



ARTIS

REIT

**Management's Discussion & Analysis
Q2 - 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 June 30, 2008 and 2007, and the notes thereto. This MD&A has been prepared taking into account material transactions and events up to and including August 11, 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.

Overview	2
2008 - Second Quarter Highlights	4
Selected Financial Information	4
Analysis of Operating Results	5
Distributable Income and Distributions	10
Funds from Operations	12
Analysis of Financial Position	13
Liquidity and Capital Resources	17
Summarized Quarterly Information	18
Related Party Transactions	20
Outstanding Unit Data	21
2008 Outlook	22
Risks and Uncertainties	22
Critical Accounting Estimates	24
Changes in Accounting Policies	25
Controls and Procedures	25

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 August 11, 2008, there were 32,258,966 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:

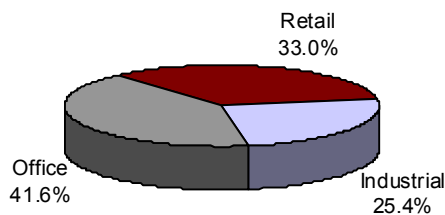
- to provide unitholders with stable and growing cash distributions, payable monthly and, to the maximum extent practicable, income tax deferred, from investments in a diversified portfolio of income-producing office, retail and industrial properties located in western Canada, primarily in Alberta;
- 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 (\$1.08 per unit on an annualized basis effective May 31, 2008).

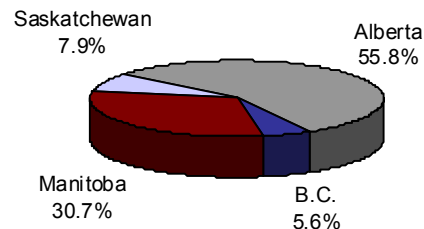
Portfolio Summary

At June 30, 2008, the REIT's portfolio was comprised of 86 commercial properties located across western Canada totaling approximately 6.27 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) (2)}

	Office		Retail		Industrial		Total	
	GLA	%	GLA	%	GLA	%	GLA	%
2008*	419	16.1%	77	3.7%	79	5.0%	575	9.2%
2009	207	7.9%	232	11.2%	247	15.5%	686	10.9%
2010	388	14.8%	340	16.4%	255	16.0%	983	15.7%
2011	454	17.4%	242	11.7%	284	17.8%	980	15.6%
2012	252	9.7%	177	8.5%	65	4.1%	494	7.9%
2013+	815	31.2%	964	46.7%	639	40.1%	2,418	38.5%
	2,535	97.1%	2,032	98.2%	1,569	98.5%	6,136	97.8%
Vacancies	75	2.9%	37	1.8%	25	1.5%	137	2.2%
Total GLA	2,610	100.0%	2,069	100.0%	1,594	100.0%	6,273	100.0%

*including month-to-month leases

Lease Expiries by Province (in 000's of s.f.) ^{(1) (2)}

	Alberta		British Columbia		Manitoba		Saskatchewan	
	GLA	%	GLA	%	GLA	%	GLA	%
2008*	405	11.6%	6	1.7%	114	5.9%	50	10.2%
2009	373	10.6%	30	8.6%	228	11.8%	55	11.2%
2010	506	14.4%	40	11.4%	353	18.3%	84	17.1%
2011	628	17.9%	46	13.0%	262	13.6%	44	8.9%
2012	272	7.8%	85	24.4%	114	5.9%	23	4.7%
2013+	1,263	36.0%	130	37.2%	807	42.0%	218	44.3%
	3,447	98.3%	337	96.3%	1,878	97.5%	474	96.4%
Vacancies	58	1.7%	13	3.7%	48	2.5%	18	3.6%
Total GLA	3,505	100.0%	350	100.0%	1,926	100.0%	492	100.0%

* including month-to-month leases

Historical Weighted Average Portfolio Occupancy ⁽¹⁾

Q3-06	Q4-06	Q1-07	Q2-07	Q3-07	Q4-07	Q1-08	Q2-08
95.8%	95.8%	96.3%	97.2%	97.1%	97.4%	97.5%	97.8%

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

(2) Based on expiries remaining in 2008 without deduction for future lease commitments

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 – SECOND QUARTER HIGHLIGHTS

Portfolio Growth

In Q2-08, Artis acquired two commercial properties in western Canada, adding approximately 32,000 square feet of leasable area.

	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	2,610	31	1,826	25	1,594	80	6,030
Q1-08 Acquisitions	-	-	4	211	-	-	4	211
Q2-08 Acquisitions	-	-	2	32	-	-	2	32
Portfolio properties at June 30, 2008	24	2,610	37	2,069	25	1,594	86	6,273

Highlights of the REIT's Q2-08 acquisition activity include the purchase of Edson Shoppers, a newly constructed retail development anchored by a new format Shoppers Drug Mart. The property is comprised of approximately 20,000 square feet, and is 100% occupied.

Distributions

Artis distributed a total of \$8,598 to unitholders and AXLP, the REIT's subsidiary, distributed \$189 to Class B unitholders in Q2-08. Effective May 31, 2008, the REIT increased the distribution rate from \$0.0875 per month to \$0.09 per month (\$1.05 to \$1.08 on an annualized basis).

