



ARTIS

REIT

**Management's Discussion & Analysis
Q1 - 08**

On the TSX: AX.UN AX.DB.A AX.DB.B AX.DB.C

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis ("MD&A") of the financial condition and results of operations of Artis Real Estate Investment Trust ("Artis" or the "REIT") should be read in conjunction with the REIT's audited annual consolidated financial statements for the years ended December 31, 2007 and 2006, the unaudited interim consolidated financial statements for the periods ended March 31, 2008 and 2007, and the notes thereto. This MD&A has been prepared taking into account material transactions and events up to and including May 12, 2008. Additional information about Artis, including the REIT's most recent Annual Information Form, has been filed with applicable Canadian securities regulatory authorities and is available at www.sedar.com or on our web site at www.artisreit.com.

Forward-Looking Disclaimer

This MD&A 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 REIT's future operating results, performance and achievements 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 is subject to significant risks and uncertainties which may cause the actual results, performance or achievements of the 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 associated with real property ownership, availability of cash flow, general uninsured losses, future property acquisitions, environmental matters, tax related matters, debt financing, unitholder liability, potential conflicts of interest, potential dilution, reliance on key personnel, changes in legislation and changes in the tax treatment of trusts. Artis cannot assure investors that actual results will be consistent with any forward-looking statements and Artis 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 MD&A are qualified by this cautionary statement.

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OVERVIEW

Artis, formerly Westfield Real Estate Investment Trust, is an unincorporated open-end real estate investment trust created under, and governed by, the laws of the province of Manitoba. The REIT was created as a closed-end trust pursuant to the Declaration of Trust dated November 8, 2004.

The REIT's Declaration of Trust was subsequently amended and restated on October 31, 2006, giving effect to the conversion of the REIT from a closed-end trust to an open-end trust. On February 15, 2007, the REIT underwent a name change from "Westfield Real Estate Investment Trust" to "Artis Real Estate Investment Trust".

Certain of the REIT's securities are listed on the Toronto Stock Exchange ("the TSX"). The REIT's trust units ("units") trade under the symbol AX.UN, and the REIT's Series A, Series B and Series C convertible debentures trade under the symbols AX.DB.A, AX.DB.B and AX.DB.C, respectively. As at May 12, 2008, there were 31,888,296 units, and 1,458,336 options of Artis outstanding as well as 721,347 Class B limited partnership units ("Class B units") of the REIT's subsidiary AX L.P. ("AXLP") (refer to the *2008 Outlook - Subsequent Events* section for further details).

Primary Objectives

Artis focuses on primary and growing secondary markets in western Canada, with a particular emphasis on Alberta. The REIT focuses exclusively on commercial properties; retail, office and industrial, with strong tenancies in place.

The REIT's primary objectives are:

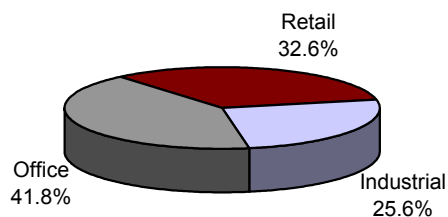
- to provide unitholders with stable and growing cash distributions, payable monthly and, to the maximum extent practicable, income tax deferred, from investments in a diversified portfolio of income-producing office, retail and industrial properties located in western Canada, primarily in Alberta;
- to enhance the value of the REIT's assets and maximize long term unit value through the active management of its assets; and
- to expand the REIT's asset base and increase its distributable income through acquisitions in western Canada.

The Declaration of Trust provides that Artis make monthly cash distributions to its unitholders. The amount distributed in each year will be the amount of distributable income set down in a policy by the Trustees (currently \$1.05 per unit on an annualized basis).

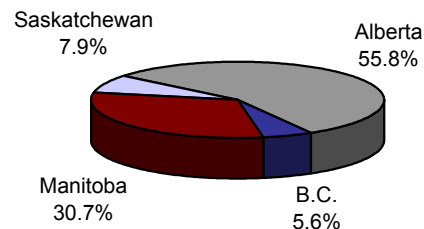
Portfolio Summary

At March 31, 2008, the REIT's portfolio was comprised of 84 commercial properties located across western Canada totaling approximately 6.24 million square feet (s.f.) of gross leasable area ("GLA").

GLA by Asset Class



GLA by Province



Lease Expiries by Asset Class (in 000's of s.f.) ⁽¹⁾

	Office		Retail		Industrial		Total	
	GLA	%	GLA	%	GLA	%	GLA	%
2008*	439	16.8%	102	5.0%	120	7.6%	661	10.6%
2009	220	8.5%	229	11.3%	247	15.5%	696	11.1%
2010	359	13.8%	349	17.1%	250	15.7%	958	15.4%
2011	457	17.5%	223	11.0%	284	17.8%	964	15.5%
2012	252	9.7%	179	8.8%	66	4.1%	497	8.0%
2013+	781	29.9%	920	45.1%	606	38.0%	2,307	36.9%
	2,508	96.2%	2,002	98.3%	1,573	98.7%	6,083	97.5%
Vacancies	101	3.8%	35	1.7%	21	1.3%	157	2.5%
Total GLA	2,609	100.0%	2,037	100.0%	1,594	100.0%	6,240	100.0%

*including month-to-month leases

Lease Expiries by Province (in 000's of s.f.) ⁽¹⁾

	Alberta		British Columbia		Manitoba		Saskatchewan	
	GLA	%	GLA	%	GLA	%	GLA	%
2008*	439	12.6%	6	1.7%	155	8.1%	61	12.3%
2009	386	11.1%	30	8.6%	226	11.8%	54	10.9%
2010	503	14.5%	51	14.5%	319	16.6%	85	17.3%
2011	639	18.3%	26	7.5%	259	13.5%	40	8.1%
2012	275	7.9%	85	24.4%	114	6.0%	23	4.7%
2013+	1185	34.0%	150	42.7%	762	39.9%	210	42.7%
	3,427	98.4%	348	99.4%	1,835	95.9%	473	96.0%
Vacancies	57	1.6%	2	0.6%	79	4.1%	19	4.0%
Total GLA	3,484	100.0%	350	100.0%	1,914	100.0%	492	100.0%

* including month-to-month leases

Historical Weighted Average Portfolio Occupancy ⁽¹⁾

Q2-06	Q3-06	Q4-06	Q1-07	Q2-07	Q3-07	Q4-07	Q1-08
94.9%	95.8%	95.8%	96.3%	97.2%	97.1%	97.4%	97.5%

(1) Based on Artis' proportionate share of total leaseable area

Notice Respecting Non-GAAP Measures

Distributable Income ("DI"), Property Net Operating Income ("Property NOI") and Funds from Operations ("FFO") are non-GAAP measures commonly used by Canadian income trusts as an indicator of financial performance. "GAAP" means the generally accepted accounting principles described by the Canadian Institute of Chartered Accountants which are applicable as at the date on which any calculation using GAAP is to be made.

Artis calculates Distributable Income, or "DI", to reflect distributable cash which is defined in the REIT's Declaration of Trust as net income in accordance with GAAP, 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. Given that one of the REIT's objectives is to provide stable cash flows to investors, management believes that DI is an indicative measure for evaluating the REIT's operating performance in achieving its objectives.

Artis calculates Property NOI as revenues, prepared in accordance with GAAP, less property operating expenses such as taxes, utilities, repairs and maintenance. Property NOI does not include charges for interest and amortization. Management considers Property NOI to be a valuable measure for evaluating the operating performance of the REIT's properties.

Artis calculates FFO, substantially in accordance with the guidelines set out by the Real Property Association of Canada ("RealPAC"). Management considers FFO to be a valuable measure for evaluating the REIT's operating performance in achieving its objectives.

Property NOI, DI and FFO are not measures defined under GAAP. Property NOI, DI and FFO are not intended to represent operating profits for the year, or from a property, nor should any of these measures be viewed as an alternative to net income, cash flow from operating activities or other measures of financial performance calculated in accordance with GAAP. Readers should be further cautioned that DI, Property NOI and FFO as calculated by Artis may not be comparable to similar measures presented by other issuers.

