



FOR IMMEDIATE RELEASE

SEPTEMBER 8, 2020

**ARTIS REAL ESTATE INVESTMENT TRUST ANNOUNCES PROPOSED SPIN-OFF
OF ITS RETAIL PORTFOLIO AND STRATEGIC DEBT REDUCTION INITIATIVE**

Artis Real Estate Investment Trust (TSX: AX.UN) (“Artis REIT”) today announced that its board of trustees has approved a comprehensive plan to unlock unitholder value including the spin-off of its Canadian retail properties into a newly formed retail real estate investment trust (“Retail Spin-Off”), together with a strategic debt reduction initiative.

The Retail Spin-Off will create a pure-play retail focused REIT (Artis Retail REIT) enabling investors to better value Artis REIT’s quality retail portfolio. Artis REIT will focus on its institutional-grade North American industrial and office businesses. The expanded non-core disposition program with net proceeds earmarked for debt reduction will strengthen the balance sheet and improve the calibre and growth profile of Artis REIT’s portfolio.

“We believe our high-quality, diversified commercial portfolio is being significantly undervalued by the market and that the proposed strategies will serve to unlock value for our unitholders”, stated Armin Martens, CEO of Artis REIT.

Key Transaction Highlights

- **Artis REIT (AX.UN) to focus on North American industrial and office assets.** The Retail Spin-Off enables Artis REIT to simplify its business and pursue strategies focused on its high-quality industrial and office properties. At June 30, 2020, Artis REIT’s portfolio comprised 115 industrial and 59 office properties encompassing a total of 21.0 million square feet of gross leasable area located across five Canadian provinces and six U.S. states. Artis REIT’s Proportionate Share Property NOI for Q2-20 was 35.3% industrial and 47.5% office.
- **Artis Retail REIT (AXX.UN) formed to focus solely on defensive, needs-based retail assets.** The portfolio is primarily non-enclosed properties and is comprised of tenants providing needs-based services including food and beverage, and personal service providers. Artis REIT’s retail portfolio was 89.7% occupied at June 30, 2020, and has historically maintained solid occupancy levels, averaging 92.3% over the last three years.
- **Non-taxable transaction to Artis REIT.** The transaction is intended to occur on a non-taxable basis for Artis REIT and for existing Canadian common unitholders of Artis REIT. Artis REIT anticipates receiving a tax ruling from the Canada Revenue Agency confirming such treatment prior to closing.
- **Improving credit profile for Artis REIT.** Expansion of existing non-core asset sales by \$550 million with net proceeds earmarked for debt reduction will meaningfully lower leverage, bolster

liquidity and enhance balance sheet strength. Artis REIT is targeting Debt to GBV of 46% by the end of 2021.

RETAIL SPIN-OFF OVERVIEW

The new retail-focused REIT will be named "Artis Retail Real Estate Investment Trust" ("Artis Retail REIT").

At June 30, 2020, Artis REIT's retail portfolio comprised 42 primarily open-air, service-based properties located across four provinces in Western Canada totaling 2.9 million square feet of gross leasable area. In Q2-20, the retail portfolio generated Property NOI of \$12.1 million, representing 17.2% of Artis REIT's Proportionate Share Property NOI. At June 30, 2020, the retail portfolio represented a fair value of \$819.3 million and was 89.7% occupied.

Certain of the retail properties currently owned by Artis REIT are intended to be sold pursuant to the non-core asset sales program. Such sales are anticipated to be made by Artis REIT prior to the effective date of the Retail Spin-Off with the proceeds used to reduce the overall indebtedness of Artis REIT. Artis Retail REIT is anticipated to comprise 40 retail properties on the effective date of the Retail Spin-Off. It is also anticipated that Artis REIT will continue to manage the retail properties of Artis Retail REIT following the Retail Spin-Off through an external management arrangement to reduce additional costs.

PORTFOLIO BREAKDOWN

The following is a breakdown of Artis REIT's Q2-20 Proportionate Share Property NOI by asset class and geographical region:

Artis REIT (AX.UN)

By Asset Class	Proportionate Share Property NOI
Office	58%
Industrial	42%

By Geographical Region	Proportionate Share Property NOI
British Columbia	3%
Alberta	8%
Saskatchewan	3%
Manitoba	10%
Ontario	13%
Minnesota	27%
Wisconsin	13%
Arizona	13%
US - Other	10%

Artis Retail REIT (AXX.UN)

By Asset Class	Proportionate Share Property NOI
Retail	100% (92% Open-Air and 8% Enclosed Retail)

By Geographical Region	Proportionate Share Property NOI
Alberta	54%
Saskatchewan	27%
Manitoba	19%

STRATEGIC DEBT REDUCTION INITIATIVE

Artis REIT is also implementing a debt reduction initiative which involves the continuation of its successful non-core asset sale program. The asset sales are expected to meaningfully lower leverage, bolster liquidity and enhance balance sheet strength.