SELECTED FINANCIAL INFORMATION

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

	Three month period ended June 30,		Six month period ended June 30,	
	2008	2007	2008	2007
Revenue	\$ 35,310	\$ 22,442	\$ 68,771	\$ 39,763
Property NOI	\$ 24,374	\$ 14,937	\$ 47,657	\$ 26,416
(Loss) income for the period	\$ (1,942)	\$ 10,276	\$ (3,753)	\$ 7,619
Basic (loss) income per unit	\$ (0.06)	\$ 0.45	\$ (0.12)	\$ 0.37
Distributions (including Class B units)	\$ 8,787	\$ 6,310	\$ 17,290	\$ 11,498
Distributions per unit	\$ 0.27	\$ 0.26	\$ 0.53	\$ 0.53
DI	\$ 13,633	\$ 8,579	\$ 26,856	\$ 14,487
DI per unit	\$ 0.42	\$ 0.37	\$ 0.82	\$ 0.68
DI payout ratio	64.3 %	70.3 %	64.6 %	77.9 %
FFO	\$ 13,412	\$ 7,958	\$ 26,384	\$ 13,361
FFO per unit	\$ 0.41	\$ 0.34	\$ 0.81	\$ 0.63
FFO payout ratio	65.9 %	76.5 %	65.4 %	84.1 %
Weighted average units:				
Weighted average units (basic)	32,058,889	22,604,325	31,843,162	20,547,632
Weighted average units (basic) including Class B units	32,780,236	23,325,672	32,564,509	21,268,979

At June 30, 2008, Artis owned 86 income producing properties, compared to 51 at June 30, 2007. Primarily as a result of this on-going acquisition activity, Artis increased Q2-08 revenues \$12,868, or 57.3% compared to Q2-07 results (YTD - \$29,008, or 73.0%). Artis increased Property NOI \$9,437, or 63.2% compared to Q2-07 results (YTD - \$21,241, or 80.4%). As well, Artis increased DI and FFO \$5,054, or 58.9%, and \$5,454, or 68.5%, respectively, compared to Q2-07 results. On a year-to-date basis, DI and FFO increased \$5,054, or 85.4% and \$13,023, 97.5%, respectively.

On a per unit basis, basic DI increased \$0.05 or 13.5% compared to Q2-07 results, and \$0.14 (20.6%) year-over-year. Basic FFO increased \$0.07 or 20.6% compared to Q2-07 results, and \$0.18 (28.6%) year-over-year. As a result of a successful equity offering closed subsequent to June 30, 2007, issue of units to property vendors, units issued under the DRIP plan and through debenture conversions, 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. Management anticipates there will be further growth in revenues, Property NOI, DI and FFO as available cash is invested in on-going acquisition activities in future periods and 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 OPERATING RESULTS

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

	Three month period ended June 30,				Six month period ended June 30,			
	2008	% of Revenue	2007	% of Revenue	2008	% of Revenue	2007	% of Revenue
Revenue	\$ 35,310		\$ 22,442		\$ 68,771		\$ 39,763	
Property operating expenses	10,936	31.0 %	7,505	33.4 %	21,114	30.7 %	13,347	33.6 %
Property NOI	24,374	69.0 %	14,937	66.6 %	47,657	69.3 %	26,416	66.4 %
Interest	10,186	28.8 %	6,311	28.1 %	20,022	29.1 %	11,658	29.3 %
Expenses:	14,188		8,626		27,635		14,758	
Corporate	1,342	3.8 %	1,061	4.7 %	2,482	3.6 %	2,159	5.4 %
Amortization	14,313		9,313		29,473		16,998	
Unrealized gain on commodity derivatives	(455)		-		(1,383)		-	
	15,200		10,374		30,572		19,157	
Loss before the undernoted	(1,012)		(1,748)		(2,937)		(4,399)	
Future income tax (expense) recovery	(992)		12,027		(619)		12,025	
Non-controlling interest	(10)		-		(155)		-	
Income (loss) from discontinued operations	72		(3)		(42)		(7)	
Income (loss) for the period	\$ (1,942)		\$ 10,276		\$ (3,753)		\$ 7,619	
Basic income (loss) per unit	\$ (0.06)		\$ 0.45		\$ (0.12)		\$ 0.37	
Diluted income (loss) per unit	\$ (0.06)		\$ 0.41		\$ (0.12)		\$ 0.36	
Weighted average number of units:								
Basic	32,058,889		22,604,325		31,843,162		20,547,632	
Diluted	32,058,889		26,466,446		31,843,162		21,425,510	

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 Q2-08, straight-line rent adjustments of \$548 (YTD - \$1,110) were recorded compared to \$315 in Q2-07 (YTD - \$565).

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 June 30, 2007, Artis acquired 36 commercial properties; in-place rent rates in a number of the acquisitions are considered to be below market rent rates. As a result, in Q2-08, the adjustment to market rents was \$3,519 (YTD - \$7,281) compared to \$2,078 (YTD - \$3,106) in Q2-07.

Revenue in Q2-08 included \$181 (YTD - \$402) of interest earned by the REIT (compared to \$691 in Q2-07 (YTD - \$1,111)). Revenue included in Property NOI in Q2-08 included \$472 (YTD - \$962) of interest (compared to \$43 in Q2-07 (YTD - \$70)).

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 June 30, 2008 and 2007, Property NOI as a percentage of revenue was 69.0% (YTD - 69.3%) and 66.6% (YTD - 66.4%), respectively.

