

Interim Consolidated Financial Statements of

**ARTIS REAL ESTATE
INVESTMENT TRUST**

(Formerly Westfield Real Estate Investment Trust)

Three months ended March 31, 2007 and 2006
(Unaudited)

ARTIS REAL ESTATE INVESTMENT TRUST

(Formerly Westfield Real Estate Investment Trust)

Interim Consolidated Balance Sheets

(In thousands of dollars)

	March 31, 2007 (Unaudited)	December 31, 2006
ASSETS		
Income-producing properties (note 4)	\$ 562,299	\$ 388,845
Other assets (note 5)	83,998	70,348
Deferred financing costs, net of accumulated amortization of \$nil (2006, \$871)	-	4,057
Deposits on income-producing properties (note 6)	9,295	10,343
Prepaid expenses	843	812
Rent and other receivables	3,761	2,956
Cash held in trust	-	327
Cash and cash equivalents	31,398	15,252
	\$ 691,594	\$ 492,940
LIABILITIES AND UNITHOLDERS' EQUITY		
Liabilities:		
Mortgages and loans payable (note 7)	\$ 376,498	\$ 272,341
Convertible debentures (note 8)	37,874	40,503
Intangible liabilities (note 9)	26,613	13,341
Security deposits and prepaid rent	2,331	1,402
Accounts payable and other liabilities (note 10)	9,258	7,233
	452,574	334,820
Non-controlling interest (note 11)	10,322	10,368
Unitholders' equity:		
Capital contributions (note 12 (b))	253,496	165,288
Contributed surplus (note 12 (c))	843	649
Equity component of convertible debentures (note 8)	11,548	11,659
Deficit	(37,189)	(29,844)
	228,698	147,752
Contingent consideration (note 18)		
Subsequent events (note 19)		
	\$ 691,594	\$ 492,940

See accompanying notes to interim consolidated financial statements.

ARTIS REAL ESTATE INVESTMENT TRUST

(Formerly Westfield Real Estate Investment Trust)

Interim Consolidated Statements of Operations and Deficit
Three months ended March 31, 2007 and 2006
(Unaudited)

(In thousands of dollars, except per unit amounts)

	2007	2006
Revenue	\$ 17,609	\$ 9,357
Property operating expenses	5,980	3,617
Interest	11,629	5,740
	5,427	2,906
Expenses:	6,202	2,834
Corporate	1,098	451
Amortization	7,761	4,833
	8,859	5,284
Loss before the undernoted	(2,657)	(2,450)
Gain on disposal of income-producing property (note 3)	-	941
Loss for the period	(2,657)	(1,509)
Deficit, as previously reported	(29,844)	(5,991)
Adoption of new accounting policies (note 2(b))	311	-
	(29,533)	(5,991)
	(32,190)	(7,500)
Distributions (note 13)	(4,999)	(2,427)
Deficit, end of period	\$ (37,189)	\$ (9,927)
Basic and diluted loss per unit	\$ (0.14)	\$ (0.17)

See accompanying notes to interim consolidated financial statements.

ARTIS REAL ESTATE INVESTMENT TRUST

(Formerly Westfield Real Estate Investment Trust)

Interim Consolidated Statements of Unitholders' Equity
 Three months ended March 31, 2007 and March 31, 2006
 (Unaudited)

(In thousands of dollars, except per unit amounts)

	Number of Units	Capital Contributions	Equity Component of Convertible Debentures	Deficit	Contributed Surplus	Total
Unitholders' equity, December 31, 2005	7,959,814	\$ 70,151	\$ 5,024	\$ (5,991)	\$ 176	\$ 69,360
Issuance of units	3,862,000	50,396	-	-	-	50,396
Unit based compensation	-	-	-	-	40	40
Loss for the period	-	-	-	(1,509)	-	(1,509)
Distributions for the period	-	-	-	(2,427)	-	(2,427)
Unitholders' equity, March 31, 2006	11,821,814	120,547	5,024	(9,927)	216	115,860
Issuance of units	2,869,463	38,840	-	-	-	38,840
Unit based compensation	-	-	-	-	433	433
Issuance of convertible debentures	-	-	7,590	-	-	7,590
Conversion of convertible debentures	527,984	5,901	(955)	-	-	4,946
Loss for the period	-	-	-	(9,644)	-	(9,644)
Distributions for the period	-	-	-	(10,273)	-	(10,273)
Unitholders' equity, December 31, 2006	15,219,261	165,288	11,659	(29,844)	649	147,752
Adoption of new accounting policies (note 2(b))	-	(297)	-	311	-	14
Issuance of units	5,810,366	87,914	-	-	-	87,914
Unit based compensation	-	-	-	-	194	194
Conversion of convertible debentures	46,913	591	(111)	-	-	480
Loss for the period	-	-	-	(2,657)	-	(2,657)
Distributions for the period	-	-	-	(4,999)	-	(4,999)
Unitholders' equity, March 31, 2007	21,076,540	\$ 253,496	\$ 11,548	\$ (37,189)	\$ 843	\$ 228,698

