Rating Report

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Artis Real Estate Investment Trust

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The Trust

Artis Real Estate Investment Trust (Artis) is an owner, operator and property manager of commercial real estate properties located across western Canada, Ontario and select markets in the United States. Including redevelopment properties, Artis has a mid-sized portfolio of 220 industrial (representing 49.6% of total leasable area), office (32%) and retail (18.4%) properties totalling approximately 23.3 million square feet as at December 31, 2012.

Rating

Debt	Rating	Rating Action	Trend
Issuer Rating	BBB (low)	New Rating	Stable
Preferred Trust Units	Pfd-3 (low)	New Rating	Stable

Rating Rationale

On February 28, 2013, DBRS assigned an Issuer Rating of BBB (low) and a Preferred Trust Units rating of Pfd-3 (low) to Artis Real Estate Investment Trust (Artis or the Trust), both with Stable trends. DBRS notes that the Issuer Rating ranks behind Artis' property-specific secured debt (i.e., mortgages and revolving credit facilities) held at the Trust level. However, the Issuer Rating ranks ahead of the unsecured subordinated convertible debentures held at the Trust level.

The investment-grade rating reflects the following key strengths: (1) reasonable scale with a mid-sized portfolio that continues to improve in quality with new property additions; (2) a well-diversified portfolio by asset type and geography; (3) a diverse tenant roster including a number of government and other investment-grade tenants; and (4) improving financial profile and credit metrics. Artis' rating is balanced by the following key challenges: (1) concentration of properties in suburban office and smaller retail formats; (2) exposure to small or secondary markets; (3) limited scale within each asset type segment; and (4) risks associated with growth through acquisition.

Since the beginning of 2010, Artis has achieved considerable earnings growth driven by a series of significant property acquisitions aggregating approximately 16.6 million square feet (or approximately $2.7 billion). This growth has enhanced the quality of the portfolio and its geographic and property diversification, thereby reducing Artis' earnings volatility. Artis' operating metrics and earnings profile have also benefited from the Trust's focus in western Canada, where leasing conditions have been strong for several years. (Continued on page 2.)

Rating Considerations

Strengths

(1) Mid-sized portfolio with improving asset quality
(2) Portfolio is well diversified by asset type and geography
(3) Diversified tenant roster featuring a number of government and other investment-grade tenants
(4) Improving financial profile and credit metrics

Challenges

(1) Concentration of properties in suburban office and smaller retail formats
(2) Exposure to small or secondary markets
(3) Limited scale within each asset type segment
(4) Risks associated with growth through acquisitions

Financial Information

	Pro forma (3)	For the year ended December 31,				
	2012 (1)	2012 (1)	2011 (1)	2010 (1)	2010 (2)	2009
Total debt/total capital (DBRS-adjusted) (3) (4)	52.4%	52.4%	59.2%	60.7%	64.4%	66.9%
Total debt/gross book value assets (historical cost and incl. convertible debentures)	-	-	-	-	54.4%	53.7%
Total debt/gross book value assets (fair value and incl. convertible debentures)	51.9%	51.5%	58.1%	59.6%	-	-
EBITDA ($ millions)	250.9	225.6	160.3	93.9	108.3	79.7
EBITDA interest coverage (incl. capitalized interest)	2.53	2.39	2.08	1.82	1.98	1.90
Debt service coverage	1.78	1.66	1.50	1.37	1.51	1.47
Fixed-charge coverage	2.46	2.32	2.08	1.82	1.98	1.90
Cash flow from operations ($ millions)	-	136.8	83.4	34.6	54.1	40.1
Cash flow/total debt (DBRS-adjusted) (3) (4)	-	0.06	0.05	0.03	0.04	0.05
Portfolio occupancy	95.6%	95.6%	95.1%	96.0%	96.0%	96.6%

(1) IFRS (2) 2010 and prior years reported under Canadian GAAP (3) DBRS estimated pro forma numbers are based on annualized 3 months to December 31, 2012
(4) Includes convertible debentures treated as 100% debt

Rating Rationale (Continued from page 1.)

In terms of financial profile, Artis has decreased overall leverage to 52.4% (on a DBRS-adjusted debt-to-capital basis) as at December 31, 2012, from 60.7% at the end of 2010 by funding its recent growth with a higher proportion of equity than debt. The Trust has also shown improvement in coverage ratios primarily as a result of earnings growth and lower financing costs. DBRS estimates that Artis' EBITDA (pro forma recent acquisitions) will increase to above $250 million, which should result in pro forma interest coverage of 2.53 times (x) (versus 2.39x in 2012 and 2.08x in 2011). DBRS believes Artis' key credit metrics have effectively reached levels that are now consistent with the BBB (low) rating category.

The stable rating outlook incorporates DBRS' expectation that Artis' earnings will continue to benefit from incremental income associated with recent property acquisitions and robust leasing conditions in the Trust's western Canadian markets. The stable outlook also reflects DBRS' expectation that Artis will continue to exercise prudence with respect to financing future growth and maintain a financial profile that is consistent with the current rating category. DBRS notes that the achievement of a positive rating action for Artis will be less dependent on improving coverage and leverage metrics and more reliant on increasing size and scale while improving overall asset quality.

Rating Considerations Details

Strengths

(1) Artis has reasonable scale with a mid-sized portfolio of 220 office, industrial and retail properties containing over 23.3 million sq. ft. of leasable area (including redevelopment properties) as at Q4 2012. Artis' portfolio features a number of good quality properties such as 360 Main Street (a 602,443 sq. ft. Class A office building located in the heart of downtown Winnipeg), Trimac House (a Class A downtown Calgary office tower) and the LaSalle Downtown Calgary Office Portfolio (four downtown Calgary office towers). The Trust has also improved the asset quality of its portfolio by acquiring properties in markets with high barriers to entry or newer properties such as the GSA Phoenix Professional Office Building, which is leased to the U.S. Government Services Administration for a term of 20 years. DBRS expects Artis to continue to target higher-quality assets and believes it will further enhance the Trust's cash flow stability going forward. Overall, Artis' portfolio continues to perform reasonably well and continues to achieve good occupancy levels, which have been above 95% since the Trust's inception in 2004.