Same Property NOI Growth

<i>\$000's</i>	Three month period ended June 30, ⁽¹⁾		Six month period ended June 30, ⁽¹⁾	
	2008	2007	2008	2007
Revenue	\$ 16,949	\$ 16,012	\$ 33,288	\$ 31,782
Property operating expenses	6,271	6,014	12,055	11,575
Property NOI	10,678	9,998	21,233	20,207
Deduct non-cash revenue adjustments:				
Straight-line rent adjustment	(100)	(154)	(200)	(386)
Above- and below-market rent	(852)	(928)	(1,763)	(1,852)
Property NOI less non-cash revenue adjustments	\$ 9,726	\$ 8,916	\$ 19,270	\$ 17,969

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

In Q2-08, Artis achieved an increase of \$680 (YTD - \$1,026), or 6.8% (YTD - 5.1%) of Property NOI over Q2-07. As well, Artis also achieved an increase of \$810 (YTD - \$1,301), or 9.1% (YTD - 7.2%) of Property NOI less non-cash revenue adjustments over Q2-07. These improvements are the result of absorption of space in the portfolio and rate increases on lease rollovers, particularly in Alberta. These 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 June 30, 2007.

Property NOI by Asset Class	Three month period ended June 30,					
	2008			2007		
	Retail	Office	Industrial	Retail	Office	Industrial
Revenue	\$ 12,539	\$ 19,311	\$ 3,279	\$ 7,905	\$ 12,233	\$ 1,613
Property operating expenses	3,505	6,599	832	2,369	4,735	401
Property NOI	\$ 9,034	\$ 12,712	\$ 2,447	\$ 5,536	\$ 7,498	\$ 1,212
Share of Property NOI	37.3 %	52.6 %	10.1 %	38.9 %	52.6 %	8.5 %

Property NOI by Asset Class	Six month period ended June 30,					
	2008			2007		
	Retail	Office	Industrial	Retail	Office	Industrial
Revenue	\$ 24,343	\$ 37,471	\$ 6,555	\$ 15,512	\$ 20,499	\$ 2,641
Property operating expenses	6,837	12,632	1,645	4,609	8,114	624
Property NOI	\$ 17,506	\$ 24,839	\$ 4,910	\$ 10,903	\$ 12,385	\$ 2,017
Share of Property NOI	37.0 %	52.6 %	10.4 %	43.1 %	48.9 %	8.0 %

Property NOI by Province

Property NOI by Province	Three month period ended June 30,							
	2008				2007			
	MB	SK	AB	BC	MB	SK	AB	BC
Revenue	\$ 6,512	\$ 2,921	\$ 23,345	\$ 2,351	\$ 3,064	\$ 2,674	\$ 15,742	\$ 271
Property operating expenses	2,726	882	6,550	778	1,336	1,024	5,082	63
Property NOI	\$ 3,786	\$ 2,039	\$ 16,795	\$ 1,573	\$ 1,728	\$ 1,650	\$ 10,660	\$ 208
Share of Property NOI	15.7 %	8.4 %	69.4 %	6.5 %	12.1 %	11.6 %	74.8 %	1.5 %

Property NOI by Province	Six month period ended June 30,							
	2008				2007			
	MB	SK	AB	BC	MB	SK	AB	BC
Revenue	\$ 12,686	\$ 5,520	\$ 45,616	\$ 4,547	\$ 5,549	\$ 5,325	\$ 27,271	\$ 507
Property operating expenses	5,360	1,673	12,667	1,414	2,453	1,894	8,840	160
Property NOI	\$ 7,326	\$ 3,847	\$ 32,949	\$ 3,133	\$ 3,096	\$ 3,431	\$ 18,431	\$ 347
Share of Property NOI	15.5 %	8.2 %	69.7 %	6.6 %	12.2 %	13.6 %	72.8 %	1.4 %

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 Q2-07 due to additional mortgage financing obtained in connection with acquisitions since June 30, 2007, and amounts drawn on the credit facility. 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 June 30, 2008 on mortgages and other debt secured by properties was 5.53% compared to 5.43% in Q2-07. The weighted average nominal interest rate at June 30, 2008 was 5.44% compared to 5.34% at June 30, 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 \$1,202 (YTD - \$2,439) on the carrying value of debentures outstanding in Q2-08, compared to \$1,175 (YTD - \$2,479) in Q2-07.

Corporate Expenses

<i>\$000's</i>	Three month period ended		Six month period ended	
	June 30,		June 30,	
	2008	2007	2008	2007
Accounting, legal, consulting	\$ 274	\$ 39	\$ 426	\$ 356
Advisory fees	631	415	1,216	734
Public company costs	145	179	295	389
Unit-based compensation	144	322	280	516
General and administrative	148	106	265	164
Total corporate expenses	\$ 1,342	\$ 1,061	\$ 2,482	\$ 2,159

Q2-08 advisory fees increased \$216 (YTD - \$482) over Q2-07, reflecting the increased asset base of the REIT. Corporate expenses in Q2-08 were \$1,342 (YTD - \$2,482), or 3.8% (YTD - 3.6%) of gross revenues compared to \$1,061 (YTD - \$2,159), or 4.7% (YTD - 5.4%) of gross revenues in Q2-07.

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 \$6,564 (YTD - \$13,364) in Q2-08 compared to \$4,340 (YTD - \$7,600) in Q2-07. 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 Q2-08, Artis recorded \$7,604 (YTD - \$16,233) for the amortization of intangible assets, compared to \$4,879 (YTD - \$9,233) in Q2-07. These increases were the result of the increased asset base of the REIT.

In Q2-08, amortization expense relating to tenant inducements and leasing commissions totaled \$307 (YTD - \$568), compared to \$191 (YTD - \$337) in Q2-07. These increases were the result of the increased asset base of the REIT.

Unrealized Gain on Commodity Derivatives

In accordance with GAAP, in Q2-08 the REIT has recorded an unrealized gain on commodity derivatives of \$455 (YTD - \$1,383) 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.

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, 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. Draft legislation was released on July 14, 2008 for these proposed technical amendments. Based on these proposed amendments, a flow-through subsidiary of the REIT may also be a SIFT.

