

ARTIS

REIT

**Management's Discussion & Analysis
Q1 - 09**

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, 2008 and 2007, the unaudited interim consolidated financial statements for the periods ended March 31, 2009 and 2008, and the notes thereto. This MD&A has been prepared taking into account material transactions and events up to and including May 11, 2009. 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 is an unincorporated open-end real estate investment trust created under, and governed by, the laws of the province of Manitoba. On February 15, 2007, Artis 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 11, 2009, there were 32,394,943 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 *Outstanding Unit Data* section for further details).

PRIMARY OBJECTIVES

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

The REIT's primary objectives are:

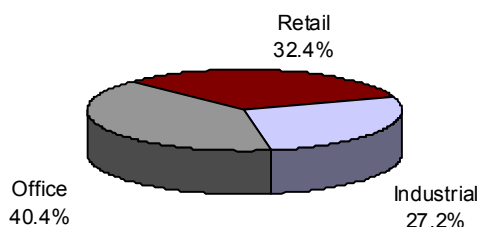
- to provide unitholders with stable and growing cash distributions, payable monthly and, to the maximum extent practicable, income tax deferred, from investments in a diversified portfolio of income-producing office, retail and industrial properties located in western Canada;
- to enhance the value 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 (currently \$1.08 per unit on an annualized basis effective May 31, 2008), will be the amount of distributable income set down in a policy by the Trustees.

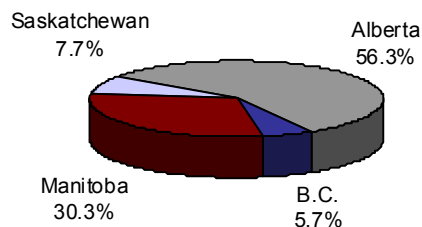
PORTFOLIO SUMMARY

At March 31, 2009, the REIT's portfolio (excluding the three property dispositions concluded on March 31, and April 1, 2009) was comprised of 86 commercial properties located across western Canada totaling approximately 6.39 million square feet (s.f.) of gross leasable area ("GLA").

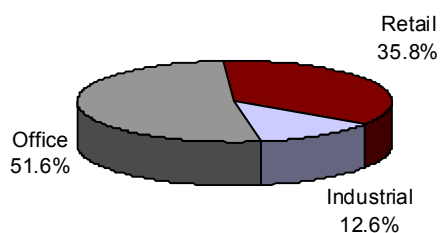
GLA by Asset Class



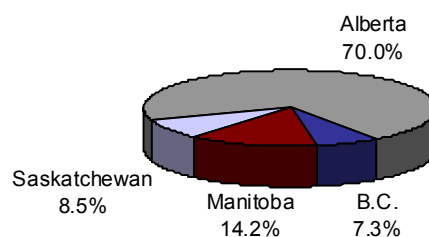
GLA by Province



Property NOI by Asset Class



Property NOI by Province



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

	Office		Retail		Industrial		Total	
	GLA	%	GLA	%	GLA	%	GLA	%
2009*	196	7.6%	173	8.4%	181	10.5%	550	8.5%
2010	365	14.1%	337	16.3%	293	16.9%	995	15.6%
2011	469	18.2%	228	11.0%	293	16.9%	990	15.5%
2012	213	8.2%	193	9.4%	78	4.5%	484	7.6%
2013	382	14.8%	260	12.6%	277	15.9%	919	14.4%
2014	101	3.9%	128	6.2%	287	16.5%	516	8.1%
2015 & later	648	25.1%	679	32.8%	301	17.3%	1,628	25.5%
	2,374	91.9%	1,998	96.7%	1,710	98.5%	6,082	95.2%
Vacancies	210	8.1%	69	3.3%	26	1.5%	305	4.8%
Total GLA	2,584	100.0%	2,067	100.0%	1,736	100.0%	6,387	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	%
2009*	274	7.6%	26	7.2%	198	10.2%	52	10.5%
2010	463	12.9%	28	7.7%	417	21.6%	87	17.6%
2011	589	16.4%	11	3.2%	340	17.6%	50	10.1%
2012	274	7.6%	82	22.7%	105	5.4%	23	4.7%
2013	509	14.2%	18	5.0%	272	14.0%	120	24.4%
2014	175	4.8%	27	7.4%	283	14.7%	31	6.2%
2015 & later	1,133	31.5%	102	28.1%	263	13.6%	130	26.3%
	3,417	95.0%	294	81.3%	1,878	97.1%	493	99.8%
Vacancies	180	5.0%	68	18.7%	56	2.9%	1	0.2%
Total GLA	3,597	100.0%	362	100.0%	1,934	100.0%	494	100.0%

* including month-to-month leases

Historical Weighted-Average Portfolio Occupancy

Q2-07	Q3-07	Q4-07	Q1-08	Q2-08	Q3-08	Q4-08	Q1-09
97.2%	97.1%	97.4%	97.5%	97.8%	97.3%	96.5%	95.8% ⁽³⁾

⁽¹⁾ Based on Artis' proportionate share of total leasable area, excluding the three property dispositions concluded on March 31, and April 1, 2009.

⁽²⁾ Based on expiries remaining in 2009 without deduction for future lease commitments.

⁽³⁾ Excluding one property currently being redeveloped.

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.

2009 – FIRST QUARTER HIGHLIGHTS

PORTFOLIO SUMMARY

Artis disposed of one commercial property during Q1-09.

	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, 2008	26	2,742	37	2,067	26	1,736	89	6,545
Q1-09 disposition	(1)	(35)	-	-	-	-	(1)	(35)
Portfolio properties at March 31, 2009	25	2,707	37	2,067	26	1,736	88	6,510

TAXABLE STATUS

During the course of 2008, the REIT undertook restructuring activities in order to meet legislation relating to the federal income taxation of publicly listed or traded trusts. As a result of these restructuring activities, the REIT believes that it has met the prescribed conditions effective January 1, 2009.

DISTRIBUTIONS

Artis distributed a total of \$8,928 to unitholders and AXLP, the REIT's subsidiary, distributed \$196 to Class B unitholders in Q1-09. 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 per unit amounts⁽¹⁾

	Three month period ended March 31,	
	2009	2008
Revenue	\$ 36,577	\$ 32,593
Property NOI	\$ 24,775	\$ 22,748
Loss for the period	\$ (13,531)	\$ (1,857)
Basic loss per unit	\$ (0.42)	\$ (0.06)
Distributions (including Class B units)	\$ 8,928	\$ 8,503
Distributions per unit	\$ 0.27	\$ 0.26
DI	\$ 13,898	\$ 13,303
DI per unit	\$ 0.42	\$ 0.41
DI payout ratio	64.3 %	63.4 %
FFO	\$ 14,245	\$ 13,052
FFO per unit	\$ 0.43	\$ 0.40
FFO payout ratio	62.8 %	65.0 %
Weighted-average units:		
Weighted-average units (basic)	32,386	31,624
Weighted-average units (basic) including Class B units	33,107	32,346

⁽¹⁾Results for 2008 have been restated, refer to Note 2(b) of the Unaudited Interim Consolidated Financial Statements for the three months ended March 31, 2009 and 2008.

Artis disposed of one income-producing property during Q1-09 and acquired nine income-producing properties during 2008. Due to this acquisition activity as well as same property revenue growth, Artis increased Q1-09 revenues \$3,984, or 12.2% compared to Q1-08 results. Artis increased Property NOI \$2,027, or 8.9% compared to Q1-08 results. As well, DI and FFO increased \$595, or 4.5% and \$1,193, 9.1%, respectively.

