



ARTIS
REIT

ANNUAL REPORT

2019



PROPERTIES
OF SUCCESS



ABOUT ARTIS

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 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.

On the cover, bottom-left to top-right:

Park 8Ninety I & III
9021 S. Sam Houston Parkway W, Houston, TX

Boulder Lakes Business Park I & II
2900 Ames Crossing Road, Minneapolis, MN

Cedar Port I
5151 East Grand Parkway, Houston, TX

DISCLAIMER:

All figures are presented in Canadian dollars and 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, 2019, 2018 and 2017. These documents are available on SEDAR at www.sedar.com or on Artis' website at www.artisreit.com.

FINANCIAL HIGHLIGHTS

(in thousands, except per unit amounts)

YEAR ENDED DECEMBER 31	2019	2018	2017
Revenue	\$539,618	\$534,065	\$542,929
Property Net Operating Income	\$319,363	\$315,536	\$325,645
Distributions Per Common Unit	\$0.54	\$0.99	\$1.08
Funds from Operations (FFO)	\$202,398	\$200,139	\$215,360
FFO per unit	\$1.41	\$1.30	\$1.43
FFO payout ratio	38.3%	76.2%	75.5%
Gross Book Value (GBV)	\$5,466,544	\$5,847,249	\$5,386,329
Secured Mortgages and Loans to GBV	27.9%	30.6%	31.9%
Total Long-Term Debt and Credit Facilities to GBV	52.3%	50.6%	49.3%

FUNDS FROM OPERATIONS **\$202,398**

2019 \$202,398

2018 \$200,139

2017 \$215,360

PROPERTY NOI **\$319,363**

2019 \$319,363

2018 \$315,536

2017 \$325,645

REVENUE **\$539,618**

2019 \$539,618

2018 \$534,065

2017 \$542,929

TOTAL ASSETS **\$5,460,034**

2019 \$5,460,034

2018 \$5,841,846

2017 \$5,382,008

INVESTOR HIGHLIGHTS

CANADIAN COMMERCIAL REIT WITH 220 PROPERTIES TOTTALLING 24.8 MILLION SQUARE FEET OF LEASABLE AREA

TRUST UNITS EARN A DISTRIBUTION OF \$0.54 PER UNIT PER ANNUM, PROVIDING A TOTAL RETURN OF 35% IN 2019

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

PARK 8NINETY
Beltway 8 & Highway 90, Houston, TX

FFO excludes certain non-recurring adjustments in Q1-18



MESSAGE FROM THE PRESIDENT & CHIEF EXECUTIVE OFFICER

Fellow Unitholders:

2019 has been a transformational year for Artis. At the end of 2018, we announced a plan for the REIT that included several new initiatives aimed at improving our growth profile, strengthening our balance sheet and ensuring the REIT is best positioned for long-term and sustainable adjusted funds from operations (AFFO) per unit and net asset value (NAV) per unit growth. These initiatives included revising the REIT's distribution, buying back units through the normal course issuer bid (NCIB), optimizing our portfolio by narrowing our focus to key assets in fewer markets, and pursuing high-yield, accretive development projects in our target markets that will improve the value and quality of our portfolio. We are pleased to announce that we have made significant progress with these initiatives and are ahead of the initially announced three-year implementation timeline.

Immediately after the announcement in November 2018, we reset the distribution and began using our NCIB to buy back units. Since November 1, 2018, we have repurchased 16.0 million common units for a weighted-average price of \$10.84 and 0.3 million preferred units for a weighted-average price of \$21.04, for a total market price of \$179.1 million. In July, we redeemed all outstanding Series G preferred units with an aggregate face value of \$78.5 million. In the meantime, our plan to optimize our portfolio is well ahead of schedule. Since the announcement, we have sold 21 properties and two parcels of development land and have five properties and one parcel of development land under unconditional contract to be sold for a total of 3.0 million square feet and an aggregate sale price of \$743.4 million. This corresponds well to the total fair value of these properties of \$730.0 million and our NAV per unit of \$15.56. We are also pleased to report that during 2019, we completed five industrial development projects totalling 1.5 million square feet of leasable area and have an additional four projects currently under way. These developments are all well-located, best-in-class assets that will improve the overall growth profile and quality of our portfolio.

We are pleased with this progress and believe that our 2019 annual results are reflective of the improvements we have made thus far. We reported an increase in same property net operating income of 3.8% year-over-year, and an increase in weighted-average renewal rents of 5.6% in 2019. Meanwhile our funds from operations (FFO) per unit increased 8.5% to \$1.41 in 2019, and AFFO per unit increased 8.2% to \$1.05 in 2019, resulting in conservative

FFO and AFFO payout ratios of 38.3% and 51.4%, respectively. Our debt metrics have been impacted by the new initiatives and, more specifically, the timing of unit repurchases and disposition of assets. Looking forward, our primary use of proceeds from dispositions will be debt reduction, with a goal of approximately 45% debt to gross book value by the end of 2021.