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 after 2008. 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 including a future income tax asset of \$11,072 in the consolidated balance sheet at June 30, 2008 (December 31, 2007, \$11,509), a future income tax expense of \$1,020 reflected in consolidated loss for the three months ended June 30, 2008 (2007, recovery of \$12,028), and a future income tax expense of \$603 reflected in consolidated loss for the six months ended June 30, 2008 (2007, recovery of \$12,028). The REIT also credited capital contributions in the amount of \$60 (2007, \$nil) for the three months ended June 30, 2008 to adjust for the tax effect of finance costs transferred to capital contributions on the conversion of convertible debentures. For the six months ended June 30, 2008, the adjustment was \$166 (2007, \$nil).

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.

Income (Loss) from Discontinued Operations

The REIT has entered into an unconditional agreement to sell two office properties in Calgary, Alberta; Airways Business Plaza and Glenmore Commerce Court. The properties will be sold for an aggregate of \$24,900, to be satisfied with the assumption of mortgages payable and cash consideration, which will result in an estimated gain of \$6,500 (or \$0.20 per unit). In accordance with GAAP, the REIT has separately disclosed the results of operations from these properties and as well, disclosed the assets and liabilities for these properties held for sale.

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 income (loss) for the period.

Reconciliation of Cash Flows from Operations to DI:

\$000's, except unit and per unit amounts	Three month period ended		Six month period ended	
	June 30,		June 30,	
	2008	2007	2008	2007
Cash flow from operations	\$ 8,836	\$ 5,403	\$ 18,833	\$ 12,278
Deduct amortization of:				
Office equipment	(2)	(2)	(4)	(3)
Above-market rent	(66)	(48)	(135)	(95)
Below-market rent	3,585	2,126	7,416	3,201
Tenant inducements and leasing costs	(307)	(191)	(568)	(337)
Above-market mortgage	31	29	80	57
Add: Straight-line rent adjustment	548	315	1,110	565
Add (deduct):				
Changes in non-cash operating items	803	699	(290)	(1,678)
Financing costs, non-debenture, included in interest expense	(95)	(52)	(186)	(101)
Other adjustments				
Property rent ⁽¹⁾	300	300	600	600
DI for the period	\$ 13,633	\$ 8,579	\$ 26,856	\$ 14,487
DI per unit				
Basic	\$ 0.42	\$ 0.37	\$ 0.82	\$ 0.68
Diluted	\$ 0.40	\$ 0.35	\$ 0.80	\$ 0.66
Weighted average number of units				
Basic ⁽²⁾	32,780,236	23,325,672	32,564,509	21,268,979
Diluted ⁽²⁾	35,982,991	26,412,775	35,733,393	24,324,124

⁽¹⁾ Added back to DI is 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 June 30,		Six month period ended June 30,	
	2008	2007	2008	2007
Income (loss) for the period	\$ (1,942)	\$ 10,276	\$ (3,753)	\$ 7,619
Add:				
Amortization (excluding amortized leasing costs)	14,168	9,219	29,597	16,833
Accretion on liability component of convertible debentures	384	490	760	947
Unit-based compensation expense	144	322	280	516
Future income tax (expense) recovery	1,020	(12,028)	603	(12,028)
Other adjustments				
Property rent ⁽¹⁾	300	300	600	600
Non-controlling interest ⁽²⁾	14	-	152	-
Unrealized gain on commodity derivatives ⁽³⁾	(455)	-	(1,383)	-
DI for the period	\$ 13,633	\$ 8,579	\$ 26,856	\$ 14,487

⁽¹⁾ Added back to DI is 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 DI is 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 DI is an unrealized gain on the increase in fair value of commodity derivatives.

In Q2-08, DI increased \$5,054 (YTD - \$12,369), or 58.9% (YTD - 85.4%) over Q2-07. This increase is primarily attributed to the impact of acquisitions since June 30, 2007 as well as internal growth achieved as below-market leases roll over at current market rates. Basic DI per unit increased \$0.05 (YTD - \$0.14), or 13.5% (YTD - 20.6%) over Q2-07. On a diluted basis, DI has increased \$0.05 (YTD - \$0.14), or 14.3% (YTD - 21.2%) over Q2-07.

Management anticipates there will be further growth in DI as available cash is invested in on-going acquisition activities in future periods and 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:

The Trustees determine 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	Six month	Year ended	Year ended
	period ended June 30, 2008	period ended June 30, 2008	December 31, 2007	December 31, 2006
Cash flow from operations	\$ 8,836	\$ 18,833	\$ 28,586	\$ 13,620
Net income (loss)	\$ (1,942)	\$ (3,753)	\$ 6,157	\$ (11,153)
Distributions declared	\$ 8,787	\$ 17,290	\$ 27,106	\$ 12,874
Excess of cash flow from operations over distributions declared	\$ 49	\$ 1,543	\$ 1,480	\$ 746
Excess of distributions declared over net income (loss)	\$ (10,729)	\$ (21,043)	\$ (20,949)	\$ (24,027)

For the three months ended June 30, 2008, cash flow from operations exceeded distributions declared by \$49 (YTD - \$1,543).

For the three months ended June 30, 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 income (loss) for the period.