On a per unit basis, basic DI increased \$0.01 or 2.4% compared to Q1-08 results. Basic FFO increased \$0.03 or 7.5% compared to Q1-08 results. As a result of units issued under the DRIP, and through debenture conversions net of Normal Course Issuer Bid repurchases, 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.

ANALYSIS OF OPERATING RESULTS

\$000's, except per unit amounts⁽¹⁾

	Three month period ended March 31,			
	2009	% of Revenue	2008	% of Revenue
Revenue	\$ 36,577		\$ 32,593	
Property operating expenses	11,802	32.3 %	9,845	30.2 %
Property NOI	24,775	67.7 %	22,748	69.8 %
Interest	10,284	28.1 %	9,580	29.4 %
Expenses:	14,491		13,168	
Corporate	1,201	3.3 %	1,140	3.5 %
Amortization	16,342		14,884	
Unrealized (gain) loss on commodity derivatives	204		(928)	
	17,747		15,096	
Loss before the undernoted	(3,256)		(1,928)	
Future income tax (expense) recovery	(10,898)		362	
Non-controlling interest	(5)		(143)	
Income (loss) from discontinued operations	628		(148)	
Loss for the period	\$ (13,531)		\$ (1,857)	
Basic loss per unit	\$ (0.42)		\$ (0.06)	
Diluted loss per unit	\$ (0.42)		\$ (0.06)	
Weighted-average number of units:				
Basic	32,386		31,624	
Diluted	32,386		31,624	

⁽¹⁾ Results for 2008 have been restated, refer to Note 2(b) of the Unaudited Interim Consolidated Financial Statements for the three months ended March 31, 2009 and 2008.

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 Q1-09, straight-line rent adjustments of \$409 were recorded compared to \$562 in Q1-08.

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. When a lease terminates prior to the end of the lease term, the REIT writes off the unamortized balance of these intangible assets and liabilities. During the period ended March 31, 2009, the REIT had two tenants vacate, and recorded a net revenue adjustment of \$907 as a result. Artis disposed of one commercial property during Q1-09 and acquired nine commercial properties during 2008; in-place rent rates in a number of the acquisitions are considered to be below market rent rates. As a result of the lease terminations and the 2008 acquisitions, in Q1-09 the adjustment to market rents was \$3,959 compared to \$3,762 in Q1-08.

In Q1-09, the REIT recorded amortization of \$65 as a reduction in revenue from tenant incentives.

Included in revenue in Q1-09 is interest income of \$461 compared to \$712 in Q1-08.

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

SAME PROPERTY NOI GROWTH

\$000's	Three month period ended	
	March 31, ⁽¹⁾	
	2009	2008
Revenue	\$ 32,505	\$ 31,260
Property operating expenses	10,413	9,485
Property NOI	22,092	21,775
Add (deduct) non-cash revenue adjustments:		
Straight-line rent adjustment	(288)	(508)
Amortization of tenant inducements	65	-
Above- and below-market rent	(3,047)	(3,557)
Property NOI less non-cash revenue adjustments	\$ 18,822	\$ 17,710

⁽¹⁾ Same property comparison includes only income-producing properties owned on January 1, 2008.

In Q1-09, Artis achieved an increase of \$317, or 1.5% of Property NOI over Q1-08. As well, Artis also achieved an increase of \$1,112, or 6.3% of Property NOI less non-cash revenue adjustments over Q1-08. These improvements are primarily the result of rate increases achieved on lease rollovers, particularly in Alberta. These results do not include the impact of growth realized on lease turnovers in properties acquired throughout fiscal 2008.

PROPERTY NOI BY ASSET CLASS

Property NOI results by asset class have been impacted by acquisitions concluded during 2008, as well as growth realized from lease turnovers.

\$000's	Three month period ended March 31,					
	2009			2008		
	Retail	Office	Industrial	Retail	Office	Industrial
Revenue	\$ 12,518	\$ 19,236	\$ 4,804	\$ 11,174	\$ 17,921	\$ 3,277
Property operating expenses	3,653	6,455	1,694	3,150	5,885	810
Property NOI	\$ 8,865	\$ 12,781	\$ 3,110	\$ 8,024	\$ 12,036	\$ 2,467
Share of Property NOI	35.8 %	51.6 %	12.6 %	35.6 %	53.5 %	11.0 %

PROPERTY NOI BY PROVINCE

\$000's	Three month period ended March 31,							
	2009				2008			
	MB	SK	AB	BC	MB	SK	AB	BC
Revenue	\$ 6,444	\$ 3,043	\$ 24,307	\$ 2,764	\$ 6,174	\$ 2,600	\$ 21,641	\$ 1,957
Property operating expenses	2,918	937	7,000	947	2,634	791	5,940	560
Property NOI	\$ 3,526	\$ 2,106	\$ 17,307	\$ 1,817	\$ 3,540	\$ 1,809	\$ 15,701	\$ 1,397
Share of Property NOI	14.2 %	8.5 %	70.0 %	7.3 %	15.8 %	8.1 %	69.9 %	6.2 %

The REIT's portfolio Property NOI is weighted more heavily to Alberta. Management believes that there is further growth possible in the REIT's portfolio that may be realized should below-market leases be renewed at higher rates.

PORTFOLIO OCCUPANCY AND LEASING ACTIVITY

Occupancy levels impact the REIT's revenues and Property NOI. At March 31, 2009 portfolio occupancy remained very high at 95.8% (96.8% including committed space). Stable occupancy across the portfolio was offset by new vacancy in two of the REIT's properties. In Q1-09, the REIT had one retail tenant unexpectedly vacate approximately 31,900 square feet in one of its Nanaimo, B.C. properties. The period end occupancy was also impacted by the expected vacancy of an approximately 18,300 square foot retail tenant in a Grande Prairie property; the space has been released subsequent to March 31, 2009. Occupancy at March 31, 2009 excludes the impact of the properties sold on March 31, 2009, and April 1, 2009. Occupancy at March 31, 2009, also excludes the Willingdon Green property in Burnaby, B.C. This property was acquired with the intent to redevelop the space for new tenancies, commencing in Q1-09. At March 31, 2009, 43.5% of the GLA (representing one full floor of the building) is committed under new leases while the remaining two floors (representing approximately 27,000 square feet) have yet to be redeveloped for new tenants.

Growth in revenues and Property NOI is achieved as leases are rolled over at higher rental rates than rates in-place at the time of expiry. In Q1-09, Artis continued to conclude new and renewal lease transactions at rates well above the in-place rate at expiry, as per the below table:

	Q1-09 ⁽¹⁾		Q1-08	
	S.F.	In-Place Rent	S.F.	In-Place Rent
New/renewed	208,628	\$ 14.01	66,790	\$ 13.61
Expiring	268,070	\$ 12.28	83,441	\$ 11.26
Change		\$ 1.73		\$ 2.35
Change %		14.1 %		20.9 %

⁽¹⁾ Excluding the property in redevelopment.

Artis' real estate is diversified across the four western provinces, and across the office, retail and industrial asset classes. Economic fundamentals in 2009 will impact both occupancy and market rent levels in all Canadian markets. As GDP growth slows, tenant demand for commercial space will also slow, and some tenants may seek to downsize their premises, or not renew their leases when their current terms expire. Sublet space may also increase in the market. These factors will put additional pressure on rental rates.

