

• 2017 •


ARTIS



ARTIS
REIT

ANNUAL REPORT

PROPERTIES OF SUCCESS



Artis is one of the largest diversified commercial real estate investment trusts in Canada. Since 2004, Artis has executed an aggressive but disciplined growth strategy, building a portfolio of office, retail and industrial properties in Canada and select markets in the United States (U.S.).

Artis' primary objective is to provide a stable, reliable and tax-efficient monthly cash distribution, as well as long-term appreciation in the value of Artis' units through the accumulation and effective management of a quality commercial real estate portfolio. Artis meets this objective through strategic asset ownership, a disciplined growth strategy and prudent financial management.

DISCLAIMER:

All figures are presented on a proportionate share basis unless otherwise noted. The information in this Annual Report should be read in conjunction with the REIT's audited annual consolidated financial statements and management's discussion and analysis for the years ended December 31, 2017, and 2016. These documents are available on SEDAR at www.sedar.com or on Artis' website at www.artisreit.com.

On the cover:

220 Portage Avenue, Winnipeg, MB

360 Main Street, Winnipeg, MB

Bell MTS Building I & II, Winnipeg, MB



FINANCIAL HIGHLIGHTS

(In thousands, except per unit amounts)

YEAR ENDED DECEMBER 31	2017	2016	2015
REVENUE	\$542,929	\$572,515	\$552,502
PROPERTY NET OPERATING INCOME (PROPERTY NOI)	\$325,645	\$348,714	\$341,952
FUNDS FROM OPERATIONS (FFO)	\$215,360	\$225,876	\$215,648
FFO PER UNIT	\$1.43	\$1.55	\$1.53
FFO PAYOUT RATIO	75.5%	69.7%	70.6%
DISTRIBUTIONS PER UNIT	\$1.08	\$1.08	\$1.08
GROSS BOOK VALUE (GBV)	\$5,386,329	\$5,668,337	\$5,653,827
SECURED MORTGAGES AND LOANS TO GBV	31.9%	40.6%	41.2%
TOTAL LONG-TERM DEBT AND CREDIT FACILITIES TO GBV	49.3%	51.0%	52.4%

INVESTOR HIGHLIGHTS

CANADIAN COMMERCIAL REIT WITH 237 PROPERTIES TOTALLING 24.8 MILLION SQUARE FEET OF LEASABLE AREA

TRUST UNITS EARN A STABLE, RELIABLE, MONTHLY DISTRIBUTION OF \$1.08 PER UNIT PER ANNUM

PREFERRED UNITS EARN A STABLE QUARTERLY DISTRIBUTION

DIVERSIFIED BY ASSET CLASS INCLUDING OFFICE, RETAIL AND INDUSTRIAL PROPERTIES, AND GEOGRAPHICALLY IN SELECT CANADIAN AND U.S. MARKETS



BBB (LOW) & PFD-3 (LOW) INVESTMENT GRADE CREDIT RATING FROM DBRS

Revenue, Property NOI and FFO were impacted by acquisitions, dispositions, completed (re)developments, lease termination income and the impact of foreign exchange. The 2016 and 2015 FFO comparative information has been revised to reflect the impact of the new FFO guidelines issued by REALpac in February 2017. Financial Highlights and Growth Highlights are in Canadian dollars and are inclusive of Artis' proportionate share of joint venture arrangements with the exception of Distributions per Unit.

GROWTH HIGHLIGHTS

(In millions)

Funds from Operations

\$215.4



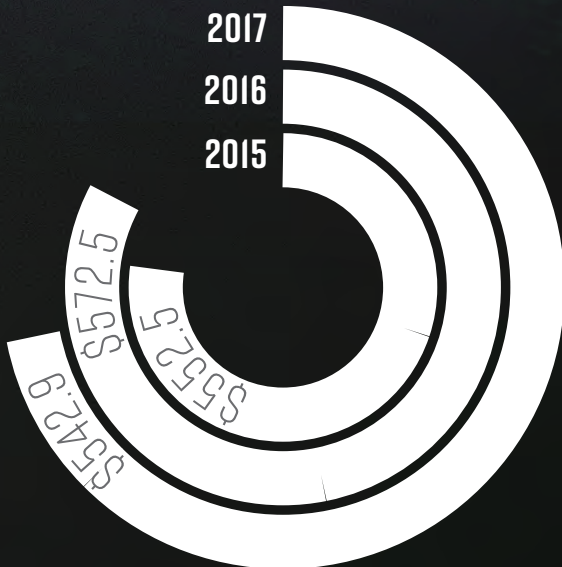
Property NOI

\$325.6



Revenue

\$542.9



Total Assets

\$5,382.0





MESSAGE FROM THE PRESIDENT & CHIEF EXECUTIVE OFFICER

FELLOW UNITHOLDERS:

OUR 2017 RESULTS ARE REFLECTIVE OF ANOTHER YEAR OF STEADY IMPROVEMENT FOR ARTIS. DURING THE YEAR, WE RECYCLED CAPITAL TO IMPROVE THE OVERALL QUALITY OF OUR PORTFOLIO, EFFICIENTLY MANAGED AND EXTRACTED MAXIMUM VALUE FROM OUR CURRENT ASSETS AND IMPROVED AREAS OF OUR BALANCE SHEET AND CERTAIN KEY FINANCIAL METRICS. THESE IMPROVEMENTS, HIGHLIGHTED IN THE ACCOMPANYING ANNUAL REPORT, ARE THE RESULT OF THE HARD WORK OF OUR EXPERIENCED AND DEDICATED TEAM OF EMPLOYEES. OUR 2017 RESULTS DEMONSTRATE OUR ABILITY TO EFFECTIVELY EXECUTE OUR CORE STRATEGIES TO PRODUCE STRONG AND CONSISTENT RESULTS FOR OUR UNITHOLDERS.