Reconciliation of Cash Flows from Operations to FFO:

\$000's, except unit and per unit amounts	Three month period ended June 30,		Six month period ended June 30,	
	2008	2007	2008	2007
Cash flow from operations	\$ 8,836	\$ 5,403	\$ 18,833	\$ 12,278
Deduct amortization of:				
Office equipment	(2)	(2)	(4)	(3)
Above-market rent	(66)	(48)	(135)	(95)
Below-market rent	3,585	2,126	7,416	3,201
Above-market mortgages	31	29	80	57
Add:				
Straight-line rent adjustment	548	315	1,110	565
Deduct:				
Accretion on liability component of convertible debentures	(384)	(490)	(760)	(947)
Unit-based compensation expense	(144)	(322)	(280)	(516)
Amortization of financing costs included in interest	(95)	(52)	(186)	(101)
Changes in non-cash operating items	803	699	(290)	(1,678)
Other adjustments				
Property rent ⁽¹⁾	300	300	600	600
FFO for the period	\$ 13,412	\$ 7,958	\$ 26,384	\$ 13,361
FFO per unit				
Basic	\$ 0.41	\$ 0.34	\$ 0.81	\$ 0.63
Diluted	\$ 0.40	\$ 0.34	\$ 0.80	\$ 0.62
Weighted average number of units:				
Basic ⁽²⁾	32,780,236	23,325,672	32,564,509	21,268,979
Diluted ⁽²⁾	34,020,022	23,512,419	33,770,425	21,423,769

⁽¹⁾ Added back to FFO is 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 month period ended June 30,		Six month period ended June 30,	
	2008	2007	2008	2007
Income (loss) for the period	\$ (1,942)	\$ 10,276	\$ (3,753)	\$ 7,619
Add amortization on:				
Income-producing properties	6,564	4,340	13,364	7,600
Acquired in-place leases	7,598	4,874	16,222	9,222
Customer relationships	6	5	11	11
Tenant inducements and leasing costs	307	191	568	337
Future income tax (expense) recovery	1,020	(12,028)	603	(12,028)
Other adjustments				
Property rent ⁽¹⁾	300	300	600	600
Non-controlling interest ⁽²⁾	14	-	152	-
Unrealized gain on commodity derivatives ⁽³⁾	(455)	-	(1,383)	-
FFO for the period	\$ 13,412	\$ 7,958	\$ 26,384	\$ 13,361

⁽¹⁾ Added back to FFO is 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 FFO is 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 FFO is an unrealized gain on the increase in fair value of commodity derivatives.

Q2-08 FFO has increased \$5,454 (YTD - \$13,023), or 68.5% (YTD - 97.5%), over Q2-07. This increase is attributed to the impact of acquisitions since June 30, 2007 as well as internal growth achieved as below-market leases roll over at current market rates. Basic FFO per unit has increased by \$0.07 (YTD - \$0.18), or 20.6% (YTD - 28.6%), over Q2-07. On a diluted basis, FFO per unit has increased \$0.06 (YTD - \$0.18), or 17.6% (YTD - 29.0%) over Q2-07.

Management anticipates there will be further growth in FFO as available cash is invested in on-going acquisition activities in future periods and 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	June 30, 2008	December 31, 2007	Increase (decrease)
Income-producing properties	\$ 985,050	\$ 944,612	\$ 40,438
Other assets, including intangibles	187,445	189,942	(2,497)
Deposits on income-producing properties	9,016	11,826	(2,810)
Cash, cash equivalents and cash held in trust	23,255	30,068	(6,813)
	\$ 1,204,766	\$ 1,176,448	\$ 28,318

Income-producing properties and related intangible assets:

The REIT's income-producing properties and related intangible assets increased in Q2-08, due to the acquisition of the following properties:

Property	Location	Acquisition Date	Type
Edson Shoppers	303 - 54th Street and 2nd Avenue, Edson, AB	April 15, 2008	Retail
Raleigh Shopping Centre	686 Springfield Road, Winnipeg, MB	April 15, 2008	Retail

In Q2-08, the REIT also purchased a six-storey parkade which is ancillary to two existing portfolio office properties in Winnipeg.

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		Six month period ended	
	June 30,		June 30,	
	2008	2007	2008	2007
Cash consideration	\$ 4,646	\$ 35,933	\$ 19,306	\$ 108,376
Issuance of units	-	-	2,100	-
New or assumed mortgages including above- and below-market mortgages	8,026	10,800	32,374	117,591
<i>Net assets acquired</i>	\$ 12,672	\$ 46,733	\$ 53,780	\$ 225,967
Allocated to income-producing properties	\$ 11,928	\$ 45,030	\$ 48,464	\$ 221,432
Allocated to other assets	1,061	3,683	8,782	20,908
Allocated to intangible liabilities	(317)	(1,980)	(3,466)	(16,373)
<i>Net assets acquired</i>	\$ 12,672	\$ 46,733	\$ 53,780	\$ 225,967

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	\$ 8,873
Unit issue costs	3,334
Losses carried-forward	637
Other	(1,772)
	\$ 11,072

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 Q2-08 totaled \$3,473 (YTD - \$5,338) compared to \$46 in Q2-07 (YTD - \$357). The current period costs were primarily related to the two-storey addition to the Millennium Centre currently under construction in Red Deer, Alberta. The Millennium Centre is an office building located in downtown Red Deer, Alberta; the addition will add approximately 40,000 square feet of leasable area.

Tenant inducements and leasing costs:

Other assets of the REIT at June 30, 2008 includes \$7,230 of unamortized tenant inducement and leasing costs related to the leasing or re-leasing of space, 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 Q2-08, Artis incurred \$669 (YTD - \$2,023) of tenant inducements and leasing costs compared to \$1,037 in Q2-07 (YTD - \$1,736). Leasing commissions paid during the quarter relate to both leases commencing during the period ended June 30, 2008, and subsequent periods.

