, 2023, Artis had accounts receivable outstanding as follows:

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Rents receivable | $ 5,017 | $ 5,229 |
| Deferred rents receivable | 194 | 238 |
| Allowance for doubtful accounts | (2,102) | (2,187) |
| Accrued recovery income | 3,141 | 3,470 |
| Other receivables | 9,710 | 10,557 |
| | $ 15,960 | $ 17,307 |

**Cash**

At December 31, 2023, the REIT had $28,940 of cash on hand, compared to $29,168 at December 31, 2022. The balance is anticipated to be invested in investment properties, used for working capital purposes, debt repayment or other activities in accordance with the REIT's strategy. 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, 2023 was 2.1 years, increased from 1.6 years at December 31, 2022.

At December 31, 2023, Artis had mortgages and loans payable outstanding, as follows:

| | Canada | | U.S. | | Total Portfolio | |
|---|---|---|---|---|---|---|
| | December 31, 2023 | December 31, 2022 | December 31, 2023 | December 31, 2022 | December 31, 2023 | December 31, 2022 |
| Fixed rate mortgages | $ 220,218 | $ 285,848 | $ 46,548 | $ 48,750 | $ 266,766 | $ 334,598 |
| Variable rate mortgages (swapped) | 203,414 | 25,575 | 43,483 | 191,561 | 246,897 | 217,136 |
| Variable rate mortgages | 14,160 | 4,097 | 388,498 | 310,905 | 402,658 | 315,002 |
| Net above- and below-market mortgage adjustments | — | — | — | 782 | — | 782 |
| Financing costs | (3,230) | (1,476) | (1,343) | (1,344) | (4,573) | (2,820) |
| | $ 434,562 | $ 314,044 | $ 477,186 | $ 550,654 | $ 911,748 | $ 864,698 |

At December 31, 2023, variable rate mortgage debt (excluding swapped mortgages) as a percentage of total debt, including credit facilities and debentures was 21.1%, compared to 14.2% at December 31, 2022. 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 over the long term, 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, 2023 | December 31, 2022 |
|---|---|---|
| Canadian portfolio: | | |
| Industrial | $ 61,740 | $ 52,618 |
| Office | 53,599 | 51,041 |
| Retail | 142,539 | 211,861 |
| Residential | 179,914 | — |
| | 437,792 | 315,520 |
| U.S. portfolio: | | |
| Industrial | 156,513 | 162,900 |
| Office | 322,016 | 388,316 |
| | 478,529 | 551,216 |
| Total portfolio: | | |
| Industrial | 218,253 | 215,518 |
| Office | 375,615 | 439,357 |
| Retail | 142,539 | 211,861 |
| Residential | 179,914 | — |
| Total portfolio | $ 916,321 | $ 866,736 |

During 2023, Artis obtained an interest-only construction loan which encumbers a residential property, a retail property and a parkade located in Winnipeg, Manitoba for a three-year term.

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

| | |
|---|---|
| Balance, December 31, 2022 | $ 866,736 |
| Add (deduct): | |
| Draws on construction loans | 188,898 |
| New fixed rate mortgages | 51,250 |
| New variable rate mortgage | 50,017 |
| New swapped rate mortgage | 23,500 |
| Uplift on fixed rate mortgages | 9,997 |
| Uplift on variable rate mortgage | 6,759 |
| Repayment of fixed rate mortgages | (62,857) |
| Repayment of swapped rate mortgages | (19,697) |
| Repayment of variable rate mortgages | (92,532) |
| Repayment of fixed rate mortgages upon disposition of investment properties | (55,796) |
| Repayment of variable mortgage upon disposition of investment property | (19,717) |
| Principal repayments | (18,049) |
| Foreign currency translation gain | (12,188) |
| Balance, December 31, 2023 | $ 916,321 |

**Senior Unsecured Debentures**

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

| | | | | December 31, 2023 | | December 31, 2022 | |
|---|---|---|---|---|---|---|---|
| | Issued | Maturity | Interest rate | Carrying value | Face value | Carrying value | Face value |
| Series D | September 18, 2020 | September 18, 2023 | 3.824 % | $ — | $ — | $ 249,723 | $ 250,000 |
| Series E | April 29, 2022 | April 29, 2025 | 5.600 % | 199,630 | 200,000 | 199,368 | 200,000 |
| | | | | $ 199,630 | $ 200,000 | $ 449,091 | $ 450,000 |

At December 31, 2023, the carrying value of the senior unsecured debentures decreased $249,461 compared to December 31, 2022. The change is primarily due to the repayment of the Series D senior unsecured debentures on September 18, 2023.

**Credit Facilities**

*Revolving Credit Facilities*

The revolving credit facilities are comprised of two tranches and the REIT can draw on the revolving credit facilities in Canadian or US dollars.

The first tranche of the revolving credit facilities in the amount of $400,000 matures on December 14, 2024. On February 28, 2023, the revolving term credit facilities agreement was amended to reduce the second tranche of the facilities from $300,000 to $280,000 and extend the maturity date to April 29, 2025. The interest rate on US dollar term advances for all revolving credit facilities was amended to adjusted SOFR plus 1.70%, in place of the previous LIBOR plus 1.70% 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 on June 28, 2024.

At December 31, 2023, there was $544,681 drawn on the revolving credit facilities (December 31, 2022, $601,934).

*Non-Revolving Credit Facilities*

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

| | Interest Rate | December 31, 2023 | December 31, 2022 |
|---|---|---|---|
| Non-revolving facility maturing April 3, 2023 | Variable [1] | $ — | $ 50,000 |
| Non-revolving facility maturing February 6, 2024 | Variable [1] | 100,000 | 100,000 |
| Non-revolving facility maturing July 18, 2024 | Variable [1] | 150,000 | 150,000 |
| | | $ 250,000 | $ 300,000 |

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

At December 31, 2023, there was $250,000 drawn on the non-revolving credit facilities (December 31, 2022, $300,000). The change is due to the $50,000 repayment of the non-revolving facility that matured on April 3, 2023.

On January 31, 2023, the REIT entered into an amending agreement to extend the maturity date of the $100,000 non-revolving credit facility to February 6, 2024. On February 28, 2023, the REIT entered into another amended agreement to extend the maturity date of the $150,000 non-revolving credit facility to July 18, 2024 and to provide for CORRA as the Canadian benchmark replacement rate on all Canadian dollar term advances when the publication of CDOR ceases on June 28, 2024.

Subsequent to December 31, 2023, the REIT entered into an amended agreement to extend the maturity date of the $100,000 non-revolving credit facility to February 6, 2026, at an interest rate of adjusted CORRA plus 1.70% or prime plus 0.70%.

**Accounts Payable & Other Liabilities**

Included in accounts payable and other liabilities was accrued distributions payable to unitholders of $6,928, which were paid subsequent to December 31, 2023.

**UNITHOLDERS' EQUITY**

Unitholders' equity decreased overall by $512,827 between December 31, 2022 and December 31, 2023. The overall decrease was primarily due to net loss of $332,068, distributions made to unitholders of $83,859, other comprehensive loss of $32,331, $113,456 of common units and $14,119 of preferred units purchased through the NCIB, partially offset by contributed surplus of $62,893, and the issuance of common units of $113.

**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, 2023 | December 31, 2022 | Change |
|---|---|---|---|
| Unitholders' equity | $ 1,716,332 | $ 2,229,159 | $ (512,827) |
| Less face value of preferred equity | (197,951) | (212,547) | 14,596 |
| NAV attributable to common unitholders | $ 1,518,381 | $ 2,016,612 | $ (498,231) |
| Total number of diluted units outstanding: | | | |
| Common units | 107,950,866 | 115,409,234 | (7,458,368) |
| Restricted units | 477,077 | 440,617 | 36,460 |
| Deferred units | 323,224 | 203,430 | 119,794 |
| | 108,751,167 | 116,053,281 | (7,302,114) |
| NAV per unit | $ 13.96 | $ 17.38 | $ (3.42) |

Unitholders' equity decreased primarily due to net loss resulting from the non-cash impact of fair value losses on investment properties for the period, units purchased under the NCIB, distributions made to unitholders, and the foreign exchange loss recorded in other comprehensive loss. The total number of dilutive units outstanding has decreased primarily due to units purchased under the NCIB.

**Secured Mortgages and Loans to GBV**

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

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

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Total assets | $ 3,735,030 | $ 4,553,913 |
| Add: accumulated depreciation | 11,786 | 10,585 |
| Gross book value | 3,746,816 | 4,564,498 |
| Secured mortgages and loans | $ 911,748 | $ 864,698 |
| Secured mortgages and loans to GBV | 24.3 % | 18.9 % |

**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, 2023 | December 31, 2022 |
|---|---|---|
| Total assets | $ 3,735,030 | $ 4,553,913 |
| Add: accumulated depreciation | 11,786 | 10,585 |
| Gross book value | 3,746,816 | 4,564,498 |
| Secured mortgages and loans | 911,748 | 864,698 |
| Preferred shares liability | 928 | 950 |
| Carrying value of debentures | 199,630 | 449,091 |
| Credit facilities | 794,164 | 901,159 |
| Total debt | $ 1,906,470 | $ 2,215,898 |
| Total debt to GBV | 50.9 % | 48.5 % |

**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, 2023 | December 31, 2022 |
|---|---|---|
| Unencumbered assets | $ 1,567,001 | $ 2,034,409 |
| Unencumbered investment properties held under joint venture arrangements | 47,243 | 50,557 |
| Total unencumbered assets | 1,614,244 | 2,084,966 |
| Senior unsecured debentures | 199,630 | 449,091 |
| Unsecured credit facilities | 794,164 | 901,159 |
| Total unsecured debt | $ 993,794 | $ 1,350,250 |
| Unencumbered assets to unsecured debt | 1.62 | 1.54 |

**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. 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, 2023 | Three months ended December 31, 2022 | Year ended December 31, 2023 | Year ended December 31, 2022 |
|---|---|---|---|---|
| Net loss | $ (86,837) | $ (128,301) | $ (332,068) | $ (5,294) |
| Add (deduct): | | | | |
| Tenant inducements amortized to revenue | 6,177 | 6,301 | 24,595 | 25,405 |
| Straight-line rent adjustments | (509) | (424) | (2,554) | (1,379) |
| Depreciation of property and equipment | 311 | 312 | 1,226 | 1,254 |
| Net loss (income) from equity accounted investments | 1,804 | 28,196 | 57,385 | (74,659) |
| Distributions from equity accounted investments | 1,373 | 734 | 4,346 | 4,166 |
| Interest expense | 32,816 | 29,013 | 121,876 | 89,437 |
| Strategic review expenses | 28 | — | 207 | — |
| Fair value loss on investment properties | 119,803 | 156,533 | 344,286 | 178,431 |
| Fair value (gain) loss on financial instruments | (12,201) | (18,075) | 41,730 | 21,130 |
| Foreign currency translation (gain) loss | (3,880) | (1,583) | (6,932) | 6,683 |
| Income tax expense (recovery) | 3,067 | (5,894) | (5,605) | 14,355 |
| Adjusted EBITDA | 61,952 | 66,812 | 248,492 | 259,529 |
| Interest expense | 32,816 | 29,013 | 121,876 | 89,437 |
| Add (deduct): | | | | |
| Amortization of financing costs | (797) | (787) | (3,401) | (3,177) |
| Amortization of above- and below-market mortgages, net | 84 | 234 | 778 | 896 |
| Adjusted interest expense | $ 32,103 | $ 28,460 | $ 119,253 | $ 87,156 |
| Adjusted EBITDA interest coverage ratio | 1.93 | 2.35 | 2.08 | 2.98 |

**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, 2023 | December 31, 2022 |
|---|---|---|
| Secured mortgages and loans | $ 911,748 | $ 864,698 |
| Preferred shares liability | 928 | 950 |
| Carrying value of debentures | 199,630 | 449,091 |
| Credit facilities | 794,164 | 901,159 |
| Total debt | 1,906,470 | 2,215,898 |
| Quarterly Adjusted EBITDA | 61,952 | 66,812 |
| Annualized Adjusted EBITDA | 247,808 | 267,248 |
| Total debt to Adjusted EBITDA | 7.7 | 8.3 |



Management's Discussion & Analysis

## 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, 2023 | Ownership Interest December 31, 2022 |
|---|---|---|---|---|---|---|---|
| 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 | 1 | Greater Phoenix Area, AZ | Industrial | 56,100 | 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. Subsequent to December 31, 2023, Artis acquired the remaining 5% of Park 8Ninety V and now owns 100% of the property.