(2) Artis is well diversified by asset type, earning 52% of net operating income (NOI) from office properties, 26% from retail properties and 22% from industrial properties as at Q4 2012. This type of diversification limits the Trust's exposure to fundamentals and leasing conditions specific to a particular segment of real estate, which further enhances cash flow stability. Artis also benefits from a geographically diversified portfolio, with properties located across five Canadian provinces and mainly two markets in the United States, Minneapolis and Phoenix. DBRS notes that Artis' management has a history of doing business in these two U.S. markets. Going forward, DBRS expects Artis to continue to build a presence in its core markets, particularly those located in western Canada and in the United States.

(3) Artis has a well-diversified tenant base with approximately 2,000 individual tenants that span a broad range of business activities such as government, telecommunications, banking and home improvement. Artis' top 20 tenants collectively account for only 25.6% of total gross revenue, or 18.4% of total owned leasable area, which compares favourably to other real estate entities rated by DBRS. Artis' largest tenant is the federal government (Canadian and U.S. federal combined), accounting for 4.5% of total gross revenue. The next largest tenants include the provincial governments (2.7% of total gross revenue), MTS Allstream (2.2% of total gross revenue), AMEC Americas Limited (2.1% of total gross revenue) and TransAlta Corporation (1.2% of total gross revenue). No other single tenant represents more than 1.1% of total gross revenue. In addition, a number of Artis' top ten tenants are of high credit quality, in the BBB to AAA rating range, including the Trust's federal and provincial government tenants, The Toronto-Dominion Bank (TD), The Home Depot, Shoppers Drug Mart and TransAlta Corporation.

(4) Artis has decreased overall leverage to 52.4% (on a DBRS-adjusted debt-to-capital basis) as at December 31, 2012, from 60.7% at the end of 2010 by funding its recent growth with a higher proportion of equity than debt. The Trust has also shown improvement in coverage ratios primarily as a result of earnings growth and lower financing costs. DBRS estimates that Artis' EBITDA (pro forma recent acquisitions) will increase to above $250 million, which should result in pro forma interest coverage of 2.53x (versus 2.39x in 2012 and 2.08x in 2011). DBRS believes Artis' key credit metrics have effectively reached levels that are now consistent with the BBB (low) rating category. Going forward, DBRS expects Artis will continue to exercise prudence with respect to financing future growth and maintain a financial profile that is consistent with the current rating category.

Challenges

(1) A large portion of Artis' office portfolio (61.8% of the Trust's total office leasable sq. ft.) consists of suburban office properties, which are typically multi-tenant low-rises and mid-rises. As of Q4 2012, Artis' office portfolio comprised 2,771,484 sq. ft. of Class A suburban office space, 1,564,876 sq. ft. of Class B suburban office space and 284,098 sq. ft. of Class C suburban office space. In DBRS' view, the office segment is one of the more volatile real estate segments, and DBRS believes Artis' suburban office properties are generally more volatile than central business district (CBD) office properties, as they are more susceptible to new supply, employment levels and overall economic conditions. Artis also has a retail portfolio mainly comprised of stand-alone single-tenant retail properties, community strip malls and neighbourhood shopping centres. Although relatively stable, these types of retail assets face significant competition from new retail space and other retail properties, particularly properties in secondary markets where there are lower barriers to entry.

(2) Artis has exposure to small or secondary Canadian and U.S. markets. DBRS estimates that approximately 25% of the Trust's portfolio is located in small or secondary markets. These markets have relatively less-diversified local economies, and the properties are potentially more exposed to increased supply of space, compared with locations in Canada's more densely populated major economic centres.

(3) Artis' office, retail and industrial portfolios are smaller as compared with other DBRS-rated real estate entities that are focused on a specific real estate segment (e.g., RioCan Real Estate Investment Trust focuses on retail). DBRS believes this limits the Trust's ability to achieve greater economies of scale and leasing options for its tenants within its markets.

(4) Artis has assembled a mid-sized portfolio through a series of significant property acquisitions, particularly over the past few years. DBRS believes that Artis' success will depend largely on its ability to integrate all of its acquisitions. In addition, Artis will likely face some operational and execution challenges as it pursues an acquisition-oriented growth strategy, particularly when entering new markets.

Earnings and Outlook

	Pro forma (3)	For the year ended December 31,				
($ millions)	2012 (1)	2012 (1)	2011 (1)	2010 (1)	2010 (2)	2009
Portfolio occupancy	95.6%	95.6%	95.1%	96.0%	96.0%	96.6%
Rental revenue	413.9	367.0	276.5	160.6	177.1	130.9
Operating expenses	(153.5)	(132.1)	(107.7)	(62.0)	(62.0)	(46.6)
Net rental income	260.4	234.9	168.8	98.6	115.1	84.2
Net rental margin	62.9%	64.0%	61.0%	61.4%	65.0%	64.4%
EBITDA	250.9	225.6	160.3	93.9	108.3	79.7
EBIT	250.9	225.6	160.3	93.9	37.3	23.2
Net income before non-recurring items	145.8	122.7	66.9	22.7	(17.6)	(18.8)

(1) IFRS (2) 2010 and prior years reported under Canadian GAAP (3) DBRS estimated pro forma numbers are based on annualized 3 months to December 31, 2012