2008 – FIRST QUARTER HIGHLIGHTS

Portfolio Growth

In Q1-08, Artis acquired four commercial properties in western Canada, adding approximately 211,000 square feet of leasable area to the portfolio, as follows:

	Office		Retail		Industrial		Total	
	# of Properties	S.F. (000's)	# of Properties	S.F. (000's)	# of Properties	S.F. (000's)	# of Properties	S.F. (000's)
Portfolio properties at December 31, 2007	24	2,609	31	1,826	25	1,594	80	6,029
Q1-08 Acquisitions	-	-	4	211	-	-	4	211
Portfolio properties at March 31, 2008	24	2,609	35	2,037	25	1,594	84	6,240

Highlights of the REIT's Q1-08 acquisition activity include the purchase of King Edward Centre, a three-building retail development located in Coquitlam, BC. King Edward Centre is comprised of over 81,000 square feet of leasable area, and is 100% occupied. Artis also acquired the Leon's Building in Nanaimo, BC, comprising approximately 54,000 square feet of retail space, and is 100% occupied. Artis acquired two retail properties located in Saskatchewan; Estevan Sobeys and Moose Jaw Sobeys. The total leaseable area of these buildings comprise over 76,000 square feet, 100% occupied.

Distributions

Artis distributed a total of \$8,314 to unitholders and AXLP, the REIT's subsidiary, distributed \$189 to Class B unitholders in Q1-08 at a stable rate of \$0.0875 per month (\$1.05 on an annualized basis).

SELECTED FINANCIAL INFORMATION

\$000's, except unit and per unit amounts

Three Month period ended March 31	2008	2007
Revenue	\$ 34,319	\$ 17,609
Property NOI	\$ 23,789	\$ 11,629
Loss for the period	\$ (1,811)	\$ (2,657)
Basic loss per unit	\$ (0.06)	\$ (0.14)
Distributions (including Class B units)	\$ 8,503	\$ 5,188
Distributions per unit	\$ 0.26	\$ 0.26
DI	\$ 13,223	\$ 5,908
DI per unit	\$ 0.41	\$ 0.31
DI payout ratio	63.4 %	83.9 %
FFO	\$ 12,972	\$ 5,403
FFO per unit	\$ 0.40	\$ 0.28
FFO payout ratio	65.0 %	92.9 %
Weighted average units:		
Weighted average units (basic)	31,624,159	18,468,086
Weighted average units (basic) including Class B units	32,345,506	19,189,433

At March 31, 2008, Artis owned 84 income producing properties, compared to 45 at March 31, 2007. Primarily as a result of this on-going acquisition activity, Artis increased revenues \$16,710, or 94.9% compared to Q1-07 results. Artis increased Property NOI \$12,160, or 104.6% compared to Q1-07 results. As well, DI and FFO increased \$7,315, or 123.8% and \$7,569, or 140.1%, respectively.

On a per unit basis, basic DI increased \$0.10 or 32.3% compared to Q1-07 results. Basic FFO increased \$0.12 or 42.9% compared to Q1-07 results. As a result of successful equity offerings closed subsequent to March 31, 2007,

basic units outstanding for the calculation of DI and FFO has increased; this has diluted the impact of strong growth in revenues, Property NOI, DI and FFO on per unit results. Additionally, some of the equity raised remains uninvested at March 31, 2008. Management anticipates there will be further growth in revenues, Property NOI, DI and FFO as equity is invested in on-going acquisition activities in future periods.

ANALYSIS OF OPERATING RESULTS

\$000's, except unit and per unit amounts

Three month period ended March 31	2008	% of Revenue	2007	% of Revenue
Revenue	\$ 34,319		\$ 17,609	
Property operating expenses	10,530	30.7 %	5,980	34.0 %
Property NOI	23,789	69.3 %	11,629	66.0 %
Interest	9,978	29.1 %	5,427	30.8 %
Expenses:	13,811		6,202	
Corporate	1,140	3.3 %	1,098	6.2 %
Amortization	15,689		7,761	
Unrealized gain on commodity derivatives	(928)		-	
	15,901		8,859	
Loss before the undernoted	(2,090)		(2,657)	
Future income tax recovery	417		-	
Non-controlling interest	(138)		-	
Loss for the period	\$ (1,811)		\$ (2,657)	
Basic and diluted loss per unit	\$ (0.06)		\$ (0.14)	
Weighted average number of units:				
Basic and diluted	31,624,159		18,468,086	

Revenue and Property NOI

Revenue includes all amounts earned from tenants related to lease agreements, including basic rent, parking, operating cost and realty tax recoveries, as well as adjustments for the straight-lining of rents and above- or below-market rate adjustments recorded in accordance with GAAP.

In accordance with GAAP, Artis accounts for rent step-ups by straight-lining the incremental increases over the entire non-cancelable lease term. In Q1-08, straight-line rent adjustments of \$562 were recorded compared to \$250 in Q1-07.

On the acquisition of properties, Artis records intangible assets and liabilities resulting from above- and below-market rent leases. These intangible assets and liabilities are amortized to revenue over the term of the related leases. Since March 31, 2007, Artis acquired 40 commercial properties; in-place rent rates in a number of the acquisitions are considered to be below market rent rates. As a result, in Q1-08, the adjustment to market rents was \$3,762 compared to \$1,075 in Q1-07.

Revenue in Q1-08 included \$221 of interest earned by the REIT compared to \$420 in Q1-07.

Property operating expenses include realty taxes as well as other costs related to interior and exterior maintenance, HVAC, elevator, insurance, utilities and management fees.

For the three months ended March 31, 2008 and 2007, Property NOI as a percentage of revenue was 69.3% and 66.0%, respectively.

Same Property NOI Growth

<i>\$000's</i>		
Three month period ended March 31 ⁽¹⁾	2008	2007
Revenue	\$ 16,339	\$ 15,769
Property operating expenses	5,784	5,561
Property NOI	10,555	10,208
Deduct non-cash revenue adjustments:		
Straight-line rent adjustment	(100)	(232)
Above- and below-market rent	(911)	(924)
Property NOI less non-cash revenue adjustments	\$ 9,544	\$ 9,052

⁽¹⁾ Same property comparison includes only income-producing properties owned on January 1, 2007.

In Q1-08, Artis achieved an increase of \$347, or 3.4% of Property NOI over Q1-07. As well, Artis also achieved an increase of \$492, or 5.4% of Property NOI less non-cash revenue adjustments over Q1-07. These improvements are the result of absorption of space in the portfolio and rate increases on lease rollovers, particularly in Alberta. These same growth results do not include the impact of growth realized on lease turnovers in properties acquired throughout fiscal 2007 and 2008.

Property NOI by Asset Class

Property NOI results by asset class have been impacted by acquisitions concluded since March 31, 2007.

	Three month period ended March 31,					
	2008			2007		
	Retail	Office	Industrial	Retail	Office	Industrial
Revenue	\$ 11,804	\$ 19,017	\$ 3,277	\$ 7,607	\$ 8,554	\$ 1,028
Property operating expenses	3,332	6,385	813	2,240	3,517	223
Property NOI	\$ 8,472	\$ 12,632	\$ 2,464	\$ 5,367	\$ 5,037	\$ 805
<i>Share of Property NOI</i>	<i>35.9 %</i>	<i>53.6 %</i>	<i>10.5 %</i>	<i>47.9 %</i>	<i>44.9 %</i>	<i>7.2 %</i>

Property NOI by Province

	Three month period ended March 31,							
	2008				2007			
	MB	SK	AB	BC	MB	SK	AB	BC
Revenue	\$ 6,174	\$ 2,600	\$ 23,129	\$ 2,195	\$ 2,484	\$ 2,652	\$ 11,817	\$ 236
Property operating expenses	2,634	791	6,469	636	1,116	869	3,898	97
Property NOI	\$ 3,540	\$ 1,809	\$ 16,660	\$ 1,559	\$ 1,368	\$ 1,783	\$ 7,919	\$ 139
Share of Property NOI	15.0 %	7.7 %	70.7 %	6.6 %	12.2 %	15.9 %	70.7 %	1.2 %

Consistent with its stated focus, the REIT's portfolio Property NOI is weighted more heavily in Alberta, which takes advantage of the strong economic fundamentals in that province. Management believes that there is growth inherent in the REIT's portfolio that will be realized as below-market leases are renewed at higher rates. This is expected to increase Property NOI, particularly in Alberta, where the gap between in-place rents and market rents are highest.

Interest

The current year's interest on long-term debt is attributable to mortgages and other loans secured against the income-producing properties, as well as convertible debentures outstanding and the balance drawn on the credit facility. Interest expense has increased over Q1-07 due to additional mortgage financing obtained in connection with acquisitions since March 31, 2007. In accordance with GAAP, financing costs are netted against the related debt and interest and financing costs are recorded on an effective interest basis.

The REIT's weighted average effective rate for the period ending March 31, 2008 on mortgages and other debt secured by properties was 5.53% compared to 5.51% in Q1-07. The weighted average nominal interest rate at March 31, 2008 was 5.44% compared to 5.43% at March 31, 2007.