During 2023, Artis completed the development of Park Lucero East, an industrial property located in the Greater Phoenix Area, Arizona, comprising 561,000 square feet. Artis has a 10% ownership interest in this property.

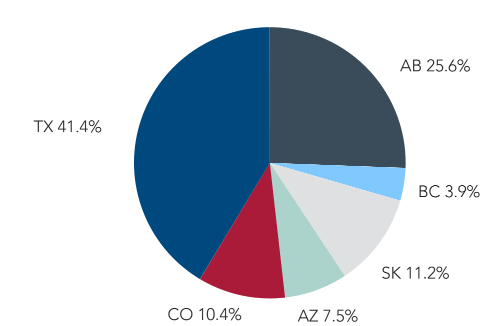
**Financial and Operating Results**

*Net Operating Income*

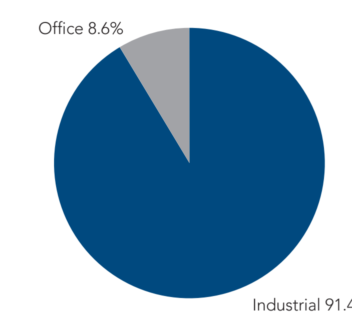
| | Three months ended December 31, 2023 | Three months ended December 31, 2022 | Year ended December 31, 2023 | Year ended December 31, 2022 |
|---|---|---|---|---|
| Revenue | $ 5,600 | $ 3,363 | $ 19,160 | $ 16,262 |
| Total operating expenses | 2,271 | 1,828 | 7,656 | 7,394 |
| Net operating income | $ 3,329 | $ 1,535 | $ 11,504 | $ 8,868 |

Below is a breakdown of Q4-23 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:

**Geographical Region**




**Asset Class**




| | |
|---|---|
| Canada | 40.7% |
| U.S. | 59.3% |

*Fair Value (Loss) Gain on Investment Properties*

In 2023, the fair value loss on investment properties was $9,816 (Q4-23 - loss of $22,453), compared to a gain of $30,373 (Q4-22 - loss of $6,036) in 2022. The fair value loss in 2023 was primarily due to rising interest rates exerting upward pressure on capitalization rates in markets across both Canada and the U.S.

*Other Expenses and Income, Net*

In 2023, the net amount of other expenses and income, was $4,560 (Q4-23 - $1,236), compared to $3,886 (Q4-22 - $888) in 2022.

**Financial Position**

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

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Investment properties | $ 240,109 | $ 212,794 |
| Investment properties under development | — | 12,452 |
| Investment properties held for sale | — | 19,303 |
| Total | $ 240,109 | $ 244,549 |

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

| | |
|---|---|
| Balance, December 31, 2022 | $ 244,549 |
| Additions: | |
| Capital expenditures | 711 |
| Leasing commissions | 5,240 |
| Straight-line rent adjustments | 1,229 |
| Tenant inducement additions, net of amortization | 1,601 |
| Foreign currency translation loss | (3,405) |
| Fair value loss | (9,816) |
| Balance, December 31, 2023 | $ 240,109 |

At December 31, 2023, mortgages and loans payable at the REIT's ownership interest in investment properties held in equity accounted investments were as follows:

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Fixed rate mortgage | $ 28,097 | $ 29,312 |
| Variable rate mortgages | 42,942 | 35,406 |
| Financing costs | (87) | (345) |
| | $ 70,952 | $ 64,373 |

The weighted-average term to maturity on mortgages and loans payable at the REIT's ownership interest in equity accounted investments was 0.8 years at December 31, 2023, compared to 1.9 years at December 31, 2022.

**OTHER INVESTMENTS**

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

| | | | Ownership Interest | |
|---|---|---|---|---|
| Investment | Investment Type | Purpose | December 31, 2023 | December 31, 2022 |
| ICE LP | Joint venture | Investment in Iris Acquisition II LP | 50.00 % | 50.00 % |
| ICE II LP | Joint venture | Investment in the asset manager of Iris Acquisition II LP | 50.00 % | 50.00 % |
| Iris Acquisition II LP | Associate | Investment in Cominar Real Estate Investment Trust | 32.64 % | 32.64 % |

In 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 has an investment in junior preferred units of Iris in the initial amount of $100,000. 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, 2022 | $ 147,013 |
| Net loss from Iris Acquisition II LP | (55,484) |
| Other comprehensive loss from Iris Acquisition II LP | (2,434) |
| Net income from ICE II LP | 972 |
| Distributions from ICE II LP | (738) |
| Balance, December 31, 2023 | $ 89,329 |

## 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, 2023 | Year ended December 31, 2023 | Year ended December 31, 2022 | Year ended December 31, 2021 |
|---|---|---|---|---|
| Cash flow from operations | $ 7,248 | $ 79,962 | $ 140,744 | $ 199,499 |
| Net (loss) income | (86,837) | (332,068) | (5,294) | 389,175 |
| Monthly and quarterly distributions paid and payable | 19,863 | 79,458 | 86,228 | 76,250 |
| Special Distribution payable in cash | — | — | 9,234 | 39,589 |
| | 19,863 | 79,458 | 95,462 | 115,839 |
| (Shortfall) excess of cash flow from operations over distributions paid and payable | (12,615) | 504 | 45,282 | 83,660 |
| (Shortfall) excess of net income over distributions paid and payable | (106,700) | (411,526) | (100,756) | 273,336 |

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

The shortfall of cash flow from operations over distributions paid and payable for the three months ended December 31, 2023 was primarily due to timing of changes to non-cash operating items.

The shortfall of net income over distributions declared for the three months ended December 31, 2023, year ended December 31, 2023 and year ended December 31, 2022 was primarily due to the non-cash impact of the fair value losses on investment properties and financial instruments.

**CAPITAL RESOURCES**

At December 31, 2023, Artis had $28,940 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 REIT's business strategy.

The REIT has two unsecured revolving term credit facilities in the aggregate amount of $680,000, 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, 2023, the REIT had $135,319 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, 2023, the total borrowing capacity of the revolving credit facilities was not limited by this covenant (December 31, 2022, not limited).

At December 31, 2023, the REIT had 85 unencumbered properties and two unencumbered parcels of development land, representing a fair value of $1,567,001.

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, 2023.

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 | $ 84,334 | $ 84,334 | $ — | $ — | $ — |
| Lease liabilities | 916 | 232 | 290 | 310 | 84 |
| Credit facilities | 794,681 | 588,873 | 205,808 | — | — |
| Senior unsecured debentures | 200,000 | — | 200,000 | — | — |
| Mortgages and loans payable | 916,321 | 275,348 | 497,404 | 115,079 | 28,490 |
| Total contractual obligations | $ 1,996,252 | $ 948,787 | $ 903,502 | $ 115,389 | $ 28,574 |

As at December 31, 2023, the REIT had extension options for mortgages maturing in 2024 in the amount of $130,506.

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 |
|---|---|---|---|---|---|
| 2024 | $ 261,425 | 29.8 % | $ 13,923 | $ 275,348 | 6.44 % |
| 2025 | 237,013 | 27.0 % | 8,651 | 245,664 | 7.53 % |
| 2026 | 246,995 | 28.1 % | 4,745 | 251,740 | 5.15 % |
| 2027 | — | — % | 4,437 | 4,437 | — % |
| 2028 | 107,579 | 12.2 % | 3,063 | 110,642 | 5.92 % |
| 2029 & later | 25,275 | 2.9 % | 3,215 | 28,490 | 3.13 % |
| Total | $ 878,287 | 100.0 % | $ 38,034 | $ 916,321 | 6.21 % |

## RISKS AND UNCERTAINTIES

A summary of all risks applicable to the REIT are set forth in Artis's 2023 Annual Information Form. The REIT discusses specific risk factors below.

**STRATEGY**

**Failure to Execute the Strategy**

Pursuant to the strategy, 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 strategy, 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 strategy, 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.



Management's Discussion & Analysis

**Competitive Market for Investment Opportunities**

In accordance with the overall strategy 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 strategy.

**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 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.

**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 value of real property and any improvements thereto may also depend on the credit and financial stability of the tenants and upon vacancy rates of Artis's portfolio of income-producing properties. Artis's financial performance would be adversely affected if a significant number of tenants were to become unable to meet their obligations under their leases. Upon the expiry of any lease, there can be no assurance that the lease will be renewed on favourable terms to Artis or at all and no guarantee that the tenant can be replaced. The terms of any subsequent leases may be less favourable to Artis than the existing leases. In the event of default by a tenant, delays or limitations in enforcing rights as lessor may be experienced and substantial costs may be incurred by Artis. Furthermore, at any time, a tenant of any of Artis's property or properties may seek the protection of bankruptcy, insolvency or similar laws that could result in the rejection and termination of such tenant's lease and thereby adversely affect the financial performance of Artis.

Certain expenditures, including property taxes, maintenance costs, mortgage payments, insurance costs and related charges must be made throughout the period of ownership of real property regardless of whether the real property is producing any income. If Artis is unable to make mortgage payments on any property, losses could be sustained as a result of the mortgagee's exercise of its right of foreclosure and sale.

**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, 2023, investment properties under development account for 0.0% of Artis's total investment properties (December 31, 2022, 5.2%).

**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, 2023, 29.1% of the REIT's mortgages and loans payable bear interest at fixed rates, and a further 26.9% of the REIT's mortgages and loans payable bear interest at variable rates with interest rate swaps in place. At December 31, 2023, the REIT is a party to $1,444,236 of variable rate debt, including credit facilities (December 31, 2022, $1,434,072). At December 31, 2023, the REIT had entered into interest rate swaps to hedge the interest rate risk associated with $246,897 of variable rate debt (December 31, 2022, $217,136). 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, 2023, the REIT's ratio of secured mortgages and loans to GBV was 24.3%, compared to 18.9% at December 31, 2022. At December 31, 2023, the REIT's ratio of total debt to GBV was 50.9%, compared to 48.5% at December 31, 2022. Approximately 29.8% of Artis's maturing mortgage debt comes up for renewal during 2024, and 27.0% in 2025. Management is in discussion with various lenders with respect to the renewal or refinancing of the 2024 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 978 tenant leases with a weighted-average term to maturity of 5.1 years. Approximately 46.7% of the REIT's gross revenue is derived from national or government tenants. As indicated below, the largest tenant by gross revenue is Prime Therapeutics, LLC, which is a diversified pharmacy solutions organization serving health plans, employers and government programs. The second largest tenant by gross revenue is Bell MTS, which is part of Canada's leading telecommunications company, Bell Canada, providing Manitobans with voice services, internet and data services, and television.