Our capital recycling program in 2017 has been a success, creating value for our unitholders while improving the calibre of our real estate portfolio. During the year, we sold \$353.1 million and US\$70.6 million of real estate at a weighted-average capitalization rate of 5.8%, while acquiring US\$66.9 million of assets at a weighted-average capitalization rate of 6.4%, as well as the remaining interest in a new development project in the U.S. and a parkade adjacent to an owned office building in Canada. In addition to the acquisition of this newer generation real estate, funds from asset sales were invested in new development projects and the redevelopment of core assets in our portfolio. Strategically planned new development projects continue to present a compelling opportunity for us to develop and own new generation real estate that provides a higher return than that from acquiring an existing property.

During the year, we entered into two new five-year unsecured non-revolving term credit facilities in the aggregate amount of \$300 million. We are pleased to report that with the use of these credit facilities and proceeds from dispositions, our total long-term debt and credit facilities to gross book value decreased to 49.3% and secured mortgages and loans to gross book value decreased to 31.9%. Concurrently, our unencumbered asset pool reached \$1.7 billion, the highest value in the REIT's history.

The reported decrease in revenue year over year, which impacted our funds from operations, can be largely attributed to property dispositions in 2016 and 2017 and lease termination income received in the previous year. Overall, we continue make consistent improvements to key financial metrics while practicing patience and diligence to ensure that each financial decision is in the best long-term interest of Artis and our unitholders.

In addition to our solid performance and numerous accomplishments in 2017, management and our Board of Trustees reviewed and made significant improvements to our governance and compensation policies to better align with industry best practices. These new policies focus on the importance of gender diversity on the Board and in the workplace, board renewal and committee changes to encourage new and objective perspectives, and various changes to compensation policies including the future addition of say on pay and performance units as part of executive compensation. We trust that our unitholders will be pleased with these improvements and we remain committed to the ongoing review and improvement of our governance and compensation policies in the future.

We are pleased to highlight that our units provided a total return of approximately 20 percent in 2017. Our operational and financial results continue to demonstrate the advantage of being a diversified REIT, both by asset class and geography. Thanks to the positive changes we made to our portfolio over the year, it is more aligned today than ever before with our long-term strategy. With this advantage, the benefit of an experienced and dedicated management team and a strong balance sheet, we look forward to delivering another year of continuous improvement in 2018.


Armin Martens, P.Eng., MBA
President & C.E.O.

REAL ESTATE PERFORMANCE

PORTFOLIO DIVERSIFICATION, BOTH BY GEOGRAPHY AND BY ASSET CLASS, IS A CORE STRATEGY OF THE REIT. DIVERSIFICATION PROVIDES STABILITY AND PROTECTION FROM RISKS ASSOCIATED WITH CHANGES IN ECONOMIC CONDITIONS OF A PARTICULAR MARKET OR INDUSTRY. IN 2017, ARTIS' PORTFOLIO CONTINUED TO SHOW IMPRESSIVE OCCUPANCY LEVELS, WHICH REMAINED OVER 90% AT ALL TIMES THROUGHOUT THE YEAR.

Artis concluded 2017 with a well-diversified portfolio of 237 properties, totalling 24.8 million square feet of gross leasable area. Artis' properties are strategically located in two countries, across five Canadian provinces and six U.S. states. Canadian assets represent 57.5% of the portfolio by gross leasable area, while U.S. assets represent 42.5% of the portfolio by gross leasable area. Artis' industrial portfolio represents its largest asset class by gross leasable area, followed by office and then retail.

Since Artis acquired its first U.S. property eight years ago, U.S. assets have become an integral part of the REIT's diversification strategy. Artis' U.S. assets have enhanced the diversification and overall quality of the portfolio and provided a natural hedge against the recent volatility in the Canadian marketplace. In 2016, Artis' Board of Trustees revised its U.S. target weighting from 35% to 50% of total property net operating income. Artis continues to benefit from a strong U.S. currency and capital appreciation of its U.S. assets. During 2017, the REIT sold 23 properties in total, seven of which were non-core U.S. properties, and used a portion of the funds to acquire four newer generation U.S. assets in target markets. Management continues to work diligently on U.S. development projects, which provide an opportunity to own new generation real estate at a return that is higher than that from acquiring an existing property.

Effective asset and property management is key to achieving consistent performance and extracting maximum value from all assets in the portfolio. Artis' experienced management team, with extensive knowledge of real estate, property management, tenant relations and leasing in Canada and

the U.S. ensures the REIT's high standard of real estate performance is achieved. In 2017, Artis added a seventh property management office in Minneapolis, Minnesota. Artis now has offices in Winnipeg, Calgary, Edmonton, Toronto, Phoenix, Madison and Minneapolis. Across all offices, an impressive 3.6 million square feet of lease transactions (including new leases and renewals) were completed during the year.