Our Board and management team have worked hard over the last year to demonstrate our commitment to these initiatives and our ability to execute on our plan. We are pleased to highlight that in 2019, Artis units provided investors a total return of 35%. As always, I'd like to thank our employees and our trustees for their hard work and dedication over the past year, and our unitholders for continuing to put their trust in us. We are confident in our team and our strategy, and we look forward to the challenges and rewards that lie ahead in 2020.

In 2019, Artis units provided investors a total return of 35%.



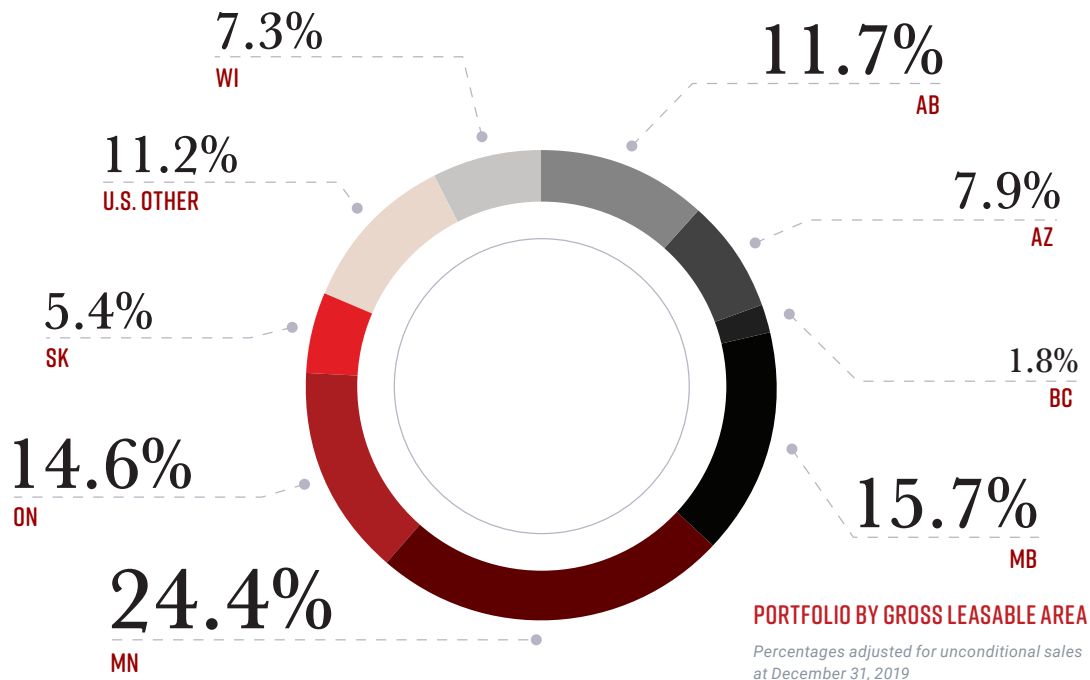
Armin Martens, P.Eng., MBA
President & C.E.O.



CEDAR PORT I
5151 East Grand Parkway, Houston, TX



REAL ESTATE PERFORMANCE



Artis concluded 2019 with a well-diversified portfolio of 220 properties totalling 24.8 million square feet of gross leasable area and representing three asset classes. The portfolio is strategically located in two countries, across five Canadian provinces and six U.S. states. Portfolio diversification, both by geography and by asset class, is a core strategy of the REIT. Canadian assets account for 51.3% of Artis' portfolio by gross leasable area, while 48.7% of the portfolio by gross leasable area is located in the U.S. By asset class at December 31, 2019, Artis' industrial portfolio accounts for 49.8% of the gross leasable area of the portfolio, while office assets represent 38.7% and retail assets represent 11.5%.

Artis' U.S. portfolio, which represents 47.7% of Artis' 2019 fourth quarter property net operating income, has enhanced the diversification and overall quality of the portfolio while providing the REIT with a natural hedge. U.S. assets have been an integral part of the REIT's diversification strategy since Artis acquired its first U.S. property in 2010. In 2018, Artis announced several new initiatives which, over the next three years once executed, are expected to increase Artis' U.S. weighting (by percentage of total property net operating income) to approximately 60%. As part of these new initiatives, Artis will optimize its portfolio by narrowing its focus to key assets in fewer markets, a plan which includes selling \$800 million to \$1 billion worth of assets. Since the announcement of this plan, Artis has sold 21 assets and two parcels of development land for an aggregate sale price of \$603.1 million and has five assets and a parcel of development land totalling \$140.3 million under unconditional contract to sell. Artis has used a portion of the proceeds from asset sales to fund growth opportunities, primarily industrial development projects in the U.S., and will now focus its efforts on reducing debt. During 2019, the REIT completed 1.5 million square feet of new development projects. Management continues to work diligently on the REIT's four current ongoing development projects,

capitalizing on the opportunity to own new generation real estate that provides a healthy return that is higher than the return from acquiring an existing property.