Calgary office properties represents 25.8% of the overall portfolio by GLA. Artis' office properties are Class A, B and C buildings, in downtown, beltline and suburban locations. Overall vacancy in the Calgary office market rose to 5.1% at the end of Q1-09. Although there may be variances across Calgary office sub-markets, management believes the Calgary office market, in general, will continue to be under pressure in the remainder 2009, as supply is added to inventory; increasing vacancy and some softening of asking rents is expected. Artis has 1.6%, or approximately 102,000 square feet of leases coming up for renewal in the Calgary office market in the remainder of 2009. To date, approximately 48% of all 2009 lease expiries have been renewed; leasing transactions continue to be done at rates above the in-place rents at expiry.

Winnipeg industrial properties represent 18.1% of the overall portfolio by GLA. Although new supply was added in 2008, vacancy decreased to 2.3% at the end of 2008. Economic conditions may impact Winnipeg's manufacturing and distribution tenants; vacancy is forecast to remain below 5% for 2009. Approximately 117,000 square feet (less than 2% of the portfolio's GLA), comes up for renewal in this market in the remainder of 2009. Artis notes that the in-place rental rates in this market are significantly lower than the weighted-average across the portfolio.

Winnipeg office properties represent 10.8% of the overall portfolio by GLA. The office market in 2008 finished on a very strong note, as the downtown vacancy rate reached a new 10-year low. Occupancy in this traditionally stable Class A office market is expected to remain strong in 2009, with vacancy currently at 5.4%. Some weakness may develop in Class B and Heritage space. Artis has minimal exposure in this market in 2009, with less than 32,000 square feet coming up for renewal in the remainder of 2009. Many of Artis' Class A and Heritage office properties in downtown Winnipeg have single tenants on long-term leases.

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 Q1-08 due to additional mortgage financing obtained in connection with acquisitions during 2008, 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 March 31, 2009 on mortgages and other debt secured by properties was 5.51% compared to 5.53% in Q1-08. The weighted-average nominal interest rate at March 31, 2009 was 5.41% compared to 5.44% at March 31, 2008.

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 \$1,105 on the carrying value of debentures outstanding in Q1-09, compared to \$1,237 in Q1-08.

CORPORATE EXPENSES

\$000's	Three month period ended	
	March 31,	
	2009	2008
Accounting, legal, consulting	\$ 167	\$ 152
Advisory fees	661	585
Public company costs	170	162
Unit-based compensation	61	136
General and administrative	142	105
Total corporate expenses	\$ 1,201	\$ 1,140

In Q1-09 advisory fees increased \$76 over Q1-08, reflecting the increased asset base of the REIT. Corporate expenses in Q1-09 were \$1,201, or 3.3% of gross revenues compared to \$1,140, or 3.5% of gross revenues in Q1-08.

AMORTIZATION

Amortization 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 \$7,480 in Q1-09 compared to \$6,926 in Q1-08. This increase was the result of the increased asset base of the REIT. 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 Q1-09, Artis recorded \$8,453 for the amortization of intangible assets, compared to \$8,629 in Q1-08.

In 2009, amortization expense relating to tenant inducements and leasing commissions totaled \$705, compared to \$261 in Q1-08. This increase was the result of the increased asset base of the REIT.

UNREALIZED GAIN (LOSS) ON COMMODITY DERIVATIVES

In accordance with GAAP, in Q1-09 the REIT recorded an unrealized loss on commodity derivatives of \$204 on utility supply contracts. The REIT anticipates holding these utility contracts until maturity.

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 (such legislation, as amended, referred to as 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. A qualifying SIFT is a trust which was a SIFT on October 31, 2006. The application of the SIFT Rules to a qualifying trust is delayed until the earlier of the trust's 2011 taxation year and the first taxation year in which it exceeds certain specified growth guidelines. In the case of the REIT, its subsequent offerings have exceeded the specified growth guidelines. 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. Please refer to the REIT's Annual Information Form for a more detailed discussion of the New SIFT Rules and their application to the REIT.

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 has reviewed the New SIFT Rules and has assessed their interpretation and application to the REIT's assets and revenues. While there are uncertainties in the interpretation and application of the New SIFT Rules, the REIT believes that it has met the REIT Conditions effective January 1, 2009. Accordingly, the future income tax asset of \$11,127 recorded in prior periods was reversed in the quarter.

NON-CONTROLLING INTEREST

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

INCOME FROM DISCONTINUED OPERATIONS

During the quarter, the REIT disposed of the Plainsman Building, an office property located in Kamloops, British Columbia. The property was sold for \$7,891, net of costs, and was satisfied by the assumption of a mortgage payable in the amount of \$5,128 and cash consideration in the amount of \$2,763. The sale resulted in a gain of \$591, which has been included in income 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, of which \$10,500 has been received at March 31, 2009. The sale will result in an estimated gain of \$6,376. The disposition closed on April 1, 2009. The REIT has also entered into an unconditional agreement to sell McKnight Village Mall, a retail property located in Calgary, Alberta. The property is to be sold for \$23,150, to be satisfied with the assumption of a mortgage payable and cash consideration. The sale will result in an estimated gain of \$2,240. The disposition is expected to close on May 15, 2009. 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.

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 per unit amounts	Three month period ended	
	March 31,	
	2009	2008
Cash flow from operations	\$ 7,709	\$ 10,287
Deduct amortization of:		
Office equipment	(25)	(2)
Above-market rent	(73)	(69)
Below-market rent	4,032	3,831
Tenant inducements and leasing costs	(705)	(261)
Tenant inducements amortized into revenue	(65)	-
Above-market mortgage	45	49
Add: Straight-line rent adjustment	409	562
Add (deduct):		
Changes in non-cash operating items	2,475	(1,303)
Financing costs, non-debenture, included in interest expense	(204)	(91)
Other adjustment		
Property rent ⁽¹⁾	300	300
DI for the period	\$ 13,898	\$ 13,303
DI per unit		
Basic	\$ 0.42	\$ 0.41
Diluted	\$ 0.41	\$ 0.40
Weighted-average number of units		
Basic ⁽²⁾	33,107	32,346
Diluted ⁽²⁾	36,189	35,782

⁽¹⁾ Included in 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 per unit amounts	Three month period ended	
	March 31,	
	2009	2008
Loss for the period	\$ (13,531)	\$ (1,857)
Add:		
Amortization (excluding amortized leasing costs)	15,933	15,555
Accretion on liability component of convertible debentures	362	376
Unit-based compensation expense	61	136
Gain on disposal of income-producing properties	(591)	-
Future income tax expense (recovery)	11,127	(417)
Other adjustments		
Property rent ⁽¹⁾	300	300
Non-controlling interest ⁽²⁾	33	138
Unrealized (gain) loss on commodity derivatives ⁽³⁾	204	(928)
DI for the period	\$ 13,898	\$ 13,303

⁽¹⁾ Included in 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⁾ Included in 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⁾ Included in (excluded from) DI is an unrealized (gain) loss on the increase in fair value of commodity derivatives.

In Q1-09, DI increased \$595, or 4.5% over Q1-08. This increase is primarily attributed to the impact of acquisitions during 2008, as well as internal growth achieved as below-market leases roll over at current market rates. Basic DI per unit increased \$0.01, or 2.4% over Q1-08. On a diluted basis, DI has increased \$0.01, or 2.5% over Q1-08.

