



ARTIS

REIT

**Management's Discussion & Analysis
Q1 - 10**

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

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, 2009 and 2008, the unaudited interim consolidated financial statements for the periods ended March 31, 2010 and 2009, and the notes thereto. This MD&A has been prepared taking into account material transactions and events up to and including May 11, 2010. 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.

NOTICE RESPECTING NON-GAAP MEASURES

Property Net Operating Income ("Property NOI"), Distributable Income ("DI") 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 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 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 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 period, 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.

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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”. On May 14, 2009, unitholders authorized the trustees of Artis to implement certain amendments to Artis' declaration of trust which, if implemented, would have the effect of converting Artis to a closed-end trust. As at May 11, 2010, the trustees of Artis have not yet implemented such amendments.

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, Series C, Series E, and Series F convertible debentures trade under the symbols AX.DB.A, AX.DB.B, AX.DB.C, AX.DB.E, and AX.DB.F respectively. As at May 11, 2010, there were 50,076,980 units, and 490,286 options of Artis outstanding (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:

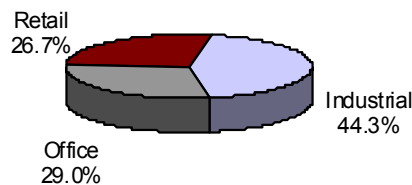
- to provide unitholders with stable and growing cash distributions, payable monthly and, to the maximum extent practicable, income tax deferred, from investments in a diversified portfolio of income-producing office, retail and industrial properties located in western Canada;
- to enhance the value 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) will be the amount of distributable income set down in a policy by the Trustees.

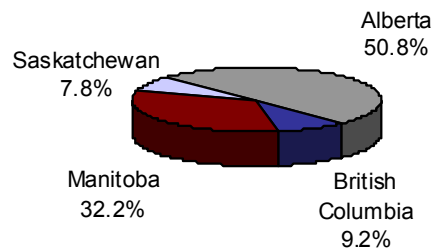
PORTFOLIO SUMMARY

At March 31, 2010, the REIT's portfolio was comprised of 104 commercial properties located across western Canada totaling approximately 8.19 million square feet (s.f.) of gross leasable area (“GLA”).

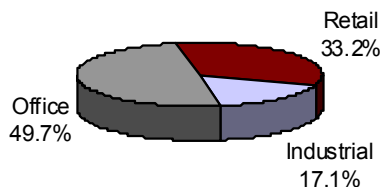
GLA by Asset Class



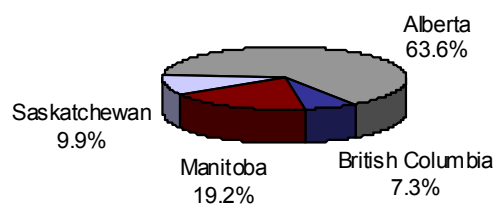
GLA by Province



Property NOI by Asset Class



Property NOI by Province



Occupancy Report by Province ⁽¹⁾

Province	Q1-09	Q2-09	Q3-09	Q4-09	Q1-10	% Committed ⁽²⁾
Alberta	95.0%	95.4%	95.2%	96.5%	96.8%	98.1%
British Columbia	89.9%	89.9%	100.0%	83.5%	89.2%	99.9%
Manitoba	97.1%	97.8%	97.2%	98.2%	96.2%	96.4%
Saskatchewan	99.8%	100.0%	99.6%	99.6%	99.7%	100.0%
Total Portfolio	95.8%	96.2%	96.4%	96.6%	96.2%	97.9%

Occupancy Report by Asset Class ⁽¹⁾

Asset Class	Q1-09	Q2-09	Q3-09	Q4-09	Q1-10	% Committed ⁽²⁾
Industrial	98.5%	99.2%	98.1%	96.1%	95.8%	97.9%
Office	93.2%	93.4%	93.1%	95.2%	95.6%	96.3%
Retail	96.6%	97.3%	99.1%	98.8%	97.7%	99.4%
Total Portfolio	95.8%	96.2%	96.4%	96.6%	96.2%	97.9%

⁽¹⁾ Excluding properties currently being redeveloped.

⁽²⁾ % Committed is based on occupancy and executed leases on vacant units.