In 2019, Artis' portfolio continued to maintain a healthy occupancy level of over 90% at all times throughout the year. Across Artis' seven offices located in Winnipeg, Calgary, Edmonton, Toronto, Phoenix, Madison and Minneapolis, 3.9 million square feet of lease transactions (including new leases and renewals) were completed during the year.

The weighted-average increase in rental rates achieved on renewals that commenced during the year was 5.6%, while same property net operating income growth was 3.8%. Looking ahead to 2020, a manageable 11.4% of Artis' gross leasable area expires, 31.8% of which was renewed or committed to new leases at the end of 2019. Artis' property managers continue to foster relationships with tenants, working to ensure that their space is aligned with their business strategy and overall needs, and to promote tenant retention.

As one of Canada's largest and most prominent landlords, Artis considers it a responsibility, as an employer and a member of the community, to set a high standard in sustainable practices and to demonstrate the importance of environmental care and protection. Artis facilitates and promotes a corporate culture that values and prioritizes sustainability. Investment in, and the development

and management of buildings in an environmentally prudent and resource efficient manner is a high priority. In 2018, Artis expanded its annual report on corporate sustainability to include environmental, social and governance ("ESG") updates. In 2019, Artis will publish its second annual ESG Report, demonstrating Artis' commitment to the accountability and transparency of ESG practices and reinforcing the REIT's dedication to continuous improvement in these areas.

Since the announcement of the new initiatives, Artis has sold 21 assets and two parcels of development land for an aggregate sale price of \$603.1 million and has five assets and a parcel of development land totalling \$140.3 million under unconditional contract to sell.

PROPERTY	LOCATION	ASSET CLASS	PURCHASE/ SALE PRICE
2019 Acquisitions			
Centre 70 Building ⁽¹⁾	Calgary, AB	Office	\$3,022,500
Park 8Ninety I ⁽²⁾	Greater Houston Area, TX	Industrial	US \$4,681,455
Boulder Lakes Business Park II	Twin Cities Area, MN	Office	US \$41,961,106
2019 Dispositions			
169 Inverness Drive West I & II ⁽³⁾	Greater Denver Area, CO	Office	US \$27,000,000
Reenders Square	Winnipeg, MB	Retail	\$20,550,000
Britannia Building	Calgary, AB	Office	\$10,650,000
Nanaimo Portfolio	Nanaimo, BC	Office & Retail	\$37,038,048
1700 Broadway	Greater Denver Area, CO	Office	US \$78,000,000
GSA Professional Office Building	Greater Phoenix Area, AZ	Office	US \$92,250,000
415 Yonge Street	Greater Toronto Area, ON	Office	\$124,000,000
Estevan Retail Portfolio	Estevan, SK	Retail	\$13,000,000
495 Richmond Road	Ottawa, ON	Office	\$39,000,000
Centre 70 Building	Calgary, AB	Office	\$23,500,000
Minnesota Retail Portfolio ⁽³⁾	Twin Cities Area, MN	Retail	US \$34,750,000

(1) Artis acquired the remaining 15% interest in this property.

(2) Artis acquired the remaining 5% interest in this property.

(3) The disposition includes a parcel of development land.

BOULDER LAKES BUSINESS PARK I & II

2900 Ames Crossing Road, Minneapolis, MN



MEETING THE OBJECTIVE

Artis' primary objective is to provide a 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' three core strategies to meet this objective are as follows:



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 located in select diverse primary and secondary markets, both in Canada and the U.S. To maximize the potential of Artis' portfolio, management conducts ongoing analysis of relevant economic fundamentals in Artis' target markets and the performance of its assets, while continuously considering opportunities to make accretive acquisitions, pursuing the development of new generation real estate and disposing of assets that are not aligned with the REIT's long-term strategy.

In November 2018, Artis announced several new initiatives, one of which is to optimize the portfolio by narrowing its focus to key assets in fewer markets, a plan which included selling \$800 million to \$1 billion worth of assets over the ensuing three years. For the purpose of these new initiatives, Artis categorized its portfolio into three asset types: Core Artis Assets, Development Assets and Non-Core Artis Assets. The following outlines the property categorization and the REIT's strategy for each asset type:

- Core Artis Assets are invaluable assets located in target markets in which Artis anticipates maintaining a long-term presence. These assets are located in markets that have excellent demand generators that support historically high occupancy rates and same property net operating income growth and are well leased to quality tenants, including necessity and service-based tenants in the retail assets. These assets will continue to be actively and prudently managed to realize maximum growth and management is confident that they will continue to deliver strong performance going forward.
- Development Assets include parcels of land owned by Artis upon which a development project is under way or that have the potential for future development, as well as select assets with growth potential to be realized from redevelopment and repositioning. These assets will be actively managed and redeveloped to maximize unitholder value while new development projects are pursued in a prudent manner. Development projects that are under way are predominantly new generation industrial projects with development yields well in excess of acquisition capitalization rates.
- Non-Core Artis Assets are quality assets that are outliers in Artis' portfolio with respect to type or location. These assets are in markets where Artis does not intend to grow and, due to lack of scale and local positioning, does not anticipate maintaining a long-term presence. Also considered Non-Core Artis Assets are select multi-family densification opportunities which, upon receiving the appropriate rezoning approval, will be sold to capitalize on the strong demand for residential development sites and unlock incremental value for unitholders. The disposition of these assets is aligned with Artis' strategy of owning a clearly focused and optimized portfolio.