Management anticipates there is further growth possible in DI that may be realized should below-market leases be renewed at higher rates. Q1-09, DI may not be indicative of future results due to the disposition of one income-producing property in Q1-09, and dispositions in subsequent periods.

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. 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	Year ended	Year ended	Year ended
	period ended	December 31,	December 31,	December 31,
	March 31,	2008	2007	2006
	2009			
Cash flow from operations	\$ 7,709	\$ 37,170	\$ 28,586	\$ 13,620
Net income (loss)	\$ (13,531)	\$ (6,790)	\$ 6,157	\$ (11,153)
Distributions declared	\$ 8,928	\$ 35,123	\$ 27,106	\$ 12,874
Excess (shortfall) of cash flow from operations over distributions declared	\$ (1,219)	\$ 2,047	\$ 1,480	\$ 746
Excess of distributions declared over net income (loss)	\$ (22,459)	\$ (41,913)	\$ (20,949)	\$ (24,027)

For the three months ended March 31, 2009, distributions declared exceeded cash flow from operations by \$1,219 as a result of changes in the balances of working capital items at period end.

For the three months ended March 31, 2009, 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 per unit amounts	Three month period ended	
	March 31,	
	2009	2008
Cash flow from operations	\$ 7,709	\$ 10,287
Deduct amortization of:		
Office equipment	(25)	(2)
Above-market rent	(73)	(69)
Below-market rent	4,032	3,831
Above-market mortgages	45	49
Add:		
Straight-line rent adjustment	409	562
Deduct:		
Accretion on liability component of convertible debentures	(362)	(376)
Unit-based compensation expense	(61)	(136)
Amortization of financing costs included in interest	(204)	(91)
Changes in non-cash operating items	2,475	(1,303)
Other adjustment		
Property rent ⁽¹⁾	300	300
FFO for the period	\$ 14,245	\$ 13,052
FFO per unit		
Basic	\$ 0.43	\$ 0.40
Diluted	\$ 0.42	\$ 0.40
Weighted-average number of units:		
Basic ⁽²⁾	33,107	32,346
Diluted ⁽²⁾	34,234	33,519

⁽¹⁾ Included in 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 per unit amounts	Three month period ended	
	March 31,	
	2009	2008
Loss for the period	\$ (13,531)	\$ (1,857)
Add amortization on:		
Income-producing properties	7,480	6,926
Acquired in-place leases	8,451	8,624
Customer relationships	2	5
Tenant inducements and leasing costs	705	261
Tenant inducements amortized to revenue	65	-
Gain (loss) on disposal of income-producing properties	(591)	-
Future income tax expense (recovery)	11,127	(417)
Other adjustments		
Property rent ⁽¹⁾	300	300
Non-controlling interest ⁽²⁾	33	138
Unrealized (gain) loss on commodity derivatives ⁽³⁾	204	(928)
FFO for the period	\$ 14,245	\$ 13,052

⁽¹⁾ Included in 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⁾ Included in 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⁾ Included in (excluded from) FFO is an unrealized (gain) loss on the increase in fair value of commodity derivatives.

In Q1-09, FFO has increased \$1,193, or 9.1%, over Q1-08. This increase is attributed to the impact of acquisitions during 2008, as well as internal growth achieved as below-market leases roll over at current market rates. Basic FFO per unit has increased by \$0.03, or 7.5%, over Q1-08. On a diluted basis, FFO per unit has increased \$0.02, or 5.0% over Q1-08.

Management anticipates there is further growth possible in FFO that may be realized should below-market leases be renewed at higher rates. Q1-09, FFO may not be indicative of future results due to the disposition of one income-producing property in Q1-09, and dispositions in subsequent periods.

ANALYSIS OF FINANCIAL POSITION

ASSETS

\$000's	March 31,		December 31,	
	2009	2008	2008	Decrease
Income-producing properties	\$ 1,016,287	\$ 1,030,181	\$	(13,894)
Other assets, including intangibles	179,885	199,077		(19,192)
Cash, cash equivalents and cash held in trust	12,998	14,435		(1,437)
	\$ 1,209,170	\$ 1,243,693	\$	(34,523)

Income-producing properties and related intangible assets:

The decrease in assets is a result of the disposition of one commercial property in Q1-09 in addition to amortization recorded in the period.

The REIT did not acquire any income-producing properties in Q1-09.

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. Subsequent to period end, Artis reached a settlement with the vendor of the Interplex III project and has agreed to terminate the agreement. The 177,566 Class B units of AXLP that were issued for a 50% interest in the Interplex III lands will be returned to AXLP for cancellation, and the 50% interest in land will be transferred to the vendor.

Notes receivable:

In conjunction with the 2007 acquisition of TransAlta Place, the REIT acquired a note receivable in the amount of \$31,000. The note bears interest at 5.89% per annum and is repayable in varying blended monthly instalments of principal and interest. The note is transferable at the option of the REIT and matures in May, 2023.

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 Q1-09 totaled \$89 compared to \$2,155 in Q1-08. The current period costs were primarily related the continued redevelopment of Willingdon Green. In Q1-08, the majority of the costs were related to the 40,000 square foot two-storey addition to the Millennium Centre located in downtown Red Deer, Alberta.

Tenant inducements and leasing costs:

Other assets of the REIT at March 31, 2009 include \$13,811 of unamortized tenant inducement and leasing costs related to the leasing or re-leasing of space, compared to \$11,540 at December 31, 2008. Of this total, \$13,231 relates to properties in use, and \$580 relates to properties available for sale. 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 amortized over the terms of the underlying leases.

In Q1-09, Artis incurred \$2,960 of tenant inducements and leasing costs compared to \$1,354 in Q1-08.

\$000's	Three month period ended	
	March 31,	
	2009	2008
Tenant inducements	\$ 2,434	\$ 110
Leasing commissions	526	1,244
Total	\$ 2,960	\$ 1,354

Future income tax assets:

The REIT believes that it has met the REIT Conditions effective January 1, 2009. Accordingly, the future income tax asset recorded in prior periods was reversed in the quarter. In respect of assets and liabilities of the REIT, and its flow through entities, the tax basis of net assets exceeds their net book value for accounting purposes by approximately \$32,549 at March 31, 2009 (December 31, 2008, \$43,045).

Deposits on income-producing properties:

Included in deposits on income-producing properties at March 31, 2009 is \$6,559 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 \$2,900 earned by the REIT under the terms of the Interplex II purchase and sale agreement up to March 31, 2009, offset by the \$1,444 distributions paid (or payable) on the Class B units issued and the \$215 of costs that were incurred related to this project. Subsequent to period end, the REIT entered into an agreement with the vendor of the Interplex II project, and has agreed to terminate the agreement. The vendor of Interplex II will be entitled to \$100 of Property rent, and retain the 543,781 Class B units of AXLP that were issued as a deposit. The Class B units will be converted into REIT units at the closing of the settlement agreement, and the interest of AXLP in the Interplex II project will be transferred to the vendor.

At March 31, 2009, Artis had made \$100 of deposits on other income-producing properties, compared to \$nil at December 31, 2008.

Cash and cash equivalents:

At March 31, 2009, the REIT had \$9,440 of cash and cash equivalents on hand, compared to \$13,847 at December 31, 2008. The balance is anticipated to be primarily 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,		December 31,	
	2009	2008	Decrease	
Long-term debt	\$ 714,663	\$ 721,275	\$ (6,612)	
Other liabilities	115,018	121,117	(6,099)	
Bank indebtedness	32,500	32,500	-	
	\$ 862,181	\$ 874,892	\$ (12,711)	

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, 2009 was 51.8%, compared to 51.6% at December 31, 2008.