Looking ahead to 2018, a manageable 12.2% of Artis' gross leasable area expires, 32.7% of which was renewed or committed to new leases at the end of 2017. Artis' property managers continue to build relationships and work with tenants to ensure their space is aligned with their business strategy and overall needs. Successful tenants promote tenant retention, an essential factor in effective real estate management.

Corporate sustainability is a core value at Artis and is another factor by which to measure the effectiveness of the REIT's property and asset management. As one of Canada's largest and most prominent landlords, it is a responsibility as both an employer and a member of the community to set a high standard in sustainable practices and demonstrate the importance of environmental care and protection. At Artis, a corporate culture exists wherein sustainability is valued and prioritized.

Investment in, development and management of buildings in an environmentally prudent and resource efficient manner is a high priority. In 2017, Artis proudly published its third annual Sustainability Report, demonstrating an ongoing commitment to the accountability and transparency of its sustainability program and reinforcing the REIT's dedication to continuous improvement in this field.



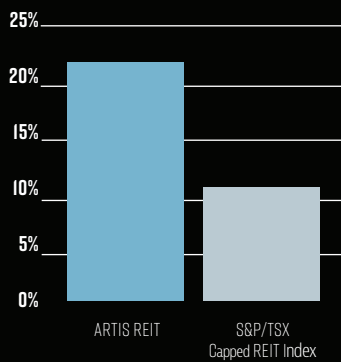
PORTFOLIO BY GROSS LEASABLE AREA
By Geographical Region

- MINNESOTA (23.1%)
- ALBERTA (16.5%)
- ONTARIO (16%)
- MANITOBA (15.7%)
- ARIZONA (7.3%)
- WISCONSIN (6.8%)
- SASKATCHEWAN (5.9%)
- U.S. OTHER (5.3%)
- BRITISH COLUMBIA (3.4%)

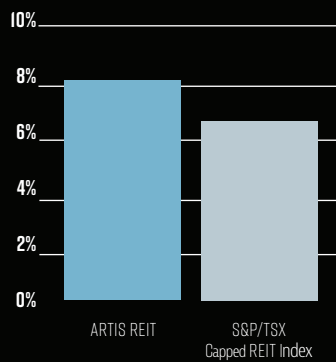
169 INVERNESS DRIVE WEST PHASE I, DENVER, CO

ANNUALIZED TOTAL UNIT RETURNS

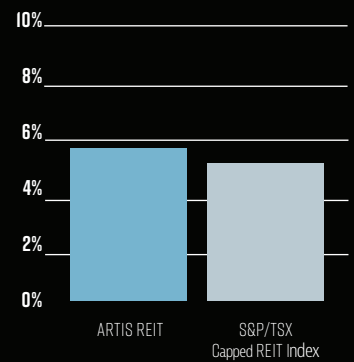
1 YEAR



3 YEAR



5 YEAR





PROPERTY	LOCATION	ASSET CLASS	PURCHASE/SALE PRICE
ACQUISITIONS			
<i>U.S. Industrial Portfolio (3 Properties)</i>	<i>Greater Denver Area, CO & Greater Phoenix Area, AZ</i>	<i>Industrial</i>	<i>US\$40.0 million</i>
<i>Clearwater Creek Distribution Center</i>	<i>Twin Cities Area, MN</i>	<i>Industrial</i>	<i>US\$26.9 million</i>
DISPOSITIONS			
<i>Airdrie Flex Industrial</i>	<i>Airdrie, AB</i>	<i>Industrial</i>	<i>\$5.4 million</i>
<i>Southview Centre</i>	<i>Medicine Hat, AB</i>	<i>Retail</i>	<i>\$28.1 million</i>
<i>Westbank Hub Shopping Centre and Westbank Hub Centre North⁽¹⁾</i>	<i>Westbank, BC</i>	<i>Retail</i>	<i>\$80.1 million</i>
<i>Ford Tower and Alpine Building</i>	<i>Calgary, AB</i>	<i>Office</i>	<i>\$37.5 million</i>
<i>Edson Shoppers</i>	<i>Edson, AB</i>	<i>Retail</i>	<i>\$7.0 million</i>
<i>Horizon Heights</i>	<i>Calgary, AB</i>	<i>Retail</i>	<i>\$34.0 million</i>
<i>Sherwood Centre</i>	<i>Edmonton, AB</i>	<i>Industrial</i>	<i>\$13.5 million</i>
<i>6075 Kestrel Road</i>	<i>Greater Toronto Area, ON</i>	<i>Industrial</i>	<i>\$5.4 million</i>
<i>Quarry Park Portfolio (3 Properties)</i>	<i>Calgary, AB</i>	<i>Office</i>	<i>\$98.0 million</i>
<i>488 Albert Street</i>	<i>Nanaimo, BC</i>	<i>Office</i>	<i>\$8.0 million</i>
<i>Twin Cities Industrial Portfolio (7 Properties)</i>	<i>Twin Cities Area, MN</i>	<i>Industrial</i>	<i>US\$70.6 million</i>
<i>Millennium Centre</i>	<i>Red Deer, AB</i>	<i>Office</i>	<i>\$33.0 million</i>
<i>12 Indell Lane</i>	<i>Greater Toronto Area, ON</i>	<i>Industrial</i>	<i>\$3.1 million</i>

⁽¹⁾Artis disposed of its 75% interest in these properties.