**Top 20 Tenants by Gross Revenue (1)**

| Tenant | Tenant location | % of total gross revenue (2) | Owned share of GLA (000's of S.F.) | % of total GLA | Weighted-average remaining lease term |
|---|---|---|---|---|---|
| Prime Therapeutics LLC | U.S. | 2.4 % | 386 | 2.8 % | 10.8 |
| Bell MTS | Canada | 2.1 % | 212 | 1.5 % | 3.0 |
| Catalent Pharma Solutions, LLC | U.S. | 1.7 % | 232 | 1.7 % | 12.6 |
| A WIN Management, Inc. | U.S. | 1.7 % | 152 | 1.1 % | 8.9 |
| CB Richard Ellis, Inc. | U.S. | 1.5 % | 108 | 0.8 % | 3.0 |
| Bell Canada | Canada | 1.5 % | 115 | 0.8 % | 5.9 |
| PBP, Inc. | U.S. | 1.4 % | 518 | 3.8 % | 7.9 |
| TDS Telecommunications Corporation | U.S. | 1.4 % | 127 | 0.9 % | 6.0 |
| Recipe Unlimited Corporation | Canada | 1.4 % | 100 | 0.7 % | 5.0 |
| UCare Minnesota | U.S. | 1.2 % | 123 | 0.9 % | 9.6 |
| Silent Aire USA Inc. | U.S. | 1.2 % | 288 | 2.1 % | 4.0 |
| Telephone and Data Systems, LLC | U.S. | 1.0 % | 104 | 0.8 % | 0.3 |
| Civeo Canada Ltd. | Canada | 1.0 % | 71 | 0.5 % | 4.5 |
| Soo Line Railroad Company | U.S. | 1.0 % | 92 | 0.7 % | 3.7 |
| MLT Aikins LLP | Canada | 0.9 % | 60 | 0.4 % | 0.8 |
| Cineplex Entertainment LP | Canada | 0.9 % | 107 | 0.8 % | 1.9 |
| U of Wisconsin Medical Foundation | U.S. | 0.9 % | 101 | 0.7 % | 3.7 |
| Maple Leaf Consumer Foods Inc. | Canada | 0.8 % | 163 | 1.2 % | 5.5 |
| SunGard Recovery Services Inc. | U.S. | 0.8 % | 98 | 0.7 % | 2.0 |
| U of WI Hospitals & Clinic Authority | U.S. | 0.8 % | 86 | 0.6 % | 2.3 |
| Total | | 25.6 % | 3,243 | 23.5 % | 6.3 |

**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 | 2.7 % | 243 | 1.8 % | 4.7 |
| Provincial or State Government | 0.9 % | 128 | 0.9 % | 8.6 |
| Civic or Municipal Government | 0.5 % | 66 | 0.5 % | 13.0 |
| Total | 4.1 % | 437 | 3.2 % | 7.1 |
| Weighted-average term to maturity (entire portfolio) | | | | 5.1 |

(1) Based on owned share of GLA of properties. Excludes properties held in equity accounted investments and Artis's commercial/residential property (300 Main).

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

**Lease Rollover**

The value of investment properties and the stability of cash flows derived from those properties is dependent upon the level of occupancy and lease rates in those properties. Upon expiry of any lease, there is no assurance that a lease will be renewed on favourable terms, or at all; nor is there any assurance that a tenant can be replaced. A contraction in the Canadian or U.S. economy would negatively impact demand for space in industrial, office and retail properties, consequently increasing the risk that leases expiring in the near term will not be renewed.



Management's Discussion & Analysis

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

| | Canada | | | | | U.S. | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Expiry Year | AB | BC | MB | SK | ON | AZ | CO | MN | TX | WI | Total |
| 2024 | 1.5 % | 0.4 % | 4.4 % | 0.3 % | — % | 1.2 % | 0.2 % | 0.9 % | 0.3 % | 2.1 % | 11.3 % |
| 2025 | 1.5 % | 0.1 % | 3.0 % | 0.1 % | — % | 2.6 % | 0.3 % | 0.6 % | 0.7 % | 0.9 % | 9.8 % |
| 2026 | 1.7 % | 0.4 % | 5.7 % | 0.1 % | — % | 1.5 % | 0.1 % | 1.2 % | — % | 1.6 % | 12.3 % |
| 2027 | 1.0 % | 0.1 % | 2.1 % | 1.2 % | — % | 2.6 % | — % | 1.1 % | 2.0 % | 1.0 % | 11.1 % |
| 2028 & later | 4.4 % | 1.1 % | 8.8 % | 1.7 % | 0.7 % | 4.1 % | 0.1 % | 10.3 % | 9.2 % | 4.8 % | 45.2 % |
| Vacant | 1.9 % | 0.2 % | 2.4 % | 0.1 % | — % | 0.8 % | 0.5 % | 1.7 % | — % | 2.4 % | 10.0 % |
| Month-to-month | 0.1 % | — % | 0.1 % | 0.1 % | — % | — % | — % | — % | — % | — % | 0.3 % |
| Total portfolio | 12.1 % | 2.3 % | 26.5 % | 3.6 % | 0.7 % | 12.8 % | 1.2 % | 15.8 % | 12.2 % | 12.8 % | 100.0 % |

Artis's real estate is diversified across five Canadian provinces and five U.S. states, and across the industrial, office, retail and residential asset classes. By city and asset class, the five largest markets of the REIT's portfolio (by Q4-23 net operating income) are Madison office, Twin Cities Area office, Greater Phoenix Area office, Greater Houston Area industrial and Winnipeg office.

### SIFT RULES AND OTHER TAX-RELATED FACTORS

The Income Tax Act (Canada) contains legislation affecting the tax treatment of a specified investment flow-through ("SIFT") trust or partnership ("the SIFT Rules"), which are applicable to publicly traded income trusts unless the trust satisfies the REIT Exception. The REIT Exception to the SIFT Rules is comprised of a number of technical tests and the determination as to whether the REIT qualifies for the REIT Exception in any particular taxation year can only be made with certainty at the end of the taxation year. Management believes that the REIT has met the requirements of the REIT Exception in each taxation year since 2009 and that it has met the REIT Exception throughout the years ended December 31, 2023 and December 31, 2022. 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.

If Artis is subject to the SIFT Rules, the SIFT Rules may, depending on the nature of distributions from Artis, including what portion of its distributions are income and what portion are returns of capital, have a material adverse effect on the after-tax returns of certain Unitholders.

Also, in the event that the SIFT Rules apply to Artis, they may adversely affect the marketability of the Units or Preferred Units, the amount of cash available for distributions and, among other things, there can be no assurance that Artis will be able to maintain the portion of distributions that is treated as a non-taxable return of capital.

The Tax Act 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.

Management of Artis intends to ensure that Artis satisfies the conditions to qualify as a closed-end mutual fund trust by complying with the restrictions in the Tax Act as they are interpreted and applied by the Canada Revenue Agency. No assurance can be given that Artis will be able to comply with these restrictions at all times. If Artis were not to qualify as a mutual fund trust, the consequences could be material and adverse.

There can be no assurance that the Canadian federal income tax laws respecting mutual fund trusts, or the ways in which these rules are interpreted and applied by the Canada Revenue Agency, may not be changed in a manner which adversely affect Artis and/or its security holders.

The REIT operates in the U.S. through four U.S. REITs (Artis US Holdings, Inc., Artis US Holdings II, LLC, Artis US Holdings III, LLC and Artis US Holdings IV, LLC) which are primarily capitalized by the REIT by way of common equity, debt in the form of notes owed to the REIT and preferred shares. If the Internal Revenue Service ("IRS") 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 2023, 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.

The REIT entered into a Space Sharing Licence Agreement with Sandpiper for use of certain office premises. The agreement has 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.

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 was effective May 17, 2021 and 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 December 31, 2023 | Three months ended December 31, 2022 | Year ended December 31, 2023 | Year ended December 31, 2022 |
|---|---|---|---|---|
| Space sharing licence costs | $ 32 | $ 31 | $ 127 | $ 124 |
| Service fees | 172 | 446 | 1,064 | 1,231 |
| | $ 204 | $ 477 | $ 1,191 | $ 1,355 |

Amounts payable to Sandpiper were $171 as at December 31, 2023 (December 31, 2022, $446).

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, 2023, the REIT had a balance payable to ICE II LP of $987 (December 31, 2022, $738).

**SUBSEQUENT EVENTS**

Subsequent to December 31, 2023, the following transactions took place:

- The REIT received full repayment of a note receivable in the amount of $10,000.
- The REIT disposed of one industrial property, one office property and one retail property all located in Winnipeg, Manitoba for an aggregate sale price of $38,395.
- The REIT acquired an additional 5% interest in Park 8Ninety V, an industrial property located in the Greater Houston Area, Texas, for total consideration of US$9,132. Prior to the acquisition date, the REIT owned 95% of this investment property and the property was classified as a joint venture.
- The REIT entered into an amended agreement to extend the maturity date of the $100,000 non-revolving credit facility to February 6, 2026, at an interest rate of adjusted CORRA plus 1.70% or prime plus 0.70%.
- The REIT repaid a net balance of $46,000 and drew US$40,000 on its revolving term credit facilities.
- The REIT received new mortgage financing in the amount of $24,300 on two previously unencumbered retail properties.
- The REIT repaid a mortgage on an industrial property in the amount of US$30,296 and a mortgage on a retail property in the amount of $10,274.
- The REIT purchased equity securities for $1,745 and sold equity securities for net proceeds of $27,252.
- The REIT declared a monthly cash distribution of $0.05 per common unit for the months of January and February 2024.
- The REIT declared a quarterly cash distribution of $0.4370625 per Series I preferred unit for the three months ended January 31, 2024.

**OUTSTANDING UNIT DATA**

As of February 29, 2024, the balance of common units outstanding is as follows:

| | Total |
|---|---|
| Units outstanding at December 31, 2023 | 107,950,866 |
| Units issued on redemption of restricted units | 2,286 |
| Units outstanding at February 29, 2024 | 107,953,152 |

As of February 29, 2024, Artis has 3,248,009 Series E preferred units and 4,670,040 Series I preferred units outstanding, unchanged from December 31, 2023.

The balance of restricted units outstanding as of February 29, 2024 is 463,590, of which none have vested.

The balance of deferred units outstanding as of February 29, 2024 is 358,818. All of these deferred units have vested, none of which are redeemable.





**SUMMARIZED QUARTERLY INFORMATION**

| $000's, except per unit amounts | Q4-23 | Q3-23 | Q2-23 | Q1-23 | Q4-22 | Q3-22 | Q2-22 | Q1-22 |
|---|---|---|---|---|---|---|---|---|
| Revenue | $ 80,892 | $ 80,412 | $ 84,278 | $ 90,255 | $ 94,102 | $ 94,114 | $ 91,055 | $ 93,241 |
| Net operating income | 45,352 | 43,737 | 46,867 | 48,061 | 52,377 | 53,716 | 52,425 | 51,462 |
| Net (loss) income | (86,837) | (137,516) | (84,954) | (22,761) | (128,301) | (94,450) | (19,556) | 237,013 |
| Total comprehensive (loss) income | (116,270) | (109,017) | (115,441) | (23,671) | (147,659) | 8,867 | 30,553 | 213,776 |
| Basic (loss) income per common unit | (0.84) | (1.29) | (0.78) | (0.22) | (1.13) | (0.85) | (0.20) | 1.91 |
| Diluted (loss) income per common unit | (0.84) | (1.29) | (0.78) | (0.23) | (1.14) | (0.86) | (0.21) | 1.90 |
| FFO (1) | $ 27,275 | $ 29,501 | $ 29,946 | $ 33,817 | $ 34,690 | $ 41,552 | $ 44,939 | $ 42,008 |
| FFO per unit - diluted (1) | 0.25 | 0.27 | 0.26 | 0.29 | 0.30 | 0.36 | 0.38 | 0.34 |
| FFO payout ratio (1) (2) | 60.0 % | 55.6 % | 57.7 % | 51.7 % | 50.0 % | 41.7 % | 39.5 % | 44.1 % |
| AFFO (1) | $ 15,418 | $ 16,640 | $ 17,079 | $ 20,861 | $ 21,307 | $ 28,505 | $ 31,567 | $ 29,571 |
| AFFO per unit - diluted (1) | 0.14 | 0.15 | 0.15 | 0.18 | 0.18 | 0.24 | 0.27 | 0.24 |
| AFFO payout ratio (1) (2) | 107.1 % | 100.0 % | 100.0 % | 83.3 % | 83.3 % | 62.5 % | 55.6 % | 62.5 % |
| Same Property NOI growth (decline) (1) | 9.2 % | 6.0 % | 6.9 % | 8.4 % | 5.2 % | 4.3 % | 0.7 % | (2.6)% |
| Adjusted EBITDA interest coverage ratio (1) | 1.93 | 2.10 | 2.04 | 2.28 | 2.35 | 2.83 | 3.35 | 3.90 |
| Leasable area renewed (in square feet) | 261,889 | 177,787 | 269,026 | 315,574 | 325,361 | 486,937 | 388,424 | 255,815 |
| Increase in weighted-average rental rate | 5.8 % | 3.5 % | 4.6 % | 4.8 % | 6.9 % | 3.0 % | 3.7 % | 7.8 % |