At the time of issue, the convertible debentures are allocated between their equity and liability components in accordance with GAAP. Artis recorded interest expense of \$1,237 on the carrying value of debentures outstanding in Q1-08, compared to \$1,325 in Q1-07.

Corporate Expenses

	Three month period ended March 31	
	2008	2007
Accounting, legal, consulting	\$ 152	\$ 317
Advisory fees	585	319
Unit-based compensation	136	194
General and administrative	267	268
Total corporate expenses	\$ 1,140	\$ 1,098

Q1-08 advisory fees increased \$266 over Q1-07, reflecting the increased asset base of the REIT. Corporate expenses in Q1-08 were \$1,140, or 3.3% of gross revenues compared to \$1,098, or 6.2% of gross revenues in Q1-07.

Amortization

Amortization expense includes amortization of the income-producing properties and their related intangible assets, plus office equipment and other assets.

At the time of acquisition, Artis allocates a portion of the purchase price of properties to income-producing properties and a portion to intangible assets. Income-producing properties are amortized on a straight-line basis over their useful lives, resulting in amortization expense of \$6,800 in Q1-08 compared to \$3,260 in Q1-07. Intangible assets, such as the value of in-place operating leases and customer relationship values, are amortized on a straight-line basis over the term of the underlying lease agreements. In Q1-08, Artis recorded \$8,629 for the amortization of intangible assets, compared to \$4,354 in Q1-07. These increases were the result of the increased asset base of the REIT.

In Q1-08, amortization expense relating to tenant inducements and leasing commissions totaled \$261, compared to \$146 in Q1-07. These increases were the result of the increased asset base of the REIT.

Unrealized Gain on Commodity Derivatives

In accordance with GAAP, the REIT has recorded an unrealized gain on commodity derivatives of \$928 on utility supply contracts. As the REIT anticipates holding these utility contracts until maturity, the unrealized gain is expected to reverse in the future.

Future Income Taxes

The REIT currently qualifies as a mutual fund trust for Canadian income tax purposes. Prior to new legislation relating to the federal income taxation of publicly listed or traded trusts, as discussed below, income earned by the REIT and distributed annually to unitholders was not, and would not be, subject to taxation in the REIT, but was taxed at the individual unitholder level. For financial statement reporting purposes, the tax deductibility of the REIT's distributions was treated as an exception from taxation as the REIT distributed, and was committed to continue distributing, all of its taxable income to its unitholders. For the period ended March 31, 2007, the REIT did not previously record a provision for income taxes or future income tax assets or liabilities.

On June 22, 2007, new legislation relating to, among other things, the federal income taxation of a specified investment flow-through trust or partnership (a "SIFT") was enacted (the "New SIFT Rules"). A SIFT includes a publicly-listed or traded partnership or trust, such as an income trust.

Under the New SIFT Rules, following a transition period for qualifying SIFTs, certain distributions from a SIFT 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, distributions paid by a SIFT as returns of capital should generally not be subject to the tax.

The New SIFT Rules do not apply to a "real estate investment trust" that meets prescribed conditions relating to the nature of its assets and revenue (the "REIT Conditions"). The REIT is currently reviewing the New SIFT Rules and is assessing their interpretation and application to the REIT's assets and revenues. There are uncertainties in the interpretation and application of the New SIFT Rules and it is not possible, at the current time, to determine with certainty whether the REIT will meet the conditions of the REIT Conditions.

The New SIFT Rules provide that a SIFT which was publicly traded before November 1, 2006 will become subject to the tax on distributions commencing with the 2011 taxation year. However, a SIFT may become subject to this tax prior to 2011 if its equity capital increases beyond certain limits measured against the market capitalization of the SIFT at the close of trading on October 31, 2006 (the "Safe Harbour Limits"). In the case of the REIT, its subsequent offerings have exceeded the Safe Harbour Limits. Therefore, commencing on January 1, 2007, subject to the REIT's ability to meet the REIT Conditions, the REIT is subject to tax on certain income which may adversely impact the level of cash otherwise available for distribution.

If the REIT does not meet the REIT Conditions, the REIT may restructure its affairs in order to minimize, or if possible eliminate, the impact of the New SIFT Rules, if such restructuring is in the best interests of unitholders. There can be no assurances, however, that the REIT would be able to restructure such that the REIT would not be subject to the tax imposed by the New SIFT Rules, or that any such restructuring, if implemented, would not result in material costs or other adverse consequences to the REIT and its unitholders.

Under the New SIFT Rules, a flow-through subsidiary of the REIT may also be a SIFT. On December 20, 2007, the Minister of Finance announced, in a backgrounder (the "Backgrounder"), his intention to introduce technical amendments to the SIFT definition to exclude certain flow-through subsidiaries of a SIFT that are able to meet certain ownership conditions. Based on the wording in the Backgrounder, it would appear that a flow-through subsidiary of the REIT would be a SIFT, however, until the legislation contemplated by the Backgrounder is enacted, there will continue to be uncertainty.

As management is unable to conclude at the present time if the REIT meets the REIT Conditions, and therefore cannot conclude that the New SIFT Rules do not apply to it, the REIT commenced recognizing future income tax assets and liabilities with respect to the temporary differences between the carrying amounts and tax basis of its assets and liabilities, including those of its subsidiary partnerships, that are expected to reverse in or after 2007. Future income tax assets or liabilities are recorded using tax rates and laws expected to apply when the temporary differences are expected to reverse. The New SIFT Rules resulted in the REIT recording a future income tax asset of \$12,032 in the consolidated balance sheet at March 31, 2008 and a future income tax recovery of \$417 reflected in consolidated loss for the period ended March 31, 2008. The REIT also credited capital contributions in the amount of \$106 to adjust for the tax effect of deferred finance costs transferred to capital contributions on the conversion of convertible debentures.

The October 30, 2007, Canadian Federal Economic Statement announced several general corporate income tax rate reductions. Legislation for such rate reductions, which apply to the computation of SIFT tax, received Royal Assent on December 14, 2007. Consequently, in accounting for the REIT's future income taxes, the impact of these tax rate reductions have been applied in the periods that such temporary differences are expected to reverse.

Non-Controlling Interest

Non-controlling interest represents an allocation of net income or loss to the Class B unitholders.

Distributable Income ("DI") and Distributions:

Consistent with the application of National Policy 41-201 *Income Trusts and Other Indirect Offerings*, Artis reconciles DI to cash flows from operating activities, in addition to the net loss for the period.

Reconciliation of Cash Flows from Operations to DI:

\$000's, except unit and per unit amounts

Three month period ended March 31	2008	2007
Cash flow from operations	\$ 9,997	\$ 6,828
Deduct amortization of:		
Office equipment	(2)	(1)
Above-market rent	(69)	(47)
Below-market rent	3,831	1,122
Tenant inducements and leasing costs	(261)	(146)
Above-market mortgage	49	28
Add: Straight-line rent adjustment	562	250
Add (deduct):		
Changes in non-cash operating items	(1,093)	(2,377)
Deferred financing costs, non-debenture, included in interest expense	(91)	(49)
Other adjustments		
Property rent ⁽¹⁾	300	300
Basic	\$ 13,223	\$ 5,908
Basic		
Basic	\$ 0.41	\$ 0.31
Diluted	\$ 0.39	\$ 0.30
Weighted average number of units		
Basic ⁽²⁾	32,345,506	19,189,433
Diluted ⁽²⁾	35,781,651	22,630,256

⁽¹⁾ Added back to Q1-08 DI is \$300 (Q1-07 - \$300) of Property rent, which is cash revenue earned pursuant to the Interplex II purchase and sale agreement not recorded as revenue in the REIT's Consolidated Statement of Operations due to the project being in the development phase.

⁽²⁾ The weighted average number of units used in the calculation of basic and diluted DI per unit includes the 721,347 Class B units issued by the REIT's subsidiary, AXLP. Options and convertible debentures are factored into the diluted weighted average calculation, to the extent that their impact is dilutive.

Reconciliation of GAAP Loss to DI:

\$000's, except unit and per unit amounts

Three month period ended March 31	2008	2007
Loss for the period	\$ (1,811)	\$ (2,657)
Add:		
Amortization (excluding amortized leasing costs)	15,429	7,614
Accretion on liability component of convertible debentures	376	457
Unit-based compensation expense	136	194
Future income tax recovery	(417)	-
Other adjustments		
Property rent ⁽¹⁾	300	300
Non-controlling interest ⁽²⁾	138	-
Unrealized gain on commodity derivatives ⁽³⁾	(928)	-
DI	\$ 13,223	\$ 5,908

⁽¹⁾ Added back to Q1-08 DI is \$300 (Q1-07 - \$300) of Property rent, which is cash revenue earned pursuant to the Interplex II purchase and sale agreement not recorded as revenue in the REIT's Consolidated Statement of Operations due to the project being in the development phase.