Artis has used a portion of the proceeds from asset sales to fund growth opportunities, primarily industrial development projects in the U.S., and will focus its efforts on reducing debt going forward.

During the year, Artis disposed of 20 properties in Canada and the U.S. for aggregate sale prices of \$267.7 million and US\$232.0 million, respectively.

2019 ACQUISITIONS

In 2019, Artis acquired one office property, Boulder Lakes Business Park II, the second of a two-phase office development located in the Twin Cities Area, Minnesota, for US\$42.0 million. The first phase of the development, Boulder Lakes Business Park I, was acquired in 2018. Boulder Lakes Business

Park I & II is a 388,128 square foot office complex which is located in Eagan, a part of the Twin Cities Area, and only minutes from the Minneapolis/St. Paul International Airport and Mall of America. The properties are 100.0% occupied by Prime Therapeutics LLC and are situated on a lakefront site offering an outdoor seating area, cafeteria, conferencing centre and fitness centre.

In addition to Boulder Lakes Business Park II, Artis acquired the remaining 15% interest in the Centre 70 Building, an office property located in Calgary, Alberta, the remaining 5% interest in Park 8Ninety I, an industrial property located in the Greater Houston Area, Texas, and a parking lot that is ancillary to an owned office property. The Centre 70 Building was subsequently sold. The REIT also acquired a parcel of development land in the Greater Houston Area, Texas.

2019 DISPOSITIONS

During the year, Artis sold eight office properties and 12 retail properties, totalling approximately 1.9 million square feet of leasable area, for aggregate sale prices of \$267.7 million and US\$232.0 million, representing a net gain of \$13.1 million over the most recently reported fair values.

As part of Artis' plan to sell \$800 million to \$1 billion of non-core real estate, the portfolio will be streamlined in order to focus on core, invaluable assets that are located in markets with excellent demand generators that support historically high occupancy rates.

Over the last several years, since the downturn in oil prices and the impact that has had on the Alberta economy and real estate sector, Artis has been decreasing the percentage of property net operating income derived from its Alberta properties by further diversifying the portfolio in a patient and diligent manner. Since the end of 2014, the percentage of property net operating income derived from Artis' Alberta properties has decreased from 39.1% to 19.2%, while the percentage of property net operating income derived from Artis' Calgary office properties has decreased from 17.7% to 6.0%. Adjusted for unconditional sales at December 31, 2019, the percentage of property net operating income derived from Calgary office properties is reduced to 2.1% on a pro forma basis. As part of Artis' new initiatives announced in November 2018, the REIT expects to further decrease its Calgary office presence.

As part of Artis' plan to sell \$800 million to \$1 billion of non-core real estate, the portfolio will be streamlined in order to focus on core, invaluable assets that are located in markets with excellent demand generators that support historically high occupancy rates. Going forward, the REIT plans to focus on using the proceeds from asset sales to reduce debt.

MEETING THE OBJECTIVE

DISCIPLINED GROWTH

ORGANIC GROWTH

The objective of Artis' organic growth strategy is to identify and extract the maximum value from each asset in its portfolio. The key to maximizing organic growth 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 new leasing activity.

During 2019, Artis' management team successfully renewed 1.6 million square feet of gross leasable area, reporting a weighted-average increase in renewal rents of 5.6%. This demonstrates a healthy rate of organic growth. In addition to the increase in renewal rents achieved, Artis reported that stabilized same property net operating income (which excludes the Calgary office portfolio and properties planned for disposition), increased by 5.1% year-over-year, and increased 3.8% year-over-year when calculated inclusive of the Calgary office portfolio and properties planned for disposition. Management estimates market rents are 1.5% above in-place rents across the portfolio. These metrics are indicative of potential revenue growth to be gained from future leasing activities.

VALUE CREATION

Development projects are an integral part of Artis' new initiatives announced in November 2018 and are an important component of Artis' growth strategy. With capitalization rate compression in many of Artis' target markets and, therefore, fewer compelling opportunities to acquire real estate, value creation through development and redevelopment projects present a way 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.

Development projects are an integral part of Artis' new initiatives announced in November 2018 and are an important component of Artis' growth strategy.

consists of three state-of-the-art industrial buildings totalling approximately 208,000 square feet of leasable area. Construction of the second and third

phases, comprising approximately 132,000 and 147,000 square feet of leasable area, respectively, were completed in 2017, while construction of the fourth phase, comprising 95,000 square feet of leasable area, was completed in 2019. All phases of the development total approximately 582,000 square feet of leasable area and are over 95% leased.