ARTIS REAL ESTATE INVESTMENT TRUST

(Formerly Westfield Real Estate Investment Trust)

Interim Consolidated Statements of Cash Flows
Three months ended March 31, 2007 and 2006
(Unaudited)

(In thousands of dollars)

	2007	2006
Cash provided by (used for):		
Operating activities:		
Loss for the period	\$ (2,657)	\$ (1,509)
Adjustments for non-cash items:		
Amortization:		
Income-producing properties	3,260	1,806
Office equipment	1	1
Above-market rent	47	54
Acquired in-place leases	4,348	2,871
Customer relationships	6	6
Deferred financing costs	-	134
Below-market rent	(1,122)	(530)
Tenant inducements and leasing costs	146	16
Above-market mortgages	(28)	(9)
Accretion on liability component of convertible debentures	457	197
Straight-line rent adjustment	(250)	(165)
Gain on disposal of income-producing properties	-	(941)
Unit based compensation expense	194	40
Amortization of deferred financing costs included in interest	49	-
	4,451	1,971
Changes in non-cash operating items (note 14)	2,377	(2,951)
	6,828	(980)
Investing activities:		
Acquisition of income-producing properties, net of related debt (note 3)	(72,443)	(25,814)
Disposition of income-producing property, net of mortgage and costs (note 3)	-	2,141
Additions to income-producing properties	(311)	7
Additions to office equipment	(3)	(2)
Additions to tenant inducements and leasing costs	(652)	(239)
Change in deposits on income-producing properties	1,157	(175)
	(72,252)	(24,082)
Financing activities:		
Issuance of REIT units, net of issue costs	87,915	50,396
Distributions paid on REIT units	(4,999)	(2,427)
Distributions paid on Class B units, charged to non-controlling interest (note 11)	(46)	-
Mortgages and loans principal repayments, net of finance costs	(1,300)	(807)
Deferred financing costs	-	(274)
	81,570	46,888
Increase in cash and cash equivalents	16,146	21,826
Cash and cash equivalents at beginning of period	15,252	9,927
Cash and cash equivalents at end of period	\$ 31,398	\$ 31,753
Supplemental cash flow information:		
Interest paid, net of interest received	\$ 3,776	\$ 2,586

See accompanying notes to interim consolidated financial statements.

ARTIS REAL ESTATE INVESTMENT TRUST

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Notes to Interim Consolidated Financial Statements
Three months ended March 31, 2007 and 2006
(Unaudited)

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

1. Organization:

Artis Real Estate Investment Trust (the "REIT"), formerly Westfield Real Estate Investment Trust, is an unincorporated open-end real estate investment trust (note 12) created under, and governed by, the laws of the province of Manitoba and was created pursuant to the Declaration of Trust dated November 8, 2004, subsequently amended and restated on October 31, 2006 (the "Declaration of Trust"). The purpose of the REIT is to directly, or indirectly, own, manage, lease and (where appropriate) develop retail, industrial and office properties in Canada.

The Declaration of Trust provides that the REIT makes monthly cash distributions to unitholders of the REIT's units. The amount distributed in each year will be an amount equal to not less than the greater of: (i) the amount of distributable income in the year set down in a policy by the Trustees (currently \$1.05 per unit); and (ii) an amount of net income and net realized capital gains for the year as is necessary to ensure that the REIT will not be subject to tax in accordance with the terms of the Declaration of Trust.

2. Significant accounting policies:

(a) Basis of presentation:

The disclosure requirements for interim financial statements do not conform in all material respects with the requirements of Canadian generally accepted accounting principles ("GAAP") for annual statements. These interim consolidated financial statements should be read in conjunction with the consolidated financial statements of Artis REIT as at, and for the year ended, December 31, 2006.

These interim consolidated financial statements follow the same accounting policies and methods of their application as used in the December 31, 2006 financial statements, except as described in note 2(b).

(b) Changes in accounting policies:

The CICA has issued three new standards: Handbook Section 3855, Financial Instruments - Recognition and Measurement, Handbook Section 3865, Hedges, and Handbook Section 1530, Comprehensive Income, which were adopted by the REIT on January 1, 2007. In accordance with the transitional provisions of the respective standards, prior periods have not been restated and the effects of adopting these standards were recorded as an adjustment to the opening balance of consolidated unitholders' deficit.

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2. Significant accounting policies (continued):

(i) Financial Instruments - Recognition and Measurement:

This standard provides guidance on recognizing financial instruments and non-financial derivatives on the consolidated balance sheets. The standard also specifies how financial instrument gains and losses are presented. Initially, all financial assets and liabilities must be recorded on the consolidated balance sheet at fair value. Subsequent measurement is determined by the classification of each financial asset and liability. Under this standard, all financial instruments are classified as one of: (a) held-to-maturity; (b) loans and receivables; (c) held-for-trading; (d) available-for-sale or (e) other liabilities. Financial assets and liabilities held for trading are measured at fair value with gains and losses recognized in net income. Financial instruments classified as held-to-maturity, loans and receivables, and other liabilities are measured at amortized cost. Available-for-sale financial instruments are measured at fair value, with unrealized gains and losses recognized in comprehensive income.