MEETING THE OBJECTIVE

ARTIS' PRIMARY OBJECTIVE IS TO PROVIDE A STABLE, RELIABLE AND TAX-EFFICIENT MONTHLY CASH DISTRIBUTION, AS WELL AS LONG-TERM APPRECIATION IN THE VALUE OF ARTIS' UNITS THROUGH THE ACCUMULATION AND EFFECTIVE MANAGEMENT OF A QUALITY PORTFOLIO OF COMMERCIAL REAL ESTATE.

Artis implements three core strategies to meet this objective:

{ STRATEGIC ASSET OWNERSHIP · DISCIPLINED GROWTH
PRUDENT FINANCIAL MANAGEMENT }

STRATEGIC ASSET OWNERSHIP

Artis' portfolio consists of quality office, retail and industrial real estate that is strategically and diversely located in select primary and secondary markets in Canada and the U.S. To maximize the potential of its portfolio, management conducts ongoing analysis of relevant economic fundamentals in its target markets and the performance of its assets, while continuously seeking opportunities to make accretive acquisitions, develop new generation real estate and dispose of assets that are not aligned with its long-term strategy.

Capitalization rates have compressed in many of Artis' target markets and there has been a cautious tone in the real estate industry towards raising capital through the issuance of new trust units; therefore, Artis has adapted and focused on capital recycling and other growth opportunities. Strategic recycling of capital creates an opportunity to make accretive acquisitions or invest in high-yield development projects by using existing resources along with funds that are generated from selling non-core assets at attractive capitalization rates.

During the year, Artis disposed of 23 properties in Canada and the U.S. for aggregate sale prices of \$353.1 million and US\$70.6 million. Artis redeployed a portion of the proceeds from these sales to the acquisition of four assets and the remaining 10% interest in a development project in the U.S. for an aggregate purchase price of US\$69.1 million. Artis also acquired a parkade adjacent to an owned office building in Canada for \$13.9 million.

ACQUISITIONS

In 2017, Artis acquired four industrial properties in the U.S. by way of two transactions. Pursuant to the first transaction, Artis acquired a portfolio of three multi-tenant industrial properties (nine buildings in total), two of which are located in the Greater Phoenix Area, Arizona, and one which is located in the Greater Denver Area, Colorado. The portfolio totals 377,956 square feet of gross leasable area and is 92.5% occupied.

In the second transaction, Artis acquired a 402,522 square foot single-tenant cross-dock industrial property located in the Twin Cities Area, Minnesota. The building is fully leased for a 15-year term with annual rent escalations of 2.0%. The weighted-average capitalization rate of these two acquisitions was 6.4%.

In addition to the above property acquisitions, Artis purchased the remaining 10% interest in Park Lucero I, III and IV located in the Greater Phoenix Area, Arizona, and a parkade adjacent to an owned office building in Winnipeg, Manitoba.

DISPOSITIONS

During 2017, Artis disposed of 23 non-core properties, which included 16 properties in Canada and seven properties in the U.S.

The 16 Canadian asset sales during the year included seven office buildings, five retail assets, and four industrial properties. Of these 16 assets, 11 are located in Alberta, three are in British Columbia and two are in Ontario. The aggregate sale price for these properties was \$353.1 million, representing a weighted-average capitalization rate of 5.8%.

The seven U.S. assets sold in 2017 were sold as a portfolio. All seven were industrial properties located in the Twin Cities Area, Minnesota, and were non-core assets that were not aligned with Artis' long-term strategy. The portfolio was sold for US\$70.6 million, representing a capitalization rate of 6.0%.

These 2017 transactions demonstrate management's ability to prudently recycle capital by disposing of non-core assets at attractive capitalization rates and strategically redeploy the proceeds to high-quality, accretive acquisitions in the REIT's target markets. The calibre of real estate acquired in 2017 improves the diversity, stability and quality of Artis' overall portfolio. Management is confident in the real estate fundamentals in all of Artis' asset classes and markets and will continue to evaluate and pursue opportunities for continued growth in its target markets.

DISCIPLINED GROWTH

ORGANIC GROWTH

The objective of Artis' organic growth strategy is to identify and extract the maximum value from each asset in the portfolio. The key to achieving this objective is efficient and effective management of assets, maintaining high occupancy levels, capitalizing on increases in renewal rents and realizing the gain between in-place or expiring rental rates and market rental rates through leasing activities.

During 2017, Artis' management team successfully renewed 2.4 million square feet of gross leasable area, reporting a weighted-average increase in renewal rents of 2.3%. This demonstrates an exceptional rate of organic growth. In addition to this impressive increase in renewal rents, Artis reported that stabilized same property net operating income before the impact of foreign exchange (which excludes the Calgary office portfolio and properties planned for disposition or repurposing), increased by 2.0% year-over-year (or relatively consistent year-over-year at -0.3% when calculated in Canadian dollars and inclusive of the Calgary office portfolio and properties planned for disposition or repurposing). Management estimates that, exclusive of the Calgary office portfolio, market rents are 1.9% above in-place rents across the portfolio (or 1.3% above in-place rents when calculated inclusive of the Calgary office portfolio). These metrics are indicative of potential revenue growth to be gained from future leasing activities.