In 2018, Artis acquired Cedar Port, two parcels of land totalling 52.5 acres in Houston (Baytown), Texas, for the multi-phase development of approximately 1,040,000 square feet of industrial real estate. The first phase of this project, Cedar Port I, totals approximately 519,000 square feet and is 100% leased for a 12.5-year term with annual rent escalations of 2.5%. Artis completed Cedar Port I in 2019.

Artis owns a 127-acre parcel of development land called Park 8Ninety located in the Southwest industrial submarket in the Greater Houston Area, Texas, which is being developed in several phases into approximately 1,789,000 square feet of new generation industrial real estate. Construction of Park 8Ninety I was completed in 2017, comprising three buildings and totalling approximately 440,000 square feet. Park 8Ninety II, comprising 572,000 square feet, and Park 8Ninety III, comprising 33,000 square feet were completed in 2019. Park 8Ninety III is 100% leased to a national tenant.

In 2018, Artis acquired an 80% interest in Tower Business Center, an industrial development in the Greater Denver Area, Colorado. This site, totalling approximately 30 acres, is located in close proximity to I-10 and is part of a large industrial/retail market. This project comprises two buildings totalling approximately 420,000 square feet of leasable area. The first building totals approximately 290,000 square feet and is 100% leased to a national tenant pursuant to a long-term lease which commenced in 2019. Construction of Tower Business Center was completed in 2019.

Artis also has numerous ongoing development and densification projects underway in the portfolio. In 2018, construction of 300 Main and 330 Main began, which are two new projects that will span nearly an entire city block in downtown Winnipeg, Manitoba. These 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 is currently owned by Artis. 300 Main will be a best-in-class amenity-rich

Artis completed five new industrial development projects in 2019: Park Lucero IV, Cedar Port I, Park 8Ninety II, Park 8Ninety III and Tower Business Center.

Park Lucero is a four-phase industrial development on a 48-acre parcel of land in the Greater Phoenix Area, Arizona. The first phase of this project was substantially complete in 2015 and



apartment building with main floor commercial space, while 330 Main will be a state-of-the-art multi-tenant retail property. 330 Main is approximately 90% pre-leased pursuant to a 20-year lease with rental increases every five years. At Park 8Ninety in the Greater Houston Area, Texas, construction of the fourth phase is under way and is 100% pre-leased to a multi-national tenant. Lastly, in 2019, Artis began construction of an additional 17,000 square foot building at Linden Ridge Shopping Centre II in Winnipeg, Manitoba, which is 100% pre-leased to two national tenants.

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' management conducts ongoing strategic review of each asset in its portfolio to identify such opportunities. At the end of 2019, Artis had two properties held for redevelopment; Sierra Place, an office asset in Calgary, Alberta, and 2145-2155 Dunwin Drive, an industrial property in the Greater

Toronto Area, Ontario. Redevelopment plans were underway to convert Sierra Place from an office to a residential property; however, plans are on hold as the REIT is pursuing opportunities to sell this property. 2145-2155 Dunwin Drive is being converted into commercial condominium units. The conversion is expected to be complete in 2020.

In addition to the above noted projects, Artis has an extensive development pipeline, which consists of commercial projects that are in the early planning stages to be developed over the next several years and projects that are being considered for future development. The REIT also has several potential multi-family development opportunities that are planned for sale once rezoning and densification entitlements are achieved.