| | 2023 Dec 31 | 2023 Sept 30 | 2023 Jun 30 | 2023 Mar 31 | 2022 Dec 31 | 2022 Sept 30 | 2022 Jun 30 | 2022 Mar 31 |
|---|---|---|---|---|---|---|---|---|
| Number of properties | 119 | 121 | 122 | 135 | 134 | 152 | 152 | 153 |
| GLA (000's of square feet) | 13,727 | 14,014 | 14,042 | 15,600 | 15,462 | 18,065 | 17,585 | 17,712 |
| Occupancy (3) | 90.1 % | 89.9 % | 90.3 % | 90.5 % | 90.1 % | 90.5 % | 90.7 % | 89.5 % |
| NAV per unit (1) | $ 13.96 | $ 15.26 | $ 16.28 | $ 17.09 | $ 17.38 | $ 19.26 | $ 19.37 | $ 19.09 |
| Total debt to Adjusted EBITDA (1) | 7.7 | 8.0 | 7.8 | 8.3 | 8.3 | 9.2 | 8.9 | 8.5 |
| Secured mortgages and loans to GBV (1) | 24.3 % | 23.2 % | 23.1 % | 19.6 % | 18.9 % | 20.5 % | 20.5 % | 22.0 % |
| Total debt to GBV (1) | 50.9 % | 49.4 % | 47.2 % | 49.1 % | 48.5 % | 47.9 % | 46.0 % | 43.0 % |
| Fair value unencumbered assets (1) | $1,567,001 | $1,650,006 | $1,659,698 | $2,023,557 | $2,034,409 | $2,103,103 | $1,954,006 | $1,889,416 |
| Total assets | $3,735,030 | $3,871,689 | $3,983,481 | $4,467,506 | $4,553,913 | $5,180,503 | $4,998,257 | $4,798,662 |
| Total non-current financial liabilities | 1,047,231 | 1,548,240 | 1,172,550 | 1,293,551 | 974,063 | 556,374 | 1,159,071 | 1,186,622 |

(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 2022.

(3) Excludes properties held for redevelopments, new developments in process, completed new developments, and properties held in equity accounted investments. Refer to the Property Portfolio section of this MD&A.

The quarterly financial results have been impacted by acquisition, disposition and (re)development activity, the impact of foreign exchange, lease termination income, transaction costs, and the fair value gains and losses on investment properties and financial instruments.

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 7.89% at December 31, 2023 and 7.48% at December 31, 2022. 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 6.89% at December 31, 2023 and 6.40% at December 31, 2022.

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, 2023 and 2022.

#### VALUATION OF PREFERRED INVESTMENTS

Investment in the junior preferred units of Iris is assessed for impairment by evaluating the expected credit loss. The REIT considers the 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 at the reporting date.

## CHANGES IN ACCOUNTING STANDARDS

#### New or Revised Accounting Standard Adopted During the Year

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. This standard had no impact on the consolidated financial statements.

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. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the consolidated financial statements. The material accounting policy information disclosed in this note 2 is updated to be in line with the 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 had no impact on the consolidated financial statements.

#### Future Changes in Accounting Standards

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.

## 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 defined in NI 52-109). Based on this evaluation, the CEO and CFO have concluded that, as at December 31, 2023, 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, 2023, 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, 2023, 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 defined 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 as at December 31, 2023.





# CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2023 and 2022
(in thousands of Canadian dollars, except unit and per unit amounts)

ARTIS REIT

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 29, 2024

"Jaclyn Koenig"

Jaclyn Koenig, CPA, CA
Chief Financial Officer
February 29, 2024





Deloitte.

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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, 2023 and 2022, 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 material accounting policy information (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, 2023 and 2022, 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, 2023. 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).

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 future rental income, discount rates and terminal capitalization rates by considering recent market transactions and industry surveys.

## Other Information

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

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

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

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

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

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

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





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

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

## Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

/s/ Deloitte LLP

Chartered Professional Accountants
February 29, 2024
Winnipeg, Manitoba





## Consolidated Balance Sheets

(In thousands of Canadian dollars)

| | Note | December 31, 2023 | December 31, 2022 |
|---|---|---|---|
| ASSETS | | | |
| Non-current assets: | | | |
| Investment properties | 4 | $ 2,494,134 | $ 3,156,206 |
| Investment properties under development | 4 | 947 | 191,552 |
| Equity accounted investments | 5 | 260,246 | 326,050 |
| Preferred investments | 6 | 144,084 | 114,184 |
| Equity securities | 8 | 152,002 | 316,768 |
| Property and equipment | | 4,348 | 5,343 |
| Notes receivable | 9 | 32,428 | 37,702 |
| | | 3,088,189 | 4,147,805 |
| Current assets: | | | |
| Investment properties held for sale | 4 | 571,760 | 335,813 |
| Prepaid expenses and other assets | 10 | 8,413 | 12,161 |
| Notes receivable | 9 | 14,742 | 993 |
| Accounts receivable and other receivables | 11 | 15,960 | 17,307 |
| Cash held in trust | | 7,026 | 10,666 |
| Cash | | 28,940 | 29,168 |
| | | 646,841 | 406,108 |
| Total assets | | $ 3,735,030 | $ 4,553,913 |
| LIABILITIES AND UNITHOLDERS' EQUITY | | | |
| Non-current liabilities: | | | |
| Mortgages and loans payable | 12 | $ 637,089 | $ 388,569 |
| Senior unsecured debentures | 13 | 199,630 | 199,368 |
| Credit facilities | 14 | 205,590 | 374,735 |
| Deferred tax liabilities | 25 | 3,310 | 9,525 |
| Other long-term liabilities | | 1,612 | 1,866 |
| | | 1,047,231 | 974,063 |
| Current liabilities: | | | |
| Mortgages and loans payable | 12 | 274,659 | 476,129 |
| Senior unsecured debentures | 13 | — | 249,723 |
| Security deposits and prepaid rent | | 23,668 | 25,513 |
| Accounts payable and other liabilities | 15 | 84,566 | 72,902 |
| Credit facilities | 14 | 588,574 | 526,424 |
| | | 971,467 | 1,350,691 |
| Total liabilities | | 2,018,698 | 2,324,754 |
| Unitholders' equity | | 1,716,332 | 2,229,159 |
| Commitments, contingencies and guarantees | 31 | | |
| Subsequent events | 35 | | |
| Total liabilities and unitholders' equity | | $ 3,735,030 | $ 4,553,913 |

See accompanying notes to consolidated financial statements.

## Consolidated Statements of Operations

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

| | Note | 2023 | Year ended December 31, 2022 |
|---|---|---|---|
| Revenue | 19 | $ 335,837 | $ 372,512 |
| Expenses: | | | |
| Property operating | | 100,386 | 102,450 |
| Realty taxes | | 51,434 | 60,082 |
| Total operating expenses | | 151,820 | 162,532 |
| Net operating income | | 184,017 | 209,980 |
| Other income (expenses): | | | |
| Interest and other income | 20 | 32,359 | 18,944 |
| Distribution income from equity securities | 8 | 12,365 | 10,710 |
| Interest expense | 21 | (121,876) | (89,437) |
| Corporate expenses | 22 | (6,984) | (7,661) |
| Strategic review expenses | 23 | (207) | — |
| Equity securities expenses | 8 | (878) | (1,890) |
| Net (loss) income from equity accounted investments | 5 | (57,385) | 74,659 |
| Fair value loss on investment properties | 4 | (344,286) | (178,431) |
| Fair value loss on financial instruments | 24 | (41,730) | (21,130) |
| Foreign currency translation gain (loss) | | 6,932 | (6,683) |
| (Loss) income before income taxes | | (337,673) | 9,061 |
| Income tax recovery (expense) | 25 | 5,605 | (14,355) |
| Net loss | | (332,068) | (5,294) |
| Other comprehensive (loss) income that may be reclassified to net loss in subsequent periods: | | | |
| Unrealized foreign currency translation (loss) gain | | (27,408) | 102,923 |
| Unrealized foreign currency translation (loss) gain on equity accounted investments | | (2,489) | 7,908 |
| Net change in derivatives designed as cash flow hedges of equity accounted investments | | (2,434) | — |
| Other comprehensive (loss) income | | (32,331) | 110,831 |
| Total comprehensive (loss) income | | $ (364,399) | $ 105,537 |
| Basic loss per unit attributable to common unitholders | 16 | $ (3.10) | $ (0.18) |
| Diluted loss per unit attributable to common unitholders | 16 | (3.10) | (0.19) |
| Weighted-average number of common units outstanding: | | | |
| Basic | 16 | 111,294,362 | 117,932,876 |
| Diluted | 16 | 111,294,362 | 118,469,587 |

See accompanying notes to consolidated financial statements.





## Consolidated Statements of Changes in Unitholders' Equity

(In thousands of Canadian dollars)

| | Common units capital contributions | Retained earnings (deficit) | Accumulated other comprehensive income | Contributed surplus | Total common equity | Total preferred equity | Total |
|---|---|---|---|---|---|---|---|
| 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 |
| Changes for the year: | | | | | | | |
| Issuance of common units, net of issue costs (note 16) | 113 | — | — | — | 113 | — | 113 |
| Units acquired and cancelled through normal course issuer bid (note 16) | (113,456) | — | — | 62,893 | (50,563) | (14,119) | (64,682) |
| Net loss | — | (332,068) | — | — | (332,068) | — | (332,068) |
| Other comprehensive loss | — | — | (32,331) | — | (32,331) | — | (32,331) |
| Distributions | — | (83,859) | — | — | (83,859) | — | (83,859) |
| Unitholders' equity, December 31, 2023 | $ 1,638,584 | $ (488,883) | $ 224,258 | $ 150,686 | $ 1,524,645 | $ 191,687 | $ 1,716,332 |

See accompanying notes to consolidated financial statements.

# Consolidated Statements of Cash Flows

(In thousands of Canadian dollars)

| | Note | | 2023 | | Year ended December 31, 2022 |
|---|---|---|---|---|---|
| Cash provided by (used in): | | | | | |
| Operating activities: | | | | | |
| Net loss | | $ | (332,068) | $ | (5,294) |
| Adjustments for: | | | | | |
| Interest income on preferred investments received in-kind | 6 | | (29,900) | | (14,184) |
| Distribution income from equity securities | 8 | | (12,365) | | (10,710) |
| Net loss (income) from equity accounted investments | 5 | | 57,385 | | (74,659) |
| Fair value loss on investment properties | 4 | | 344,286 | | 178,431 |
| Fair value loss on financial instruments | 24 | | 41,730 | | 21,130 |
| Unrealized foreign currency translation (gain) loss | | | (8,031) | | 9,415 |
| Deferred taxes | | | (6,206) | | 13,837 |
| Other items not affecting cash | 26 | | 26,075 | | 26,840 |
| Changes in non-cash operating items | 26 | | (944) | | (4,062) |
| | | | 79,962 | | 140,744 |
| Investing activities: | | | | | |
| Acquisition of investment properties, net of related debt | 3 | | — | | (3,276) |
| Proceeds from dispositions of investment properties, net of costs and related debt | 3 | | 222,016 | | 340,735 |
| Additions to investment properties | | | (27,451) | | (26,130) |
| Additions to investment properties under development | | | (31,921) | | (63,855) |
| Additions to tenant inducements and leasing commissions | | | (44,959) | | (48,600) |
| Contributions to equity accounted investments | | | (600) | | (120,640) |
| Distributions from equity accounted investments | | | 4,346 | | 4,166 |
| Purchase of preferred investments | | | — | | (100,000) |
| Purchases of equity securities | | | (1,125) | | (336,261) |
| Proceeds from disposition of equity securities, net of costs | | | 134,029 | | 41,469 |
| Distributions from equity securities | | | 13,069 | | 9,384 |
| Additions to property and equipment | | | (376) | | (21) |
| Issuances of notes receivable | | | (323) | | (2,580) |
| Notes receivable principal repayments | | | 7,426 | | 854 |
| Deposits on investment properties held for sale | | | 25,000 | | — |
| Change in cash held in trust | | | (742) | | 15,766 |
| | | | 298,389 | | (288,989) |
| Financing activities: | | | | | |
| Repayment of mortgages and loans payable | | | (193,135) | | (191,148) |
| Advance of mortgages and loans payable, net of financing costs | | | 326,327 | | 51,172 |
| Issuance of senior unsecured debentures, net of financing costs | 13 | | — | | 199,200 |
| Repayment of senior unsecured debentures | 13 | | (250,000) | | — |
| Advance of revolving credit facilities | | | 641,292 | | 897,221 |
| Repayment of revolving credit facilities, including financing costs | | | (694,312) | | (439,698) |
| Repayment of non-revolving credit facilities, including financing costs | | | (50,180) | | (200,284) |
| Repayment of lease liabilities | | | (320) | | (305) |
| Purchase of common units under normal course issuer bid | 16 | | (54,305) | | (100,572) |
| Purchase of preferred units under normal course issuer bid | 16 | | (10,377) | | (5,087) |
| Redemption of preferred units | 16 | | — | | (81,208) |
| Distributions paid on common units | | | (80,443) | | (160,006) |
| Distributions paid on preferred units | | | (12,736) | | (15,856) |
| | | | (378,189) | | (46,571) |
| Foreign exchange (loss) gain on cash held in foreign currency | | | (390) | | 2,510 |
| Decrease in cash | | | (228) | | (192,306) |
| Cash, beginning of year | | | 29,168 | | 221,474 |
| Cash, end of year | | $ | 28,940 | $ | 29,168 |

See accompanying notes to consolidated financial statements.