\$000's	March 31,		December 31,	
	2009	2008		
GBV	\$ 1,355,007	\$ 1,374,377		
Mortgages, loans and bank indebtedness	701,895	708,869		
Mortgages and loans to GBV	51.8 %	51.6 %		
Carrying value of convertible debentures	\$ 45,268	\$ 44,906		
Total long-term debt and bank indebtedness	747,163	753,775		
Total long-term debt to GBV	55.1 %	54.8 %		

In its 2009 Management Information Circular, the REIT tabled a motion seeking Unitholder approval to amend its Declaration of Trust to authorize Artis to create and issue a new class of preferred equity securities ("Preferred Units"). Artis believes that Preferred Units would be an attractive investment for certain investors in the current economic and market conditions. The issuance of Preference Units would enable the REIT to attract new investors as well as to potentially provide Artis with an opportunity to reduce its cost of capital. The issuance of such Preference Units is conditional on Unitholders' approving the motion to amend the Declaration of Trust, the receipt of a favourable tax ruling from the Canada Revenue Agency as well as support and demand for such a security in the market.

Artis REIT is currently committed to maintaining a total debt to GBV ratio of 60% or lower. In the event that the REIT issues Preferred Units, the Trustees have approved a guideline stipulating that for purposes of calculating the debt to GBV ratio, Preferred Units (although considered equity under Canadian GAAP) would be included in the debt component of the calculation.

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 Q1-09, \$3,366 of principal repayments were made, compared to \$2,682 in Q1-08. In Q1-09, the REIT refinanced the mortgage on one income-producing property, and increased the outstanding mortgage by a further \$1,343. The weighted-average interest rate on the mortgage decreased from 6.2% to 5.4%. The mortgage was renewed for a term of three years.

The weighted-average term to maturity at March 31, 2009 is 4.75 years, compared to 5.0 years at December 31, 2008.

Convertible debentures:

Artis has four series of convertible debentures outstanding as at March 31, 2009, as follows:

\$000's				March 31, 2009		December 31, 2008	
	Issued	Maturity	Face rate	Carrying value	Face value	Carrying value	Face value
Series A	4-Aug-05	4-Aug-10	7.75%	\$ 565	\$ 620	\$ 555	\$ 620
Series B	9-Nov-05	9-Nov-10	7.50%	2,066	2,313	2,034	2,313
Series C	4-May-06	31-May-13	6.25%	23,621	29,920	23,336	29,920
Series D	30-Nov-07	30-Nov-14	5.00%	19,016	20,000	18,981	20,000
				\$ 45,268	\$ 52,853	\$ 44,906	\$ 52,853

In accordance with GAAP, Artis reduced the carrying value of its debentures by \$1,234 at March 31, 2009, (\$1,269 at December 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 \$362 in Q1-09, compared to \$376 in Q1-08. The weighted-average effective rate of the debentures at March 31, 2009 was 10.33%, which is unchanged from December 31, 2008.

Other liabilities and bank indebtedness:

Other liabilities includes the unamortized below-market rent intangible liability of \$87,132 at March 31, 2009. This decreased \$4,054 from \$91,186 at December 31, 2008, as a result of amortization, and the property disposed of during the period. Included in other liabilities are security deposits paid by tenants, rents prepaid by tenants at March 31, 2009, accounts payable and accruals, as well as the March 31, 2009 distribution payable to unitholders of \$2,979, subsequently paid on April 15, 2009. Also included in accounts payable and accruals are \$10,500 of non-refundable deposits received on the sale transaction of two Class "B" suburban office properties in Calgary, which closed April 1, 2009. Bank indebtedness relates to the balance drawn on the REIT's revolving term credit facility. At March 31, 2009, Artis had drawn \$32,500 on its credit 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 3.40% 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, 2009, after making certain adjustments required under GAAP, is \$10,242 (see Notes 13 and 26 of the Unaudited Interim Consolidated Financial Statements for further details).

UNITHOLDERS' EQUITY

Unitholders' equity decreased overall by \$21,796 between March 31, 2009 and December 31, 2008. The decrease is due to the net loss for the year of \$13,531, the distributions made to unitholders of \$8,732, and units repurchased made under the Normal Course Issuer Bid ("NCIB") of \$284, net of the adjustments below.

Unitholders' equity increased \$751 between March 31, 2009 and December 31, 2008, as a result of the issuance of units under the DRIP and adjustments to contributed surplus to reflect unit-based compensation expense in the year.

LIQUIDITY AND CAPITAL RESOURCES

In Q1-09, Artis generated \$7,709 of cash flows from operating activities compared to \$10,287 in Q1-08. Cash flows from operations assisted in funding distributions to Unitholders of \$8,732, distributions to Class B unitholders of \$196, and for principal repayments on mortgages and loans of \$3,366.

During the period, the REIT disposed of the Plainsman Building for net cash proceeds of \$2,763. \$2,457 of this amount is held in trust at March 31, 2009, and has been received subsequent. Cash of \$3,049 was used for capital building improvements and for tenant inducements and leasing costs compared to \$3,509 in Q1-08.

At March 31, 2009, Artis had \$9,440 of cash and cash equivalents on hand. Management anticipates that the cash on hand will be primarily used for working capital purposes.

Subsequent to the period, the REIT received a total of \$3,696 on account of cash to close on the sale of Airways Business Plaza and Glenmore Commerce Court, and a deposit on the subsequent disposition of the McKnight Village Mall.

On September 28, 2008, Artis entered into an agreement to renew its revolving term credit facility for a total amount of \$60,000 which may be utilized to fund acquisitions of office, retail and industrial properties. The credit facility may be extended for an additional year at the REIT's option; if the option is not exercised, the credit facility matures on September 28, 2009. \$27,500 of the facility is undrawn and available for future acquisitions. \$10,000 of the facility can be utilized for general corporate purposes; \$10,000 may be utilized to provide mezzanine financing; and \$7,500 can be utilized to purchase units under the REIT's NCIB. As at March 31, 2009, the REIT had incurred bank indebtedness of \$32,500, representing amounts drawn on the available credit facility used to fund current year 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.

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

CONTRACTUAL OBLIGATIONS

\$000's	Total	Less than 1			After 5 years
		year	1 - 3 years	4 - 5 years	
Mortgages, loans and bank indebtedness	\$ 703,575	\$ 107,480	\$ 154,593	\$ 204,936	\$ 236,566
Convertible debentures ⁽¹⁾	52,853	-	2,933	29,920	20,000
Total	\$ 756,428	\$ 107,480	\$ 157,526	\$ 234,856	\$ 256,566

⁽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.

At March 31, 2009, obligations due within one year include \$74,980 of mortgages due in next twelve months. \$24,404 of the obligations due within one year relate to the mortgages on properties held for sale. These mortgages have a weighted-average term to maturity of 6 years and have been classified as current as the mortgages are to be assumed by the purchasers on the closing of the sale transactions. Of the remaining \$50,576 of mortgages due within one year, \$31,498 mature during the latter half of 2009, and \$7,578 mature in Q1-10. Total current obligations

also include \$32,500 drawn on the revolving term credit facility. At the REIT's option, the credit facility may be extended to September, 2010. The remaining balance represents scheduled principal repayments. The REIT is currently in discussions with various lenders regarding the remaining 2009 mortgage renewals. None of the REIT's mortgages are held by conduit lenders and none have been securitized by the lender.