VALUE CREATION

Over the last several years, value creation has been an important component of Artis' growth strategy. With capitalization rate compression in many of Artis' target markets and, thus, fewer viable opportunities to acquire real estate, value creation through development and redevelopment projects provides a compelling opportunity to achieve growth at attractive yields. New development projects also increase the overall quality and leasable area of Artis' portfolio, which correspondingly increases revenue potential and asset value. Value creation projects improve the aesthetics of Artis' assets, while simultaneously increasing the energy efficiency and revenue growth potential of its buildings.

Artis completed numerous new development projects in 2017, including Millwright Building, Park Lucero Phase II, Park Lucero Phase III, 175 Westcreek Boulevard and Park 8Ninety Phase I.

Millwright Building is an office development project located in Minneapolis, Minnesota. This project, a new best-in-class mid-rise office building, is located in close proximity to the new US Bank Stadium, home of the Minnesota Vikings, in the Downtown East office market. Artis has an 80% ownership interest in this project, which comprises approximately 174,000 square feet of leasable area. Millwright Building is 35.0% leased and construction was substantially complete in the first quarter of 2017.

Park Lucero Phase II and III are part of a four-phase industrial development on a 48-acre parcel of land in the Greater Phoenix Area, Arizona. Phase I of this project was substantially complete in 2015 and consists of three state-of-the-art industrial buildings totalling approximately 208,000



PARK LUCERO PHASE II,
PHOENIX AZ



175 WESTCREEK BOULEVARD,
TORONTO, ON



169 INVERNESS DRIVE WEST PHASE I,
DENVER, CO



square feet of leasable area. Construction of Phase II and Phase III, comprising approximately 132,000 and 147,000 square feet of leasable area, respectively, was substantially complete during the first half of 2017. Phases I, II and III are fully leased, leaving one slab-ready pad at the site for future development. Once complete, all four phases of Park Lucero are expected to total approximately 580,000 square feet of leasable area. In 2017, Artis acquired the remaining 10% interest in Park Lucero Phases I, III and IV and now owns 100% of these three phases. Artis owns 90% of Phase II.

175 Westcreek Boulevard is a new industrial development in the Greater Toronto Area, Ontario, on 10 acres of excess land which was acquired by Artis in 2011. Construction of a 130,000 square foot multi-tenant building was substantially complete in the first quarter of 2017. The property is fully leased to two tenants pursuant to leases that commenced in 2017.

Park 8Ninety Phase I is part of a multi-phase development project on a 127-acre parcel of land located in the southwest industrial submarket in Houston, Texas. Construction of Phase I of this project was substantially complete in the second quarter of 2017, comprising four state-of-the-art industrial buildings totalling approximately 440,000 square feet of leasable area. Artis has a 95% ownership interest in Park 8Ninety Phase I.

169 Inverness Drive West Phase I is an office development in the Greater Denver Area, Colorado, situated on a 10-acre parcel of land adjacent to the AT&T Building, an office building acquired by Artis in 2013. Phase I of this multi-phase project includes a Class A office building totalling approximately 120,000 square feet of leasable area. The site is located on the I-25 with immediate connectivity to the light rail transit system. Construction of 169 Inverness Drive West Phase I is expected to be complete in early 2018.

In addition to the above development projects, Artis has numerous projects at various stages of planning in its development pipeline. These value creation projects that are in early planning stages include a commercial/residential and a retail densification project in Winnipeg, Manitoba, two residential densification projects in the Greater Toronto Area, Ontario, and a residential development in Calgary, Alberta. Artis also has numerous new development opportunities in its pipeline for future development. More information about these projects will be released as progress is made.

Value creation can also be achieved through the redevelopment of existing assets within the portfolio, by capitalizing on opportunities to realize the highest and best use for a property or by modernization to attract long-term credible tenants and remain competitive in the marketplace. Artis conducts ongoing strategic review of each asset in its portfolio to identify such opportunities. Artis had one property held for redevelopment at the end of 2017; Sierra Place, an office asset in Calgary, Alberta, that is undergoing an extensive redevelopment to be converted from an office to a residential property. Sierra Place, which is conveniently located downtown on a light rail transit line and provides access to the city's Plus 15 walkway system, will have approximately 100 suites upon completion of the redevelopment. Construction is anticipated to begin in early 2018.

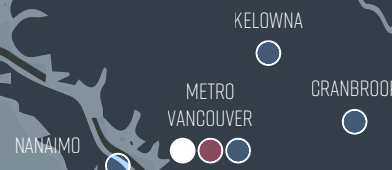
The success of Artis' redevelopment projects to date demonstrates the value that can be created from reinvesting in and improving the calibre of assets in Artis' existing portfolio.