Summary

- Since the beginning of 2010, Artis has achieved considerable earnings growth driven by a series of significant property acquisitions aggregating nearly 6.3 million sq. ft. (or $990.2 million) during 2012, approximately 4.6 million sq. ft. (or $677 million) during 2011 and approximately 5.8 million sq. ft. (or $884 million) during 2010.
- This growth has enhanced the quality of the portfolio and its geographic and property diversification, thereby reducing Artis' earnings volatility.
- Portfolio occupancy levels have remained above 95% despite trending lower over the past several years, mainly due to the acquisition of properties with lower occupancy rates, particularly industrial properties in the United States.
- This level of occupancy, however, is reflective of favourable leasing conditions, particularly in the western Canadian markets, the Trust's geographically diversified portfolio and a well-diversified tenant base comprising a broad range of business sectors, which has partially offset the negative impact from new acquisitions.
- For the year ended December 31, 2012, Artis achieved significant growth in net rental income (39%) and EBITDA (41%) (excluding straight-line rent and other non-recurring items) over the comparable period in 2011, mainly as a result of acquisition activity in 2012 (approximately 6.3 million sq. ft.) and full-year income contributions from acquisition activity in 2011 (approximately 4.6 million sq. ft.).
- Significant acquisitions during the year included two newly constructed Arizona office properties (the GSA Phoenix Professional Office Building comprising 210,202 sq. ft. located in Phoenix and MAX at Kierland comprising 258,312 sq. ft. located in Scottsdale), Trimac House (a Class A downtown Calgary office tower), the LaSalle Downtown Calgary Office Portfolio (a portfolio of four downtown Calgary office towers) and two large industrial portfolios, which together added almost 3.1 million sq. ft. to the portfolio.

Outlook

- In the near term, DBRS expects Artis' earnings profile to benefit from incremental income associated with recent property acquisitions and robust leasing conditions in the Trust's core markets, particularly in the western Canadian markets.
- In addition, recent property acquisitions will likely enhance cash flow stability going forward through an improvement in overall portfolio quality, tenant profile and property diversification.
- Artis' portfolio occupancy is expected to remain within the mid-90% range, with support from a diverse high-quality tenant roster and favourable leasing conditions that are likely to persist in the near term.
- DBRS also expects Artis to achieve higher rental rates on leasing activity, as average in-place rental rates are currently below market rental rates by approximately 8.8%.
- Below-market in-place rental rates should also provide reasonable protection from any unfavourable changes in market rental rates.
- In addition, acquisitions in 2012 and full-year income contributions in 2011 are expected to contribute to meaningful net rental income and EBITDA growth in 2013. As a result, DBRS estimates pro forma EBITDA to increase above $250 million in 2013.

Financial Profile

Cash Flow Statement	For the year ended December 31,					
($ millions)	2012 (1)	2011 (1)	2010 (1)	2010 (2)	2009	2008
Net income before non-recurring items	122.7	66.9	22.7	(17.6)	(18.8)	(22.1)
Depreciation and amortization	7.8	3.8	2.5	74.4	59.1	60.6
Deferred income taxes and other	6.3	12.7	9.3	(2.7)	(0.2)	0.8
Cash Flow from Operations	**136.8**	**83.4**	**34.6**	**54.1**	**40.1**	**39.4**
Maintenance capital expenditures	(2.8)	(2.1)	(1.2)	(1.3)	(1.0)	(1.0)
Leasing costs and tenant improvements	(22.0)	(13.0)	(12.6)	(12.9)	(7.2)	(7.3)
Cash Available for Distribution	**112.0**	**68.4**	**20.8**	**39.9**	**32.0**	**31.1**
Common distributions	(113.6)	(86.0)	(63.3)	(63.3)	(36.8)	(34.5)
Cash Available After Distribution	**(1.5)**	**(17.6)**	**(42.6)**	**(23.5)**	**(4.9)**	**(3.4)**
Change in working capital	14.0	2.6	16.4	16.4	1.0	(2.2)
Free Cash Flow	**12.4**	**(15.0)**	**(26.2)**	**(7.1)**	**(3.8)**	**(5.6)**
Acquisition of real estate assets	(509.2)	(278.1)	(323.6)	(339.4)	(35.1)	(46.4)
Disposition of real estate assets	2.4	8.1	0.0	0.0	41.1	1.1
Capital expenditures	(29.5)	(25.9)	(9.8)	(9.4)	(3.9)	(11.1)
Mortgages loans receivables/payables	1.7	1.7	1.9	1.9	1.6	1.7
Other investments	0.6	20.1	(24.4)	(24.4)	(13.7)	14.6
Cash Flow before Financing	**(521.7)**	**(289.0)**	**(382.0)**	**(378.3)**	**(13.8)**	**(45.7)**
Net change in equity	533.0	171.4	393.8	393.8	34.3	2.7
Net change in debt	(47.7)	123.3	40.6	36.9	(3.5)	27.5
Other financing	0.0	0.1	0.0	0.0	5.0	0.0
Net Change in Cash	**(36.4)**	**5.8**	**52.4**	**52.4**	**22.1**	**(15.5)**

	Pro forma (3)	For the year ended December 31,					
Key Financial Ratios	2012 (1)	2012 (1)	2011 (1)	2010 (1)	2010 (2)	2009	2008
Total debt/total capital (DBRS-adjusted) (4)	52.4%	52.4%	59.2%	60.7%	64.4%	66.9%	67.1%
Cash flow/total debt (DBRS-adjusted) (4)	-	0.06	0.05	0.03	0.04	0.05	0.05
EBITDA interest coverage (incl. capitalized interest)	2.53	2.39	2.08	1.82	1.98	1.90	1.89
Debt service coverage	1.78	1.66	1.50	1.37	1.51	1.47	1.45
Fixed-charge coverage	2.46	2.32	2.08	1.82	1.98	1.90	1.89
Declared distributions/cash avail. for distribution	-	102.6%	127.5%	224.0%	158.9%	115.0%	110.3%
Declared distributions/cash flow from operations	-	84.1%	104.5%	134.6%	117.1%	91.6%	87.3%

(1) IFRS (2) 2010 and prior years reported under Canadian GAAP (3) DBRS estimated pro forma numbers are based on annualized 3 months to December 31, 2012

(4) Includes convertible debentures treated as 100% debt

Summary

Artis has meaningfully improved its financial profile by funding significant portfolio growth over the past several years with a higher proportion of equity than debt. DBRS believes Artis' key credit metrics have effectively reached levels that are now consistent with the BBB (low) rating category.