# Notes to Consolidated Financial Statements

Years ended December 31, 2023 and 2022

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

## 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 $1.7995 per Series E Unit and $1.74825 per Series I Unit.

## Note 2. Material accounting policy information

(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.

(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 the REIT's U.S. 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 U.S. dollar 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) Investment properties held for sale:

Investment properties are categorized as held for sale at the point in time when the asset 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 designated as held for sale continue to be measured at fair value and are presented separately on the consolidated balance sheets.

(h) 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.

(i) 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.

(j) Unit-based compensation:

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.





(k) 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.

(l) 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.

(m) 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 (i). 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 (i). 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 (h). 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 (h). 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 (k) and note 25.

– Impairment of preferred investments and notes receivable - The critical estimates and assumptions underlying the impairment assessments are described in note 2 (e) and note 33.

– Allowance for doubtful accounts - The critical estimates and assumptions underlying the valuation of allowance for doubtful accounts are described in note 2 (e) and note 33.

– 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 34.

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

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. This standard had no impact on the consolidated financial statements.

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. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the consolidated financial statements. The material accounting policy information disclosed in this note 2 is updated to be in line with the 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 had no impact on the consolidated financial statements.

(o) Future changes in accounting standards:

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.

## Note 3. Acquisitions and dispositions of investment properties

Acquisitions:

The REIT did not acquire any properties during the year ended December 31, 2023.

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.

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

| | | |
|---|---|---|
| Investment properties | $ | 5,219 |
| Long-term debt, including acquired above- and below-market mortgages, net of financing costs | | (1,885) |
| Other net liabilities | | (58) |
| Cash consideration | $ | 3,276 |

Dispositions:

The REIT disposed of the following properties during the year ended December 31, 2023:

| Property | Property count | Location | Disposition date | Asset class |
|---|---|---|---|---|
| North 48 Commercial Centre | 1 | Saskatoon, SK | March 14, 2023 | Office |
| Liberton Square | 1 | Greater Edmonton Area, AB | April 19, 2023 | Retail |
| Gateway Power Centre | 1 | Grande Prairie, AB | May 15, 2023 | Retail |
| Visions Building | 1 | Calgary, AB | May 29, 2023 | Retail |
| Namao South | 1 | Edmonton, AB | May 30, 2023 | Retail |
| Clearwater Creek Distribution Center | 1 | Twin Cities Area, MN | June 7, 2023 | Industrial |
| Eagle Creek | 1 | Twin Cities Area, MN | June 16, 2023 | Industrial |
| St. Vital Square | 1 | Winnipeg, MB | June 16, 2023 | Retail |
| Minnesota Industrial Portfolio II | 6 | Twin Cities Area, MN | June 27, 2023 | Industrial |
| EMC Building | 1 | Edmonton, AB | September 29, 2023 | Office |
| 161 Inverness | 1 | Greater Denver Area, CO | November 17, 2023 | Office |
| Memorial Crossing | 1 | Calgary, AB | November 29, 2023 | Industrial |

On June 9, 2023, the REIT disposed of a parcel of office development land located in Madison, Wisconsin.

The cash proceeds received from the sale of the above properties, net of costs and related debt, were $222,016. In conjunction with the sale of an office property, the REIT also received a note receivable in the amount of $13,619, which is secured by the property sold (note 9). The assets and liabilities associated with the properties were derecognized.

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 |
| Meadowvale 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.

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

| | | | | | | Year ended December 31, 2023 |
|---|---|---|---|---|---|---|
| | | Investment properties | | Investment properties under development | | Investment properties held for sale |
| Balance, beginning of year | $ | 3,156,206 | $ | 191,552 | $ | 335,813 |
| Additions: | | | | | | |
| Capital expenditures | | 24,881 | | 26,870 | | 318 |
| Capitalized interest [(1)] | | — | | 2,770 | | — |
| Leasing commissions | | 5,112 | | 1,851 | | 165 |
| Straight-line rent adjustments | | 1,816 | | — | | 738 |
| Tenant inducement additions, net of amortization | | 11,199 | | 984 | | 795 |
| Dispositions | | — | | — | | (310,921) |
| Foreign currency translation loss | | (36,809) | | (501) | | (1,712) |
| Fair value loss | | (277,054) | | (37,563) | | (29,669) |
| Reclassification of investment properties under development | | 156,285 | | (156,285) | | — |
| Reclassification of investment properties held for sale | | (547,502) | | (28,731) | | 576,233 |
| Balance, end of year | $ | 2,494,134 | $ | 947 | $ | 571,760 |

(1) During the year ended December 31, 2023, interest was capitalized to investment properties under development at a weighted-average effective rate of 6.87%.

| | 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%.

The REIT had two industrial properties, 10 office properties, 16 retail properties, one parking lot and one parcel of development land classified as investment properties held for sale that were actively marketed for sale or under unconditional or conditional sale agreements at December 31, 2023 (December 31, 2022, 10 industrial properties, four office properties, one retail property, two industrial properties under development and two parcels of development land). The properties held for sale had an aggregate mortgage payable balance of $134,895 at December 31, 2023 (December 31, 2022, $72,018). 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, 2023, included in investment properties was $47,834 (December 31, 2022, $48,962) of net straight-line rent receivables arising from the recognition of rental income on a straight-line basis over the lease term.

Investment properties held for sale include right-of-use assets held under a lease with an aggregate fair value of $12,981 at December 31, 2023 (December 31, 2022, included in investment properties $10,420). The lease payments required under this lease were fully paid at the time of acquisition of the property.

At December 31, 2023, investment properties with a fair value of $1,499,840 (December 31, 2022, $1,649,162) 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, 2023, 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 $788,506 (year ended December 31, 2022, $615,315), 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, 2023 and 2022.

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.

Under the fair value hierarchy, the fair value of the REIT's investment properties is considered Level 3, as described in note 34.





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

| | December 31, 2023 | | | December 31, 2022 | | |
|---|---|---|---|---|---|---|
| | Maximum | Minimum | Weighted-average | Maximum | Minimum | Weighted-average |
| Canada: | | | | | | |
| Discount rate | 9.75 % | 5.25 % | 7.47 % | 9.50 % | 5.00 % | 7.21 % |
| Terminal capitalization rate | 9.00 % | 4.25 % | 6.49 % | 9.00 % | 3.75 % | 6.23 % |
| Capitalization rate | 9.00 % | 4.25 % | 6.46 % | 8.75 % | 3.75 % | 6.20 % |
| Investment horizon (years) | 12.0 | 10.0 | 10.3 | 12.0 | 10.0 | 10.4 |
| U.S.: | | | | | | |
| Discount rate | 10.25 % | 6.75 % | 8.48 % | 10.00 % | 6.00 % | 7.82 % |
| Terminal capitalization rate | 8.75 % | 6.00 % | 7.52 % | 8.25 % | 5.25 % | 6.79 % |
| Capitalization rate | 9.00 % | 5.50 % | 7.49 % | 8.25 % | 5.00 % | 6.66 % |
| Investment horizon (years) | 11.0 | 10.0 | 10.4 | 12.0 | 10.0 | 10.4 |
| Total portfolio: | | | | | | |
| Discount rate | 10.25 % | 5.25 % | 7.89 % | 10.00 % | 5.00 % | 7.48 % |
| Terminal capitalization rate | 9.00 % | 4.25 % | 6.92 % | 9.00 % | 3.75 % | 6.48 % |
| Capitalization rate | 9.00 % | 4.25 % | 6.89 % | 8.75 % | 3.75 % | 6.40 % |
| Investment horizon (years) | 12.0 | 10.0 | 10.3 | 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, 2023:

| | Change to fair value if capitalization rate increased by 0.25% | Change to fair value if capitalization rate decreased by 0.25% |
|---|---|---|
| Canada | $ (60,605) | $ 65,873 |
| U.S. | (49,098) | 52,685 |
| | $ (109,703) | $ 118,558 |

## Note 5. Equity accounted investments

The REIT has the following equity accounted investments:

| | | | Ownership interest | |
|---|---|---|---|---|
| | Principal purpose | Location | December 31, 2023 | December 31, 2022 |
| Associates: | | | | |
| Iris Acquisition II LP | Investment in Cominar Real Estate Investment Trust | Greater Montreal & Quebec City Areas, QC/Greater Ottawa Area, ON | 32.64 % | 32.64 % |
| Park Lucero East | Investment property | Greater Phoenix Area, AZ | 10.00 % | 10.00 % |
| Joint ventures: | | | | |
| 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 % | 50.00 % |
| ICE II LP | Investment in the asset manager of Cominar Real Estate Investment Trust | — | 50.00 % | 50.00 % |

During the year ended December 31, 2023, the REIT contributed $600 to Corridor Park, Park Lucero East, The Point at Inverness and Park 8Ninety V equity accounted investments.

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 (see note 6).

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 28).