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

	Alberta		British Columbia		Manitoba		Saskatchewan	
	GLA	%	GLA	%	GLA	%	GLA	%
2010	338	8.1 %	23	3.1 %	454	17.2 %	56	8.8 %
2011	727	17.5 %	11	1.5 %	399	15.1 %	53	8.1 %
2012	304	7.3 %	82	10.9 %	299	11.3 %	14	2.2 %
2013	560	13.5 %	23	3.1 %	366	13.9 %	120	18.8 %
2014	345	8.3 %	52	6.9 %	461	17.5 %	78	12.2 %
2015	141	3.4 %	44	5.6 %	144	5.5 %	35	5.5 %
2016 & later	1,579	38.0 %	396	52.6 %	366	13.9 %	282	44.1 %
	3,994	96.1 %	631	83.7 %	2,489	94.4 %	638	99.7 %
Month-to-month	4	0.1 %	-	0.0 %	17	0.6 %	-	0.0 %
Vacancies	155	3.8 %	123	16.3 %	133	5.0 %	2	0.3 %
Total GLA	4,153	100.0 %	754	100.0 %	2,639	100.0 %	640	100.0 %
Commitments								
2010	62.4 %		19.4 %		66.0 %		57.0 %	
2011	12.4 %		0.0 %		26.5 %		2.7 %	
Expiring Rents								
2010	\$ 11.06		\$ 14.87		\$ 8.70		\$ 13.99	
2011	\$ 13.80		\$ 13.57		\$ 7.90		\$ 15.40	
2012	\$ 17.85		\$ 16.47		\$ 7.62		\$ 18.47	
2013 & later	\$ 14.57		\$ 13.63		\$ 7.18		\$ 15.47	
Total	\$ 14.38		\$ 14.05		\$ 7.62		\$ 15.40	
Market Rents								
2010	\$ 12.90		\$ 16.10		\$ 9.27		\$ 15.75	
2011	\$ 14.28		\$ 14.79		\$ 8.50		\$ 16.46	
2012	\$ 16.46		\$ 17.46		\$ 8.60		\$ 19.56	
2013 & later	\$ 16.57		\$ 15.66		\$ 7.70		\$ 17.16	
Total	\$ 15.84		\$ 15.90		\$ 8.22		\$ 17.03	
Uplift								
2010	16.6 %		8.3 %		6.6 %		12.6 %	
2011	3.5 %		9.0 %		7.6 %		6.9 %	
2012	(7.8)%		6.0 %		12.9 %		5.9 %	
2013 & later	13.7 %		14.9 %		7.2 %		10.9 %	
Total	10.2 %		13.2 %		7.9 %		10.6 %	

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

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

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

	Office		Retail		Industrial		Total	
	GLA	%	GLA	%	GLA	%	GLA	%
2010	304	12.8 %	251	11.5 %	316	8.7 %	871	10.6 %
2011	407	17.2 %	234	10.7 %	549	15.1 %	1,190	14.6 %
2012	237	10.0 %	191	8.8 %	271	7.4 %	699	8.6 %
2013	365	15.3 %	242	11.1 %	462	12.7 %	1,069	13.1 %
2014	121	5.1 %	247	11.3 %	568	15.6 %	936	11.4 %
2015	101	4.3 %	116	5.3 %	147	4.0 %	364	4.4 %
2016 & later	697	29.3 %	819	37.6 %	1,107	30.6 %	2,623	32.1 %
	2,232	94.0 %	2,100	96.3 %	3,420	94.1 %	7,752	94.8 %
Month-to-month	18	0.8 %	1	0.0 %	2	0.1 %	21	0.2 %
Vacancies	124	5.2 %	81	3.7 %	208	5.8 %	413	5.0 %
Total GLA	2,374	100.0 %	2,182	100.0 %	3,630	100.0 %	8,186	100.0 %
Commitments								
2010	55.0 %		74.8 %		60.7 %		62.8 %	
2011	48.1 %		0.6 %		0.0 %		16.6 %	
Expiring Rents								
2010	\$ 14.38		\$ 11.20		\$ 5.16		\$ 10.11	
2011	\$ 15.74		\$ 16.41		\$ 7.12		\$ 11.89	
2012	\$ 17.77		\$ 17.93		\$ 6.16		\$ 13.33	
2013 & later	\$ 17.99		\$ 16.20		\$ 7.29		\$ 12.59	
Total	\$ 17.07		\$ 15.79		\$ 6.98		\$ 12.27	
Market Rents								
2010	\$ 16.06		\$ 12.53		\$ 5.69		\$ 11.27	
2011	\$ 15.06		\$ 19.23		\$ 7.62		\$ 12.44	
2012	\$ 15.10		\$ 20.13		\$ 6.81		\$ 13.28	
2013 & later	\$ 19.44		\$ 18.77		\$ 8.32		\$ 14.16	
Total	\$ 17.72		\$ 18.20		\$ 7.85		\$ 13.50	
Uplift								
2010	11.7 %		11.9 %		10.3 %		11.5 %	
2011	(4.3)%		17.2 %		7.0 %		4.6 %	
2012	(15.0)%		12.3 %		10.6 %		(0.4)%	
2013 & later	8.1 %		15.9 %		14.1 %		12.5 %	
Total	3.8 %		15.3 %		12.5 %		10.0 %	