Upon adoption of this new standard, the REIT designated its cash and cash equivalents and cash held in trust as held-for-trading; rent and other receivables as loans and receivables; and mortgages and loans payable, convertible debentures, security deposits, and accounts payable and other liabilities as other liabilities. The REIT has neither available-for-sale, nor held-to-maturity instruments.

Transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities are accounted for as part of the respective asset or liability's carrying value at inception and amortized over the expected life of the financial instrument using the effective interest rate method.

All derivative instruments, including embedded derivatives, are recorded in the consolidated statements of income at fair value unless exempted from derivative treatment as normal purchase and/or normal sale.

(ii) Comprehensive Income:

This standard requires a new component of unitholders' equity, comprehensive income, to be included in the REIT's consolidated financial statements. In addition, the standard requires a statement of comprehensive income. The major components of the statement of comprehensive income may include items such as unrealized gains and losses on financial assets classified as available-for-sale, deferred gains and losses arising from the settlement of historic cash flow hedging transactions and changes in the fair value of the effective position of cash flow hedging instruments.

As there are currently no differences between net loss and comprehensive income, or unitholders' deficit and accumulated other comprehensive income, no statement has been included with these interim consolidated financial statements.

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2. Significant accounting policies (continued):

(iii) Hedges:

In a fair value hedge, the change in fair value of the hedging derivative will be offset in the consolidated statements of income and comprehensive income against the change in the fair value of the hedged item relating to the hedged risk. In a cash flow hedge, the change in fair value of the derivative, to the extent effective, is recorded in other comprehensive income until the asset or liability being hedged affects the consolidated statements of income and comprehensive income, at which time, the related change in fair value of the derivative be recorded in the consolidated statements of income and comprehensive income. Any hedge ineffectiveness will be recorded in the consolidated statements of income and comprehensive income.

The impact on the REIT of these changes in accounting policies were:

- To change the method of amortization of the deferred financing costs to the effective interest rate method from straight-line, which decreased deficit by \$311, decreased capital contributions by \$297 and increased deferred financing costs by \$14 as at January 1, 2007; and to classify the adjusted deferred financing costs against the relevant host contract within the liability portion of the consolidated balance sheet.

(iv) Equity:

In addition, the REIT adopted the disclosure requirements of Handbook Section 3251, Equity. This section establishes standards for the presentation of equity and changes in equity during the reporting period. As a result of adopting this section, the REIT has included an additional financial statement entitled "Interim Consolidated Statements of Unitholders' Equity" with the interim consolidated financial statements.

(v) Convertible and Other Debt Instruments with Embedded Derivatives:

Finally, Emerging Issues Committee ("EIC") 164, Convertible and Other Debt Instruments with Embedded Derivatives issued by the EIC of the Accounting Standards Board on March 5, 2007, was adopted early by the REIT on January 1, 2007. This abstract addressed various issues surrounding the recognition, classification and presentation of convertible debentures. There was no impact on the interim consolidated financial statements as a result of the adoption of this abstract.

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3. Acquisitions and dispositions of income-producing properties:

Acquisitions:

The REIT acquired the following properties during the first quarter of 2007

<i>Property</i>	<i>Location</i>	<i>Acquisition Date</i>	<i>Type</i>
CDI College Building	280 Main Street, Winnipeg, MB	January 13, 2007	Office
Keewatin Distribution Centre	959 - 989 Keewatin Street, Winnipeg, MB	January 31, 2007	Industrial
Clareview Town Centre	50th Street & 137th Avenue, Edmonton, AB	February 1, 2007	Retail
Centre 70 ⁽¹⁾	7015 Macleod Tr. SW & 555 - 69th St. SW, Calgary, AB	February 28, 2007	Office
Honeywell Building	2840 - 2nd Avenue SE, Calgary, AB	February 28, 2007	Industrial
Millennium Centre	4909 - 49th St. & 4902 - 48th St., Red Deer, AB	February 28, 2007	Office
Bower Centre	2319 Taylor Dr. & 2310 Gaetz Ave., Red Deer, AB	March 1, 2007	Industrial
Britannia Building ⁽²⁾	703 - 6th Avenue SW, Calgary, AB	March 31, 2007	Office
Sierra Place ⁽²⁾	706 - 7th Avenue SW, Calgary, AB	March 31, 2007	Office

(1) The REIT acquired an undivided 85% interest in Centre 70.

(2) The Britannia Building and Sierra Place were acquired together as the Dome Britannia Portfolio.

These acquisitions have been accounted for by the purchase method, with the results of operations included in the REIT's accounts from the dates of acquisition.