- Since the beginning of 2010, Artis has achieved considerable growth in cash flow from operations driven by a series of significant property acquisitions aggregating just over 6.3 million sq. ft. (or $990.2 million) during 2012, approximately 4.6 million sq. ft. (or $677 million) during 2011 and approximately 5.8 million sq. ft. (or $884 million) during 2010.
- As a result, Artis has improved its free cash position, with sufficient cash flow from operations to fund maintenance capital expenditures, leasing costs and higher distributions over this time frame. Artis' payout ratio has also improved over the past couple of years and, in DBRS' view, is currently at an appropriate level for the current rating category.
- Artis has used equity as a primary source of financing to fund significant investments over the past several years.
- Correspondingly, Artis' balance sheet and coverage ratios have benefited from lower overall leverage in the capital structure.
- Artis' debt-to-capital ratio declined to 52.4% (on a DBRS-adjusted debt-to-capital basis) as at December 31, 2012, from 60.7% in 2010 while EBITDA interest coverage increased to 2.39x (including capitalized interest) for the year ended December 31, 2012, from 1.82x for the comparable period in 2010.

Outlook

- In the near term, DBRS expects continued growth in cash flow from operations driven by full-year cash flow contributions from acquisitions in 2012 and 2011 and, to a lesser extent, positive releasing activity, particularly in the Trust's western Canadian markets.
- DBRS expects operating cash flow to continue to fund maintenance capital expenditures, leasing costs and distributions, resulting in a positive free cash flow position.
- In 2013, Artis' management is targeting property acquisitions in the $400 million to $600 million range.

- DBRS expects Artis to finance these investments in a prudent manner and to maintain good financial flexibility, consistent with the current rating category, in pursuit of its acquisition-oriented growth strategy.
- DBRS estimates pro forma EBITDA interest coverage will increase to 2.53x in 2013.
- Overall, DBRS believes Artis' key credit metrics have effectively reached levels that are now consistent with the BBB (low) rating category.

Debt and Liquidity Profile

(As at Dec. 31, 2012) ($ millions)	2013	2014	2015	2016	2017	2018 & thereafter	Total
Mortgages (1)	214	269	425	280	535	354	2,077
Convertible debentures	-	7	-	-	-	174	181
Total	**214**	**276**	**425**	**280**	**535**	**527**	**2,258**
% of total	9.5%	12.2%	18.8%	12.4%	23.7%	23.4%	100.0%

(1) USD denominated mortgages are converted to CAD

Debt Outstanding	Maturity	Interest Rate	Amount
Mortgages		4.23%	2,077
Bank facility	6-Sep-14	-	0
Unsecured convertible debentures			
Series D	Nov-14	5.00%	7
Series F	Jun-20	6.00%	86
Series G	Jun-18	5.75%	88
Total Debt			2,258

Liquidity	Limit	Used	Available
Cash and cash equivalents			55
Bank Facilities	80	0	80
Total			135

Summary of Debt

- Artis' debt structure consists mainly of mortgage debt ($2.08 billion or 91.9% of the Trust's total debt) and subordinated unsecured convertible debentures.
- Artis also has an $80 million revolving credit facility that matures on September 6, 2014. This facility is secured by a first charge over certain income properties and ranks ahead of the Trust's unsecured debt (convertible debentures and Issuer Rating). As at December 31, 2012, the Trust had no amounts drawn on this facility.
- DBRS notes that the Issuer Rating ranks behind Artis' property-specific secured debt (i.e., mortgages and revolving credit facilities) held at the Trust level. However, the Issuer Rating ranks ahead of the unsecured subordinated convertible debentures held at the Trust level.
- Artis' debt had a weighted-average debt term to maturity of 4.4 years, which is fairly in line with the Trust's weighted-average lease term to maturity of 4.8 years.
- A low interest rate environment over the past several years has allowed Artis to lower its weighted-average interest rate on debt financing activity. As at December 31, 2012, Artis had a weighted-average interest rate of 4.23%, which is among the lowest of any other DBRS-rated real estate entity.
- Artis has an above-average exposure to rising interest rates, with 15.8% of its debt being floating rate. DBRS notes that a substantial portion of Artis' floating rate debt is associated with properties in the United States. At this time, DBRS believes that this exposure is not a concern as interest rates in the United States are less likely to increase in the near term. Artis can also place interest rate swaps on the floating rate debt if needed.

Debt Maturities

- Artis has a manageable debt maturity schedule with a reasonable amount of debt maturing before the end of 2014, including $214 million (9.5% of total debt) of mortgages in 2013 and $269 million of mortgages and $7 million of convertible debentures ($276 million in aggregate and 12.2% of total debt) in 2014.
- Artis' largest refinancing exposure occurs in 2017, when approximately 23.7% of total debt matures. The debt maturing in 2017 is comprised of mortgages.
- Overall, DBRS does not anticipate that the Trust will have any difficulties in refinancing near-term debt obligations and expects the Trust will continue to have good access to the capital markets as highlighted by recent debt and equity activity.

Liquidity

- DBRS believes Artis has adequate liquidity (revolving credit facility capacity and cash on hand), good access to capital and additional sources of financial flexibility to fund upcoming capital commitments, including a reasonable amount of debt maturities before the end of 2014.
- As at December 31, 2012, Artis had 100% availability on its revolving credit facility and cash balances totalling $54.7 million.
- Additional sources of financial flexibility include proceeds from the issuance of common equity, preferred trust units, potential issuance of senior unsecured debentures and unencumbered assets with a total value of $131.2 million.