Lease Expiries for Calgary Office Segment (in 000's of s.f.) ^{(1) (2)}

	Calgary Office		Other Office		Total Office	
	GLA	%	GLA	%	GLA	%
2010	66	4.9 %	238	22.9 %	304	12.8 %
2011	264	19.8 %	143	13.8 %	407	17.2 %
2012	136	10.2 %	101	9.7 %	237	10.0 %
2013	293	21.9 %	72	6.9 %	365	15.3 %
2014	53	4.0 %	68	6.6 %	121	5.1 %
2015	37	2.8 %	64	6.2 %	101	4.3 %
2016 & later	417	31.2 %	280	27.0 %	697	29.3 %
	1,266	94.8 %	966	93.1 %	2,232	94.0 %
Month-to-month	2	0.1 %	16	1.5 %	18	0.8 %
Vacancies	68	5.1 %	56	5.4 %	124	5.2 %
Total GLA	1,336	100.0 %	1,038	100.0 %	2,374	100.0 %
Commitments						
2010	25.3 %		63.3 %		55.0 %	
2011	34.1 %		74.0 %		48.1 %	
Calgary Office						
	Expiring Rents		Market Rents		Uplift	
2010	\$ 14.68		\$ 14.80		0.8%	
2011	\$ 16.95		\$ 15.60		(8.0)%	
2012	\$ 20.46		\$ 14.36		(29.8)%	
2013 & later	\$ 19.27		\$ 20.87		8.3%	
Total	\$ 18.67		\$ 18.75		0.4%	

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

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

Portfolio by City as at March 31, 2010 (in 000's of s.f.)