The REIT acquired the following properties during the first quarter of 2006

<i>Property</i>	<i>Location</i>	<i>Acquisition Date</i>	<i>Type</i>
Northwest Centre	4500 and 4520-16th Ave. NW, Calgary, AB	February 28, 2006	Office
Southwood Corner	10233 Elbow Drive, Calgary, AB	March 31, 2006	Retail
Circle 8	3120, 3124, 3126, 3134 8th St. E, Saskatoon, SK	March 31, 2006	Retail
Reenders Square	3-11 Reenders Drive, Winnipeg, MB	March 31, 2006	Retail

These acquisitions have been accounted for by the purchase method, with the results of operations included in the REIT's accounts from the dates of acquisition.

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3. Acquisitions and dispositions of income-producing properties (continued):

Acquisitions (continued):

The net assets acquired including acquisition costs were as follows:

	Three months ended	
	March 31, 2007	March 31, 2006
Land	\$ 33,994	\$ 19,105
Buildings	132,946	37,281
Parking lots	3,388	1,000
Tenant improvements	6,075	3,278
Acquired in-place leases	17,118	13,222
Above-market rent	106	7
Below-market rent	(14,394)	(2,179)
Long-term debt including acquired above-market mortgage	(106,790)	(45,900)
Cash consideration	\$ 72,443	\$ 25,814
Acquisition costs included above	\$ 3,147	\$ 2,284

Dispositions:

The REIT disposed of the following property during the first quarter of 2006:

<i>Property</i>	<i>Location</i>	<i>Disposition Date</i>	<i>Type</i>
Edgemont Mall	34 Edgedale Drive NW, Calgary, AB	January 12, 2006	Retail

The proceeds from the sale of Edgemont Mall, net of costs, were \$5,117. Consideration received was the assumption of the existing mortgage in the amount of \$2,976 and cash in the amount of \$2,141. The assets, intangible assets and liabilities associated with the property were removed from the books and a gain on sale of property in the amount of \$941 was recorded.

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4. Income-producing properties:

	March 31, 2007 (Unaudited)		
	Cost	Accumulated amortization	Net book value
Land	\$ 142,060	\$ -	\$ 142,060
Buildings and building improvements	381,150	7,458	373,692
Leasehold interest	8,015	337	7,678
Tenant improvements	32,300	7,044	25,256
Parking lots	11,408	476	10,932
Property under development	2,681	-	2,681
	<u>\$ 577,614</u>	<u>\$ 15,315</u>	<u>\$ 562,299</u>

	December 31, 2006		
	Cost	Accumulated amortization	Net book value
Land	\$ 108,066	\$ -	\$ 108,066
Buildings and building improvements	247,942	5,708	242,234
Leasehold interest	8,015	286	7,729
Tenant improvements	26,225	5,694	20,531
Parking lots	8,020	367	7,653
Property under development	2,632	-	2,632
	<u>\$ 400,900</u>	<u>\$ 12,055</u>	<u>\$ 388,845</u>

5. Other assets:

	March 31, 2007 (Unaudited)		
	Cost	Accumulated amortization	Net book value
Acquired in-place leases	\$ 100,017	\$ 21,837	\$ 78,180
Above-market rent	1,285	330	955
Customer relationships	115	60	55
Tenant inducements and leasing costs	4,313	401	3,912
Deferred recoverable operating costs	875	-	875
Office equipment	27	6	21
	<u>\$ 106,632</u>	<u>\$ 22,634</u>	<u>\$ 83,998</u>

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(Unaudited)

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

5. Other assets (continued):

	December 31, 2006		
	Cost	Accumulated amortization	Net book value
Acquired in-place leases	\$ 82,898	\$ 17,489	\$ 65,409
Above-market rent	1,179	283	896
Customer relationships	115	54	61
Tenant inducements and leasing costs	3,661	255	3,406
Deferred recoverable operating costs	557	-	557
Office equipment	24	5	19
	\$ 88,434	\$ 18,086	\$ 70,348

6. Deposits on income-producing properties:

	March 31, 2007 (Unaudited)	December 31, 2006
Deposit on income-producing property (note 11):		
Balance, beginning of period	\$ 7,743	\$ -
Initial deposit	-	7,800
Property rent	(300)	(200)
Costs incurred	100	-
Distributions on 543,781 Class B units of AX L.P.	143	143
	7,686	7,743
Deposits on other income-producing properties	1,609	2,600
	\$ 9,295	\$ 10,343

7. Mortgages and loans payable:

Substantially all of the REIT's assets have been pledged as security under mortgages and other security agreements. The mortgages and loans payable bear interest at fixed rates, with a weighted average effective rate of 5.51% at March 31, 2007, a weighted average nominal rate of 5.43% at March 31, 2007 (nominal and effective 2006, 5.27%), and maturity dates ranging from December 15, 2007 to April 1, 2017.