⁽²⁾ Added back to Q1-08 DI is \$138 of income allocated to the non-controlling interest, as it relates to Class B units that are included in the weighted average units outstanding for the purpose of this calculation.

⁽³⁾ Deducted from Q1-08 DI is \$928, which represents an unrealized gain on the increase in fair value of commodity derivatives.

In Q1-08, DI increased \$7,315, or 123.8% over Q1-07. This increase is primarily attributed to the impact of acquisitions since March 31, 2007 as well as internal growth achieved as below-market leases roll over at current market rates. Basic DI per unit increased \$0.10, or 32.3% over Q1-07. On a diluted basis, DI has increased \$0.09, or 30.0% over Q1-07.

As the current period's acquisitions were not owned for the full period, management anticipates there will be further growth in basic and diluted DI from these acquisitions in future periods, as well as from future acquisitions. Management believes that there is further potential DI growth that may be realized as below-market leases are renewed at higher rates, particularly in Alberta, where the gap between in-place rents and market rents is highest.

Distributions:

Management determines the level of cash distributions based on the level of cash flow from operations before working capital changes, less actual and planned capital expenditures. As well, the REIT is committed to providing unitholders with stable and growing distributions. During the year, distributions are based on estimates of full year cash flow and capital spending; thus distributions may be adjusted as these estimates change. It is expected that normal seasonal fluctuations in working capital will be funded from cash resources. In addition, the distributions declared include a component funded by the distribution reinvestment and unit purchase plan (the "DRIP").

\$000's

	Three month period ended March 31, 2008	Year ended December 31, 2007	Year ended December 31, 2006
Cash flow from operations	\$ 9,997	\$ 28,586	\$ 13,620
Net income (loss)	\$ (1,811)	\$ 6,157	\$ (11,153)
Distributions declared	\$ 8,503	\$ 27,106	\$ 12,874
Excess of cash flow from operations over distributions declared	\$ 1,494	\$ 1,480	\$ 746
Excess of distributions declared over net loss	\$ (10,314)	\$ (20,949)	\$ (24,027)

For the three months ended March 31, 2008, cash flow from operations exceeded distributions declared by \$1,494.

For the three months ended March 31, 2008, distributions declared exceeded net loss. These differences are mainly comprised of amortization and other non-cash adjustments.

Funds from Operations ("FFO"):

Consistent with the application of National Policy 41-201 *Income Trusts and Other Indirect Offerings*, Artis reconciles FFO to cash flows from operating activities, in addition to the net loss for the period.

Reconciliation of Cash Flows from Operations to FFO:

\$000's, except unit and per unit amounts

Three months ended March 31	2008	2007
Cash flow from operations	\$ 9,997	\$ 6,828
Deduct amortization of:		
Office equipment	(2)	(1)
Above-market rent	(69)	(47)
Below-market rent	3,831	1,122
Above-market mortgages	49	28
Add:		
Straight-line rent adjustment	562	250
Deduct:		
Accretion on liability component of convertible debentures	(376)	(457)
Unit-based compensation expense	(136)	(194)
Amortization of deferred financing costs included in interest	(91)	(49)
Changes in non-cash operating items	(1,093)	(2,377)
Other adjustments		
Property rent ⁽¹⁾	300	300
FFO for the period	\$ 12,972	\$ 5,403
FFO per unit		
Basic	\$ 0.40	\$ 0.28
Diluted	\$ 0.40	\$ 0.28
Weighted average number of units:		
Basic ⁽²⁾	32,345,506	19,189,433
Diluted ⁽²⁾	32,391,916	19,325,025

⁽¹⁾ Added back to Q1-08 FFO is \$300 (Q1-07 - \$300) of Property rent, which is cash revenue earned pursuant to the Interplex II purchase and sale agreement not recorded as revenue in the REIT's Consolidated Statement of Operations due to the project being in the development phase.

⁽²⁾ The weighted average number of units used in the calculation of FFO per unit reflects 721,347 of class B units issued by the REIT's subsidiary, AXLP. Options and convertible debentures are factored into the diluted weighted average calculation, to the extent that their impact is dilutive.

Reconciliation of GAAP Loss to FFO:

\$000's, except unit and per unit amounts

Three months ended March 31	2008	2007
Loss for the period	\$ (1,811)	\$ (2,657)
Add amortization on:		
Income-producing properties	6,800	3,260
Acquired in-place leases	8,624	4,348
Customer relationships	5	6
Tenant inducements and leasing costs	261	146
Future income tax recovery	(417)	-
Other adjustments		
Property rent ⁽¹⁾	300	300
Non-controlling interest ⁽²⁾	138	-
Unrealized gain on commodity derivatives ⁽³⁾	(928)	-
FFO for the period	\$ 12,972	\$ 5,403

⁽¹⁾ Added back to Q1-08 FFO is \$300 (Q1-07 - \$300) of Property rent, which is cash revenue earned pursuant to the Interplex II purchase and sale agreement not recorded as revenue in the REIT's Consolidated Statement of Operations due to the project being in the development phase.

⁽²⁾ Added back to Q1-08 FFO is \$138 of income allocated to the non-controlling interest, as it relates to Class B units that are included in the weighted average units outstanding for the purpose of this calculation.

⁽³⁾ Deducted from Q1-08 FFO is \$928, which represents an unrealized gain on the increase in fair value of commodity derivatives.

Q1-08 FFO has increased \$7,569, or 140.1%, over Q1-07. This increase is attributed to the impact of acquisitions since March 31, 2007 as well as internal growth achieved as below market-leases roll over at current market rates. Basic FFO per unit has increased by \$0.12, or 42.9%, over Q1-07. On a diluted basis, FFO per unit has increased \$0.12, or 42.9% over Q1-07.

As the current period's acquisitions were not owned for the full period, management anticipates there will be further growth in FFO per unit (basic and diluted) from these acquisitions in future periods, as well as from future acquisitions. Management believes that there is further potential FFO growth that may be realized as below-market leases are renewed at higher rates, particularly in Alberta, where the gap between in-place rents and market rents is highest.

ANALYSIS OF FINANCIAL POSITION

Assets

\$000's

	March 31, 2008	December 31, 2007	Increase (decrease)
Income-producing properties	\$ 976,213	\$ 944,612	\$ 31,601
Other assets, including intangibles	191,441	189,942	1,499
Deposits on income-producing properties	8,943	11,826	(2,883)
Cash, cash equivalents and cash held in trust	25,267	30,068	(4,801)
	\$ 1,201,864	\$ 1,176,448	\$ 25,416

Income-producing properties and related intangible assets:

The REIT's income-producing properties and related intangible assets increased in Q1-08, due to the acquisition of four properties, as follows:

Property	Location	Acquisition Date	Type
King Edward Centre	15 & 25 King Edward Centre, Coquitlam, BC	January 15, 2008	Retail
Leon's Building	6461 Metral Drive, Nanaimo, BC	February 1, 2008	Retail
Estevan Sobeyes ⁽¹⁾	440 King Street, Estevan, SK	March 20, 2008	Retail
Moose Jaw Sobeyes ⁽¹⁾	769 Thatcher Drive East, Moose Jaw, SK	March 20, 2008	Retail

⁽¹⁾ Estevan Sobeyes and Moose Jaw Sobeyes were acquired as a portfolio.

The results of operations for the acquired properties are included in the REIT's accounts from the dates of acquisition. Artis funded these acquisitions from cash on hand and from the proceeds of new or assumed mortgage financings or bank indebtedness, and from the private placement of new units. The acquisitions have been accounted for by the purchase method, with a portion of the purchase price allocated to income-producing properties and a portion allocated to intangible assets and liabilities, as noted below.

<i>\$000's</i>		
Three month period ended March 31	2008	2007
Cash consideration	\$ 14,660	\$ 72,443
Issuance of units	2,100	-
New or assumed mortgages including above- and below-market mortgages	24,348	106,790
<i>Net assets acquired</i>	\$ 41,108	\$ 179,233
Allocated to income-producing properties	\$ 36,536	\$ 176,403
Allocated to other assets	7,721	17,224
Allocated to intangible liabilities	(3,149)	(14,394)
<i>Net assets acquired</i>	\$ 41,108	\$ 179,233

Property under development:

Included in income-producing properties is property under development of \$2,725 which represents a 50% undivided interest in land in Calgary, Alberta. The lands are to be developed into a 211,000 square foot Class A office building (known as Interplex III) in accordance with a co-ownership agreement between the vendor of the lands and the REIT's subsidiary, AXLP. The development is anticipated to commence in 2008, subject to sufficient pre-leasing, and is slated for completion in 2010.