Management is of the view that refinancing risk is the paramount concern facing the real estate sector in the near term. The pressures many of the U.S.-based REITs are facing today are not due to declining rental rates or higher vacancies, but to a lack of available capital. While banks and insurance companies have pulled back on commercial real estate lending, they are not adverse to refinancing performing mortgages or financing new properties with strong operating fundamentals.

SUMMARIZED QUARTERLY INFORMATION:

\$000's, except per unit amounts ⁽¹⁾ ⁽²⁾ ⁽³⁾

	Q1-09	Q4-08	Q3-08	Q2-08	Q1-08	Q4-07	Q3-07	Q2-07
Revenue	\$ 36,577	\$ 37,227	\$ 35,186	\$ 34,428	\$ 32,593	\$ 30,439	\$ 25,774	\$ 21,599
Property operating expenses	11,802	12,305	11,013	10,576	9,845	9,263	7,882	7,270
Property NOI	24,775	24,922	24,173	23,852	22,748	21,176	17,892	14,329
Interest	10,284	10,466	10,055	9,931	9,580	8,385	7,383	6,061
	14,491	14,456	14,118	13,921	13,168	12,791	10,509	8,268
Expenses:								
Corporate	1,201	1,350	1,137	1,342	1,140	1,382	1,257	1,061
Amortization	16,342	13,335	13,986	14,147	14,884	12,187	10,707	8,974
Unrealized (gain) loss on commodity derivatives	204	68	1,092	(455)	(928)	-	-	-
	17,747	14,753	16,215	15,034	15,096	13,569	11,964	10,035
Loss before the undernoted	(3,256)	(297)	(2,097)	(1,113)	(1,928)	(778)	(1,455)	(1,767)
Gain (loss) on disposal of income-producing properties	-	(197)	-	-	-	(10)	2,521	-
Non-controlling interest	(5)	(98)	(27)	(10)	(143)	-	-	-
Income (loss) before income taxes and discontinued operations	\$ (3,261)	\$ (592)	\$ (2,124)	\$ (1,123)	\$ (2,071)	\$ (788)	\$ 1,066	\$ (1,767)
Future income tax (expense) recovery	(10,898)	(36)	(59)	(976)	362	(1,471)	(197)	12,033
Income (loss) from discontinued operations	628	(501)	197	119	(148)	(80)	8	10
Income (loss) for the period	\$ (13,531)	\$ (1,129)	\$ (1,986)	\$ (1,980)	\$ (1,857)	\$ (2,339)	\$ 877	\$ 10,276
Basic income (loss) per unit	\$ (0.42)	\$ (0.03)	\$ (0.06)	\$ (0.06)	\$ (0.06)	\$ (0.03)	\$ 0.03	\$ 0.45
Diluted income (loss) per unit	\$ (0.42)	\$ (0.03)	\$ (0.06)	\$ (0.06)	\$ (0.06)	\$ (0.03)	\$ 0.03	\$ 0.41

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

⁽²⁾ Results for 2008 have been restated, refer to Note 2(b) of the Unaudited Interim Consolidated Financial Statements for the three months ended March 31, 2009 and 2008.

⁽³⁾ Results for 2007 have not been restated for the change in accounting policy noted above.

Reconciliation of GAAP Income (Loss) to DI:

\$000's, except per unit amounts ⁽⁴⁾ ⁽⁵⁾

	Q1-09	Q4-08	Q3-08	Q2-08	Q1-08	Q4-07	Q3-07	Q2-07
Income (loss) for the period	\$ (13,531)	\$ (1,129)	\$ (1,986)	\$ (1,980)	\$ (1,857)	\$ (2,339)	\$ 877	\$ 10,276
Add:								
Amortization (excluding amortized leasing costs)	15,933	14,314	13,922	14,313	15,555	12,640	10,962	9,219
Accretion on liability component of debentures	362	355	349	384	376	374	391	490
Unit-based compensation expense	61	144	143	144	136	262	261	322
Unrealized (gain) loss on commodity derivatives	204	68	1,092	(455)	(928)	-	-	-
(Gain) loss on disposal of income-producing properties	(591)	197	-	-	-	10	(2,521)	-
Future income tax expense (recovery)	11,127	(211)	156	1,020	(417)	1,433	201	(12,028)
Other adjustments								
Property rent ⁽¹⁾	300	300	300	300	300	300	300	300
Non-controlling interest ⁽²⁾	33	79	34	14	138	-	-	-
Distributable income (DI)	\$ 13,898	\$ 14,117	\$ 14,010	\$ 13,740	\$ 13,303	\$ 12,680	\$ 10,471	\$ 8,579
DI per unit								
Basic	\$ 0.42	\$ 0.43	\$ 0.42	\$ 0.42	\$ 0.41	\$ 0.41	\$ 0.38	\$ 0.37
Diluted	\$ 0.41	\$ 0.41	\$ 0.41	\$ 0.40	\$ 0.40	\$ 0.39	\$ 0.37	\$ 0.35
Weighted-average number of units:								
Basic ⁽³⁾	33,107	33,082	33,000	32,780	32,346	31,133	27,546	23,326
Diluted ⁽³⁾	36,189	36,164	36,152	35,983	35,782	35,114	30,520	26,413

⁽¹⁾ Included in 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⁾ Included in 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.

⁽⁴⁾ Results for 2008 have been restated, refer to Note 2(b) of the Unaudited Interim Consolidated Financial Statements for the three months ended March 31, 2009 and 2008.

⁽⁵⁾ Results for 2007 have not been restated for the change in accounting policy noted above.

Reconciliation of GAAP Income (Loss) to FFO:

\$000's, except per unit amounts ⁽⁴⁾ ⁽⁵⁾

	Q1-09	Q4-08	Q3-08	Q2-08	Q1-08	Q4-07	Q3-07	Q2-07
Loss for the period	\$ (13,531)	\$ (1,129)	\$ (1,986)	\$ (1,980)	\$ (1,857)	\$ (2,339)	\$ 877	\$ 10,276
Add amortization on:								
Income-producing properties	7,480	6,927	6,906	6,709	6,926	6,014	5,284	4,340
Acquired in-place leases	8,451	7,385	7,011	7,598	8,624	6,620	5,673	4,874
Customer relationships	2	2	5	6	5	6	5	5
Tenant inducements and leasing costs	705	409	374	307	261	231	194	191
Tenant inducements amortized into revenue	65	110	-	-	-	-	-	-
Unrealized (gain) loss on commodity derivatives	204	68	1,092	(455)	(928)	-	-	-
(Gain) loss on disposal of income-producing properties	(591)	197	-	-	-	10	(2,521)	-
Future income tax expense (recovery)	11,127	(211)	156	1,020	(417)	1,433	201	(12,028)
Other adjustments								
Property rent ⁽¹⁾	300	300	300	300	300	300	300	300
Non-controlling interest ⁽²⁾	33	79	34	14	138	-	-	-
Funds from operations (FFO)	\$ 14,245	\$ 14,137	\$ 13,892	\$ 13,519	\$ 13,052	\$ 12,275	\$ 10,013	\$ 7,958
FFO per unit								
Basic	\$ 0.43	\$ 0.43	\$ 0.42	\$ 0.41	\$ 0.40	\$ 0.39	\$ 0.36	\$ 0.34
Diluted	\$ 0.42	\$ 0.42	\$ 0.42	\$ 0.41	\$ 0.40	\$ 0.39	\$ 0.36	\$ 0.34
Weighted-average number of units:								
Basic ⁽³⁾	33,107	33,082	33,000	32,780	32,346	31,133	27,546	23,326
Diluted ⁽³⁾	34,234	34,209	34,197	34,020	33,519	31,197	27,725	23,512

⁽¹⁾ Included in 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⁾ Included in 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.