TOWER BUSINESS CENTER

Tower Road and E. 38th Avenue
Denver, CO

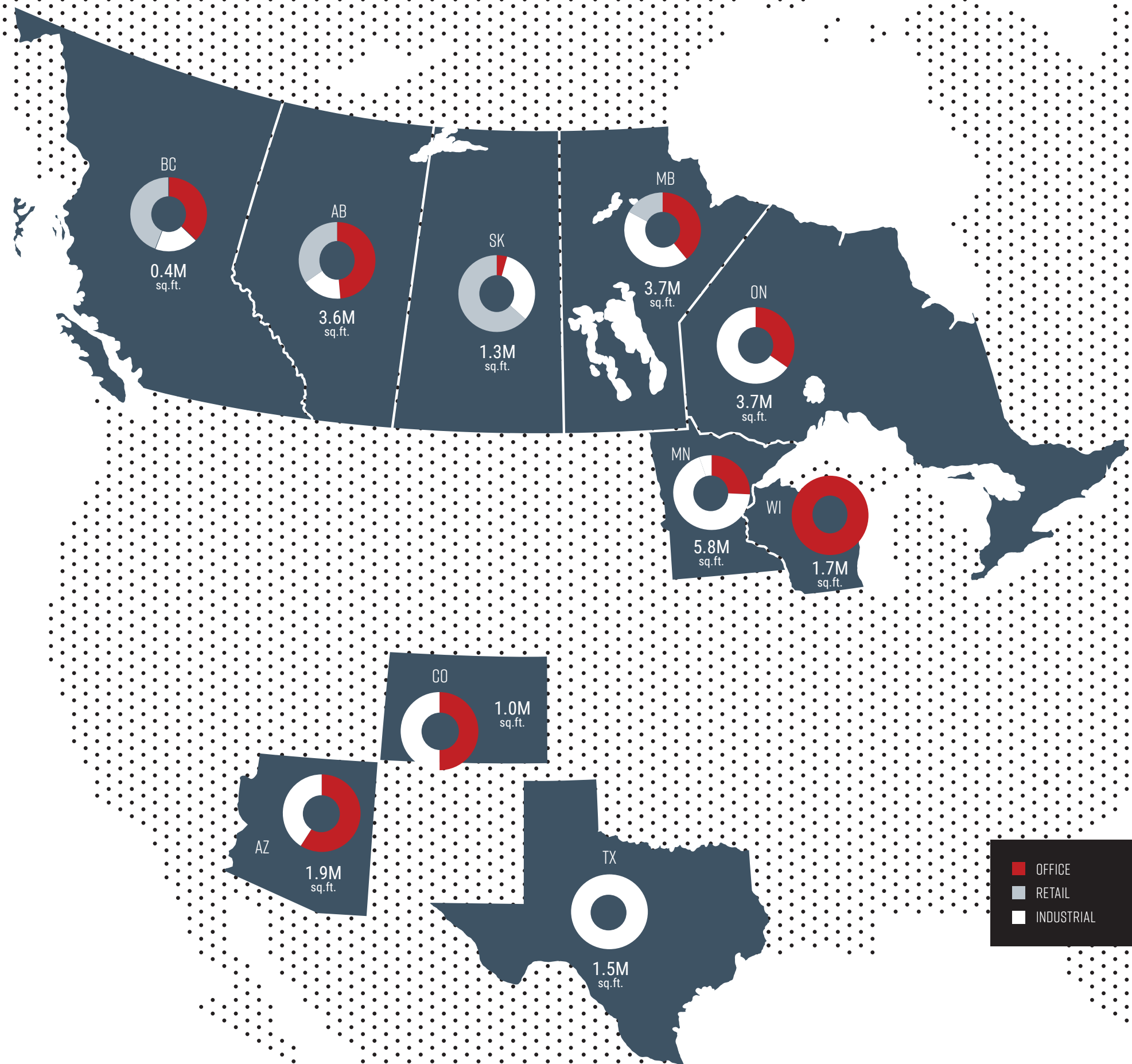


PORTFOLIO MAP

A Canadian commercial REIT with 220 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 10 TENANTS

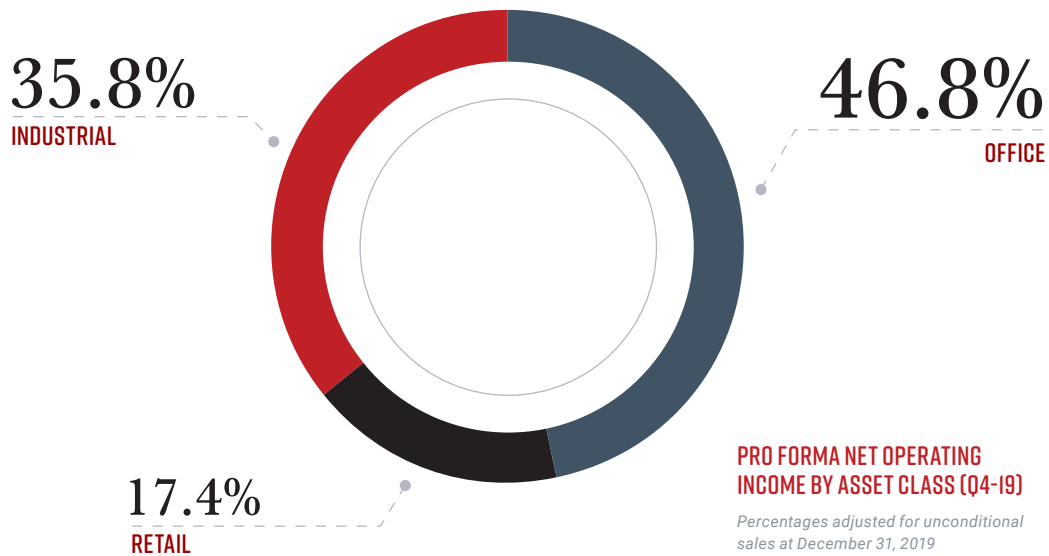
by percentage of gross revenue in Canadian and US dollars



PARK 8NINETY II
Beltway 8 and USA 90A, Houston, TX



MEETING THE OBJECTIVE



PRUDENT FINANCIAL MANAGEMENT

During 2019, Artis delivered a solid overall performance and made several improvements to key financial metrics. At year end, Artis had a healthy balance sheet, including \$51.7 million of cash on hand and unsecured credit facilities totalling \$1.0 billion, of which \$111.9 million was available. Additionally, Artis increased its pool of unencumbered assets, totalling 102 properties and six parcels of development land and representing a fair value of \$2.0 billion. At December 31, 2019, Artis' unencumbered assets to unsecured debt ratio was 1.5 times.