Future income tax assets:

Effective with Q2-07, as a result of the New SIFT Rules (discussed in more detail above under the heading "Future Income Taxes"), the REIT has recorded future income tax assets, comprised of the following major components:

Future income tax assets (liabilities):		
Income-producing properties, other assets and intangible liabilities	\$	9,033
Unit issue costs		3,939
Losses carried-forward		575
Other		(1,515)
	\$	12,032

Capital expenditures:

Income-producing properties includes certain capital expenditures related to sustaining building improvements not related to a specific lease or tenancy. These improvements are amortized over the estimated useful life of the relevant assets.

These non-recoverable capital expenditures in Q1-08 totaled \$1,865 compared to \$311 in Q1-07. The current period costs were primarily related to the two-storey addition under construction in Red Deer, Alberta.

Tenant inducements and leasing costs:

Other assets of the REIT includes \$6,998 of unamortized tenant inducement and leasing costs related to the leasing or re-leasing of occupied or vacant space at March 31, 2008, compared to \$5,906 at December 31, 2007. Tenant inducements include costs incurred to improve the space, as well as allowances paid to tenants. Leasing costs are primarily brokers' commissions. These costs are deferred and amortized over the terms of the underlying leases.

In Q1-08, Artis incurred \$1,354 of tenant inducements and leasing costs compared to \$652 in Q1-07. Leasing commissions paid during the quarter relate to both leases commencing during the period ended March 31, 2008, and subsequent periods.

\$000's			
Three months ended March 31	2008		2007
Tenant inducements	\$	110	\$ 528
Leasing commissions		1,244	124
Total	\$	1,354	\$ 652

Deferred recoverable operating costs:

Deferred recoverable operating costs include major repair or replacement items (such as HVAC, elevator or roof replacements) that are recoverable from tenants under leases. These costs are deferred when incurred and amortized to recoverable expenses over the planned period of recovery. In Q1-08, Artis incurred \$290 of deferred recoverable operating costs compared to \$318 in Q1-07.

Deposits on income-producing properties:

At March 31, 2008, Artis had made \$1,770 of deposits on income-producing properties, related to the conditional and unconditional agreements to acquire income-producing properties during the subsequent quarters of 2008 compared to \$4,496 at December 31, 2007.

Also included in deposits on income-producing properties at March 31, 2008, is \$7,173 which represents an interim payment, net of adjustments, made towards the final purchase price of the Interplex II property, currently under development. The initial payment of \$7,800 was paid by issuing Class B units of the REIT's subsidiary AXLP. In accordance with GAAP, the initial deposit has been reduced by the \$1,700 earned by the REIT under the terms of the Interplex II purchase and sale agreement up to March 31, 2008, offset by the \$858 distributions paid (or payable) on the Class B units issued and the \$215 of costs that were incurred related to this project.

Cash and cash equivalents:

At March 31, 2008, the REIT had \$24,664 of cash and cash equivalents on hand, compared to \$29,386 at December 31, 2007. The balance is anticipated to be invested in income-producing properties in subsequent periods, or used for working capital purposes. All of the REIT's cash and cash equivalents are held in current accounts and/or bank guaranteed investment certificates. The REIT does not invest in asset-backed commercial paper.

Liabilities

\$000's					
	March 31, 2008		December 31, 2007		Increase
Long-term debt	\$	682,034	\$	665,728	\$ 16,306
Bank indebtedness		10,200		-	10,200
Other liabilities		115,144		115,038	106
	\$	807,378	\$	780,766	\$ 26,612

Long-term debt is comprised of mortgages and other loans related to properties as well as the carrying value of convertible debentures issued by the REIT. In accordance with GAAP, the REIT's convertible debentures on issue are separated into a liability and an equity component; with the liability component, or "carrying value" included in long-term debt of the REIT.

Under the terms of the REIT's Declaration of Trust, the total indebtedness of the REIT (excluding indebtedness related to the convertible debentures) is limited to 70% of gross book value ("GBV"). GBV is calculated as the

consolidated net book value of the consolidated assets of the REIT, adding back the amount of accumulated amortization of the income-producing properties and other assets (including intangible assets) as disclosed in the balance sheet and notes thereto.

Artis' debt (excluding convertible debentures) to GBV ratio at March 31, 2008 was 50.1%, compared to 49.2% at December 31, 2007 and 51.6% at March 31, 2007. The leverage increase is a result of higher than usual financing.

<i>\$000's</i>	March 31, 2008		December 31, 2007	
GBV	\$	1,288,304	\$	1,247,047
Mortgages, loans and bank indebtedness ⁽¹⁾		644,904		612,996
Mortgages and loans to GBV		50.1 %		49.2 %
Carrying value of convertible debentures	\$	47,330	\$	52,732
Total long-term debt and bank indebtedness		692,234		665,728
Total long-term debt to GBV		53.7 %		53.4 %

(1) Includes \$1,154 mark-to-market on above- and below-market mortgages

Mortgages:

Artis finances acquisitions in part through the assumption of mortgage financing and consequently, substantially all of the REIT's income-producing properties are pledged as security under mortgages and other loans. In Q1-08, Artis assumed or obtained new mortgage financing, net of deferred financing costs, of \$24,348 in conjunction with the 2008 acquisitions. In Q1-08, \$2,682 of principal repayments were made. No mortgages matured or were refinanced during the current period. On May 1, 2008, the REIT refinanced one of its properties for an additional \$7.6 million of proceeds.

As a result of the adoption of new accounting standards effective January 1, 2007, Artis has reduced the carrying value of its mortgage debt by \$2,306 at March 31, 2008, netting the financing costs against the carrying value of the debt. Mortgage value has been further increased by the net of above- and below-market mortgage adjustments.

The weighted average term to maturity at March 31, 2008 is 5.7 years, compared to 6.0 at December 31, 2007.

Convertible debentures:

Artis has four series of convertible debentures outstanding as at March 31, 2008, as follows:

				March 31, 2008		December 31, 2007	
	Issued	Maturity	Face rate	Carrying value	Face value	Carrying value	Face value
Series A	4-Aug-05	4-Aug-10	7.75%	\$ 614	\$ 721	\$ 2,644	\$ 3,170
Series B	9-Nov-05	9-Nov-10	7.50%	5,336	6,362	8,976	10,862
Series C	4-May-06	31-May-13	6.25%	22,505	29,920	22,274	29,920
Series D	30-Nov-07	30-Nov-14	5.00%	18,875	20,000	18,838	20,000
				\$ 47,330	\$ 57,003	\$ 52,732	\$ 63,952

In accordance with GAAP, Artis reduced the carrying value of its debentures by \$1,571 at March 31, 2008, netting the financing costs against the carrying value of the debentures. Interest and financing costs are amortized on an effective interest basis; this accretion increased the carrying value by \$376 in Q1-08 (Q1-07 - \$457). The weighted average effective rate of the debentures at March 31, 2008 was 10.71%, an increase from the rate of 14.26% at March 31, 2007.

During Q1-08, Series A and B convertible debentures with a face value of \$6,949 were converted and 529,402 units were issued upon such conversions. The carrying value was reduced by \$5,402.

Other liabilities including bank indebtedness:

Other liabilities includes the unamortized below-market rent intangible liability of \$98,598 at March 31, 2008. This decreased \$682 from \$99,280 at December 31, 2007, as a result of amortization recorded in the year. Also included in other liabilities are security deposits paid by tenants, rents prepaid by tenants at March 31, 2008, accounts payable and accruals, as well as the March 31, 2008 distribution payable to unitholders of \$2,843, subsequently paid on April 15, 2008. Bank indebtedness relates to the balance drawn on the REIT's revolving term credit facility. At March 31, 2008, Artis had drawn \$10,200 on the facility in conjunction with Q1-08 acquisitions. The loan bears interest at a floating rate equal to Canadian dollar bankers' acceptances with a term to maturity of 30 days, plus 1.85 percent per annum.