Property Portfolio

(As at Dec. 31, 2012)		Owned Share	% of Portfolio	
Canadian Portfolio	# of Properties	of Leasable area	GLA	Occupancy
Industrial	76	6,259	26.8%	98.0%
Office	39	5,664	24.1%	95.5%
Retail	54	4,172	17.9%	96.4%
Total Canadian Portfolio	**169**	**16,095**	**68.8%**	**96.7%**
US Portfolio				
Industrial	32	5,066	21.6%	92.4%
Office	10	1,814	7.8%	94.3%
Retail	5	110	0.5%	95.2%
Total US Portfolio	**47**	**6,990**	**29.9%**	**93.0%**
Total Canadian and US	**216**	**23,085**	**98.7%**	**95.6%**
Properties in Redevelopment				
Industrial	4	271	1.2%	-
Office	0	19	0.1%	-
Retail	0	0	0.0%	-
Development Properties Total	**4**	**290**	**1.3%**	**-**
Total Portfolio	**220**	**23,375**	**100.0%**	**95.6%**

			Owned Share	% of total
Top 10 Properties	Asset Type	Location	of GLA (sq.ft.)	GLA
360 Main Street	Office	Winnipeg, MB	602,443	3%
Concorde Corporate Centre	Office	Toronto, ON	545,503	2%
Corporate Square	Industrial	Minneapolis, MN	434,499	2%
Pilot Knob	Industrial	Minneapolis, MN	404,552	2%
Fourell Business Park	Industrial	Edmonton, AB	400,000	2%
TransAlta Place	Office	Calgary, AB	336,041	1%
3M Distribution Facility	Industrial	Toronto, ON	318,805	1%
Heritage Square	Office	Calgary, AB	313,691	1%
Stinson Office Park	Office	Minneapolis, MN	305,045	1%
201 Westcreek Boulevard	Industrial	Toronto, ON	301,113	1%
Total			**3,961,692**	**17%**

- Artis has a mid-sized portfolio consisting of 220 properties containing just over 23.3 million sq. ft. of leasable area (including redevelopment properties).
- Artis' portfolio is well diversified across the industrial (accounting for 49.6% of total leasable space), office (32.1%) and retail segments (18.3%).
- Artis' portfolio has modest exposure to any single property, with no one property accounting for more than 3% of the total leasable area.
- The portfolio features a number of good-quality properties such as 360 Main Street, a 602,443 sq. ft. Class A office building located in the heart of downtown Winnipeg, and the GSA Phoenix Professional Office Building, leased to the U.S. Government Services Administration for a term of 20 years.
- Artis' office portfolio is mainly comprised of a mix of Class A, B and C office buildings located in downtown or suburban markets in Canada and the United States.
- A large portion of Artis' office portfolio (61.8% of the Trust's total office leasable sq. ft.) consists of suburban office properties, which are typically multi-tenant low-rises and mid-rises.
- As of Q4 2012, Artis' office portfolio comprised 2,771,484 sq. ft. of Class A suburban office space, 1,564,876 sq. ft. of Class B suburban office space and 284,098 sq. ft. of Class C suburban office space.

- The remainder of the office portfolio is located in the downtown markets of Calgary, Winnipeg, Minneapolis, Toronto and Phoenix.
- Artis' industrial portfolio consists of mainly small bay multi-tenant light/flex industrial space buildings, which are suitable in size and configuration for a broad range of tenants. This includes warehousing and storage, light assembly and shipping, call centres and technical support, professional services and other similar types of uses. As a result, this type of property is relatively stable, as performance generally follows the same direction of the overall economy.
- Artis' retail portfolio is mainly comprised of stand-alone single-tenant retail properties, community strip malls and neighbourhood shopping centres located predominately in small secondary markets in Canada.

Portfolio Occupancy

	As at December 31					
	2012	2011	2010	2009	2008	2007
Industrial	95.5%	94.3%	95.3%	96.1%	98.5%	98.6%
Office	95.2%	94.9%	95.6%	95.2%	93.6%	98.2%
Retail	96.4%	96.6%	97.5%	98.8%	98.8%	96.0%
Total Portfolio	**95.6%**	**95.1%**	**96.0%**	**96.6%**	**96.5%**	**97.4%**

Note: Non committed occupancy rates

- Although occupancy levels have trended lower over the past several years due mainly to the acquisition of properties with lower occupancy rates, particularly industrial properties in the United States (92.4% versus 98% in Canada), they have remained above 95% since the Trust's inception in 2004.
- Occupancy performance is reflective of favourable leasing conditions over the past several years, particularly in the western Canadian markets, and the Trust's geographically diversified portfolio and well-diversified tenant base comprising a broad range of business sectors.
- More recently, office and industrial occupancy rates have shown some signs of improvement, tracking the strengthening of real estate fundamentals in western Canada.
- During 2012, Artis' industrial portfolio also benefited from the recent purchase of a Greater Toronto Area industrial portfolio with occupancy of 97.5%.
- In the near term, DBRS expects Artis to continue to benefit from solid fundamentals in western Canada, particularly in the office segment.

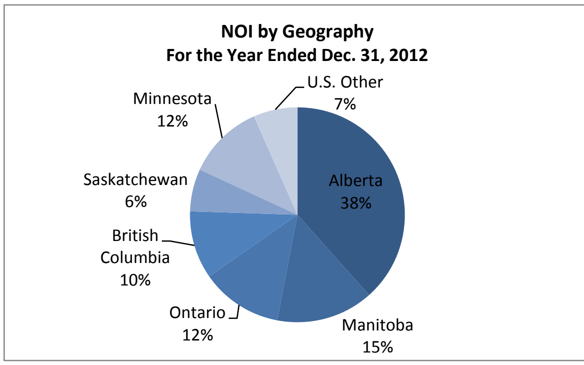
Lease Maturity Profile

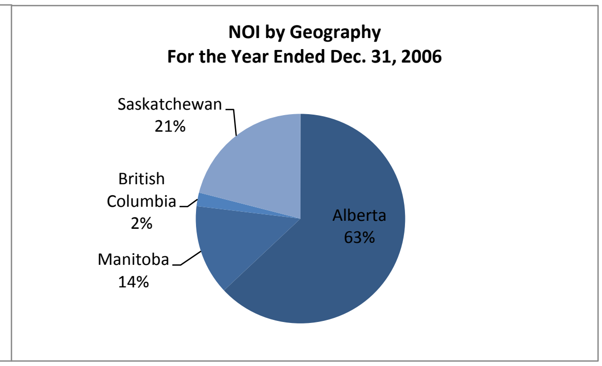
(As at Dec. 31, 2012)	Current Vacancy	Current monthly tenancies	2013	2014	2015	2016	2017 & beyond	Total
Office	378	37	1,017	542	720	527	4,276	7,497
	5.0%	0.5%	13.6%	7.2%	9.6%	7.0%	57.0%	100.0%
Retail	156	47	401	387	407	454	2,430	4,283
	3.6%	1.1%	9.4%	9.0%	9.5%	10.6%	56.7%	100.0%
Industrial	748	110	1,738	1,744	1,768	1,798	3,690	11,596
	6.4%	0.9%	15.0%	15.0%	15.2%	15.5%	31.8%	100.0%
Total Portfolio	1,282	194	3,157	2,672	2,895	2,779	10,396	23,375
	5.5%	**0.8%**	**13.5%**	**11.4%**	**12.4%**	**11.9%**	**44.5%**	**100.0%**