Principal payment requirements on the mortgages and loans payable as at March 31, 2007 are as follows:

2008	\$ 10,677
2009	16,766
2010	17,560
2011	88,267
2012	35,380
2013 and thereafter	208,569
	377,219
Above-market mortgage adjustments	584
Deferred financing costs	(1,305)
	\$ 376,498

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

8. Convertible debentures:

Particulars of the REIT's outstanding convertible debentures as at March 31, 2007 and December 31, 2006 are as follows:

Convertible debenture issue	Series A convertible redeemable	Series B convertible redeemable	Series C convertible redeemable	2007 (Unaudited)	2006
Issue date	August 4, 2005	November 9, 2005	May 4, 2006		
Interest rate	7.75%	7.5%	6.25%		
Face value	\$ 9,595	\$ 10,862	\$ 30,000	\$ 50,457	\$ 51,047
Equity portion	1,811	2,147	7,590	11,548	11,659
Liability portion	7,784	8,715	22,410	38,909	39,388
Accretion to March 31, 2007 and December 31, 2006	490	470	476	1,436	1,115
Deferred financing costs	(554)	(587)	(1,330)	(2,471)	-
Carrying value at March 31, 2007 and December 31, 2006	\$ 7,720	\$ 8,598	\$ 21,556	\$ 37,874	\$ 40,503

Accretion to the carrying value of the debt component was \$457 (2006, \$197) during the three months ended March 31, 2007.

9. Intangible liabilities:

	March 31, 2007 (Unaudited)		
	Cost	Accumulated amortization	Net book value
Below-market rent	\$ 31,695	\$ 5,082	\$ 26,613

	December 31, 2006		
	Cost	Accumulated amortization	Net book value
Below-market rent	\$ 17,302	\$ 3,961	\$ 13,341

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10. Accounts payable and other liabilities:

	March 31, 2007 (Unaudited)	December 31, 2006
Accounts payable and accrued liabilities	\$ 7,368	\$ 5,727
Distributions payable (note 13)	1,890	1,506
	<u>\$ 9,258</u>	<u>\$ 7,233</u>

11. Non-controlling interest:

Non-controlling interest represents the amount of equity related to the Class B units of a subsidiary, AX L.P. ("AXLP."). This non-controlling interest has been accounted for in accordance with EIC-151, Exchangeable Securities Issued by Subsidiaries of Income Trusts. The accounts of AXLP are consolidated in these consolidated financial statements. Class B units of AXLP are only exchangeable on a one-for-one basis, at the option of the holder, into REIT units, and are transferable to third parties with the REIT's consent.

Holders of the Class B units of AXLP are entitled to receive distributions on a per unit amount equal to a per REIT unit amount provided to holders of REIT units.

Effective October 31, 2006, the REIT entered into a purchase and sale agreement with a third party whereby the vendor will develop a Class A office building in Calgary, Alberta. Upon completion (estimated as November, 2008), the REIT will acquire the income-producing property based on a predetermined formula as set out in the agreement. In accordance with the agreement, the REIT paid \$7,800 as an interim payment towards the purchase price of the income-producing property, and recorded this amount as a deposit on income-producing properties. As consideration, the REIT issued 543,781 Class B units of AXLP at a price of \$14.34 per unit, and the REIT issued an equal number of special voting units as consideration. The Class B units have been released to the vendors, subject to trading restrictions as set out in the purchase and sale agreement. The aggregate purchase price of the income-producing property is estimated at \$90,000. In accordance with the agreement, the REIT receives monthly property rent of \$100 from the vendor, with a total of \$2,400 to be received during construction of the income-producing property. Distributions paid to the vendor on the Class B units are netted against property rent and any remaining difference is recorded as a reduction to the deposit on the income-producing property.

Effective November 30, 2006, the REIT acquired, through AXLP, an undivided 50% interest in certain lands located in Calgary, Alberta. AXLP entered into a co-ownership agreement with the vendor with respect to a 50% interest in, and the development of, a Class A office building. Both the REIT and the vendor transferred their 50% interest in the lands into the co-ownership. Construction is anticipated to commence in the first half of 2007, for completion in 2009. To facilitate the development of the income-producing property, the REIT may provide up to \$6,500 of mezzanine financing to the co-ownership, bearing interest at a rate of ten percent per annum. As payment for its interest in the lands, AXLP issued 177,566 Class B units at a price of \$14.71 per unit for aggregate consideration of \$2,612. The REIT also issued an equal number of special voting units.