Non-Controlling Interest

In accordance with GAAP, the amount of equity related to the issue of 721,347 Class B units of a subsidiary, AXLP, (net of costs of issuance) was recorded as a non-controlling interest of the REIT. The Class B units are exchangeable on a one-for-one basis with units of Artis, and holders of the Class B units of AXLP are entitled to receive distributions at a per unit amount equal to the per unit amount payable to holders of Artis trust units. The balance of non-controlling interest at March 31, 2008, after making certain adjustments required under GAAP, is \$10,274 (see Note 13 of the Interim Consolidated Financial Statements for further details).

Unitholders' Equity

Unitholders' equity decreased by \$1,288 between March 31, 2008 and December 31, 2007.

Unitholders' equity increased during the year by a further \$5,884 as a result of the conversion of a principal amount of \$6,949 Series A and Series B convertible debentures. Other transactions increasing Unitholders' equity during the year included the issuance of new units to the vendor in one of the Q1-08 acquisitions, issuance of units on the exercise of options, issuance of units under the DRIP, and adjustments to contributed surplus to reflect unit-based compensation expense in the period. The increase was partially offset by the purchase of units under the Normal Course Issuer Bid ("NCIB").

Unitholders' equity decreased during the period by the net loss for the period and the distributions made to unitholders.

LIQUIDITY AND CAPITAL RESOURCES

In Q1-08, Artis generated \$9,997 of cash flows from operating activities compared to \$6,828 in Q1-07. Cash flows from operations assisted in funding distributions to Unitholders of \$8,314 (Q1-07 - \$4,999), distributions to Class B unitholders of \$189, and for principal repayments on mortgages and loans of \$2,682 (Q1-07 - \$1,300). As the current period's acquisitions were not owned for the full period, management anticipates that cash flows from operations will increase in future periods as a result of these acquisitions.

Cash on hand and deposits on income-producing properties at the beginning of the period together with new bank indebtedness, were used to finance the cash portion of acquisitions of income-producing properties in the period, totaling \$14,660 compared to \$72,443 in Q1-07. Cash of \$3,219 was used for substantive capital building improvements and for tenant inducements and leasing costs compared to \$963 in 2007.

At March 31, 2008, Artis had \$24,664 of cash and cash equivalents on hand. Management anticipates that the cash on hand will be invested in additional income-producing properties, subsequent to March 31, 2008, or used for working capital purposes.

On September 28, 2007, Artis entered into an agreement for a revolving term credit facility in the amount of \$75,000 which may be utilized to fund acquisitions of office, retail and industrial properties. The credit facility matures at the earlier of one year after the initial advance, and October 1, 2008. \$64,800 of the facility is undrawn and available for future acquisitions. \$7,500 of the facility can be utilized for general corporate purposes; \$10,000 can be utilized to purchase units under the REIT's NCIB. As at March 31, 2008, the REIT had incurred bank indebtedness of \$10,200, representing amounts drawn on the available credit facility used to fund current period acquisitions.

To its knowledge, Artis is not in default or arrears on any of its obligations, including distributions to unitholders, interest or principal payments on debt or any debt covenants.

Contractual obligations:

\$000's	Total	Less than 1 year	1 - 3 years	4 - 5 years	After 5 years
Mortgages, loans and bank indebtedness	\$ 644,904	\$ 31,494	\$ 137,411	\$ 219,806	\$ 256,193
Convertible debentures ⁽¹⁾	57,003	-	7,083	-	49,920
Total	\$ 701,907	\$ 31,494	\$ 144,494	\$ 219,806	\$ 306,113

⁽¹⁾ It is assumed that none of the convertible debentures are converted or redeemed prior to maturity and that they are paid out in cash on maturity.

Only two of the REIT's mortgages mature in 2008 and management does not foresee any difficulties in obtaining replacement financing.

The REIT's management expects to meet all of its on-going obligations and capital commitments with respect to properties through funds generated from operations, from the proceeds of mortgage refinancing, and from the available credit facility and cash on hand.

SUMMARIZED QUARTERLY INFORMATION:

<i>\$000's, except unit and per unit amounts</i>								
	Q1-08	Q4-07	Q3-07	Q2-07	Q1-07	Q4-06	Q3-06	Q2-06
Revenue	\$ 34,319	\$ 31,850	\$ 27,041	\$ 22,759	\$ 17,609	\$ 16,489	\$ 15,744	\$ 11,932
Property operating expenses	10,530	9,753	8,385	7,671	5,980	6,077	5,665	3,912
Property NOI	23,789	22,097	18,656	15,088	11,629	10,412	10,079	8,020
Interest	9,978	8,717	7,684	6,366	5,427	4,834	5,277	3,986
	13,811	13,380	10,972	8,722	6,202	5,578	4,802	4,034
Expenses:								
Corporate	1,140	1,382	1,257	1,061	1,098	973	532	1,125
Amortization	15,689	12,893	11,158	9,413	7,761	7,864	7,545	5,906
Unrealized gain on commodity derivatives	(928)	-	-	-	-	-	-	-
	15,901	14,275	12,415	10,474	8,859	8,837	8,077	7,031
Loss before the under-noted	(2,090)	(895)	(1,443)	(1,752)	(2,657)	(3,259)	(3,275)	(2,997)
Gain (loss) on disposal of income-producing properties	-	(10)	2,521	-	-	-	-	(113)
Non-controlling interest	(138)	-	-	-	-	-	-	-
Income (loss) before income taxes	\$ (2,228)	\$ (905)	\$ 1,078	\$ (1,752)	\$ (2,657)	\$ (3,259)	\$ (3,275)	\$ (3,110)
Future income tax (expense) recovery	417	(1,433)	(201)	12,028	-	-	-	-
Income (loss) for the period	\$ (1,811)	\$ (2,338)	\$ 877	\$ 10,276	\$ (2,657)	\$ (3,259)	\$ (3,275)	\$ (3,110)
Basic income (loss) per unit	\$ (0.06)	\$ (0.03)	\$ 0.03	\$ 0.45	\$ (0.14)	\$ (0.22)	\$ (0.27)	\$ (0.26)
Diluted income (loss) per unit	\$ (0.06)	\$ (0.03)	\$ 0.03	\$ 0.41	\$ (0.14)	\$ (0.22)	\$ (0.27)	\$ (0.26)

Reconciliation of GAAP Income (Loss) to DI:

\$000's, except unit and per unit amounts								
	Q1-08	Q4-07	Q3-07	Q2-07	Q1-07	Q4-06	Q3-06	Q2-06
Income (loss) for the period	\$ (1,811)	\$ (2,338)	\$ 877	\$ 10,276	\$ (2,657)	\$ (3,259)	\$ (3,275)	\$ (3,110)
Add:								
Amortization (excluding amortized leasing costs)	15,429	12,640	10,962	9,219	7,614	7,504	7,260	5,686
Amortized financing costs on convertible debentures	-	-	-	-	-	163	163	115
Accretion on liability component of debentures	376	374	391	490	457	172	399	326
Unit-based compensation expense	136	262	261	322	194	382	40	40
Unrealized gain on commodity derivatives	(928)	-	-	-	-	-	-	-
(Gain) loss on disposal of income-producing properties	-	10	(2,521)	-	-	-	-	113
Future income tax expense (recovery)	(417)	1,433	201	(12,028)	-	-	-	-
Other adjustments								
Property rent ⁽¹⁾	300	300	300	300	300	200	-	-
Non-controlling interest ⁽²⁾	138	-	-	-	-	-	-	-
Property bid costs ⁽³⁾	-	-	-	-	-	-	-	397
Distributable income (DI)	\$ 13,223	\$ 12,681	\$ 10,471	\$ 8,579	\$ 5,908	\$ 5,162	\$ 4,587	\$ 3,567
DI per unit								
Basic	\$ 0.41	\$ 0.41	\$ 0.38	\$ 0.37	\$ 0.31	\$ 0.34	\$ 0.38	\$ 0.30
Diluted	\$ 0.39	\$ 0.39	\$ 0.37	\$ 0.35	\$ 0.30	\$ 0.33	\$ 0.35	\$ 0.28
Weighted average number of units:								
Basic ⁽⁴⁾	32,345,506	31,132,975	27,546,303	23,325,672	19,189,433	15,153,247	12,072,151	11,850,099
Diluted ⁽⁴⁾	35,781,651	35,114,445	30,519,959	26,412,775	22,630,256	18,577,492	15,609,760	15,003,921

⁽¹⁾ Added back to Q1-08, Q4-07, Q3-07, Q2-07, Q1-07 and Q4-06 DI is \$300, \$300, \$300, \$300, \$300 and \$200 of Property rent, which is cash revenue earned pursuant to the Interplex II purchase and sale agreement not recorded as revenue in the REIT's Consolidated Statement of Operations due to the project being in the development phase.