In November 2018, in conjunction with a number of other strategic initiatives aimed at improving Artis REIT's growth profile and strengthening the balance sheet, Artis REIT announced its intention to embark on a disposition program with a target of \$800 million to \$1 billion of non-core assets over a three year time-frame. Since that announcement, Artis REIT has successfully completed approximately \$800 million of asset sales ahead of schedule and at an aggregate value in excess of the fair value of such assets.

Together with the aforementioned Retail Spin-Off, Artis REIT is announcing its intention to enhance its non-core asset sale program. In addition to the \$800 million of asset sales completed, Artis REIT plans to sell a further \$550 million of non-core assets with the net proceeds used for debt reduction at Artis REIT. Approximately \$200 million of non-core assets are currently under conditional sale agreements, expected to be completed by the end of 2020, which will be prior to the effective date of the Retail Spin-Off. The remaining approximately \$350 million of non-core asset sales, which are listed with external brokers, are expected to be completed by Q2-21. As a result, Artis REIT expects to have sold a total of approximately \$1.35 billion of assets between Q4-18 and Q2-21.

Credit Rating

Artis REIT believes that upon completion of these initiatives, its credit profile will be stronger and therefore does not believe the transactions described herein will have any adverse effect on its credit ratings.

ARTIS REIT HIGHLIGHTS

Portfolio Overview

At June 30, 2020, Artis REIT's industrial and office portfolio consisted of 174 properties totaling 21.0 million square feet of gross leasable area located across five Canadian provinces and six U.S. states. Approximately 40% of gross revenue was generated from government and national tenants. By asset class, excluding the retail portfolio, 42% of Artis REIT's Q2-20 Proportionate Share Property NOI was contributed by the industrial segment and the remaining 58% came from the office segment. By geography, excluding the retail portfolio, 37% of Artis REIT's Q2-20 Proportionate Share Property NOI was generated in Canada and 63% was derived from the U.S. At June 30, 2020, the fair value of the industrial and office portfolio was \$4.4 billion.

Portfolio Highlights

- **Strong growth in industrial portfolio.** The industrial segment comprises 115 properties encompassing approximately 12.4 million square feet of gross leasable area which were 93.4% occupied as at June 30, 2020. Since 2010, Same Property NOI growth has averaged 5% and the trend is poised to continue given constructive fundamentals in Artis REIT's key markets.
- **Attractive industrial development opportunities.** The future development pipeline includes 1.9 million square feet of industrial developments in Texas and 0.5 million square feet of industrial developments in Arizona, as well as the potential to expand the pipeline through joint-venture opportunities with institutional partners. There is also an opportunity to leverage industrial development expertise in the U.S. and develop assets for users.
- **Stability of the office portfolio.** The office segment comprises 59 properties with over 550 unique tenants and approximately 8.6 million square feet of gross leasable area. The portfolio resiliency is evident through its historical operating results. Since 2010, Same Property NOI growth and total portfolio occupancy have averaged 1% and 91.6%, respectively.

- **Reduced exposure to Alberta.** Total exposure to Alberta is expected to be reduced to approximately 8% of Proportionate Share Property NOI (of which approximately 3% will be office and approximately 5% will be industrial). The realignment of the portfolio will improve overall quality and narrow focus to core and strategic markets.
- **Improved access to capital markets.** The Retail Spin-Off and stronger balance sheet is expected to narrow the current trading discount allowing for greater access to capital providing enhanced financial flexibility.

IMPLEMENTATION OF SPIN-OFF

The Retail Spin-Off will be implemented by way of a statutory plan of arrangement under the *Canada Business Corporations Act*. Following a number of technical steps, each common unitholder of Artis REIT immediately prior to the arrangement will have the same proportionate beneficial ownership in Artis REIT and Artis Retail REIT immediately following the arrangement. Each holder of a preferred unit of Artis REIT will upon completion of the plan of arrangement hold a new preferred unit of Artis REIT and will not receive any securities of Artis Retail REIT.

Completion of the transaction will be subject to certain closing conditions, including: (i) the approval of at least 66 2/3% of the votes cast by unitholders and at least 66 2/3% of the votes cast by preferred unitholders at meetings thereof; (ii) approval of the Manitoba Court of Queen's Bench; (iii) regulatory approvals; (iv) consents and approvals from certain of Artis REIT's lenders, as well as the satisfaction of other customary closing conditions; and (v) the listing of the Artis Retail REIT units on the TSX, which will be subject to the satisfaction of all listing requirements of the TSX.