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11. Non-controlling interest (continued):

The details of the non-controlling interest are as follows:

Issuance of 543,781 Class B units of AXLP on October 31, 2006	\$	7,800
Issuance of 177,566 Class B units of AXLP on November 30, 2006		2,612
Costs relating to the issuance of Class B units of AXLP		(13)
Distributions on 177,566 Class B units of AXLP		(31)
Balance at December 31, 2006		10,368
Distributions on 177,566 Class B units of AXLP		(46)
Balance at March 31, 2007	\$	10,322

12. Capital contributions:

(a) Authorized:

The REIT completed its conversion into an "open-ended" mutual fund trust under the provisions of the Income Tax Act (Canada) effective October 31, 2006. In accordance with the Amended and Restated Declaration of Trust, the REIT may issue an unlimited number of units, with each unit representing an equal fractional undivided beneficial interest in any distributions from the REIT, and in the net assets in the event of termination or wind-up of the REIT. All units are of the same class with equal rights and privileges. The units are redeemable at any time at the option of the holder at a price defined in the Amended and Restated Declaration of Trust, subject to a maximum of \$30 in cash redemptions by the REIT in any one month. Redemptions in excess of this amount will be paid by way of a distribution of notes of the REIT, or the notes of a wholly-owned subsidiary of the REIT.

In accordance with the Amended and Restated Declaration of Trust, the REIT may also issue a class of special voting units, which are non-participating voting units of the REIT, to be issued to holders of securities which are exchangeable for units of the REIT (note 11). Special voting units are cancelled on the issuance of REIT units on exercise, conversion or cancellation of the corresponding exchangeable securities.

Effective February 1, 2006, the REIT consolidated its units on a 15 for one basis. All unit and per unit disclosures are presented on a post-consolidation basis.

ARTIS REAL ESTATE INVESTMENT TRUST

(Formerly Westfield Real Estate Investment Trust)

Notes to Interim Consolidated Financial Statements
Three months ended March 31, 2007 and 2006
(Unaudited)

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

12. Capital contributions (continued):

(b) Issued and outstanding:

Units stated on a post-consolidation basis	Number of units	Amount
Balance at December 31, 2005	7,959,814	\$ 70,151
Public offerings, net of issue costs of \$5,624	6,657,138	88,693
Conversion of \$875 convertible debentures	145,833	921
Conversion of Series A convertible debentures	382,151	4,980
Options exercised	69,000	469
Distribution Reinvestment Plan ("DRIP")	4,264	59
Units issued for Trustee compensation	1,066	15
Fractional units eliminated on consolidation	(5)	-
Balance at December 31, 2006	15,219,261	165,288
Adoption of new accounting policies (note 2(b))	-	(297)
Public offering, net of issue costs of \$4,179	5,807,500	87,870
Conversion of Series A convertible debentures	46,913	591
Distribution Reinvestment Plan ("DRIP")	2,866	44
Balance at March 31, 2007	21,076,540	\$ 253,496

At March 31, 2007, there were 721,347 special voting units issued and outstanding (note 11). There is no value assigned to the special voting units.

On June 27, 2006, Westfield announced its new Distribution Reinvestment Plan ("DRIP"). Under the terms of the DRIP, Unitholders now have the option to elect to receive all or a portion of their regular monthly distributions in additional REIT units.

(c) Contributed surplus:

	March 31, 2007 (Unaudited)	December 31, 2006
Balance, beginning of period	\$ 649	\$ 176
Unit based compensation expense	194	502
Value of options exercised	-	(29)
Balance, end of period	\$ 843	\$ 649

Contributed surplus arises as a result of recording the fair value of options granted under the unit option plan (see note 12(d)). The fair value of the options is recorded to contributed surplus as the options vest. Upon exercise, the proceeds received, as well as any balance previously recorded to contributed surplus, is credited to capital contributions.

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12. Capital contributions (continued):

(d) Unit options:

The REIT has a unit option plan which is administered by the Board of Trustees of the REIT with unit options granted to trustees, management, management company employees and consultants as a form of compensation. The total number of units reserved under option for issuance may not exceed 5% of the units outstanding.

A summary of the REIT's unit options are as follows:

	2007		2006	
	Units	Weighted average exercise price	Units	Weighted average exercise price
Balance, beginning of period	729,393	\$ 13.20	348,393	\$ 10.29
Granted	293,000	15.85	-	-
Expired	(10,000)	14.40	-	-
Balance, end of period	1,012,393	\$ 13.96	348,393	\$ 10.29
Options exercisable at end of period	249,348		135,098	
Weighted average fair value per unit of options granted during the period		\$ 1.62		\$ -

Options outstanding at March 31, 2007 consist of the following:

Range of exercise prices	Number outstanding	Weighted average remaining contractual life	Options outstanding weighted average exercise price	Number exercisable
\$11.25	279,393	3.75 years	\$11.25	66,098
\$14.40	440,000	4.5 years	\$14.40	110,000
\$15.85	293,000	4.75 years	\$15.85	73,250
	1,012,393		\$ 13.96	249,348

The compensation expense related to unit options granted under the unit option plan for the three months ended March 31, 2007 amounted to \$194 (2006, \$40). The balance of contributed surplus at March 31, 2007 relates to unexercised options. The compensation expense was determined based on the fair value of the options at the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	2007	2006
Expected option life	3.5 years	5 years
Risk-free interest rate	4.03%	4.01%
Dividend yield	6.25%	7.3%
Expected volatility	21.56%	31.83%

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12. Capital contributions (continued):

(e) Weighted average units:

The weighted average number of units outstanding for the three months ended March 31, 2007 is 18,468,086 (2006, 8,918,795). The computation of diluted loss per unit for the years ended March 31, 2007 and 2006 does not include convertible debentures and unit options as these instruments are anti-dilutive.