⁽²⁾ Added back to Q1-08 DI is \$138 of income allocated to the non-controlling interest, as it relates to Class B units that are included in the weighted average units outstanding for the purpose of this calculation.

⁽³⁾ Added back to Q2-06 DI is \$397 of costs attributed to an unsuccessful take-over bid.

⁽⁴⁾ The weighted average number of units used in the calculation of DI per unit reflects 721,347 of Class B units issued by the REIT's subsidiary, AXLP, beginning in Q4-06. Options and convertible debentures are factored into the diluted weighted average calculation, to the extent that their impact is dilutive.

Reconciliation of GAAP Income (Loss) to FFO:

\$000's, except unit and per unit amounts								
	Q1-08	Q4-07	Q3-07	Q2-07	Q1-07	Q4-06	Q3-06	Q2-06
Loss for the period	\$ (1,811)	\$ (2,338)	\$ 877	\$ 10,276	\$ (2,657)	\$ (3,259)	\$ (3,275)	\$ (3,110)
Add amortization on:								
Income-producing properties	6,800	6,014	5,284	4,340	3,260	3,079	3,010	2,211
Acquired in-place leases	8,624	6,620	5,673	4,874	4,348	4,419	4,244	3,470
Customer relationships	5	6	5	5	6	6	6	5
Tenant inducements and leasing costs	261	231	194	191	146	137	60	33
Unrealized gain on commodity derivatives	(928)	-	-	-	-	-	-	-
(Gain) loss on disposal of income-producing properties	-	10	(2,521)	-	-	-	-	113
Future income tax expense (recovery)	(417)	1,433	201	(12,028)	-	-	-	-
Other adjustments								
Property rent ⁽¹⁾	300	300	300	300	300	200	-	-
Non-controlling interest ⁽²⁾	138	-	-	-	-	-	-	-
Property bid costs ⁽³⁾	-	-	-	-	-	-	-	397
Funds from operations (FFO)	\$ 12,972	\$ 12,276	\$ 10,013	\$ 7,958	\$ 5,403	\$ 4,582	\$ 4,045	\$ 3,119
FFO per unit								
Basic	\$ 0.40	\$ 0.39	\$ 0.36	\$ 0.34	\$ 0.28	\$ 0.30	\$ 0.34	\$ 0.26
Diluted	\$ 0.40	\$ 0.39	\$ 0.36	\$ 0.34	\$ 0.28	\$ 0.30	\$ 0.33	\$ 0.26
Weighted average number of units:								
Basic ⁽⁴⁾	32,345,506	31,132,975	27,546,303	23,325,672	19,189,433	15,153,247	12,072,151	11,850,099
Diluted ⁽⁴⁾	32,391,916	31,197,012	27,725,159	23,512,419	19,325,025	15,225,436	12,131,910	12,074,314

⁽¹⁾ Added back to Q1-08, Q4-07, Q3-07, Q2-07, Q1-07 and Q4-06 FFO is \$300, \$300, \$300, \$300, \$300 and \$200 of Property rent, which is cash revenue earned pursuant to the Interplex II purchase and sale agreement not recorded as revenue in the REIT's Consolidated Statement of Operations due to the project being in the development phase.

⁽²⁾ Added back to Q1-08 FFO is \$138 of income allocated to the non-controlling interest, as it relates to Class B units that are included in the weighted average units outstanding for the purpose of this calculation.

⁽³⁾ Added back to Q2-06 FFO is \$397 of costs attributed to an unsuccessful take-over bid.

⁽⁴⁾ The weighted average number of units used in the calculation of FFO per unit reflects 721,347 of Class B units issued by the REIT's subsidiary, AXLP, beginning in Q4-06. Options and convertible debentures are factored into the diluted weighted average calculation, to the extent that their impact is dilutive.

Artis has executed an aggressive but disciplined external growth strategy, resulting in significant growth in revenues, Property NOI, DI and FFO over the past eight quarters. FFO per unit increased for the fourth consecutive quarter; Q1-08 FFO results were the strongest in the REIT's history.

Management expects that there will be further growth in revenues, Property NOI, FFO and DI in future periods as cash on hand at March 31, 2008 is invested in additional income-producing properties. Management believes that there is growth inherent in the REIT's portfolio that will be realized as below-market leases are renewed at higher rates. This is expected to increase Property NOI, particularly in Alberta, where the gap between in-place rents and market rents are highest.

RELATED PARTY TRANSACTIONS

\$000's		
Three month period ended March 31	2008	2007
Legal fees expensed	\$ 27	\$ 67
Capitalized legal fees	191	449
Advisory fees	585	319
Capitalized acquisition fees	199	928
Property management fees	1,003	615
Capitalized leasing commissions	1,244	112
Capitalized building improvements	1,773	248
Capitalized tenant inducements	-	143

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, 2008 is \$nil (December 31, 2007, \$nil).

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, 2008 is \$nil (December 31, 2007, \$nil). 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.

Artis has the option to terminate the asset management agreement in certain circumstances, including at any time on 120 days' notice to Marwest in the event that the REIT decides to internalize its management, with no termination fee or penalty payable (unless such termination occurs following a take-over bid of the REIT, in which case Marwest is entitled to receive a termination fee equal to the anticipated fees payable until the end of the term). Marwest and its affiliated companies (collectively, the "Marwest Group") have granted a right of first refusal to Artis with respect to office, retail and industrial properties which are presented to or developed by a member of the Marwest Group. The right of first refusal remains in effect for so long as Marwest is the asset manager of the REIT.

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, 2008 is \$224 (December 31, 2007, \$nil). 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, 2008 is \$233 (December 31, 2007, \$nil).

OUTSTANDING UNIT DATA

The balance of units outstanding as of May 12, 2008, not including Class B units, is as follows:

Units outstanding at March 31, 2008	31,863,505
Units issued (DRIP)	28,291
Units acquired through normal course issuer bid prior to March 31, 2008, cancelled subsequent to period end	<u>(3,500)</u>
Units outstanding at May 12, 2008	<u>31,888,296</u>

The balance of options outstanding as of May 12, 2008 is as follows:

	Options outstanding	Options exercisable
\$11.25 options, issued December 8, 2005	217,036	74,840
\$14.40 options, issued October 11, 2006	380,500	181,500
\$15.85 options, issued February 8, 2007	269,750	132,750
\$17.60 options, issued June 11, 2007	319,050	79,762
\$17.75 options, issued October 17, 2007	272,000	-
	<u>1,458,336</u>	<u>468,852</u>

2008 OUTLOOK

Artis is a growth-oriented REIT focused exclusively on commercial properties located in primary and growing secondary markets in western Canada, particularly in Alberta. The REIT's goal is to provide unitholders the opportunity to invest in high-quality western Canadian office, retail and industrial properties, as well as to provide monthly cash distributions that are stable, tax efficient, and growing over time.

Artis anticipates that there will be additional growth in revenues, property NOI, DI and FFO as the full impact of Q1-08 acquisitions is realized in later quarters. Q2-08 acquisitions are also expected to positively impact growth; \$7,300 have already been concluded, as follows:

- On April 15, 2008, the REIT acquired Edson Shoppers, located in Edson, Alberta.
- On April 15, 2008, the REIT acquired the Raleigh Shopping Centre, located in Winnipeg, Manitoba.

At the existing level of debt to GBV and with funds available on the credit facility, Artis has sufficient capacity to pursue further acquisition opportunities in its target markets in 2008.

Artis continues to have a very strong embedded growth profile. At March 31, 2008, Artis estimates that the gap between in place rental rates and current market rental rates on the remaining 662,000 square feet of leases expiring in 2008 is over \$7 per square foot on average; in-place rents are approximately 38% below market rates. As these leases expire and are renewed at current market rates, this will be an additional source of growth in revenues, property NOI, DI and FFO.

Artis has minimal exposure to financing risk, with 2% of its mortgage debt maturing late in 2008 and 4% maturing in 2009. The REIT does not anticipate difficulty in renewing or replacing these mortgages.

RISKS AND UNCERTAINTIES

All real property investments are subject to elements of risk. General economic conditions, local real estate markets, supply and demand for leased premises, competition from other available premises and various other factors affect such investments.

Credit Risk and Tenant Concentration:

Artis is exposed to risk as tenants may be unable to pay their contracted rents. Management mitigates this risk by seeking to acquire properties across several asset classes. As well, management seeks to acquire properties with strong tenant covenants in place. As at March 31, 2008, government tenants contribute 10.0% to the REIT's overall gross revenue and occupy 8.6% of total GLA. The REIT's ten top tenants (excluding government tenants) are primarily high credit rated national retailers or businesses. As indicated below, the largest tenant is TransAlta Corporation, a Standard & Poor's BBB rated multi-national corporation with a market capitalization of approximately \$5 billion.