\$000's	Three month period ended June 30,		Six month period ended June 30,	
	2008	2007	2008	2007
Tenant inducements	\$ 430	\$ 615	\$ 540	\$ 1,183
Leasing commissions	239	422	1,483	553
Total	\$ 669	\$ 1,037	\$ 2,023	\$ 1,736

Recoverable operating costs:

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 Q2-08, Artis incurred \$807 (YTD - \$1,097) of recoverable operating costs compared to \$139 in Q2-07 (YTD - \$457).

Deposits on income-producing properties:

At June 30, 2008, Artis had made \$2,000 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 June 30, 2008, is \$7,016 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 \$2,000 earned by the REIT under the terms of the Interplex II purchase and sale agreement up to June 30, 2008, offset by the \$1,001 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 June 30, 2008, the REIT had \$22,541 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	June 30,	December 31,	Increase
	2008	2007	
Long-term debt	\$ 692,167	\$ 665,728	\$ 26,439
Other liabilities	113,827	115,038	(1,211)
Bank indebtedness	10,200	-	10,200
	\$ 816,194	\$ 780,766	\$ 35,428

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 June 30, 2008 was 50.4%, compared to 49.2% at December 31, 2007 and 45.8% at June 30, 2007.

<i>\$000's</i>	June 30, 2008	December 31, 2007
GBV	\$ 1,305,843	\$ 1,247,047
Mortgages, loans and bank indebtedness	658,076	612,996
Mortgages and loans to GBV	50.4 %	49.2 %
Carrying value of convertible debentures	\$ 44,291	\$ 52,732
Total long-term debt and bank indebtedness	702,367	665,728
Total long-term debt to GBV	53.8 %	53.4 %

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 Q2-08, Artis assumed or obtained new mortgage financing, net of financing costs, of \$8,026 (YTD - \$32,374) in conjunction with the 2008 acquisitions. In Q2-08, \$2,708 (YTD - \$5,390) of principal repayments were made. On May 1, 2008, the REIT refinanced one of its properties for an additional \$7.8 million of proceeds. No additional mortgages matured or were refinanced during the current period.

The weighted average term to maturity at June 30, 2008 is 5.6 years, compared to 6.0 years at December 31, 2007.

Convertible debentures:

Artis has four series of convertible debentures outstanding as at June 30, 2008, as follows:

				June 30, 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%	\$ 624	\$ 720	\$ 2,644	\$ 3,170
Series B	9-Nov-05	9-Nov-10	7.50%	1,970	2,313	8,976	10,862
Series C	4-May-06	31-May-13	6.25%	22,788	29,920	22,274	29,920
Series D	30-Nov-07	30-Nov-14	5.00%	18,909	20,000	18,838	20,000
				\$ 44,291	\$ 52,953	\$ 52,732	\$ 63,952

In accordance with GAAP, Artis reduced the carrying value of its debentures by \$1,341 at June 30, 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 \$384 in Q2-08 (YTD - \$760). The weighted average effective rate of the debentures at June 30, 2008 was 10.39%, a decrease from the rate of 14.11% at June 30, 2007.

During Q2-08, Series A and B convertible debentures with a face value of \$4,050 (YTD - \$10,999) were converted and 300,004 (YTD - 829,406) units were issued upon such conversions. The carrying value was reduced by \$3,039 (YTD - \$8,441).

Other liabilities including bank indebtedness:

Other liabilities includes the unamortized below-market rent intangible liability of \$95,330 at June 30, 2008. This decreased \$3,950 from \$99,280 at December 31, 2007, as a result of acquisition activity, net of amortization recorded in the year. Also included in other liabilities are security deposits paid by tenants, rents prepaid by tenants at June 30, 2008, accounts payable and accruals, as well as the June 30, 2008 distribution payable to unitholders of \$2,965, subsequently paid on July 15, 2008. Bank indebtedness relates to the balance drawn on the REIT's revolving term credit facility. At June 30, 2008, Artis had drawn \$10,200 on the facility in conjunction with 2008 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 June 30, 2008, after making certain adjustments required under GAAP, is \$10,242 (see Note 13 of the Interim Consolidated Financial Statements for further details).

Unitholders' Equity

Unitholders' equity increased \$9,390 between June 30, 2008 and December 31, 2007, as a result of the conversion of a principal amount of \$10,999 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 by \$7,170 between June 30, 2008 and December 31, 2007. The decrease is due to the net loss for the period and the distributions made to unitholders, net of capital contributions.

LIQUIDITY AND CAPITAL RESOURCES

In Q2-08, Artis generated \$8,836 (YTD - \$18,833) of cash flows from operating activities compared to \$5,403 in Q2-07 (YTD - \$12,278). Cash flows from operations assisted in funding distributions to Unitholders of \$8,598 (YTD - \$16,912), distributions to Class B unitholders of \$189 (YTD - \$378), and for principal repayments on mortgages and loans of \$2,708 (YTD - \$5,390). 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 \$4,646 (YTD - \$19,306) compared to \$35,933 in Q2-07 (YTD - \$108,376). Cash of \$4,142 (YTD - \$7,361) was used for substantive capital building improvements and for tenant inducements and leasing costs compared to \$1,083 in Q2-07 (YTD - \$2,093).

At June 30, 2008, Artis had \$22,541 of cash and cash equivalents on hand. Management anticipates that the cash on hand will be invested in additional income-producing properties, subsequent to June 30, 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 June 30, 2008, the REIT had incurred bank indebtedness of \$10,200, representing amounts drawn on the available credit facility used to fund current period acquisitions. Management has entered into negotiations to renew the credit facility.

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	\$ 659,469	\$ 42,182	\$ 137,568	\$ 226,302	\$ 253,417
Convertible debentures ⁽¹⁾	52,953	-	3,033	29,920	20,000
Total	\$ 712,422	\$ 42,182	\$ 140,601	\$ 256,222	\$ 273,417

⁽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.