PORTFOLIO MAP

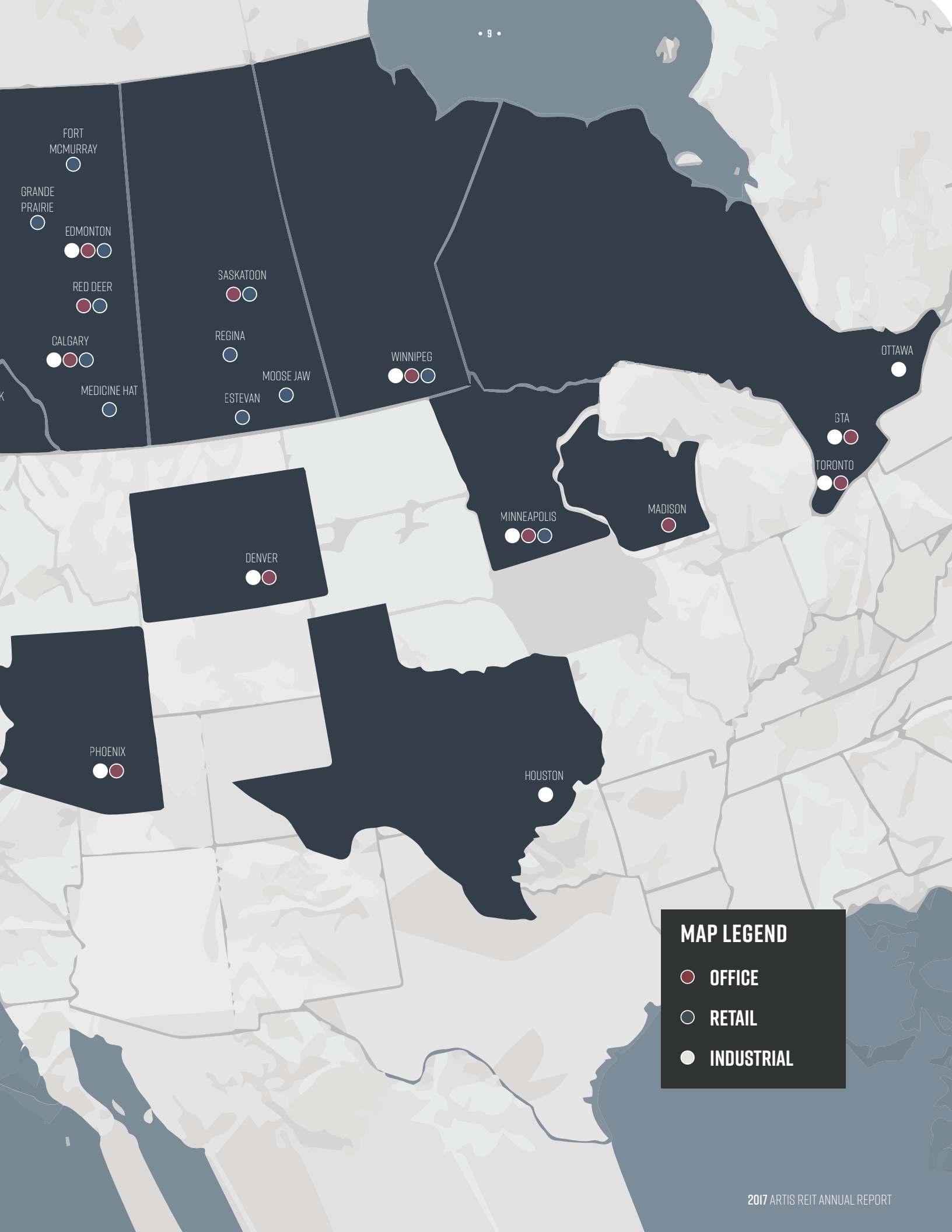
A Canadian commercial REIT with 237 properties totalling 24.8 million square feet of gross leasable area, diversified by asset class including office, retail and industrial properties and geographically in select Canadian and U.S. markets.

TOP TEN TENANTS

by percentage of gross revenue in Canadian and US dollars



 BellMTS	2.2%
 WorleyParsons <small>resources & energy</small>	1.7%
 GRAHAM	1.6%
 at&t <small>Your world. Delivered.</small>	1.5%
 Bell	1.3%
 TransAlta	1.1%
 TDS <small>telecom</small>	1.1%
 bellatrix <small>EXPLORE THE FUTURE</small>	1.0%
 Canada Trust	1.0%
 SHOPPERS <small>DRUG MART</small>	0.9%



MAP LEGEND

- OFFICE
- RETAIL
- INDUSTRIAL



PARK LUCERO GREATER PHOENIX AREA, ARIZONA

Park Lucero is a four-phase Class A industrial development project located along the South Loop 202 Freeway in the Greater Phoenix Area, Arizona. Artis acquired a 90% interest in this project in 2014, and the remaining 10% interest in Phases I, III and IV in 2017. Once complete this multi-phase project, located on approximately 48 acres of land, is expected to comprise six buildings totalling approximately 580,000 square feet of leasable area. The buildings feature 24 to 32 foot clear ceiling heights and dock high, truckwell and grade level loading options. Park Lucero is one of the newest and largest developments of its kind in the southeast valley.

In 2017, Artis announced that it entered into a new long-term lease of 12 years at Park Lucero Phase II. This represents the fifth fully-leased building at Park Lucero, with one slab-ready pad remaining for future development. Phase I, II and III totalling approximately 490,000 square feet of leasable area are fully leased, while Phase IV is yet to be developed. As of the end of 2017, Artis had invested US\$51.4 million in this project, generating stabilized net operating income of US\$3.8 million, which represents a 7.3% yield, with anticipated value creation of US\$13.5 million.