Top Ten Tenants by GLA	Share	Top Ten Tenants by Gross Revenue	Share
TransAlta Corporation	5.4%	TransAlta Corporation	3.8%
Red River Packaging	3.1%	Jacobs Canada	3.4%
Reliance Products	2.8%	Birchcliff Energy	2.5%
Jacobs Canada	2.5%	Sobeys	2.3%
Sobeys	2.4%	Credit Union Central	2.1%
Sears	1.7%	Shoppers Drug Mart	1.7%
Shoppers Drug Mart	1.4%	MTS Allstream	1.6%
Credit Union Central	1.4%	Cineplex Odeon	1.4%
MTS Allstream	1.2%	Komex International	1.2%
Komunik	1.2%	BW Technologies (Honeywell)	1.0%
Total of Top Ten by GLA	23.1%	Total of Top Ten by Gross Revenue	21.0%

Government Entities by GLA	Share	Government Entities by Gross Revenue	Share
Federal Government	2.6%	Federal Government	3.1%
Provincial Government	4.7%	Provincial Government	5.4%
Civic or Municipal Government	1.3%	Civic or Municipal Government	1.5%
Total Government by GLA	8.6%	Total Government by Gross Revenue	10.0%

Lease Rollover Risk:

The value of income-properties and the stability of cash flows derived from those properties is dependent upon the level of occupancy and lease rates in those properties. Upon expiry of any lease, there is no assurance that a lease will be renewed on favourable terms, or at all; nor is there any assurance that a tenant can be replaced.

Approximately 21.7% of the REIT's GLA will come up for renewal between April 1, 2008 and December 31, 2009. Approximately 60.8% of those expiries are in the province of Alberta. Management believes there is substantial upside to be realized from the below market leases coming up for renewal in Alberta, particularly in the strong Calgary office market.

Tax Risk:

On June 22, 2007, the New SIFT Rules (discussed in more detail above under the heading "Future Income Taxes") were enacted. Under the New SIFT Rules, certain distributions from a SIFT 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, distributions paid by a SIFT as returns of capital should generally not be subject to the tax.

The New SIFT Rules do not apply to a "real estate investment trust" that meets prescribed conditions relating to the nature of its assets and revenue (the "REIT Conditions"). In order to meet the REIT Conditions, a trust must meet a number of technical tests that do not fully accommodate common real estate and business structures. The REIT is currently reviewing the New SIFT Rules and is assessing their interpretation and application to the REIT's assets and revenues. There are uncertainties in the interpretation and application of the New SIFT Rules and it is not possible, at the current time, to determine with certainty whether the REIT will meet the REIT Conditions.

If the REIT does not meet the REIT Conditions, the REIT may restructure its affairs in order to minimize, or if possible eliminate, the impact of the New SIFT Rules, if such restructuring is in the best interests of unitholders. There can be no assurances, however, that the REIT would be able to restructure such that the REIT would not be subject to the tax imposed by the New SIFT Rules, or that any such restructuring, if implemented, would not result in material costs or other adverse consequences to the REIT and its unitholders.

Other Risks:

In addition to the specific risks identified above, Artis REIT is subject to a variety of other risks, including, but not limited to, risks posed by the illiquidity of real property investments, refinancing risks, interest rate fluctuation risks, risk of general uninsured losses as well as potential risks arising from environmental matters.

To REIT may also be subject to risks arising from land and air rights leases for properties in which the REIT has an interest, public market risks, unitholder liability risks, risks pertaining to the availability of cash flow, risks related to fluctuations in cash distributions, changes in legislation, and risks relating to the REIT's reliance on key personnel and Marwest as asset manager.

CRITICAL ACCOUNTING ESTIMATES

Artis REIT's management believes that the policies below are those most subject to estimation and judgment by management.

Allocation of purchase price of income-producing properties:

The REIT has adopted the EIC Abstract 140, Accounting for Operating Leases Acquired in Either an Asset Acquisition or a Business Combination. This standard requires that where an enterprise acquired real estate in either an asset acquisition or a business combination, a portion of the purchase price should be allocated to in-place operating lease intangible assets, based on their fair value, acquired in connection with the real estate property. The adoption of this standard has given rise to intangible assets and liabilities, which are amortized using the straight-line method over the terms of the tenant lease agreements and non-cancelable renewal periods, where applicable. In the event a tenant vacates its leased space prior to the contractual termination of the lease and rental payments are not being made, any unamortized balance of the intangible asset or liability will be written off.

The allocation of the purchase price to the respective income-producing properties and intangible assets and liabilities, as well as the related amortization of the assets, is subject to management's estimations and judgment.

Impairment of assets:

Under Canadian GAAP, the REIT is required to write down to fair value an asset that is determined to have been impaired. The REIT's most significant assets consist of investments in income-producing properties.

The fair value of investments in income-producing properties is dependent upon anticipated future cash flows from operations over the anticipated holding period. The review of anticipated cash flows involves assumptions of estimated occupancy, rental rates and a residual value. In addition to reviewing anticipated cash flows, the REIT assesses changes in business climates and other factors, which may affect the ultimate value of the property. These assumptions may not ultimately be achieved.

In the event these factors result in a carrying value that exceeds the sum of the undiscounted cash flows expected to result from the direct use and eventual disposition of the property, impairment would be recognized

There were no impairments for the years ended December 31, 2007 and 2006.

Amortization:

Artis REIT amortizes the costs of income-producing properties on a straight-line basis over the estimated useful life of the underlying asset. For building and leasehold interest, management's estimate is typically up to 40 years and for parking lots, 20 years. Improvements are amortized over the remaining term of the lease agreement and assumed renewal periods.

Allocation of convertible debentures:

Artis REIT has issued convertible debentures, which are a compound financial instrument. The proceeds of these issues are allocated between their liability and equity components. The discount rate applied in the allocation is determined by management.

Future income tax valuation:

Future income taxes are estimated based upon temporary differences between the assets and liabilities reported on the REIT's consolidated financial statements and the tax basis of those assets and liabilities as determined under applicable tax laws. Future income tax assets are recognized when it is more likely than not that they will be realized prior to their expiration. This assumption is based on management's best estimate of future circumstances and events, including the timing and amount of projected future taxable income, and will be tested on a regular basis. Changes in estimates or assumptions could affect the value of future income tax assets, resulting in an income tax expense or recovery.

CHANGES IN ACCOUNTING POLICIES

Effective January 1, 2008, the REIT has adopted three new accounting standards: Section 1535 "Capital Disclosures", Section 3862 "Financial Instruments - Disclosure", and Section 3863 "Financial Instruments - Presentation".

Section 1535 includes required disclosures of an entity's objectives, policies and processes for managing capital, and quantitative data about what the entity regards as capital.

Sections 3862 and 3863 replace the existing Section 3861, Financial Instruments - Disclosure and Presentation. These new sections revise and enhance disclosure requirements, and carryforward unchanged existing presentation requirements. These new sections require disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

In addition, a new accounting standard was issued in February, 2008. Section 3064, "Goodwill and Intangible Assets" replaces the existing Sections 3062 "Goodwill and Other Intangible Assets" and 3450 "Research and Development Costs". This new section establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. This standard is effective for the REIT's 2009 fiscal year.

CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The REIT's disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by the REIT is recorded, processed, summarized and reported within the time periods specified under Canadian securities laws, and include controls and procedures that are designed to ensure that information is accumulated and communicated to Management, including the Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

As of March 31, 2008, an evaluation was carried out, under the supervision of and with the participation of Management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the REIT's disclosure controls and procedures (as defined in Multilateral Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings). Based on the evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the design and operation of the REIT's disclosure controls and procedures were effective as at March 31, 2008.

Internal Controls Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. The Chief Executive Officer and Chief Financial Officer evaluated, or caused to be evaluated, the design of the REIT's internal controls over financial reporting (as defined in Multilateral Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings) as at March 31, 2008.

During the three months ended March 31, 2008, no changes to internal controls over financial reporting have materially affected, or are reasonable likely to materially affect, internal controls over financial reporting.

All control systems have inherent limitations, and evaluation of a control system cannot provide absolute assurance that all control issues have been detected, including risks of misstatement due to error or fraud. As a growing enterprise, management anticipates that the REIT will be continually evolving and enhancing its systems of controls and procedures.