The REIT is contingently liable for the obligations of certain associates and joint ventures. As at December 31, 2023, the co-owners' share of mortgage liabilities was $55,254 (December 31, 2022, $49,982). 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, 2023 | | | | | December 31, 2022 |
|---|---|---|---|---|---|---|---|---|
| | Iris | Other associate | Joint ventures | Total | Iris | Other associate | Joint ventures | Total |
| Non-current assets: | | | | | | | | |
| Investment properties | $ 641,906 | $ 11,181 | $ 228,928 | $ 882,015 | $ 666,538 | $ — | $ 212,794 | $ 879,332 |
| Investment properties under development | — | — | — | — | — | 12,452 | — | 12,452 |
| Other non-current assets | 16,845 | — | 1,073 | 17,918 | 7,611 | — | 823 | 8,434 |
| Current assets: | | | | | | | | |
| Investment properties held for sale | 14,738 | — | — | 14,738 | 102,119 | — | 19,303 | 121,422 |
| Other current assets | 9,133 | 317 | 8,251 | 17,701 | 20,055 | 50 | 7,019 | 27,124 |
| Total assets | 682,622 | 11,498 | 238,252 | 932,372 | 796,323 | 12,502 | 239,939 | 1,048,764 |
| Non-current liabilities: | | | | | | | | |
| Mortgages, loans and other debt | 491,946 | — | 26,852 | 518,798 | 435,007 | 4,255 | 59,159 | 498,421 |
| Current liabilities: | | | | | | | | |
| Mortgages, loans and other debt | 78,158 | 4,864 | 39,236 | 122,258 | 192,715 | — | 959 | 193,674 |
| Other current liabilities | 24,250 | 184 | 6,636 | 31,070 | 22,416 | 178 | 8,025 | 30,619 |
| Total liabilities | 594,354 | 5,048 | 72,724 | 672,126 | 650,138 | 4,433 | 68,143 | 722,714 |
| REIT's share of net assets of equity accounted investments | $ 88,268 | $ 6,450 | $ 165,528 | $ 260,246 | $ 146,185 | $ 8,069 | $ 171,796 | $ 326,050 |

| | | | | Year ended December 31, 2023 | | | | Year ended December 31, 2022 |
|---|---|---|---|---|---|---|---|---|
| | Iris | Other associate | Joint ventures | Total | Iris | Other associate | Joint ventures | Total |
| Revenue | $ 92,441 | $ 541 | $ 18,619 | $ 111,601 | $ 87,736 | $ — | $ 16,262 | $ 103,998 |
| Operating expenses | 48,983 | 123 | 7,533 | 56,639 | 45,710 | 18 | 7,376 | 53,104 |
| Net operating income | 43,458 | 418 | 11,086 | 54,962 | 42,026 | (18) | 8,886 | 50,894 |
| Fair value (loss) gain on investment properties | (9,713) | (1,578) | (8,238) | (19,529) | (53,683) | 5,133 | 25,240 | (23,310) |
| Bargain purchase gain | — | — | — | — | 111,652 | — | — | 111,652 |
| Other expenses and income, net | (89,229) | (385) | (3,204) | (92,818) | (65,810) | (112) | (2,968) | (68,890) |
| REIT's share of net (loss) income | (55,484) | (1,545) | (356) | (57,385) | 34,185 | 5,003 | 31,158 | 70,346 |
| Deferred tax impact of temporary differences in Iris [(1)] | — | — | — | — | 4,313 | — | — | 4,313 |
| Net (loss) income from equity accounted investments | $ (55,484) | $ (1,545) | $ (356) | $ (57,385) | $ 38,498 | $ 5,003 | $ 31,158 | $ 74,659 |

(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 7. Joint operations

The REIT has interests in the following joint operations:

| | | | Ownership interest | |
|---|---|---|---|---|
| Property | Location | Principal purpose | December 31, 2023 | December 31, 2022 |
| 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, 2023, the co-owners' share of mortgage liabilities was $3,769 (December 31, 2022, $4,097). Management has assessed that the assets available from its joint operations are sufficient for the purpose of satisfying such obligations.

## Note 8. 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, 2023 | Year ended December 31, 2022 |
|---|---|---|
| Balance, beginning of year | $ 316,768 | $ 77,186 |
| Purchases | 1,125 | 335,971 |
| Dispositions | (134,029) | (41,469) |
| Reclassified to equity accounted investments (note 5) | — | (13,488) |
| Fair value loss (note 24) | (31,862) | (41,432) |
| Balance, end of year | $ 152,002 | $ 316,768 |

For the year ended December 31, 2023, the REIT earned distribution income of $12,365 (2022, $10,710) and incurred commissions, service and professional fees of $878 (2022, $1,890), inclusive of services fees paid to Sandpiper (note 28).

## Note 9. Notes receivable

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Note receivable, maturing in November, 2028, bearing interest at an effective rate of 8.967% per annum, interest-only monthly payment until maturity, secured by an office property. | $ 13,283 | $ — |
| 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. | 10,312 | 10,321 |
| Note receivable, maturing in January 2024, bearing interest at 5.00% per annum, interest-only monthly payment until maturity, secured by an office property. [(1)] | 10,033 | 10,033 |
| Note receivable from tenant, maturing in November 2031, bearing interest at 8.50% per annum, repayable in blended monthly installments of $66 (US$50). | 4,584 | 5,094 |
| 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. | 3,666 | 3,610 |
| Note receivable, bearing interest at 4.00% per annum, interest-only monthly payment until maturity, secured by two office properties, fully repaid in January 2023. | — | 6,020 |
| Other notes receivable | 5,292 | 3,617 |
| | 47,170 | 38,695 |
| Current portion | 14,742 | 993 |
| Non-current portion | $ 32,428 | $ 37,702 |

(1) This note was fully repaid on maturity subsequent to December 31, 2023.

## Note 10. Prepaid and other assets

| | | December 31, 2023 | | December 31, 2022 |
|---|---|---|---|---|
| Prepaid insurance | $ | 2,473 | $ | 1,958 |
| Prepaid realty taxes | | 431 | | 356 |
| Prepaid acquisition, disposition and development costs | | 1,379 | | 634 |
| Derivative instruments (note 34) | | 1,429 | | 5,885 |
| Other prepaid expenses | | 2,701 | | 3,328 |
| | $ | 8,413 | $ | 12,161 |

## Note 11. Accounts receivable and other receivables

| | | December 31, 2023 | | December 31, 2022 |
|---|---|---|---|---|
| Rents receivable | $ | 5,017 | $ | 5,229 |
| Deferred rents receivable | | 194 | | 238 |
| Allowance for doubtful accounts | | (2,102) | | (2,187) |
| Accrued recovery income | | 3,141 | | 3,470 |
| Other receivables | | 9,710 | | 10,557 |
| | $ | 15,960 | $ | 17,307 |

Refer to note 33 for further discussion on credit risk and allowance for doubtful accounts.

## Note 12. Mortgages and loans payable

| | | December 31, 2023 | | December 31, 2022 |
|---|---|---|---|---|
| Mortgages and loans payable | $ | 916,321 | $ | 866,736 |
| Net above- and below-market mortgage adjustments | | — | | 782 |
| Financing costs | | (4,573) | | (2,820) |
| | | 911,748 | | 864,698 |
| Current portion | | 274,659 | | 476,129 |
| Non-current portion | $ | 637,089 | $ | 388,569 |

Certain of the REIT's investment properties have been pledged as security under mortgages and other security agreements. As at December 31, 2023, 29.1% of the REIT's mortgages and loans payable bear interest at fixed rates (December 31, 2022, 38.6%), and a further 26.9% of the REIT's mortgages and loans payable bear interest at variable rates with interest rate swaps in place (December 31, 2022, 25.1%). The weighted-average effective rate on all mortgages and loans payable was 6.63% and the weighted-average nominal rate was 6.17% at December 31, 2023 (December 31, 2022, 4.84% and 4.46%, respectively). Maturity dates range from January 2, 2024 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 E | April 29, 2022 | April 29, 2025 | 5.600 % |

| | | Face value | | Unamortized financing costs | | Carrying value | | Current portion | | Non-current portion |
|---|---|---|---|---|---|---|---|---|---|---|
| Series E | $ | 200,000 | $ | (370) | $ | 199,630 | $ | — | $ | 199,630 |
| December 31, 2023 | $ | 200,000 | $ | (370) | $ | 199,630 | $ | — | $ | 199,630 |
| December 31, 2022 | | 450,000 | | (909) | | 449,091 | | 249,723 | | 199,368 |

On September 18, 2023, upon maturity, the REIT repaid the outstanding face value of the 3.824% Series D senior unsecured debentures in the amount of $250,000.

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, 2023, financing cost amortization of $539 (2022, $545) 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 E senior unsecured debenture supplemental indenture, the REIT must maintain a consolidated EBITDA to consolidated interest expense ratio of not less than 1.65, consolidated indebtedness to aggregate assets of not more than 65% and minimum adjusted unitholders' equity of $300,000. As at December 31, 2023 and 2022, the REIT was in compliance with these requirements.

## Note 14. Credit facilities

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

| | | | December 31, 2023 | | | | December 31, 2022 | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Borrowing capacity | | Amounts drawn | | Available to be drawn [1] | | Amounts drawn | | Available to be drawn | Applicable interest rates |
| Revolving facilities maturing December 14, 2024 | $ | 400,000 | $ | 338,873 | $ | 61,127 | $ | 375,346 | $ | 24,654 | BA rate plus 1.70% or prime plus 0.70% or adjusted SOFR plus 1.70% or U.S. base rate plus 0.70% |
| Revolving facility maturing April 29, 2025 | | 280,000 | | 205,808 | | 74,192 | | 226,588 | | 73,412 | BA rate plus 1.70% or prime plus 0.70% or adjusted SOFR plus 1.70% or U.S. base rate plus 0.70% |
| Non-revolving facility matured April 3, 2023 | | — | | — | | — | | 50,000 | | — | BA rate plus 1.70% or prime plus 0.70% |
| Non-revolving facility maturing February 6, 2024 | | 100,000 | | 100,000 | | — | | 100,000 | | — | BA rate plus 1.70% or prime plus 0.70% |
| Non-revolving facility maturing July 18, 2024 | | 150,000 | | 150,000 | | — | | 150,000 | | — | BA rate plus 1.70% or prime plus 0.70% |
| Financing costs | | | | (517) | | | | (775) | | | |
| Total credit facilities | $ | 930,000 | $ | 794,164 | $ | 135,319 | $ | 901,159 | $ | 98,066 | |
| Current portion | | | | 588,574 | | | | 526,424 | | | |
| Non-current portion | | | $ | 205,590 | | | $ | 374,735 | | | |

(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, 2023, the covenant did not limit the total borrowing capacity of the revolving credit facilities.

The unsecured revolving term credit facilities in the aggregate amount of $680,000 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 February 28, 2023, the revolving term credit facilities agreement was amended to reduce the second tranche of the facilities from $300,000 to $280,000 and extend the maturity date to April 29, 2025. The interest rate on US dollar term advances for all revolving credit facilities was amended to adjusted SOFR plus 1.70%, in place of the previous LIBOR plus 1.70% 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 on June 28, 2024.

All non-revolving credit facilities can be utilized for general corporate and working capital purposes, property acquisitions and development financing. On January 31, 2023, the REIT entered into an amended agreement to extend the maturity date of the $100,000 non-revolving credit facility to February 6, 2024. On February 28, 2023, the REIT entered into another amended agreement to extend the maturity date of the $150,000 non-revolving credit facility to July 18, 2024 and to provide for CORRA as the Canadian benchmark replacement rate on all Canadian dollar term advances when the publication of CDOR ceases on June 28, 2024. On April 3, 2023, the $50,000 non-revolving credit facility was fully repaid upon maturity.

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, 2023 and 2022, the REIT was in compliance with these requirements.

## Note 15. Accounts payable and other liabilities

| | | December 31, 2023 | | December 31, 2022 |
|---|---|---|---|---|
| Accounts payable and accrued liabilities | $ | 18,735 | $ | 29,473 |
| Distributions payable | | 6,928 | | 16,247 |
| Accrued interest | | 7,262 | | 7,935 |
| Accrued realty taxes | | 12,221 | | 10,163 |
| Tenant installments payable | | 4,071 | | 4,449 |
| Derivative instruments (note 34) | | 5,717 | | — |
| Cash-settled unit-based payments liability | | 3,590 | | 3,540 |
| Deposits on investment properties held for sale | | 25,000 | | — |
| Other payables and liabilities | | 1,042 | | 1,095 |
| | $ | 84,566 | $ | 72,902 |

## 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, 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 |
| Restricted units redeemed | 15,506 | | 113 |
| Units acquired and cancelled through normal course issuer bid | (7,473,874) | | (113,456) |
| Balance at December 31, 2023 | 107,950,866 | $ | 1,638,584 |

(1) The common units issued as part of the special distribution declared on December 31, 2022 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, 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 |
| Units acquired and cancelled through normal course issuer bid | — | (357,101) | (226,700) | (583,801) |
| Number of units outstanding at December 31, 2023 | — | 3,248,009 | 4,670,040 | 7,918,049 |

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% | | 7.198% | | 6.993% | | |
| Distribution rate reset date | | — | | September 30, 2028 | | April 30, 2028 | | |
| 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 |
| Units acquired and cancelled through normal course issuer bid | | — | | (8,618) | | (5,501) | | (14,119) |
| Carrying value at December 31, 2023 | $ | — | $ | 78,388 | $ | 113,299 | $ | 191,687 |
| Face value at December 31, 2023 | $ | — | $ | 81,200 | $ | 116,751 | $ | 197,951 |
| Face value at December 31, 2022 | | — | | 90,128 | | 122,419 | | 212,547 |

(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 reset on September 30, 2023 at 7.198%. The distribution rate will be reset on September 30, 2028 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, 2028 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, 2028 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, 2033 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 was reset on April 30, 2023 at 6.993% and will be reset on April 30, 2028 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, 2028 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, 2028 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, 2033 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.