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 ⁽¹⁾</i>	Q2-08	Q1-08	Q4-07	Q3-07	Q2-07	Q1-07	Q4-06	Q3-06
Revenue	\$ 35,310	\$ 33,461	\$ 31,258	\$ 26,687	\$ 22,442	\$ 17,321	\$ 16,177	\$ 15,367
Property operating expenses	10,936	10,178	9,517	8,186	7,505	5,842	5,898	5,432
Property NOI	24,374	23,283	21,741	18,501	14,937	11,479	10,279	9,935
Interest	10,186	9,836	8,611	7,629	6,311	5,371	4,778	5,221
	14,188	13,447	13,130	10,872	8,626	6,108	5,501	4,714
Expenses:								
Corporate	1,342	1,140	1,382	1,257	1,061	1,098	973	532
Amortization	14,313	15,160	12,541	11,042	9,313	7,661	7,765	7,421
Unrealized gain on commodity derivatives	(455)	(928)	-	-	-	-	-	-
	15,200	15,372	13,923	12,299	10,374	8,759	8,738	7,953
Loss before the under-noted	(1,012)	(1,925)	(793)	(1,427)	(1,748)	(2,651)	(3,237)	(3,239)
Gain (loss) on disposal of income-producing properties	-	-	(10)	2,521	-	-	-	-
Non-controlling interest	(10)	(145)	-	-	-	-	-	-
Income (loss) before income taxes and discontinued operations	\$ (1,022)	\$ (2,070)	\$ (803)	\$ 1,094	\$ (1,748)	\$ (2,651)	\$ (3,237)	\$ (3,239)
Future income tax (expense) recovery	(992)	373	(1,466)	(206)	12,027	(2)	-	-
Income (loss) from discontinued operations	72	(114)	(69)	(11)	(3)	(4)	(22)	(36)
Income (loss) for the period	\$ (1,942)	\$ (1,811)	\$ (2,338)	\$ 877	\$ 10,276	\$ (2,657)	\$ (3,259)	\$ (3,275)
Basic income (loss) per unit	\$ (0.06)	\$ (0.06)	\$ (0.03)	\$ 0.03	\$ 0.45	\$ (0.14)	\$ (0.22)	\$ (0.27)
Diluted income (loss) per unit	\$ (0.06)	\$ (0.06)	\$ (0.03)	\$ 0.03	\$ 0.41	\$ (0.14)	\$ (0.22)	\$ (0.27)

⁽¹⁾ The above summarized quarterly information has been reclassified to reflect discontinued operations.

Reconciliation of GAAP Income (Loss) to DI:

<i>\$000's, except unit and per unit amounts</i>								
	Q2-08	Q1-08	Q4-07	Q3-07	Q2-07	Q1-07	Q4-06	Q3-06
Income (loss) for the period	\$ (1,942)	\$ (1,811)	\$ (2,338)	\$ 877	\$ 10,276	\$ (2,657)	\$ (3,259)	\$ (3,275)
Add:								
Amortization (excluding amortized leasing costs)	14,168	15,429	12,640	10,962	9,219	7,614	7,504	7,260
Amortized financing costs on convertible debentures	-	-	-	-	-	-	163	163
Accretion on liability component of debentures	384	376	374	391	490	457	172	399
Unit-based compensation expense	144	136	262	261	322	194	382	40
Unrealized gain on commodity derivatives	(455)	(928)	-	-	-	-	-	-
(Gain) loss on disposal of income-producing properties	-	-	10	(2,521)	-	-	-	-
Future income tax expense (recovery)	1,020	(417)	1,433	201	(12,028)	-	-	-
Other adjustments								
Property rent ⁽¹⁾	300	300	300	300	300	300	200	-
Non-controlling interest ⁽²⁾	14	138	-	-	-	-	-	-
Distributable income (DI)	\$ 13,633	\$ 13,223	\$ 12,681	\$ 10,471	\$ 8,579	\$ 5,908	\$ 5,162	\$ 4,587
DI per unit								
Basic	\$ 0.42	\$ 0.41	\$ 0.41	\$ 0.38	\$ 0.37	\$ 0.31	\$ 0.34	\$ 0.38
Diluted	\$ 0.40	\$ 0.39	\$ 0.39	\$ 0.37	\$ 0.35	\$ 0.30	\$ 0.33	\$ 0.35
Weighted average number of units:								
Basic ⁽³⁾	32,780,236	32,345,506	31,132,975	27,546,303	23,325,672	19,189,433	15,153,247	12,072,151
Diluted ⁽³⁾	35,982,991	35,781,651	35,114,445	30,519,959	26,412,775	22,630,256	18,577,492	15,609,760