Artis REIT anticipates obtaining an interim order of the Manitoba Court of Queen's Bench in early to mid-October 2020 and holding the meetings of unitholders and preferred unitholders in early to mid-November 2020. Assuming that all of the closing conditions are satisfied, Artis REIT anticipates that the closing of the Retail Spin-Off will occur during Q1-21. There is no assurance that any or all of the conditions of closing will be satisfied or waived.

The Retail Spin-Off is subject to the satisfaction of a number of closing conditions more particularly described above. An information circular describing the Retail Spin-Off in full detail is anticipated to be mailed out to unitholders and preferred unitholders in mid-October 2020 following receipt of the interim court order.

ADVISORS

Scotiabank and CIBC World Markets are acting as financial advisors to Artis REIT, MLT Aikins LLP is acting as legal counsel to Artis REIT, Deloitte LLP is acting as tax advisor to Artis REIT and Blake, Cassels & Graydon LLP is acting as special tax counsel to Artis REIT.

UPCOMING WEBCAST AND CONFERENCE CALL

Interested parties are invited to participate in a conference call with management on Tuesday, September 8, 2020, at 3:00 p.m. CT (4:00 p.m. ET). In order to participate, please dial 1-416-764-8688 or 1-888-390-0546. You will be required to identify yourself and the organization on whose behalf you are participating. A presentation with respect to the Retail Spin-Off will be uploaded to Artis REIT's website at www.artisreit.com/investor-link/investor-presentations/ in advance of the conference call.

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

If you cannot participate on Tuesday, September 8, 2020, a replay of the conference call will be available by dialing 1-416-764-8677 or 1-888-390-0541 and entering passcode 485416#. The replay will be available until Thursday, October 8, 2020. The webcast will be archived 24 hours after the end of the conference call and will be accessible for 90 days.

NOTICE WITH RESPECT TO NON-GAAP MEASURES

In addition to reported IFRS measures, certain non-GAAP measures are commonly used by Canadian real estate investment trusts as an indicator of financial performance, including Proportionate Share, Property NOI, Same Property NOI and Debt to GBV. "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 REIT applies IFRS, which is the section of GAAP applicable to publicly accountable enterprises. The non-GAAP measures are not defined under IFRS and are not intended to represent operating profits for the period, or from a property, 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. Readers should be further cautioned that the non-GAAP measures as calculated by Artis REIT may not be comparable to similar measures presented by other issuers. These non-GAAP measures are defined in Artis REIT's Q2-20 MD&A.

CAUTIONARY STATEMENTS

This press release contains forward-looking statements. For this purpose, any statements contained herein that are not statements of historical fact may be deemed to be forward-looking statements. Particularly, statements regarding the proposed Retail Spin-Off and enhanced strategic debt reduction plan and the resulting impacts on Artis REIT and Artis Retail REIT are forward-looking statements. Without limiting the foregoing, the words "expects", "anticipates", "intends", "estimates", "projects", and similar expressions are intended to identify forward-looking statements.

Artis REIT is subject to significant risks and uncertainties which may cause the actual results, performance or achievements of Artis REIT to be materially different from any future results, performance or achievements expressed or implied in these forward-looking statements. Such risk factors include, but are not limited to, risks related to the Retail Spin-Off and enhanced strategic debt reduction strategy, including the possibility of the non-satisfaction or waiver of the conditions of closing or the possibility that Artis REIT and its stakeholders will not realize the anticipated benefits of the transaction, and risks relating to the COVID-19 pandemic, implementation of Artis REIT's previously announced initiatives, risks associated with real property ownership, debt financing, foreign currency, credit and tenant concentration, lease rollover, availability of cash flow, general uninsured losses, future property acquisitions and dispositions, environmental matters, tax related matters, changes in legislation and changes in the tax treatment of trusts, cyber security, new or (re)developments, unitholder liability, potential conflicts of interest, potential dilution and reliance on key personnel. Artis REIT cannot assure investors that actual results will be consistent with any forward-looking statements and Artis REIT 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 press release are qualified by this cautionary statement.

ABOUT ARTIS REAL ESTATE INVESTMENT TRUST

Artis REIT is a diversified Canadian real estate investment trust investing primarily in office and industrial properties in Canada and the United States. Since 2004, Artis REIT has executed an aggressive but disciplined growth strategy, building a portfolio of commercial properties in select markets in Canada and the United States. As of June 30, 2020, Artis REIT's commercial property comprises approximately 23.8 million square feet of leasable area.

For further information, please contact Mr. Armin Martens, President and Chief Executive Officer, Mr. Jim Green, Chief Financial Officer or Ms. Heather Nikkel, Vice-President – Investor Relations of Artis REIT at 1.204.947.1250

The Toronto Stock Exchange has not reviewed and does not accept responsibility for the adequacy or accuracy of this press release.

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