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(c) Normal course issuer bid:

On December 15, 2023, 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, 2023 as follows:

| | Public float | 10% of public float |
|---|---|---|
| Common units | 70,212,966 | 7,021,296 |
| Preferred unit series: | | |
| Series E | 3,243,009 | 324,300 |
| Series I | 4,575,540 | 457,554 |

Purchases will be made at market prices through the facilities of the TSX and/or alternative Canadian trading systems and all common units and preferred units acquired by the REIT under this bid will be cancelled. This bid will remain in effect until the earlier of December 18, 2024, or the date on which the REIT has purchased the maximum number of units permitted under the bid. During the year ended December 31, 2023, the REIT acquired 7,473,874 common units at market prices aggregating $54,305, resulting in contributed surplus of $59,151, which was the excess of stated capital over redemption proceeds. During the year ended December 31, 2023, the REIT also acquired 357,101 and 226,700 Series E and I Units, respectively, at market prices aggregating $10,377, resulting in contributed surplus of $3,742, which was the excess of stated capital over redemption proceeds.

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.

(e) Weighted-average common units:

| | | 2023 | | Year ended December 31, 2022 |
|---|---|---|---|---|
| Net loss | $ | (332,068) | $ | (5,294) |
| Adjustment for distributions to preferred unitholders (note 18) | | (13,025) | | (15,856) |
| Net loss attributable to common unitholders | | (345,093) | | (21,150) |
| Adjustment for restricted units | | — | | (484) |
| Adjustment for deferred units | | — | | (1,241) |
| Diluted net loss income attributable to common unitholders | $ | (345,093) | $ | (22,875) |
| The weighted-average number of common units outstanding was as follows: | | | | |
| Basic common units | | 111,294,362 | | 117,932,876 |
| Effect of dilutive securities: | | | | |
| Restricted units | | — | | 356,076 |
| Deferred units | | — | | 180,635 |
| Diluted common units | | 111,294,362 | | 118,469,587 |
| Net loss per unit attributable to common unitholders: | | | | |
| Basic | $ | (3.10) | $ | (0.18) |
| Diluted | | (3.10) | | (0.19) |

The computation of diluted net loss per unit attributable to common unitholders includes restricted units and deferred units when these instruments are dilutive. For the year ended December 31, 2023, restricted units and deferred units were anti-dilutive for an aggregate total of 683,559 units. For the year ended December 31, 2022, 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. The following are outstanding under the equity incentive plan:

(a) Restricted units:

Unit-based compensation expense related to restricted units outstanding under the equity incentive plan for the year ended December 31, 2023 amounted to $828 (2022, $1,168). 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:

| | 2023 | Year ended December 31, 2022 |
|---|---|---|
| | Number of units | Number of units |
| Balance, beginning of year | 440,617 | 462,891 |
| Granted | 170,430 | 185,600 |
| Accrued | 39,736 | 31,457 |
| Redeemed | (151,760) | (208,063) |
| Expired | (21,946) | (31,268) |
| Balance, end of year | 477,077 | 440,617 |
| Restricted units vested at end of year | 9,314 | 20,702 |

(b) Deferred units:

Unit-based compensation expense related to deferred units outstanding under the equity incentive plan for the year ended December 31, 2023 amounted to $221 (2022. $245). 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:

| | 2023 | Year ended December 31, 2022 |
|---|---|---|
| | Number of units | Number of units |
| Balance, beginning of year | 203,430 | 133,552 |
| Granted | 97,817 | 57,244 |
| Accrued | 21,977 | 12,634 |
| Balance, end of year | 323,224 | 203,430 |
| Deferred units vested at end of year | 323,224 | 203,430 |

## Note 18. Distributions to unitholders

Total distributions declared to unitholders were as follows:

| | | Year ended December 31, 2023 | | | | Year ended December 31, 2022 | | |
|---|---|---|---|---|---|---|---|---|
| | | Total distributions | | Distributions per unit | | Total distributions | | Distributions per unit |
| Common unitholders | $ | 66,433 | $ | 0.60 | $ | 70,372 | $ | 0.60 |
| Special distribution payable in cash | | — | | — | | 9,234 | | 0.08 |
| Special distribution payable in units | | — | | — | | 9,234 | | 0.08 |
| | | 66,433 | | 0.60 | | 88,840 | | 0.76 |
| Preferred unitholders - Series A | | — | | — | | 3,461 | | 1.06 |
| Preferred unitholders - Series E | | 4,930 | | 1.48 | | 4,973 | | 1.37 |
| Preferred unitholders - Series I | | 8,095 | | 1.67 | | 7,422 | | 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. The special distributions were payable on December 31, 2022 to unitholders of record at the close of business on December 31, 2022. 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 year ended December 31, 2022. Immediately following the issuance of common units on December 31, 2022, 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 was recorded as capital contributions.

## Note 19. Revenue

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

| | | 2023 | | Year ended December 31, 2022 |
|---|---|---|---|---|
| Base rent | $ | 219,930 | $ | 241,234 |
| Operating cost and realty tax recoveries | | 126,040 | | 137,782 |
| Parking and other revenue | | 10,789 | | 10,025 |
| Tenant inducements amortized to revenue | | (24,595) | | (25,405) |
| Straight-line rent adjustments | | 2,554 | | 1,379 |
| Lease termination income | | 1,119 | | 7,497 |
| Rental revenue from investment properties | $ | 335,837 | $ | 372,512 |

Refer to note 30 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, 2023 | | December 31, 2022 |
|---|---|---|---|---|
| Not later than one year | $ | 188,945 | $ | 226,816 |
| One to two years | | 175,409 | | 207,145 |
| Two to three years | | 147,561 | | 186,235 |
| Three to four years | | 124,132 | | 154,818 |
| Four to five years | | 102,203 | | 129,051 |
| Later than five years | | 328,223 | | 448,926 |
| | $ | 1,066,473 | $ | 1,352,991 |

## Note 20. Interest and other income

| | | 2023 | | Year ended December 31, 2022 |
|---|---|---|---|---|
| Interest on junior preferred units of Iris (note 6) | $ | 29,900 | $ | 15,713 |
| Interest on notes receivable | | 1,613 | | 1,738 |
| Other | | 846 | | 1,493 |
| | $ | 32,359 | $ | 18,944 |

## Note 21. Interest expense

| | | 2023 | | Year ended December 31, 2022 |
|---|---|---|---|---|
| Interest on mortgages and loans payable | $ | 48,959 | $ | 36,175 |
| Interest on senior unsecured debentures | | 17,976 | | 17,130 |
| Interest on credit facilities | | 52,318 | | 33,851 |
| Amortization of above- and below-market mortgages, net | | (778) | | (896) |
| Amortization of financing costs | | 3,401 | | 3,177 |
| | $ | 121,876 | $ | 89,437 |





## Note 22. Corporate expenses

| | | 2023 | | Year ended December 31, 2022 |
|---|---|---|---|---|
| Accounting, legal and consulting | $ | 2,022 | $ | 1,774 |
| Public company costs (1) | | 967 | | 1,116 |
| Salaries and benefits (2) | | 2,071 | | 2,722 |
| Depreciation of property and equipment | | 1,226 | | 1,254 |
| General and administrative | | 698 | | 795 |
| | $ | 6,984 | $ | 7,661 |

(1) Includes public reporting costs, investor communications costs, and trustee fees and expenses. For the year ended December 31, 2023, trustee fees include fair value gain on unit-based compensation of $579 (2022, fair value gain of $577).
(2) For the year ended December 31, 2023, salaries and benefits include fair value gain on unit-based compensation of $854 (2022, fair value gain of $484).

## Note 23. Strategic review expenses

On August 2, 2023, Artis's Board of Trustees established a Special Committee ("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 strategic review expenses including legal and advisory costs were $207 for the year ended December 31, 2023.

## Note 24. Fair value loss on financial instruments

The REIT recorded (losses) gains on the following:

| | | 2023 | | Year ended December 31, 2022 |
|---|---|---|---|---|
| Interest rate swaps | $ | (9,865) | $ | 19,525 |
| Other derivatives | | (3) | | 777 |
| Equity securities (note 8) | | (31,862) | | (41,432) |
| | $ | (41,730) | $ | (21,130) |

## Note 25. 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, 2023 and 2022.

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 recovery (expense) comprised of:

| | | 2023 | | Year ended December 31, 2022 |
|---|---|---|---|---|
| Current income tax expense | $ | (601) | $ | (735) |
| Deferred income tax recovery (expense) | | 6,206 | | (13,620) |
| Income tax recovery (expense) | $ | 5,605 | $ | (14,355) |

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

| | | December 31, 2023 | | December 31, 2022 |
|---|---|---|---|---|
| Equity accounted investment | $ | 2,993 | $ | 9,323 |
| Property and equipment | | 287 | | 183 |
| Other | | 30 | | 19 |
| Deferred tax liabilities | $ | 3,310 | $ | 9,525 |

Changes in the deferred tax liabilities consist of the following:

| | | December 31, 2023 | | December 31, 2022 |
|---|---|---|---|---|
| Balance, beginning of year | $ | 9,525 | $ | 201 |
| Deferred tax expense (recovery) recognized in net income | | (6,206) | | 13,620 |
| Deferred tax recovery recognized in income from equity investments (note 5) | | — | | (4,313) |
| Foreign currency translation of deferred tax balance | | (9) | | 17 |
| Balance, end of year | $ | 3,310 | $ | 9,525 |

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, 2023 and 2022:

| | | 2023 | | Year ended December 31, 2022 |
|---|---|---|---|---|
| (Loss) income before income taxes | $ | (337,673) | | 9,061 |
| Less: | | | | |
| Income distributed and not subject to income tax | | 304,791 | | 38,917 |
| (loss) income subject to income tax in subsidiary corporations | | (32,882) | | 47,978 |
| Statutory tax rate [(1)] | | 50.67 % | | 50.67 % |
| Tax calculated at statutory tax rate | | (16,661) | | 24,310 |
| Increase (decrease) resulting from: | | | | |
| Effect of different tax rate in U.S. | | (598) | | (494) |
| Non-taxable loss (gain) | | 12,370 | | (10,419) |
| Other items | | (716) | | 958 |
| Income tax (recovery) expense | $ | (5,605) | $ | 14,355 |

(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, 2023, in connection with the income distributions made by the REIT's US subsidiaries to the Canadian parent entity, withholding taxes in the amount of $4,401 (2022, $49,632) was paid to the tax authorities and included in distributions.





## Note 26. Supplemental cash flow information

(a) Other items not affecting cash:

| | | 2023 | | Year ended December 31, 2022 |
|---|---|---|---|---|
| Tenant inducements amortized to revenue | $ | 24,595 | $ | 25,405 |
| Straight-line rent adjustments | | (2,554) | | (1,379) |
| Depreciation of property and equipment | | 1,226 | | 1,254 |
| Unit-based compensation | | 185 | | (721) |
| Amortization of above- and below-market mortgages, net | | (778) | | (896) |
| Amortization of financing costs included in interest expense | | 3,401 | | 3,177 |
| | $ | 26,075 | $ | 26,840 |

(b) Changes in non-cash operating items:

| | | 2023 | | Year ended December 31, 2022 |
|---|---|---|---|---|
| Prepaid expenses and other assets | $ | (1,034) | $ | 1,569 |
| Accounts receivable and other receivables | | 400 | | (1,801) |
| Security deposits and prepaid rent | | (1,501) | | (7,908) |
| Accounts payable and other liabilities | | 1,191 | | 4,078 |
| | $ | (944) | $ | (4,062) |

(c) Other supplemental cash flow information:

| | | 2023 | | Year ended December 31, 2022 |
|---|---|---|---|---|
| Interest paid | $ | 122,287 | $ | 88,415 |
| Interest received | | 2,343 | | 3,256 |
| Income taxes paid | | 504 | | 736 |

## Note 27. Subsidiaries

Significant subsidiaries of the REIT are outlined as follows:

| | | Ownership interest | |
|---|---|---|---|
| Name of entity | Country | December 31, 2023 | December 31, 2022 |
| AX L.P. | 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 % |
| Artis US Holdings, Inc. | U.S. | 100.00 % | 100.00 % |
| Artis US Holdings II, LLC | U.S. | 100.00 % | 100.00 % |
| Artis US Holdings III, LLC | U.S. | 100.00 % | 100.00 % |
| Artis US Holdings IV, LLC | U.S. | 100.00 % | 100.00 % |
| AX US Management L.P. (formerly AX U.S. Management, Inc.) | U.S. | 100.00 % | 100.00 % |

## Note 28. Related party transactions

Sandpiper Asset Management Inc. ("Sandpiper") is a related party by virtue of being a company under joint control of the President and Chief Executive Officer of the REIT.