13. Distributions to unitholders:

Distributable Income, which is defined in the Declaration of Trust, means net income in accordance with generally accepted accounting principles, subject to certain adjustments as set out in the Declaration of Trust, including: (i) adding back amortization (excluding leasing costs) and accretion to the carrying value of debt and (ii) excluding gains or losses on the disposition of any asset, and (iii) adding or deducting other adjustments as determined by the Trustees at their discretion. Distributable Income is a not a generally accepted accounting principles financial measure and should not be construed as an alternative to net income or cash flow from operating activities determined in accordance with generally accepted accounting principles as an indicator of the REIT's performance.

The REIT declared distributions to REIT unitholders of record in the amount of \$4,999 for the three months ended March 31, 2007 (2006, \$2,427). The REIT declared distributions to the holders of Class B units of AXLP in the amount of \$189 for the three months ended March 31, 2007 (2006, \$nil). Total distributions payable at March 31, 2007 are \$1,890 (2006, \$1,034).

14. Changes in non-cash operating items:

	Three months ended	
	March 31, 2007	March 31, 2006
Deferred recoverable operating costs	\$ (318)	\$ -
Prepaid expenses	(31)	(101)
Rent and other receivables	(555)	(518)
Cash held in trust	327	(3,131)
Security deposits and prepaid rent	929	148
Accounts payable and other liabilities	2,025	651
	<hr/>	<hr/>
	\$ 2,377	\$ (2,951)

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15. Related party transactions:

	Three months ended	
	March 31, 2007	March 31, 2006
Legal fees - expensed	\$ 67	\$ 4
Legal fees - capitalized	449	179
Advisory fees	319	160
Acquisition fees	928	355
Property management fees	615	326
Leasing commissions	112	99
Building improvements	248	52
Tenant inducements	143	-
Interest expense	-	34

The REIT incurred legal fees with a law firm associated with a Trustee of the REIT in connection with the prospectus offerings, the property acquisitions and general business matters. The amount payable at March 31, 2007 is \$493 (2006, \$112).

The REIT incurred advisory fees and acquisition fees under the asset management agreement with Marwest Management Canada Ltd. ("Marwest"), a company owned and controlled by certain trustees and officers of the REIT. The amount payable at March 31, 2007 is \$400 (2006, \$350). Under the asset management agreement, Marwest is entitled to an annual advisory fee equal to 0.25% of the adjusted cost base of the REIT's assets and an acquisition fee equal to 0.5% of the cost of each property acquired.

The REIT incurred property management fees, leasing commission fees, and tenant improvement fees under the property management agreement with Marwest. The amount payable at March 31, 2007 is \$nil (2006, \$53). Marwest acts as the general property manager for the REIT's properties and is entitled to management fees, leasing renewal commissions and tenant improvement fees at commercially reasonable rates.

The REIT incurred costs for building improvements and tenant inducements paid to Marwest Construction Ltd., a company related to certain trustees and officers of the REIT. The amount payable at March 31, 2007 is \$192 (2006, \$nil).

16. Income taxes:

The REIT currently qualifies as a Mutual Fund Trust for Canadian income tax purposes and does not record a provision for income taxes on income earned by the REIT and its flow through entities. On March 29, 2007, the federal government tabled a bill in the House of Commons to implement a new tax on distributions from publicly listed or traded trusts and partnerships referred to as "specified investment flow-throughs" ("SIFT").

Under the bill, certain distributions from a SIFT trust or partnership will no longer be deductible in computing a SIFT's taxable income, and a SIFT will be subject to tax on such distributions at a rate that is substantially equivalent to the general tax rate applicable to a Canadian corporation. However, the bill generally provides that distributions paid by a SIFT as returns of capital should not be subject to the tax.

The bill provides that a SIFT which was publicly listed before November 1, 2006 (an "Existing Trust") would become subject to the tax on distributions commencing with the 2011 taxation year end. However, an Existing Trust may become subject to this tax prior to the 2011 taxation year end if its equity capital increases beyond certain limits measured against the market capitalization of the Existing Trust at the close of trading on October 31, 2006. In the case of the REIT, its subsequent offerings have exceeded the guidelines on the amount of normal growth allowed. Accordingly, in the event that the REIT was a SIFT as finally enacted, the bill would be expected to apply commencing on January 1, 2007.

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16. Income taxes (continued):

Under the bill, the new taxation regime will not apply to a Real Estate Investment Trust (a "Trust") that continues to meet prescribed conditions relating to the nature of its income and investments (the "Trust Conditions"). Unless an Existing Trust, that was a Real Estate Investment Trust at the time of the bill is able to continuously meet all Trust Conditions, the bill, if enacted, would immediately subject an Existing Trust to tax, which may adversely impact the level of cash otherwise available for distribution.