City	Property ⁽¹⁾	Asset Class	Leasable		Owned Share of Leasable Area	Occupancy %	Committed % ⁽²⁾
			Area	Owned %			
Acheson	53020 Range Road	Industrial	158	100 %	158	100.0 %	100.0 %
	53031 Range Road	Industrial	107	100 %	107	100.0 %	100.0 %
Acheson total			265		265	100.0 %	100.0 %
Burnaby	Kincaid Building	Office	182	50 %	91	100.0 %	100.0 %
Burnaby total			182		91	100.0 %	100.0 %
Calgary	10905 - 48th Street SE	Industrial	146	100 %	146	100.0 %	100.0 %
	417-14th Street Building	Office	18	100 %	18	100.0 %	100.0 %
	Birchcliff Energy Building	Office	68	100 %	68	100.0 %	100.0 %
	Britannia Building	Office	132	100 %	132	92.4 %	93.8 %
	Campana Place	Office	50	100 %	50	90.3 %	92.4 %
	Centre 15	Office	76	100 %	76	81.9 %	86.4 %
	Centre 70 Building	Office	132	85 %	112	93.7 %	93.7 %
	Heritage Square	Office	315	100 %	315	98.5 %	98.5 %
	Hillhurst Building	Office	63	100 %	63	71.5 %	73.8 %
	Honeywell Building	Industrial	62	100 %	62	100.0 %	100.0 %
	Horizon Heights	Retail	74	100 %	74	95.8 %	95.8 %
	Maynard Technology Centre	Industrial	153	100 %	153	100.0 %	100.0 %
	McCall Lake Industrial	Industrial	91	100 %	91	98.7 %	100.0 %
	Northwest Centre I & II	Office	78	100 %	78	100.0 %	100.0 %
	Sierra Place	Office	89	100 %	89	89.4 %	94.4 %
	Southwood Corner	Retail	121	100 %	121	85.5 %	100.0 %
	Sunridge Home Outfitters	Retail	51	100 %	51	78.5 %	100.0 %
	Sunridge Spectrum	Retail	129	100 %	129	100.0 %	100.0 %
	TransAlta Place	Office	337	100 %	337	100.0 %	100.0 %
Calgary total			2,185		2,165	95.4 %	97.3 %
Coquitlam	King Edward Centre	Retail	82	100 %	82	100.0 %	100.0 %
Coquitlam total			82		82	100.0 %	100.0 %
Delta	Cliveden Building	Industrial	139	50 %	70	0.0 %	100.0 %
	Delta Shoppers Mall	Retail	75	100 %	75	100.0 %	100.0 %
Delta total			214		145	51.8 %	100.0 %
Edmonton	12810 - 170th Street NW	Industrial	400	100 %	400	100.0 %	100.0 %
	8220 Davies Road	Industrial	14	100 %	14	100.0 %	100.0 %
	Clareview Town Centre	Retail	56	100 %	56	100.0 %	100.0 %
	Delta Centre	Industrial	35	100 %	35	100.0 %	100.0 %
	Mayfield Industrial Plaza	Industrial	24	100 %	24	100.0 %	100.0 %
	North City Centre	Retail	109	100 %	109	97.8 %	100.0 %
	Sherwood Centre	Industrial	163	100 %	163	100.0 %	100.0 %
Edmonton total			801		801	99.7 %	100.0 %
Edson	Edson Shoppers	Retail	20	100 %	20	100.0 %	100.0 %
Edson total			20		20	100.0 %	100.0 %
Estevan	Estevan Sobeys	Retail	38	100 %	38	100.0 %	100.0 %
Estevan total			38		38	100.0 %	100.0 %
Fort McMurray	100 Signal Road	Retail	14	100 %	14	100.0 %	100.0 %
	Northern Lights Shopping Centre - I	Retail	18	100 %	18	100.0 %	100.0 %
	Northern Lights Shopping Centre - II	Retail	31	100 %	31	100.0 %	100.0 %
	Signal Centre	Retail	15	100 %	15	100.0 %	100.0 %
	Tide Centre	Retail	18	100 %	18	100.0 %	100.0 %
	Woodlands Centre	Retail	63	100 %	63	100.0 %	100.0 %
Fort McMurray total			159		159	100.0 %	100.0 %
Grande Prairie	Brick Centre	Retail	46	100 %	46	100.0 %	100.0 %
	Gateway Power Centre	Retail	61	100 %	61	92.6 %	92.6 %
	Sears Centre	Retail	131	100 %	131	100.0 %	100.0 %
Grande Prairie total			238		238	98.1 %	98.1 %
Medicine Hat	Southview Centre	Retail	162	100 %	162	100.0 %	100.0 %
Medicine Hat total			162		162	100.0 %	100.0 %
Moose Jaw	Moose Jaw Sobeys	Retail	38	100 %	38	100.0 %	100.0 %
Moose Jaw total			38		38	100.0 %	100.0 %
Nanaimo	488 Albert Street	Office	30	100 %	30	100.0 %	100.0 %
	6475 Metral Drive	Office	39	100 %	39	100.0 %	100.0 %
	Aulds Corner	Retail	36	100 %	36	100.0 %	100.0 %
Nanaimo total			105		105	100.0 %	100.0 %

Portfolio by City as at March 31, 2010 (in 000's of s.f.) (continued)