- Artis has a manageable lease expiry schedule with a weighted-average lease maturity term of 4.8 years.
- Over the next five years, the largest lease expiration exposure for the Trust's portfolio occurs in 2013, with 13.5% of total space maturing.
- Lease expiries occurring in 2013 are reasonably diversified across Artis' major markets. Of the total space that matures in 2013, 28.4% is located in Minnesota, 24.5% in Alberta (of which 73.2% of this space is located in Calgary), 19.3% in Manitoba and 13.0% in Ontario.
- In the near term, DBRS anticipates that leasing and renewal conditions will likely remain favourable for Artis, particularly in its western Canadian markets, where vacancy rates remain low and rental rates are robust. In addition, industrial fundamentals in the Trust's Minneapolis market have displayed good recovery, with positive absorption of space and modest upward pressure on rental rates expected to continue in 2013.

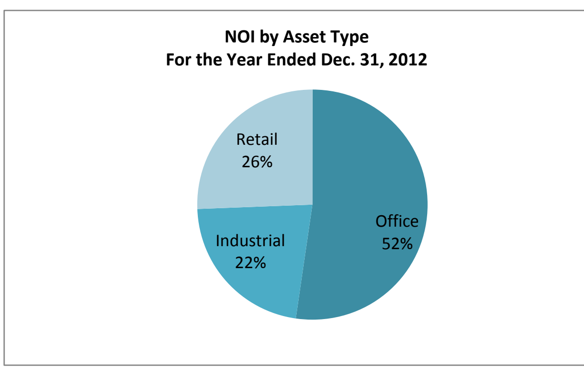
- Overall, DBRS expects robust leasing conditions in Artis' core markets to contribute to higher rental rates for leasing activity in 2013.
- In addition, Artis has reasonable protection from any unfavourable changes in market rental rates as average in-place rental rates are currently below market rental rates by approximately 8.8%.

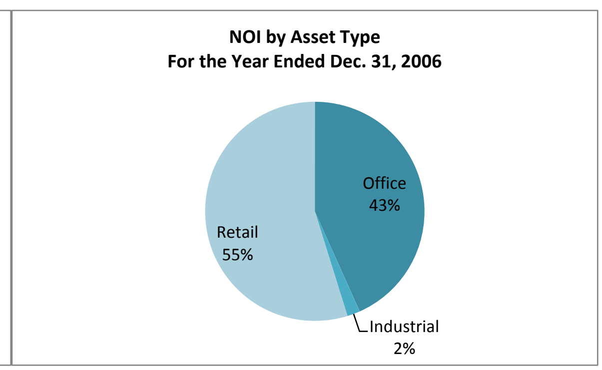
Net Operating Income by Asset Type and Geography





- Artis' portfolio is well diversified by geography, with income-producing properties located across five Canadian provinces and primarily two U.S. states.
- Over the past few years, Artis' portfolio growth has further diversified the Trust's NOI by geography, and Artis has moderately reduced its exposure to the Province of Alberta by entering and building a presence in new markets, such as Minnesota and Arizona, and existing markets, such as British Columbia.
- Going forward, DBRS expects Artis to continue to build a presence in its core markets, particularly those located in western Canada and in the United States.
- Overall, DBRS views the geographical diversification as a positive for the current rating category, although Artis' recent entrance into new markets, particularly in the United States, presents some operational and execution risks.





- Artis benefits from good asset type diversification, with the office segment of the portfolio accounting for 52% of total NOI followed by retail at 26% and industrial at 22%.
- Since the year ended December 31, 2006, Artis has meaningfully increased its portfolio weightings based on NOI in the office and industrial segments by way of significant property acquisitions.
- In the near term, DBRS expects Artis to modestly increase its exposure to the office segment through property acquisitions.
- Over the longer term, DBRS expects Artis to aim for a diversified asset mix based on NOI of 50% office, 25% retail and 25% industrial.

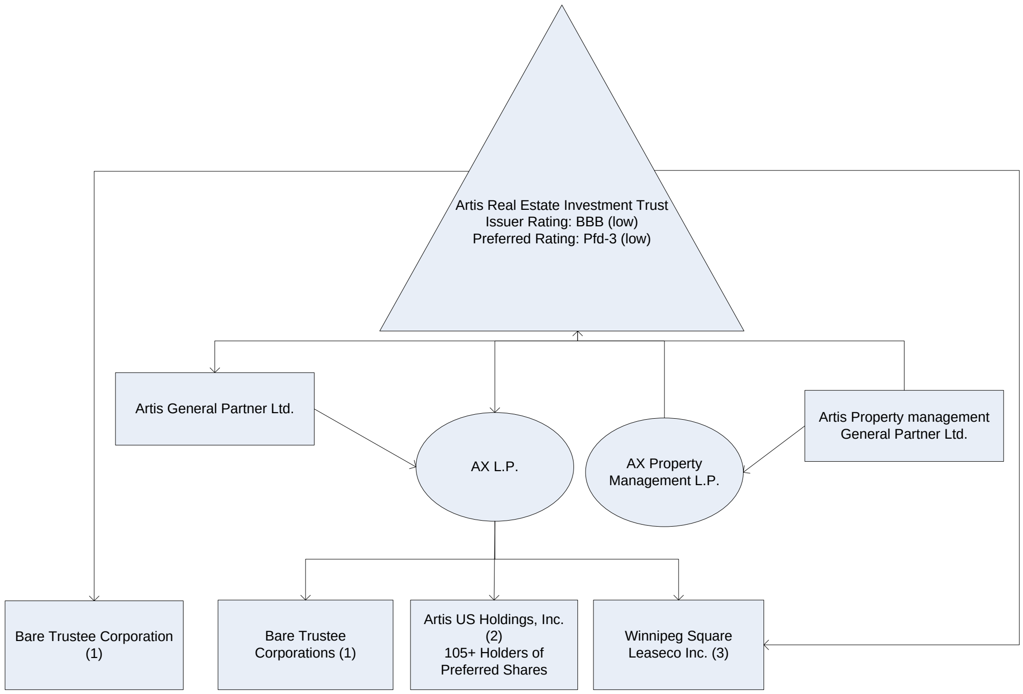
Tenant Profile

(As at Dec. 31, 2012)