The bill, as currently drafted, contains a number of technical provisions that may not fully accommodate common real estate properties and business structures. The REIT is currently reviewing the bill and is assessing its interpretation and application to the REIT's assets and revenues. There are uncertainties in the interpretation and application of the bill and it is not possible to determine, at the current time, if the REIT will meet the Trust Conditions. If the bill is enacted as currently drafted, it is possible that the REIT may become subject to tax on certain income and, at the date of substantive enactment, the REIT may be required to record future income tax assets and liabilities in respect of accounting and tax basis differences that are expected to reverse in future periods, with a corresponding credit or charge to consolidated earnings for the period.

It is possible that changes will be made to the bill prior to its enactment. If the bill is not changed, the REIT may need to restructure its affairs in order to minimize, or if possible eliminate, the impact of the bill. There can be no assurances, however, that changes will be made to the bill, or that the REIT would be able to restructure such that the REIT would not be subject to the tax contemplated by the bill.

17. Segmented information:

The REIT owns and operates various retail, office and industrial properties located in Western Canada. Information related to these property types is presented below. REIT expenses as well as interest and amortization of deferred financing costs relating to the convertible debentures have not been allocated to the segments.

Three months ended March 31, 2007					
	Retail	Office	Industrial	REIT	Total
Revenue	\$ 7,607	\$ 8,554	\$ 1,028	\$ 420	\$ 17,609
Property operating expenses	2,240	3,517	223	-	5,980
	5,367	5,037	805	420	11,629
Interest	2,090	1,696	294	1,326	5,406
Corporate expenses	-	-	-	1,098	1,098
Amortization	3,284	3,930	557	11	7,782
	5,374	5,626	851	2,435	14,286
Loss for the period	\$ (7)	\$ (589)	\$ (46)	\$ (2,015)	\$ (2,657)
Total assets	\$ 258,010	\$ 327,983	\$ 64,722	\$ 40,879	\$ 691,594

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17. Segmented information (continued):

Three months ended March 31, 2006				
	Retail	Office	REIT	Total
Revenue	\$ 4,791	\$ 4,410	\$ 156	\$ 9,357
Property operating expenses	1,468	2,149	-	3,617
	3,323	2,261	156	5,740
Interest	1,280	925	701	2,906
Corporate expenses	-	-	451	451
Amortization	2,408	2,332	93	4,833
	3,688	3,257	1,245	8,190
	(365)	(996)	(1,089)	(2,450)
Gain on disposal of income-producing property	941	-	-	941
Loss for the period	\$ 576	\$ (996)	\$ (1,089)	\$ (1,509)
Total assets	\$ 210,379	\$ 120,185	\$ 33,887	\$ 364,451

18. Contingent consideration

In accordance with the purchase and sale agreement for Heritage Square, the vendor is entitled to a purchase price adjustment related to future events. The purchase and sale agreement provides for contingent consideration based on certain leases expiring prior to June 30, 2011 and being re-leased at a higher rental rate, net of leasing costs. The calculation provides for the difference in rate to be capitalized at 7.5% and 30% of that amount paid to the vendor. The amount and timing of the contingent consideration are not determinable at this time, and when determinable, will be recorded as an intangible asset.

19. Subsequent events:

On April 1, 2007, the REIT acquired the shares of 3907806 Manitoba Ltd. from third parties. The corporation's major asset is the income-producing property known as MTS Call Centre, located in Winnipeg, Manitoba. The shares were acquired for \$13,850 and the purchase price was satisfied with a combination of cash and assumed mortgage financing in the amount of \$10,351. The mortgage was subsequently repaid and new mortgage financing was arranged in the amount of \$9,100, bearing interest at a rate of 4.95% per annum.

On April 1, 2007, the REIT provided second mortgage financing to a third party in the amount of \$15,000. The mortgage is secured by the mortgagee's income-producing property, known as Capital Place, located in Edmonton, Alberta. The second mortgage ranks immediately behind a pre-existing first mortgage on the property. The REIT also holds title in escrow to the income-producing property in the event that the mortgagee defaults on the mortgage. The mortgage bears interest at 9% per annum and is repayable in monthly instalments of interest only. The mortgage matures on March 31, 2009, at which time the principal becomes due.

On April 11, 2007, a holder of convertible debentures exercised their option and converted Series A convertible debentures with a face value of \$5,000 into trust units. The REIT issued 396,825 units at the exercise price of \$12.60. A further 4,634 units were issued in lieu of accrued interest.

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19. Subsequent events (continued):

On May 10, 2007, the REIT entered into an agreement to sell to a syndicate of underwriters, on a bought-deal basis, 4,550,000 trust units at a price of \$17.60 per unit for gross proceeds of \$80,080. The financing is expected to close on or about June 11, 2007. The underwriters have been granted the option to acquire additional trust units, to a maximum of 15% of the offering, at a price of \$17.60 per unit.