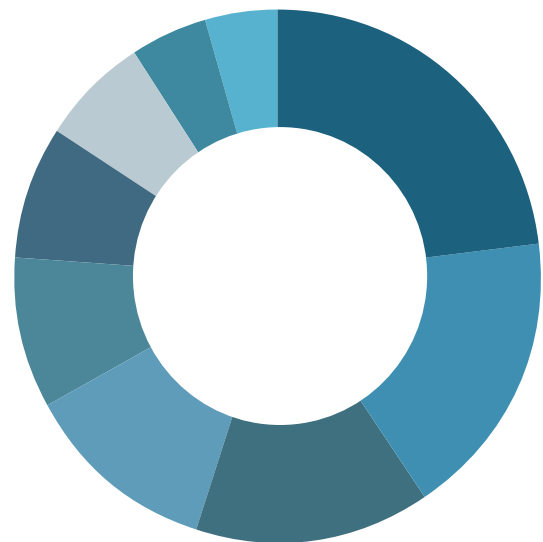
PRUDENT FINANCIAL MANAGEMENT

During 2017, Artis delivered a solid overall performance and made several improvements to key financial metrics. The REIT entered into two new five-year unsecured non-revolving term credit facilities in the aggregate amount of \$300.0 million, to be utilized for general corporate and working capital purposes, property acquisitions and development financing. At year end, Artis had a healthy balance sheet and ample liquidity, including \$42.8 million of cash on hand and unsecured term credit facilities totalling \$800.0 million, of which \$61.6 million was available. Additionally, Artis substantially increased its pool of unencumbered assets, totalling 82 properties and seven parcels of development land and representing a fair value of \$1.7 billion. At December 31, 2017, Artis' unencumbered assets to unsecured debt ratio was 1.8 times.

Artis' growth strategy and effective financial and operational management continues to be driven by the REIT's capital recycling initiatives. Revenue in 2017 was \$542.9 million, compared to \$572.5 million in 2016, and property net operating income in 2017 was \$325.6 million, compared to \$348.7 million in 2016. The decrease was primarily driven by the dispositions completed in 2016 and 2017. In the real estate industry, other key performance indicators include funds from operations and adjusted funds from operations. In 2017, funds from operations were \$215.4 million, compared to \$225.9 million year-over-year, a decrease of 4.7%. On a per unit basis, funds from operations decreased to \$1.43 from \$1.55 year-over-year. Adjusted funds from operations decreased from \$168.7 million to \$157.5 million year-over-year. This translates to a per unit decrease in adjusted funds from operations from \$1.16 to \$1.04. The decline was primarily due to the disposition of properties and the repayment of debt to overall improve Artis' liquidity.

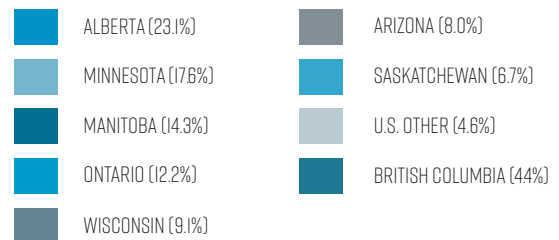
Artis is pleased to report that, at December 31, 2017, secured mortgages and loans to gross book value improved to 31.9% from 40.6%, and total long-term debt and credit facilities to gross book value improved to 49.3% from 51.0%. Concurrently, the REIT improved the interest coverage ratio to 3.05 times for the year, compared to 2.99 times reported for 2016.

In accordance with Artis' objective to provide a stable, reliable and tax-efficient monthly cash distribution, Artis paid its unitholders a monthly distribution of \$0.09 per unit in 2017 (\$1.08 per annum). Artis' funds from operations payout ratio and adjusted funds from operations payout ratio, which are key financial metrics used to determine the sustainability of a real estate investment trust's distribution payments, were 75.5% and 103.8%, respectively.



PORTFOLIO BY NET OPERATING INCOME (Q4-17)

By Geographical Region



In addition to these achievements, Artis continued to maintain its investment grade credit rating from DBRS Limited of BBB (low) and Pfd-3 (low). 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. Artis earned this rating as a result of its impressive financial profile and credit matrix, along with its fully diversified commercial portfolio by geography and asset class and reliable tenant mix with national and government tenants accounting for 56.1% of gross revenue. Artis' top 20 tenants account for 21.3% of total gross revenue.



OUTLOOK

Artis' objective is to provide a stable, reliable and tax-efficient monthly cash distribution to unitholders and long-term appreciation in the value of Artis' units through the accumulation and effective management of a quality portfolio of commercial real estate. Looking forward to 2018, Artis' experienced and dedicated team will continue to diligently execute its core strategies to meet this objective.

Management will strive to maximize returns by finding new ways to create value through the redevelopment and repositioning of assets to improve the overall quality of the portfolio and by undertaking high-yield densification and new development projects. Capitalizing on opportunities to realize the gain between in-place rents and market rents and maintaining stable occupancy levels through tenant retention and new leasing initiatives are also important strategies management will utilize to maximize returns.

Artis continues to be rewarded by its' diversification strategy and management remains confident in the future potential of Artis' Canadian and U.S. target markets. Commodity markets have shown modest improvement during 2017 and management believes these signs of stabilization will continue through 2018, eventually having a positive impact on the real estate markets in commodity driven regions. In the meantime, the U.S. economy continues to show solid growth, providing Artis' unitholders with the benefit of a strong U.S. dollar and continued capital appreciation of Artis' U.S. assets.