The REIT entered into a Space Sharing Licence Agreement with Sandpiper for use of certain office premises. The agreement has 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.

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 was effective May 17, 2021 and 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, 2023 | Year ended December 31, 2022 |
|---|---|---|
| Space sharing licence costs | $ 127 | $ 124 |
| Service fees | 1,064 | 1,231 |
| | $ 1,191 | $ 1,355 |

Amounts payable to Sandpiper were $171 as at December 31, 2023 (December 31, 2022, $446).

As at December 31, 2023, the REIT had a balance payable to ICE II LP of $987 (December 31, 2022, $738).

## Note 29. 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, 2023 | Year ended December 31, 2022 |
|---|---|---|
| Short-term benefits | $ 4,672 | $ 6,347 |
| Unit-based compensation | 823 | 1,413 |
| | $ 5,495 | $ 7,760 |

(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 30. 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, 2023

| | Canada | U.S. | REIT [1] | Equity accounted investment properties adjustment [2] | Total |
|---|---|---|---|---|---|
| Revenue | $ 163,505 | $ 191,487 | $ 5 | $ (19,160) | $ 335,837 |
| Expenses: | | | | | |
| Property operating | 51,466 | 53,293 | — | (4,373) | 100,386 |
| Realty taxes | 24,613 | 30,104 | — | (3,283) | 51,434 |
| Total operating expenses | 76,079 | 83,397 | — | (7,656) | 151,820 |
| Net operating income | 87,426 | 108,090 | 5 | (11,504) | 184,017 |
| Other income (expenses): | | | | | |
| Interest and other income | 112 | 567 | 31,724 | (44) | 32,359 |
| Distribution income from equity securities | — | — | 12,365 | — | 12,365 |
| Interest expense | (17,943) | (36,601) | (71,936) | 4,604 | (121,876) |
| Corporate expenses | — | — | (7,000) | 16 | (6,984) |
| Strategic review expenses | — | — | (207) | — | (207) |
| Equity securities expenses | — | — | (878) | — | (878) |
| Net loss from equity accounted investments | — | — | (54,497) | (2,888) | (57,385) |
| Fair value loss on investment properties | (104,692) | (249,410) | — | 9,816 | (344,286) |
| Fair value loss on financial instruments | — | — | (41,730) | — | (41,730) |
| Foreign currency translation gain | — | — | 6,932 | — | 6,932 |
| Loss before income taxes | (35,097) | (177,354) | (125,222) | — | (337,673) |
| Income tax (expense) recovery | — | (725) | 6,330 | — | 5,605 |
| Net loss | $ (35,097) | $ (178,079) | $ (118,892) | $ — | $ (332,068) |
| Additions to investment properties, investment properties under development and investment properties held for sale | $ 29,595 | $ 23,185 | $ — | $ (711) | $ 52,069 |
| Additions to tenant inducements | 6,151 | 33,409 | — | (2,291) | 37,269 |
| Additions to leasing commissions | 1,366 | 11,002 | — | (5,240) | 7,128 |

December 31, 2023

| | Canada | U.S. | REIT | Equity accounted investment properties adjustment [2] | Total |
|---|---|---|---|---|---|
| Total assets | $ 1,677,136 | $ 1,694,198 | $ 440,481 | $ (76,785) | $ 3,735,030 |
| Total liabilities | 487,100 | 563,064 | 1,045,303 | (76,769) | 2,018,698 |

(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 (loss) 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, 2022

| | Canada | U.S. | REIT [1] | Equity accounted investment properties adjustment [2] | 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 |
| 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 (loss) 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 31. Commitments, contingencies and guarantees

(a) Unconditional sale agreements:

The REIT entered into an unconditional agreement to sell a portfolio comprised of eight retail properties in Calgary, Alberta and Winnipeg, Manitoba for a sale price of $222,000, with expected closing in the second quarter of 2024.

In addition, the REIT entered into unconditional agreements to sell three office properties in Winnipeg, Manitoba, Greater Toronto Area, Ontario and Greater Vancouver Area, British Columbia and an industrial property in Greater Houston Area, Texas for sale prices totalling $185,483, with expected closings in the first and second quarters of 2024.

(b) Contingencies:

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

(c) Guarantees:

At December 31, 2023, the REIT has guaranteed certain debt assumed by purchasers in connection with the dispositions of two properties (December 31, 2022, 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, 2023 was $54,741 (December 31, 2022, $41,639), with an estimated weighted-average remaining term of 2.9 years (December 31, 2022, 0.4 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 32. 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, 2023, the ratio of indebtedness to gross book value was 50.9% (December 31, 2022, 48.5%), 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, 2023, 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, 2023 | December 31, 2022 |
|---|---|---|---|
| Mortgages and loans payable | 12 | $ 911,748 | $ 864,698 |
| Senior unsecured debentures | 13 | 199,630 | 449,091 |
| Credit facilities | 14 | 794,164 | 901,159 |
| Total debt | | 1,905,542 | 2,214,948 |
| Unitholders' equity | | 1,716,332 | 2,229,159 |
| | | $ 3,621,874 | $ 4,444,107 |

## Note 33. 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. Portion 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, 2023, the REIT had variable rate debt, including credit facilities, of $1,444,236 (December 31, 2022, $1,434,072). At December 31, 2023, the REIT had entered into interest rate swaps to hedge the interest rate risk associated with $246,897 of variable rate debt, including swaps on credit facilities (December 31, 2022, $217,136).

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 | $ | 11,973 |
| Fixed rate debt due within one year | | 435 |
| | $ | 12,408 |

The REIT has variable rate debts linked to Canadian Dollar Offered Rate ("CDOR") or Bankers' Acceptance ("BA") rate, which are subject to the interest rate benchmark reform. 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. Fallback provisions to switch the reference rate from CDOR to the alternative reference rate CORRA have been incorporated in the relevant debt agreements.

(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 1.3467 for the year ended December 31, 2023, and the year-end exchange rate of 1.3226 at December 31, 2023, would have decreased net loss by $30,461 for the year ended December 31, 2023. A $0.10 weakening in the US dollar against the Canadian dollar would have increased other comprehensive loss by approximately $102,411 for the year ended December 31, 2023. 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 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 $612 during the year ended December 31, 2023 (2022, $1,189).

The aging of accounts receivable is summarized as follows:

| | | December 31, 2023 | | December 31, 2022 |
|---|---|---|---|---|
| Past due 0 - 30 days | $ | 1,993 | $ | 1,778 |
| Past due 31 - 90 days | | 316 | | 517 |
| Past due more than 91 days | | 2,708 | | 2,934 |
| | $ | 5,017 | $ | 5,229 |

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

| | | December 31, 2023 | | December 31, 2022 |
|---|---|---|---|---|
| Balance, beginning of year | $ | 2,187 | $ | 1,717 |
| Additional provisions recorded | | 1,006 | | 1,452 |
| Reversal of previous provisions | | (395) | | (264) |
| Amounts written-off | | (685) | | (746) |
| Foreign currency translation (gain) loss | | (11) | | 28 |
| Balance, end of year | $ | 2,102 | $ | 2,187 |

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, 2023 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 | $ | 84,334 | $ | 84,334 | $ | — | $ | — | $ | — |
| Lease liabilities | | 916 | | 232 | | 290 | | 310 | | 84 |
| Credit facilities | | 794,681 | | 588,873 | | 205,808 | | — | | — |
| Senior unsecured debentures | | 200,000 | | — | | 200,000 | | — | | — |
| Mortgages and loans payable | | 916,321 | | 275,348 | | 497,404 | | 115,079 | | 28,490 |
| | $ | 1,996,252 | $ | 948,787 | $ | 903,502 | $ | 115,389 | $ | 28,574 |

Subsequent to December 31, 2023, the $100,000 non-revolving credit facility that matured on February 6, 2024 was extended to February 6, 2026.

## Note 34. Fair value measurements

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

There were no transfers of assets or liabilities between hierarchy levels during the years ended December 31, 2023 and 2022.

| | | | December 31, 2023 | | | | December 31, 2022 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Fair value hierarchy | | Carrying value | | Fair value | | Carrying value | | Fair value |
| Assets: | | | | | | | | | |
| Investment properties | Level 3 | $ | 2,494,134 | $ | 2,494,134 | $ | 3,156,206 | $ | 3,156,206 |
| Investment properties under development | Level 3 | | 947 | | 947 | | 191,552 | | 191,552 |
| Preferred investments | Level 2 | | 144,084 | | 136,421 | | 114,184 | | 113,239 |
| Equity securities | Level 1 | | 152,002 | | 152,002 | | 316,768 | | 316,768 |
| Notes receivable | Level 2 | | 47,170 | | 46,233 | | 38,695 | | 36,212 |
| Investment properties held for sale | Level 3 | | 571,760 | | 571,760 | | 335,813 | | 335,813 |
| Derivative instruments | Level 2 | | 1,429 | | 1,429 | | 5,885 | | 5,885 |
| | | | 3,411,526 | | 3,402,926 | | 4,159,103 | | 4,155,675 |
| Liabilities: | | | | | | | | | |
| Mortgages and loans payable | Level 2 | | 911,748 | | 904,835 | | 864,698 | | 842,138 |
| Senior unsecured debentures | Level 2 | | 199,630 | | 196,141 | | 449,091 | | 436,609 |
| Credit facilities | Level 2 | | 794,164 | | 794,681 | | 901,159 | | 901,934 |
| Derivative instruments | Level 2 | | 5,717 | | 5,717 | | — | | — |
| | | | 1,911,259 | | 1,901,374 | | 2,214,948 | | 2,180,681 |
| | | $ | 1,500,267 | $ | 1,501,552 | $ | 1,944,155 | $ | 1,974,994 |

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. The swaps are not designated in a hedge relationship.

## Note 35. Subsequent events

The following events occurred subsequent to December 31, 2023:

- The REIT received full repayment of a note receivable in the amount of $10,000.
- The REIT disposed of one industrial property, one office property and one retail property all located in Winnipeg, Manitoba for an aggregate sale price of $38,395.
- The REIT acquired an additional 5% interest in Park 8Ninety V, an industrial property located in the Greater Houston Area, Texas, for total consideration of $12,325 (US$9,132). Prior to the acquisition date, the REIT owned 95% of this investment property and the property was classified as a joint venture.
- The REIT entered into an amended agreement to extend the maturity date of the $100,000 non-revolving credit facility to February 6, 2026, at an interest rate of adjusted CORRA plus 1.70% or prime plus 0.70%.
- The REIT repaid a net balance of $46,000 and drew $53,988 (US$40,000) on its revolving term credit facilities.
- The REIT received new mortgage financing in the amount of $24,300 on two previously unencumbered retail properties.
- The REIT repaid a mortgage on an industrial property in the amount of $40,890 (US$30,296) and a mortgage on a retail property in the amount of $10,274.
- The REIT purchased equity securities for $1,745 and sold equity securities for net proceeds of $27,252.
- The REIT declared a monthly cash distribution of $0.05 per common unit for the months of January and February 2024.
- The REIT declared a quarterly cash distribution of $0.4370625 per Series I Unit for the three months ended January 31, 2024.

## Note 36. Approval of financial statements

These consolidated financial statements were approved by the Board of Trustees and authorized for issue on February 29, 2024.

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