In November 2018, Artis announced several new initiatives focused on improving its growth profile and strengthening its balance sheet, including revising the REIT's distribution, purchasing units under the normal course issuer bid and optimizing its portfolio by narrowing the focus to key assets in fewer markets and pursuing accretive development projects.

Revenue in 2019 was \$539.6 million, compared to \$534.1 million in 2018, and net operating income in 2019 was \$319.4 million, compared to \$315.5 million in 2018. In the real estate industry, other key performance indicators include funds from operations and adjusted funds from operations. In 2019, normalized funds from operations were \$202.4 million, compared to \$200.1 million in 2018, a year-over-year increase of 1.1%. On a per unit basis, normalized funds from operations increased to \$1.41 from \$1.30 year-over-year. Normalized adjusted funds from operations increased to \$150.5 million in 2019 from \$149.4 million in 2018. This translates to a per unit increase in normalized adjusted funds from operations to \$1.05 from \$0.97. The favourable increases in the above noted metrics were primarily driven by completed new developments, acquisitions, same property NOI growth and foreign exchange, partially offset by dispositions during the year, in accordance with Artis' new initiatives. Per unit results were also impacted by a decrease in the weighted-average number of units outstanding due to the units acquired under the normal course issuer bid, also in line with Artis' new initiatives.

Normalized funds from operations and normalized adjusted funds from operations payout ratios were 38.3% and 51.4%, respectively, for the year ended December 31, 2019.

At December 31, 2019, Artis reported secured mortgages and loans to gross book value of 27.9%, decreased from 30.6% at December 31, 2018, and total long-term debt and credit facilities to gross book value of 52.3% compared to 50.6% at December 31, 2018. At December 31, 2019, Artis reported a normalized EBITDA interest coverage ratio of 2.97 times for 2019, compared to 3.11 times reported for 2018.

In accordance with Artis' new initiatives, the REIT's distribution was reset to \$0.54 per unit, from \$1.08 per unit, annualized, resulting in unitholder distributions of \$0.54 for 2019, compared to \$0.99 for 2018. The rate reset resulted in conservative normalized funds from operations and normalized adjusted funds from operations payout ratios of 38.3% and 51.4%, respectively, for the year ended December 31, 2019. These payout ratios are key financial metrics used to determine the sustainability of a real estate investment trust's distribution payments.

Artis reported net asset value per unit of \$15.56 at December 31, 2019, which has remained stable compared to \$15.55 at December 31, 2018. The year-over-year change is due to net income and the impact of the unit purchases under the normal course issuer bid, mostly offset by distributions to unitholders.

In addition to these achievements, Artis has an 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 52.2% of gross revenue. Artis' top 20 tenants account for 22.6% of total gross revenue.

300 MAIN (RENDERING)
300 Main Street, Winnipeg, MB



OUTLOOK

Since 2004, Artis has grown from one property into a diversified REIT with a portfolio of 220 properties representing approximately \$5.5 billion in assets. During this period, Artis has experienced several real estate cycles, including the downturn in the Calgary office market, and has adapted its strategy in response to the changing market conditions in order to continue growing and generating returns. In 2019, Artis' units provided a total return for unitholders of 35%.

Over the last year, Artis has made significant improvements to its portfolio by selling non-core properties for \$716.2 million (including five properties and one parcel of development land under unconditional sale contracts at the end of the year), which corresponds well to Artis' aggregate fair value of these properties of \$703.9 million and net asset value per unit of \$15.56. Artis' priority for the use of future sale proceeds is to pay down debt to maintain the integrity of its balance sheet. Despite improving fundamentals in the Alberta market, management believes that recovery and growth may take longer than previously anticipated and, as such, Artis plans to continue reducing its Calgary office exposure. Artis will focus on investing capital in growth opportunities in the industrial segment with a target of industrial assets representing 40% of the total portfolio within the next two years.

Over the last decade, Artis has established a solid track record of greenfield developments in both Canada and the U.S. which provide the REIT with new generation real estate assets at relatively higher yields. Artis' current development projects consist of primarily new generation industrial

developments which, upon completion, will create incremental unitholder value. Based on the REIT's experience in delivering successful developments, Artis believes a yield upward of 7% can be achieved through its development pipeline. The REIT believes that, following the execution of the new initiatives announced in November 2018, Artis will emerge with a stronger real estate portfolio, an improved growth profile, a more defensive balance sheet and the financial capacity to finance an attractive development pipeline.

Artis' management continues to focus on optimizing Artis' portfolio by rebalancing and streamlining its' diversification strategy, disposing of non-core assets and strategically pursuing new development projects. Looking forward to 2020, Artis will continue to focus on executing its new initiatives and on reducing debt to continue improving the balance sheet, making Artis an even stronger and more resilient REIT in 2020.