In accordance with Artis' ownership strategy, management is committed to ongoing review of current assets to identify opportunities to maximize value from assets that are aligned with Artis' long-term strategy, identify non-core assets and capitalize on strategic opportunities to recycle capital. Overall, Artis is pleased to demonstrate to unitholders its ability to produce results that are reflective of its focused, dedicated and experienced management team, strong earnings, a healthy balance sheet and significant cash liquidity. With these and other valuable resources, the REIT is well positioned for another successful year and will strive to deliver strong results for unitholders again in 2018.

All metrics are either as at December 31, 2017, or for the 12 months ended December 31, 2017, unless otherwise noted.

Readers are cautioned that this Annual Report may contain forward-looking statements. Artis cannot assure investors that actual results will be consistent with any forward-looking statements and 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. Refer to Artis' management's discussion and analysis for a full forward-looking disclaimer.

MANAGEMENT TEAM



ARMIN MARTENS

*President and
Chief Executive Officer*



JIM GREEN

Chief Financial Officer

EXECUTIVE VICE-PRESIDENTS



DAVID JOHNSON

*Executive Vice-President
Asset Management (Central Region)*



PHILIP MARTENS

*Executive Vice-President
(U.S. Region)*



FRANK SHERLOCK

*Executive Vice-President
Property Management*



DENNIS WONG

*Executive Vice-President
Asset Management (Western Region)*

SENIOR VICE-PRESIDENTS



PATRICK DEVINE

*Senior Vice-President
Leasing (U.S. Region)*



MARIE DUNN

*Senior Vice-President
Asset Management (U.S. Region)*



BRAD GOERZEN

*Senior Vice-President
Leasing (Central Region)*



JOHN MAH

*Senior Vice-President
Asset Management (Eastern Region)*



AMY MELCHIOR

*Senior Vice-President
Asset Management (Minnesota)*



KIM RILEY

*Senior Vice-President
Acquisitions / Dispositions*



RONALD WIELER

*Senior Vice-President
Development*



LEON WILKOSZ

*Senior Vice-President
Asset Management (Wisconsin)*

CORPORATE SUSTAINABILITY

Artis is committed to minimizing its carbon footprint and promoting the use of energy efficient practices in its buildings. At Artis, energy certification is considered an asset, both with respect to our existing portfolio and when acquiring new properties. The three major sustainability certifications pursued are:



LEED

(Leadership in Energy & Environmental Design)

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



ENERGY STAR

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



**BOMA
BEST®**

BOMA BEST

(Building Owners and Managers Association Building Environmental Standards)

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.



BOARD OF TRUSTEES



**ARMIN
MARTENS**

*President and
Chief Executive Officer*



**EDWARD
WARKENTIN**

*Chairman
Investment Committee
Governance & Compensation Committee*



**BRUCE
JACK**

*Audit Committee
Governance & Compensation Committee*



**CORNELIUS
MARTENS**

Investment Committee



**RON
RIMER**

*Audit Committee
Investment Committee*



**PATRICK
RYAN**

Investment Committee



**VICTOR
THIELMANN**

*Audit Committee
Governance & Compensation Committee*



**WAYNE
TOWNSEND**

*Audit Committee
Investment Committee
Governance & Compensation Committee*

CORPORATE GOVERNANCE

Artis' Trustees are proven business leaders with a significant breadth of experience in the areas of real estate, finance, securities, investments and law. They also collectively have extensive public company board experience.

Artis' 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. The Board of Trustees recognizes that proper and effective corporate governance is a top priority for investors and other stakeholders.

The Board of Trustees has three committees which, at December 31, 2017, were structured as follows: the Audit Committee (Chaired by Bruce Jack, FCPA/FCA), the Governance and Compensation Committee (Chaired by Bruce Jack, FCPA, FCA) and the Investment Committee (Chaired by Wayne Townsend, CFP). Each of the committees' members are independent of management. The Disclosure Committee is a subcommittee of the Governance and Compensation Committee (Chaired by Bruce Jack, FCPA/FCA).

Additional information about Artis' Board, Trustees and Committees, as well as key governance documents such as the Code of Conduct, Whistleblower Policy, Board Mandate and Declaration of Trust can be downloaded from Artis' website at:

www.artisreit.com/about-us/corporate-governance/

CORPORATE INFORMATION

INVESTOR RELATIONS

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AUDITORS

Deloitte LLP

INDENTURE TRUSTEE

BNY Trust Company of Canada

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Fax 1.416.360.1711

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LEGAL COUNSEL

MLT Aikins LLP

TORONTO STOCK EXCHANGE LISTINGS

TRUST UNITS

AX.UN

2017 DISTRIBUTIONS

\$0.09 per unit per month

PREFERRED UNITS

AX.PR.A Series A \$0.353875 per unit per quarter

AX.PR.E Series E \$0.296875 per unit per quarter

AX.PR.G Series G \$0.3125 per unit per quarter

AX.PR.I Series I \$0.3750 per unit per quarter

ANNUAL GENERAL MEETING

Thursday, June 14, 2018, at 11:00 a.m. C.T.

Del Crewson Conference Centre,

360 Main Street, Winnipeg, Manitoba



HUDSON'S BAY CENTRE, DENVER, CO



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