⁽⁴⁾ Results for 2008 have been restated, refer to Note 2(b) of the Unaudited Interim Consolidated Financial Statements for the three months ended March 31, 2009 and 2008.

⁽⁵⁾ Results for 2007 have not been restated for the change in accounting policy noted above.

Artis has executed an aggressive but disciplined external growth strategy, resulting in strong growth in revenues.

Management believes that there is further growth possible in the REIT's portfolio that may be realized should below-market leases be renewed at higher rates. Q1-09, DI and FFO may not be indicative of future results due to the disposition of one income-producing property in Q1-09, and dispositions in subsequent periods.

RELATED PARTY TRANSACTIONS

\$000's

Three month period ended
March 31,

	2009	2008
Legal fees expensed	\$ 80	\$ 27
Capitalized legal fees	445	191
Advisory fees	661	585
Capitalized acquisition fees	-	199
Property management fees	1,291	1,003
Capitalized leasing commissions	566	1,244
Capitalized building improvements	287	1,773
Tenant inducements	53	-

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, 2009 is \$nil (December 31, 2008, \$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, 2009 is \$221 (December 31, 2008, \$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, 2009 is \$123 (December 31, 2008, \$546). 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, 2009 is \$23 (December 31, 2008, \$292).

OUTSTANDING UNIT DATA

The balance of units outstanding as of May 11, 2009, not including Class B units, is as follows:

Units outstanding at March 31, 2009	32,373,332
Units issued (DRIP)	21,611
Units acquired and cancelled through normal course issuer bid subsequent to March 31, 2009	<u>-</u>
Units outstanding at May 11, 2009	<u>32,394,943</u>

The balance of options outstanding as of May 11, 2009 is as follows:

	<u>Options outstanding</u>	<u>Options exercisable</u>
\$11.25 options, issued December 8, 2005	217,036	145,938
\$14.40 options, issued October 11, 2006	380,500	281,000
\$15.85 options, issued February 8, 2007	269,750	201,250
\$17.60 options, issued June 11, 2007	319,050	159,524
\$17.75 options, issued October 17, 2007	<u>272,000</u>	<u>68,000</u>
	<u>1,458,336</u>	<u>855,712</u>

2009 OUTLOOK

Global economies, and Canada's economy specifically, are now working through a recessionary period; rising unemployment and slowing demand are evident to varying degrees across the country. This is impacting commercial vacancy rates across most market segments. According to the Conference Board of Canada, real GDP is forecast to decline 1.7% for Canada in 2009; the Bank of Canada's most recent forecast suggests a return to GDP growth toward the end of 2009.

Artis, like other Canadian REITs, will face a number of challenges in the remainder of 2009, including financing risk, credit risk and lease rollover risk. Artis believes it is well positioned to address these challenges for the following reasons:

- the mortgage debt to gross book value ratio is 51.8%, and only 4.7% of its mortgage debt matures in the remainder of 2009. None of these mortgages are held by conduit lenders or have been securitized by the lender;
- Artis REIT's largest tenant is AMEC Americas Ltd. which accounts for 5.9% of the REIT's gross revenues. No other tenant in the portfolio accounts for more than 5% of gross revenues. At March 31, 2009, 53.9% of the REIT's GLA is occupied by national tenants and 8.5% is occupied by government tenants;
- To date, approximately 48% of all 2009 lease expiries have been renewed or new lease commitments secured. 8.5% of the total portfolio GLA will expire in the remainder of 2009. Excluding the property in redevelopment, the weighted-average rate increase achieved on the leasing activity in Q1-09 was 14.1%. In 2010, 15.6% of the portfolio GLA expires and approximately 14.0% have already been renewed or new lease commitments secured.

Artis believes that there is further potential growth in revenues, Property NOI, DI and FFO that may be realized should below-market lease be renewed at higher rental rates. Artis estimates that the weighted-average market rent rates at March 31, 2009, for all remaining 2009 lease expiries are approximately 18.7% higher than the rates in place at expiry.

At March 31, 2009, Artis had \$13.0 million of cash and cash equivalents on hand or held in trust. In addition, Artis expects to realize a further \$11.4 million in cash proceeds (net of deposits already received) from dispositions to be closed in Q2-09. In addition to cash resources, the REIT also has \$27.5 million undrawn and available on its Line of Credit. The undrawn balance can be utilized to fund future acquisitions; alternately, up to \$10 million of the undrawn facility may be utilized for general corporate purposes, up to \$10 million may be utilized to provide mezzanine financing and up to \$7.5 million may be utilized to purchase units under the REIT's normal course issuer bid.

Subsequent to March 31, 2009, Artis announced two further dispositions. On April 1, 2009, the sale of the properties known as Airways Business Plaza and Glenmore Commerce Court was completed. Both properties are Class "B" Suburban office properties in Calgary, Alberta. The properties were sold for \$24.9 million, representing a cap rate of 6.3%. Artis expects to record a gain on sale of approximately \$6.38 million in the second quarter of 2009 on the transaction. Cash proceeds realized on the transaction totaled \$12.69 million. Artis has also entered into an unconditional agreement to sell the property known as McKnight Village Mall to an institutional investor for a total of \$23.15 million, which represents a cap rate of 8.35%. The sale of this Calgary retail property is expected to close on May 15, 2009. Artis expects to record a gain on sale of approximately \$2.24 million on the transaction and will in addition realize cash proceeds of approximately \$9.25 million.

The REIT has entered into conditional agreements to dispose of one property in Calgary, Alberta, and one property in Regina, Saskatchewan. The REIT anticipates that the dispositions will close in July, 2009. The sale price for one of the properties will be satisfied by cash consideration. The REIT will be responsible for the payout of the outstanding mortgage. The sale price for the second property will be satisfied by a combination of the assumption of the existing mortgage and cash consideration. The carrying value of the assets to be disposed of is \$9,166.

On May 11, 2009, Artis reached a settlement with the vendor of the Interplex II and Interplex III projects, and has agreed to terminate both agreements. From the inception of the Interplex II agreement to March 31, 2009, Artis has recorded \$2,900 in Property rent. Artis will be entitled to retain \$2,800 of this Property rent, and the vendor of Interplex II will be entitled to \$100 of Property rent, and retain the 543,781 Class B units of AXLP that were issued as a deposit. The Class B units will be converted into REIT units at the closing of the settlement agreement, and the interest of AXLP in the Interplex II project will be transferred to the vendor. The 177,566 Class B units of AXLP that were issued for a 50% interest in the Interplex III lands will be returned to AXLP for cancellation, and the 50% interest in land will be transferred to the vendor.