⁽¹⁾ Added back to DI is 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 DI is 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⁾ 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								
	Q2-08	Q1-08	Q4-07	Q3-07	Q2-07	Q1-07	Q4-06	Q3-06
Income (loss) for the period	\$ (1,942)	\$ (1,811)	\$ (2,338)	\$ 877	\$ 10,276	\$ (2,657)	\$ (3,259)	\$ (3,275)
Add amortization on:								
Income-producing properties	6,564	6,800	6,014	5,284	4,340	3,260	3,079	3,010
Acquired in-place leases	7,598	8,624	6,620	5,673	4,874	4,348	4,419	4,244
Customer relationships	6	5	6	5	5	6	6	6
Tenant inducements and leasing costs	307	261	231	194	191	146	137	60
Unrealized gain on commodity derivatives	(455)	(928)	-	-	-	-	-	-
(Gain) loss on disposal of income-producing properties	-	-	10	(2,521)	-	-	-	-
Future income tax expense (recovery)	1,020	(417)	1,433	201	(12,028)	-	-	-
Other adjustments								
Property rent ⁽¹⁾	300	300	300	300	300	300	200	-
Non-controlling interest ⁽²⁾	14	138	-	-	-	-	-	-
Funds from operations (FFO)	\$ 13,412	\$ 12,972	\$ 12,276	\$ 10,013	\$ 7,958	\$ 5,403	\$ 4,582	\$ 4,045
FFO per unit								
Basic	\$ 0.41	\$ 0.40	\$ 0.39	\$ 0.36	\$ 0.34	\$ 0.28	\$ 0.30	\$ 0.34
Diluted	\$ 0.40	\$ 0.40	\$ 0.39	\$ 0.36	\$ 0.34	\$ 0.28	\$ 0.30	\$ 0.33
Weighted average number of units:								
Basic ⁽³⁾	32,780,236	32,345,506	31,132,975	27,546,303	23,325,672	19,189,433	15,153,247	12,072,151
Diluted ⁽³⁾	34,020,022	32,391,916	31,197,012	27,725,159	23,512,419	19,325,025	15,225,436	12,131,910

⁽¹⁾ Added back to FFO is 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 FFO is 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⁾ 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. Basic FFO per unit increased for the fifth consecutive quarter; Q2-08 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 June 30, 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		Six month period ended	
	June 30,		June 30,	
	2008	2007	2008	2007
Legal fees expensed	\$ 27	\$ 1	\$ 54	\$ 68
Capitalized legal fees	82	479	273	928
Advisory fees	631	415	1,216	734
Capitalized acquisition fees	63	279	262	1,207
Property management fees	1,139	735	2,142	1,350
Capitalized leasing commissions	239	-	1,483	112
Capitalized building improvements	3,150	38	4,923	286
Capitalized tenant inducements	-	292	-	435

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 June 30, 2008 is \$18 (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 June 30, 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 June 30, 2008 is \$50 (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 June 30, 2008 is \$128 (December 31, 2007, \$nil).

OUTSTANDING UNIT DATA

The balance of units outstanding as of August 11, 2008, not including Class B units, is as follows:

Units outstanding at June 30, 2008	32,229,841
Units issued (DRIP)	30,925
Units acquired and cancelled through normal course issuer bid subsequent to June 30, 2008	<u>(1,800)</u>
Units outstanding at August 11, 2008	<u>32,258,966</u>

The balance of options outstanding as of August 11, 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	159,524
\$17.75 options, issued October 17, 2007	<u>272,000</u>	<u>-</u>
	<u>1,458,336</u>	<u>548,614</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.

Management anticipates that there will be additional growth in revenues, Property NOI, DI and FFO as available cash is invested in on-going acquisition activities in future periods, and as below-market leases are renewed at higher rates, particularly in Alberta, where the gap between in-place rents and market rents is highest.

On July 31, 2008 Artis announced that it would be selling two Class "B" suburban office properties in Calgary for \$24.9 million, based on a capitalization rate of approximately 6.3%. The REIT expects to realize a gain of approximately \$6.5 million on the transaction and net proceeds of approximately \$12.2 million (or \$0.20 per unit). The sale is expected to be concluded in Q3-08 and the REIT will redeploy the net proceeds of \$12.2 million into new acquisitions. Artis currently has unconditional agreements to acquire two properties, as well as a conditional agreement to acquire a third building. Full details of these transactions are in the press release of July 31, 2008. Going-in cash capitalization rates on the acquisitions range from 6.6% to 8.2% and the acquisitions include class "A" and Class "B" office properties in B.C., as well as a Class "A" industrial property in Calgary. Artis will finance these acquisitions from cash on hand, and mortgage and other financing.

Artis continues to have a very strong embedded growth profile. At June 30, 2008, Artis estimates that the gap between in place rental rates and current market rental rates on the 575,000 square feet of leases expiring in the balance of 2008 is over \$8 per square foot on average; in-place rents are over 40% 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 in the near term, 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 June 30, 2008, government tenants contribute 10.3% to the REIT's overall gross revenue and occupy 8.9% 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 nearly \$7 billion.

Top Ten Tenants by GLA	Share	Top Ten Tenants by Gross Revenue	Share
TransAlta Corporation	5.4%	TransAlta Corporation	3.9%
Red River Packaging	3.1%	Jacobs Canada ⁽¹⁾	3.4%
Reliance Products	2.8%	Birchcliff Energy	2.4%
Jacobs Canada ⁽¹⁾	2.5%	Sobeys	2.3%
Sobeys	2.4%	Credit Union Central	2.1%
Shoppers Drug Mart	1.7%	Shoppers Drug Mart	2.0%
Sears	1.7%	MTS Allstream	1.5%
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	23.4%	Total of Top Ten by Gross Revenue	21.2%

Government Entities by GLA	Share	Government Entities by Gross Revenue	Share
Federal Government	3.0%	Federal Government	3.6%
Provincial Government	4.6%	Provincial Government	5.3%
Civic or Municipal Government	1.3%	Civic or Municipal Government	1.4%
Total Government by GLA	8.9%	Total Government by Gross Revenue	10.3%

⁽¹⁾ Jacobs lease expired on June 30, 2008. A new tenant, AMEC PLC, has now leased this space for a 62 month term.

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 20.18% of the REIT's GLA will come up for renewal between June 30, 2008 and December 31, 2009. Approximately 61.7% 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.

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 June 30, 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 June 30, 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 June 30, 2008.

During the six months ended June 30, 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.