Top 20 tenants	Industry	% of total gross revenue	GLA (in 000's sq. ft.)	% of total GLA	Lease Term	DBRS
Federal Government	Government	4.5%	897	3.9%	5.5	AAA
Provincial Government	Government	2.7%	379	1.6%	3.7	A to AAA
MTS Allstream	Telecommunication	2.2%	322	1.4%	10.2	BBB
AMEC Americas Ltd.	Engineer Consultant	2.1%	200	0.9%	0.7	
TransAlta Corporation	Utilities	1.2%	336	1.5%	10.4	BBB
Shoppers Drug Mart	Pharmacy	1.1%	155	0.7%	6.0	A (low)
Home Depot	Home Improvement	1.0%	158	0.7%	9.6	A (low)
TD Bank	Banking	0.9%	123	0.5%	7.4	AA (low)
IHS Energy (Canada) Ltd.	Global Information	0.9%	78	0.3%	4.8	
Sobeys	Grocery Retail	0.9%	190	0.8%	8.2	BBB
Fairview Health Services	Healthcare	0.9%	179	0.8%	10.7	
PMC - Sierra, Inc.	Technology	0.9%	148	0.6%	0.7	
CGI Sys &Mgmt. Consultants Inc.	IT Consultant	0.9%	64	0.3%	2.9	
Cara Operations Limited	Restaurants	0.8%	50	0.2%	15.9	B
CB Richard Ellis, Inc.	Real Estate	0.8%	103	0.4%	5.8	
3M Canada Company	Technology	0.8%	319	1.4%	7.3	
Birchcliff Energy	Energy	0.8%	59	0.3%	4.9	
ABB Inc.	Energy Technology	0.8%	318	1.4%	1.9	
Bell Canada	Telecommunication	0.7%	76	0.3%	3.5	A(low)
Credit Union Central	Financial Service	0.7%	86	0.4%	9.0	
Total		**25.6%**	**4,240**	**18.4%**	**6.5**	

- Artis has a well-diversified tenant base representing a broad range of business activities such as government, telecommunications, banking and home improvement.
- Artis' top 20 tenants collectively account for only 25.6% of total gross revenue, or 18.4% of total leasable area, which compares favourably to other real estate entities rated by DBRS.
- Artis also has minimal single tenant exposure, with no one tenant representing more than 4.5% of total gross revenue (Canadian and U.S. federal combined).
- In addition, a number of Artis' top ten tenants are of solid credit quality, in the BBB to AAA rating range, including the Trust's federal and provincial tenants, TD and Shoppers Drug Mart.

Organizational Chart



Notes:
(1) Artis and/or the Partnership beneficially own, directly or indirectly, all of Artis' Properties located in Canada. The bare trustee corporations are incorporated under *Canada Business Corporations Act*, except in a limited number of cases where the bare trustee corporations are incorporated under the laws of a province.

(2) Artis U.S. Holdings Inc. indirectly owns all of Artis' properties located in the U.S. as at December 31, 2012. Artis U.S. Holdings Inc. issued 125 shares of preferred stock for an aggregate purchase price of $125,000 to U.S. residents in order to qualify as a non-public real estate investment trust for U.S. federal income tax purposes. A benefit of such qualification is that Artis U.S. Holdings Inc. generally will not be subject to U.S. federal corporate income taxes on net income that it currently distributes to stockholders. The Partnership is the sole common shareholder in Artis U.S. Holdings, Inc. and also owns 500 shares of preferred stock.

(3) Winnipeg Square Leaseco Inc. owns a leasehold interest in the 360 Main Street property located in Winnipeg, Manitoba.

(4) Artis U.S. Holdings Inc. owns all of its properties through limited partnerships formed under applicable U.S. State laws. Artis U.S. Holdings, Inc. is the sole limited partner of such U.S. limited partnerships.

- Artis Real Estate Investment Trust was established on November 8, 2004.
- Artis is organized as a closed-ended real estate investment trust with a simple trust structure.
- DBRS has assigned an Issuer Rating of BBB (low) with a Stable trend to Artis Real Estate Investment Trust.
- DBRS notes that the Issuer Rating ranks behind Artis' property-specific secured debt (i.e., mortgages and revolving credit facilities) held at the Trust level.
- The Issuer Rating, however, ranks ahead of the unsecured subordinated convertible debentures held at the Trust level.
- Artis' property management is fully internalized through a wholly owned subsidiary (AX Property Management L.P.).