City	Property ⁽¹⁾	Asset Class	Leasable Area	Owned %	Owned Share of Leasable Area	Occupancy %	Committed % ⁽²⁾
Nisku	Pepco Building	Industrial	23	100 %	23	100.0 %	100.0 %
Nisku total			23		23	100.0 %	100.0 %
Red Deer	Bower Centre	Industrial	126	100 %	126	94.1 %	94.1 %
	Millennium Centre	Office	149	100 %	149	91.9 %	95.4 %
Red Deer total			275		275	92.9 %	94.5 %
Regina	Capital City Centre	Retail	44	100 %	44	100.0 %	100.0 %
	East Landing Mall	Retail	41	100 %	41	95.3 %	100.0 %
	East Landing Plaza	Retail	24	100 %	24	100.0 %	100.0 %
	Fleet Street Crossing	Retail	38	100 %	38	100.0 %	100.0 %
	Shoppers Landmark Centre	Retail	49	100 %	49	100.0 %	100.0 %
	Strathcona Shoppers Centre	Retail	22	100 %	22	100.0 %	100.0 %
	West Landing Mall	Retail	39	100 %	39	100.0 %	100.0 %
Regina total			257		257	99.3 %	100.0 %
Saskatoon	Canarama Mall	Retail	66	100 %	66	100.0 %	100.0 %
	Circle 8 Centre	Retail	77	100 %	77	100.0 %	100.0 %
	Maple Leaf Building	Industrial	163	100 %	163	100.0 %	100.0 %
Saskatoon total			306		306	100.0 %	100.0 %
St. Albert	Liberton Square	Retail	21	100 %	21	85.1 %	100.0 %
St. Albert total			21		21	85.1 %	100.0 %
Westbank /							
West Kelowna	Westbank Hub Centre North	Retail	250	50 %	125	99.3 %	99.3 %
	Westbank Zellers	Retail	106	100 %	106	100.0 %	100.0 %
Westbank / West Kelowna total			356		231	99.6 %	99.6 %
Winnipeg	100 Omands Creek Boulevard	Industrial	50	100 %	50	100.0 %	100.0 %
	1000-1020 Powell Ave. & 1499-						
	1501 King Edward Street	Industrial	27	100 %	27	55.9 %	55.9 %
	1093 Sherwin Road	Industrial	175	100 %	175	100.0 %	100.0 %
	120-144 Bannister Road	Industrial	32	100 %	32	62.5 %	62.5 %
	1420 Clarence Avenue	Industrial	17	100 %	17	100.0 %	100.0 %
	1431 Church Avenue	Industrial	51	100 %	51	100.0 %	100.0 %
	1475 King Edward Street	Industrial	5	100 %	5	0.0 %	0.0 %
	1595 Buffalo Place	Industrial	73	100 %	73	100.0 %	100.0 %
	1658-1680 Church Avenue	Industrial	91	100 %	91	100.0 %	100.0 %
	1681-1703 Dublin Avenue	Industrial	22	100 %	22	100.0 %	100.0 %
	1717 Dublin Avenue	Industrial	30	100 %	30	100.0 %	100.0 %
	1750 Inkster Boulevard	Industrial	196	100 %	196	100.0 %	100.0 %
	1810 Dublin Avenue	Industrial	22	100 %	22	100.0 %	100.0 %
	1832 King Edward Street	Industrial	74	100 %	74	100.0 %	100.0 %
	2030 Notre Dame Avenue	Industrial	108	100 %	108	70.4 %	70.4 %
	2061 & 2065 Notre Dame Ave.	Industrial	51	100 %	51	90.3 %	90.3 %
	2110-2130 Notre Dame Ave.	Industrial	82	100 %	82	94.0 %	100.0 %
	27-81 Plymouth Street	Industrial	91	100 %	91	100.0 %	100.0 %
	500 Berry Street	Industrial	8	100 %	8	100.0 %	100.0 %
	530-538 Berry Street	Industrial	11	100 %	11	100.0 %	100.0 %
	8-30 Plymouth Street	Industrial	37	100 %	37	100.0 %	100.0 %
	850 Empress Street	Industrial	26	100 %	26	100.0 %	100.0 %
	951-977 Powell Avenue	Industrial	54	100 %	54	100.0 %	100.0 %
	CDI College Building	Office	24	100 %	24	100.0 %	100.0 %
	Grain Exchange Building	Office	236	100 %	236	91.1 %	91.1 %
	Hamilton Building	Office	66	100 %	66	100.0 %	100.0 %
	Johnston Terminal	Office	72	100 %	72	99.9 %	99.9 %
	Keewatin Distribution Centre	Industrial	202	100 %	202	100.0 %	100.0 %
	MTS Call Centre Building	Office	76	100 %	76	100.0 %	100.0 %
	Poplar Industrial Park	Industrial	71	100 %	71	100.0 %	100.0 %
	Prudential Business Park 1	Industrial	42	100 %	42	100.0 %	100.0 %
	Prudential Business Park 2	Industrial	39	100 %	39	100.0 %	100.0 %
	Prudential Business Park 3	Industrial	48	100 %	48	100.0 %	100.0 %
	Reenders Square	Retail	66	100 %	66	96.2 %	96.2 %
	West Logan Place	Industrial	68	100 %	68	100.0 %	100.0 %
	Winnipeg Square	Office	547	38 %	208	99.0 %	99.0 %
	Winnipeg Square	Retail	57	38 %	22	90.2 %	91.0 %
Winnipeg total			2,947		2,573	96.2 %	96.4 %
Total			8,674		7,995	96.2 %	97.9 %

(1) Excluding properties in redevelopment.