The REIT believes that, following the execution of the new initiatives announced in November 2018, Artis will emerge with a stronger real estate portfolio, an improved growth profile, a more defensive balance sheet and the financial capacity to finance an attractive development pipeline.

All metrics are either as at December 31, 2019, or for the 12 months ended December 31, 2019, 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

EXECUTIVES



ARMIN MARTENS
President and Chief Executive Officer



JIM GREEN
Chief Financial Officer

EXECUTIVE VICE-PRESIDENTS



PHILIP MARTENS
Executive Vice-President
(U.S. Region)



KIM RILEY
Executive Vice-President
Investments & Developments



FRANK SHERLOCK
Executive Vice-President
Property Management

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)



JACLYN KOENIG
Senior Vice-President
Accounting



AMY MELCHIOR
Senior Vice-President
Asset Management (Minnesota)



GREGORY MOORE
Senior Vice-President
Asset Management (Western Region)



RONALD WIELER
Senior Vice-President
Construction & Development (U.S. Region)



LEON WILKOSZ
Senior Vice-President
Asset Management (Wisconsin)

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (“ESG”)

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 the REIT’s 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.

ENVIRONMENTAL PRACTICES

Corporate sustainability is a high priority for Artis. Management is committed to improving the energy efficiency of Artis’ properties and reducing its environmental footprint. At December 31, 2019, Artis had 17 properties with a LEED certification, 22 properties with a BOMA BEST certification and 18 properties with an Energy Star certification.

For more information on Artis’ comprehensive corporate sustainability program, including Artis’ annual ESG Report, please visit www.artisreit.com.

SOCIAL PRACTICES

Artis demonstrates social responsibility through its relationships with employees, tenants and the communities in which the REIT operates. Artis is committed to fostering a diverse, inclusive and safe work environment. Employees make meaningful contributions to local charities through fundraising activities and by volunteering their time. The REIT’s social committee and health and wellness committee provide opportunities for social engagement and an array of valuable information on health and wellness. This focus on a positive culture in the workplace and strong community relationships fosters an environment that is conducive to an engaged and dedicated workforce.

GOVERNANCE PRACTICES

Artis’ Board has conducted a comprehensive strategic review of our corporate governance practices and executive compensation to better align the REIT with industry best practices. As part of this review, our Governance and Compensation Committee conducted a widespread unitholder outreach campaign that focused on engaging in open and active dialogue with unitholders to elicit input and feedback. As a result, the Board approved the following policies and initiatives:

- a diversity policy requiring 20% female representation on the Board, which the REIT continued to satisfy until the resignation of Ida Albo in March 2020;
- a board renewal policy pursuant to which three out of eight Trustees are new to the Board over the last two years, resulting in a decrease in average tenure from 9 years to 8 years; and
- the submission to unitholders of a non-binding “say on pay” vote on an annual basis, which was implemented at Artis’ 2019 annual general meeting, with respect to compensation practices for the 2018 year.

In addition to its role overseeing the vision and strategic direction of Artis, the Board continuously reviews the corporate governance of the REIT to ensure it is aligned with industry best practices.

On May 9, 2019, the Board announced the formation of a Special Committee (“Special Committee”) of Independent Trustees to review and evaluate additional strategic alternatives that may arise. On August 6, 2019, the Special Committee announced that it had retained financial and legal advisory services in connection with the previously announced strategic alternatives review.

BOARD OF TRUSTEES

as at December 31, 2019



ARMIN MARTENS
President
Chief Executive Officer



EDWARD WARKENTIN
Chairman
Investment Committee
Governance & Compensation Committee



IDA ALBO⁽¹⁾
Investment Committee



BRUCE JACK
Audit Committee
Governance & Compensation Committee



BEN RODNEY
Audit Committee
Investment Committee



VICTOR THIELMANN
Audit Committee
Governance & Compensation Committee



WAYNE TOWNSEND
Investment Committee
Governance & Compensation Committee



LAUREN ZUCKER
Audit Committee

(1) Subsequent to December 31, 2019, Ida Albo resigned from the Board of Trustees.

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, 2019, 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). All Committee 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, Declaration of Trust and Privacy Policy can be downloaded from Artis' website at:

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

CORPORATE INFORMATION

INVESTOR RELATIONS

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astfinancial.com/ca-en

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INDENTURE TRUSTEE

BNY TRUST COMPANY OF CANADA

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LEGAL COUNSEL

MLT Aikins LLP

TORONTO STOCK EXCHANGE LISTINGS

Trust Units

AX.UN \$0.045 per unit per month

Trust units also trade in the U.S. on the OTCQX Best Market under the symbol ARESF.

PREFERRED UNITS

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

AX.PR.E Series E \$0.3420 per unit per quarter

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

ANNUAL GENERAL MEETING

Thursday, June 18, 2020, at 11:00 a.m. C.T.

Del Crewson Conference Centre,
360 Main Street, Winnipeg, Manitoba



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220 Portage Avenue, Winnipeg, MB



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