Artis Real Estate Investment Trust

Report Date:
March 8, 2013

Artis Real Estate Investment Trust

Balance Sheet

($ millions)	As at December 31				As at December 31		
Assets	**2012 (1)**	**2011 (1)**	**2010 (1)**	**Liabilities & Equity**	**2012 (1)**	**2011 (1)**	**2010 (1)**
Commercial and development properties	4,276.7	3,024.1	2,058.2	Mortgages	2,077.0	1,569.9	1,158.0
Cash and cash equivalents	54.7	94.1	88.3	Credit facilities	0.0	37.9	8.0
Accounts receivables	13.3	11.9	6.5	Convertible debentures	182.3	235.7	153.9
Other receivables	23.9	25.4	27.1	Accounts payable	52.6	42.5	29.7
Other assets	13.3	12.1	31.4	Other payable	0.0	0.0	0.0
				Other liabilities	20.2	11.8	7.7
				Common equity	2,049.9	1,269.8	854.2
Total Assets	4,381.9	3,167.6	2,211.6	**Total Liab. & Equity**	4,381.9	3,167.6	2,211.6

	Pro forma (3)	For the year ended December 31,						
Balance Sheet and Liquidity Ratios	**2012 (1)**	**2012 (1)**	**2011 (1)**	**2010 (1)**	**2010 (2)**	**2009**	**2008**	**2007**
Total debt/total capital (DBRS-adjusted) (4)	52.4%	52.4%	59.2%	60.7%	64.4%	66.9%	67.1%	62.8%
Net debt/total capital (DBRS-adjusted) (4)	51.8%	51.8%	57.9%	59.0%	62.8%	65.8%	66.7%	61.7%
Total debt/gross book value assets (historical cost and incl. convertible debentures)	-	-	-	-	54.4%	53.7%	54.8%	53.4%
Total debt/gross book value assets (fair value and incl. convertible debentures)	51.9%	51.5%	58.1%	59.6%	-	-	-	-
Secured debt/total debt	91.9%	91.9%	87.2%	88.3%	89.6%	88.2%	92.8%	92.1%
Cash flow/total debt (DBRS-adjusted) (4)	-	0.06	0.05	0.03	0.04	0.05	0.05	0.04
Total debt/EBITDA (DBRS-adjusted) (4)	9.0	10.0	11.5	14.1	12.0	9.2	9.6	12.9
Coverage Ratios								
EBITDA interest coverage (incl. capitalized interest)	2.53	2.39	2.08	1.82	1.98	1.90	1.89	1.84
Debt service coverage	1.78	1.66	1.50	1.37	1.51	1.47	1.45	1.48
Fixed-charge coverage	2.46	2.32	2.08	1.82	1.98	1.90	1.89	1.84
Profitability Ratios								
Net rental margin	62.9%	64.0%	61.0%	61.4%	65.0%	64.4%	64.1%	64.0%
Cash flow return on average equity	-	8.2%	7.9%	-	10.0%	11.0%	10.3%	9.5%
Cash flow return on average capital	-	6.2%	6.1%	-	7.0%	7.4%	7.4%	7.1%
Operating Statistics								
Number of properties (excl. development properties)	216	216	163	129	129	96	89	80
Net interest in GLA (thousands sq. ft.) (excl. devel. properties)	23,085	23,085	16,941	12,313	12,313	6,814	6,562	6,059
Portfolio occupancy	95.6%	95.6%	95.1%	96.0%	96.0%	96.6%	96.5%	97.4%

Income Statement	Pro forma (3)	For the year ended December 31,						
($ millions)	**2012 (1)**	**2012 (1)**	**2011 (1)**	**2010 (1)**	**2010 (2)**	**2009**	**2008**	**2007**
Rental revenue	413.9	367.0	276.5	160.6	177.1	130.9	130.3	88.3
Operating expense	(153.5)	(132.1)	(107.7)	(62.0)	(62.0)	(46.6)	(46.8)	(31.8)
Net rental income	260.4	234.9	168.8	98.6	115.1	84.2	83.6	56.5
General and administrative expense	(11.5)	(12.0)	(11.1)	(7.2)	(6.7)	(4.5)	(5.0)	(4.8)
Other core income/expense	2.1	2.6	2.6	2.5	0.0	0.0	0.0	0.0
EBITDA	**250.9**	**225.6**	**160.3**	**93.9**	**108.3**	**79.7**	**78.6**	**51.7**
Depreciation and amortization	0.0	0.0	0.0	0.0	(71.0)	(56.5)	(58.8)	(41.2)
EBIT	**250.9**	**225.6**	**160.3**	**93.9**	**37.3**	**23.2**	**19.8**	**10.5**
Gross interest expense	(99.1)	(94.3)	(77.0)	(51.6)	(54.8)	(41.9)	(41.6)	(28.2)
Capitalized interest expense	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net interest expense	(99.1)	(94.3)	(77.0)	(51.6)	(54.8)	(41.9)	(41.6)	(28.2)
Other income/expense	(6.0)	(8.7)	(16.5)	(19.5)	0.0	0.0	0.0	0.0
EBT	**145.8**	**122.7**	**66.9**	**22.8**	**(17.5)**	**(18.7)**	**(21.8)**	**(17.7)**
Taxes	0.0	0.0	0.0	(0.1)	(0.1)	0.0	0.0	0.0
DBRS Adjusted Net Income	**145.8**	**122.7**	**66.9**	**22.7**	**(17.6)**	**(18.7)**	**(21.8)**	**(17.7)**
Non-controlling interest	0.0	0.0	0.0	0.0	0.0	(0.1)	(0.3)	0.0
Net Income before Non-recurring Items	**145.8**	**122.7**	**66.9**	**22.7**	**(17.6)**	**(18.8)**	**(22.1)**	**(17.7)**
Non-recurring items	249.1	217.7	254.4	10.5	13.8	9.6	15.3	23.8
Reported Net Income	**394.9**	**340.3**	**321.3**	**33.2**	**(3.8)**	**(9.2)**	**(6.8)**	**6.2**

(1) IFRS (2) 2010 and prior years reported under Canadian GAAP (3) DBRS estimated pro forma numbers are based on annualized 3 months to December 31, 2012

(4) Includes convertible debentures treated as 100% debt

Artis Real Estate Investment Trust

Report Date:
March 8, 2013

Rating

Debt	Rating	Rating Action	Trend
Issuer Rating	BBB (low)	New Rating	Stable
Preferred Trust Units	Pfd-3 (low)	New Rating	Stable

Notes:
All figures are in Canadian dollars unless otherwise noted.

For the definition of Issuer Rating, please refer to Rating Definitions under Rating Policy on www.dbrs.com.

Generally, Issuer Ratings apply to all senior unsecured obligations of an applicable issuer, except when an issuer has a significant or unique level of secured debt.