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

RISKS AND UNCERTAINTIES

REAL ESTATE OWNERSHIP

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. The REIT's properties are located in western Canada, with a significant majority of our properties, measured by gross leasable area, located in the province of Alberta. As a result, our properties are impacted by factors specifically affecting the real estate markets in Alberta, British Columbia, Saskatchewan and Manitoba. These factors may differ from those affecting the real estate markets in other regions of Canada. If real estate conditions in western Canada were to decline relative to real estate conditions in other regions, this could more adversely impact our revenues and results of operations than those of other more geographically diversified REITs in Canada. Our ability to manage risk through geographical diversification is currently limited. According to the Conference Board of Canada, Canada's economy is expected to continue to contract, resulting in a 1.7% decline in real GDP in 2009. While Manitoba and Saskatchewan are expected to remain in positive territory in 2009, economic contraction in British Columbia and Alberta may have an impact on the REIT's results.

DEBT FINANCING

Artis will be subject to the risks associated with debt financing. In the current economic environment, lenders may tighten their lending standards such that less financing is available, or terms are less favourable than the current indebtedness. There can be no assurance that Artis will be able to refinance its existing indebtedness on terms that are as or more favourable to Artis as the terms of existing indebtedness. The inability to replace financing of debt on maturity would have an adverse impact on the financial condition and results of Artis.

Management seeks to mitigate this risk in a variety of ways. First, management considers structuring the timing of the renewal of significant tenant leases on properties in relation to the time at which mortgage indebtedness on such property becomes due for refinancing. Second, management seeks to secure financing from a variety of lenders on a property by property basis. Third, mortgage terms are, where practical, structured such that the exposure in any one year to financing risks is balanced.

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, 2009, government tenants contribute 9.8% to the REIT's overall gross revenue and occupy 8.5% 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 by gross revenue is AMEC Americas Ltd., a global supplier of consultancy, engineering and project management services to the energy, power and process industries. AMEC Americas Ltd. is a London Exchange listed entity with a market capitalization in excess of \$3.2 billion. The second largest tenant by gross revenue is TransAlta Corporation, a Standard & Poor's BBB rated multi national corporation with a market capitalization of nearly \$4.2 billion.

Top Ten Tenants by GLA	Share	Top Ten Tenants by Gross Revenue	Share
TransAlta Corporation	5.3%	AMEC Americas Ltd.	5.9%
AMEC Americas Ltd.	3.1%	TransAlta Corporation	3.5%
Red River Packaging	3.1%	Birchcliff Energy	2.5%
Reliance Products Limited Partnership	2.7%	Credit Union Central	2.2%
Sobeys	2.4%	Sobeys	2.1%
Sears	1.7%	Shoppers Drug Mart	1.9%
Shoppers Drug Mart	1.6%	Bell Canada	1.6%
Credit Union Central	1.4%	MTS Allstream	1.4%
Bell Canada	1.2%	Q9 Networks Inc.	1.4%
MTS Allstream	1.2%	Komex International	1.2%
Total of Top Ten by GLA	23.7%	Total of Top Ten by Gross Revenue	23.7%

Government Entities by GLA	Share	Government Entities by Gross Revenue	Share
Federal Government	3.2%	Federal Government	3.7%
Provincial Government	3.6%	Provincial Government	4.6%
Civic or Municipal Government	1.7%	Civic or Municipal Government	1.5%
Total Government by GLA	8.5%	Total Government by Gross Revenue	9.8%

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. A contraction in the Canadian economy would negatively impact demand for space in retail, office and industrial properties across Canada, consequently increasing the risk that leases expiring in the near term will not be renewed.

Details of the portfolio's expiry schedule is as follows:

Expiry Year	British Columbia	Saskatchewan	Manitoba	Alberta	Calgary Office Only	Total
2009	0.4%	0.7%	3.1%	4.3%	1.6%	8.5%
2010	0.4%	1.4%	6.5%	7.3%	1.9%	15.6%
2011	0.2%	0.8%	5.3%	9.2%	5.2%	15.5%
2012	1.3%	0.4%	1.6%	4.3%	2.2%	7.6%
2013	0.3%	1.9%	4.3%	8.0%	5.0%	14.5%
2014	0.4%	0.5%	4.4%	2.7%	1.2%	8.0%
2015 & later	1.6%	2.0%	4.2%	17.7%	7.0%	25.5%
Vacant	1.1%	0.0%	0.9%	2.8%	1.5%	4.8%
Total Square Feet	362,195	493,999	1,933,706	3,596,836	1,637,201	6,386,736

Artis' portfolio has a significant weighting of Calgary office properties. A number of new building projects are underway in the Calgary office market with completion dates expected in 2009 through to 2012. Not all of this new inventory has been committed under lease, and certain of the REIT's properties will compete with the new inventory, creating additional lease rollover risk. Artis' exposure to lease rollover risk in the Calgary office market is limited to approximately 102,000 square feet in the remainder 2009, and approximately 121,000 square feet in 2010.

In total, only 8.5% of the portfolio's leasable area will expire in the remainder of 2009. To date, approximately 48% of total 2009 lease expiries, and 14% of 2010 lease expiries, have been renewed or new lease commitments secured. The weighted-average term to maturity of all leases in the portfolio is 5.04 years; for the top ten tenants (who account for 23.7% of the portfolio's gross revenues), the weighted-average lease term is 9.4 years.

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. Prior to the end of 2008, the REIT undertook various restructuring activities in order to attempt to meet the requirements of the REIT Conditions, and the REIT intends to comply with the REIT Conditions so that the New SIFT Rules will not apply to the REIT in 2009 and subsequent years. There can be no assurances, however, that the REIT will be able to satisfy the REIT Conditions such that the REIT will not be subject to the tax imposed by the New SIFT Rules.

Under the New SIFT Rules, a flow-through subsidiary of the REIT may also be a SIFT. Certain technical amendments to the SIFT definition to exclude certain flow-through subsidiaries of a SIFT that are able to meet certain ownership conditions were passed into law on March 12, 2009.

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.

The 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.

In February 2008, The Canadian Accounting Standards Board ("AcSB") confirmed that the adoption of International Financial Reporting Standards ("IFRS") would be effective for interim and annual periods beginning on or after January 1, 2011 for profit oriented Canadian publicly accountable enterprises. IFRS will replace Canada's current GAAP for these enterprises. Comparative IFRS information for the previous fiscal year will also have to be reported. These new standards will be effective for the REIT in the first quarter of 2011.

The REIT has commenced the process to transition from current GAAP to IFRS. It has established a project team that is led by the Chief Financial Officer, and will include representatives from various areas of the organization as necessary to plan for and achieve a smooth transition to IFRS. Regular progress reporting to the Audit Committee of the Board of Trustees on the status of the IFRS implementation project has begun.

Key elements of the plan that are currently in progress include, but are not limited to:

- On-going education and training sessions for employees;
- An assessment of the application of IFRS 1, *First-time Adoption of International Financial Reporting Standards*, which provides guidance for an entity's initial adoption of IFRS, and provides for limited optional exemptions in specified areas of certain IFRS standards;
- An assessment of the impact of IFRS accounting standards on business activities;
- The development of a real estate valuations strategy and process; and
- The conversion to information systems that are compatible with IFRS requirements.

The REIT's management is currently in the process of evaluating the potential impact of IFRS to the consolidated financial statements. This will be an ongoing process as new standards and recommendations are issued by the International Accounting Standards Board and the AcSB. The REIT's consolidated financial performance and financial position as disclosed in the current GAAP financial statements may be significantly different when presented in accordance with IFRS.

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, 2009, 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, 2009.

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, 2009.

During the year ended March 31, 2009, 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.