(2) Percentage committed is based on committed leases at March 31, 2010.

Portfolio by Asset Class as at March 31, 2010 (in 000's of s.f.)

Asset Class	City	Number of Properties	Owned Share of Leasable Area	% of Portfolio GLA	Occupancy %	Committed %⁽¹⁾
Industrial	Acheson	2	265	3.2 %	100.0 %	100.0 %
	Calgary	4	452	5.5 %	99.7 %	100.0 %
	Delta	1	70	0.9 %	0.0 %	100.0 %
	Edmonton	5	636	7.8 %	100.0 %	100.0 %
	Nisku	1	23	0.3 %	100.0 %	100.0 %
	Red Deer	1	126	1.5 %	94.1 %	94.1 %
	Saskatoon	1	163	2.0 %	100.0 %	100.0 %
	Winnipeg	29	1,805	22.0 %	96.1 %	96.4 %
Industrial total		44	3,540	43.2 %	95.8 %	97.9 %
Office	Burnaby	1	91	1.1 %	100.0 %	100.0 %
	Calgary	11	1,337	16.4 %	94.9 %	95.9 %
	Nanaimo	2	68	0.8 %	100.0 %	100.0 %
	Red Deer	1	149	1.8 %	91.9 %	94.9 %
	Winnipeg	6	682	8.3 %	96.6 %	96.6 %
Office total		21	2,327	28.4 %	95.6 %	96.3 %
Retail	Calgary	4	376	4.6 %	91.6 %	99.2 %
	Coquitlam	1	82	1.0 %	100.0 %	100.0 %
	Delta	1	75	0.9 %	100.0 %	100.0 %
	Edmonton	2	165	2.0 %	98.5 %	100.0 %
	Edson	1	20	0.3 %	100.0 %	100.0 %
	Estevan	1	38	0.5 %	100.0 %	100.0 %
	Fort McMurray	6	159	1.9 %	100.0 %	100.0 %
	Grande Prairie	3	238	2.9 %	98.1 %	98.1 %
	Medicine Hat	1	162	2.0 %	100.0 %	100.0 %
	Moose Jaw	1	38	0.5 %	100.0 %	100.0 %
	Nanaimo	1	36	0.4 %	100.0 %	100.0 %
	Regina	7	257	3.1 %	99.3 %	100.0 %
	Saskatoon	2	143	1.8 %	100.0 %	100.0 %
	St. Albert	1	21	0.3 %	85.1 %	100.0 %
	Westbank / West Kelowna	2	231	2.8 %	99.6 %	99.6 %
Winnipeg	1	87	1.1 %	94.7 %	94.9 %	
Retail total		35	2,128	26.1 %	97.7 %	99.4 %
		100	7,995	97.7 %	96.2 %	97.9 %

Properties in Redevelopment

Asset Class	City	Number of Properties	Owned Share of Leasable Area	% of Portfolio GLA	Property	% Committed / Occupied⁽¹⁾
Industrial	Airdrie	1	25	0.3 %	Airdrie Flex-Industrial	16.7 %
Office	Burnaby	1	47	0.6 %	Willingdon Green	56.4 %
Retail	Nanaimo	1	54	0.6 %	6461 Metral Drive	40.9 %
Industrial	Winnipeg	1	65	0.8 %	801 Century Street	46.8 %
Development properties total		4	191	2.3 %		43.5 %
Total portfolio		104	8,186	100.0 %		

⁽¹⁾ Percentage committed is based on committed leases at March 31, 2010.

2010 – FIRST QUARTER HIGHLIGHTS

PORTFOLIO GROWTH

Artis acquired 8 commercial properties during Q1-10.

	Office		Retail		Industrial		Total	
	Number of Properties	S.F. (000's)	Number of Properties	S.F. (000's)	Number of Properties	S.F. (000's)	Number of Properties	S.F. (000's)
Portfolio properties at December 31, 2009	22	2,374	34	1,948	40	2,492	96	6,814
Q1-10 acquisitions	-	-	2	231	6	1,138	8	1,369
Adjustments ⁽¹⁾	-	-	-	3	-	-	-	3
Portfolio properties at March 31, 2010	22	2,374	36	2,182	46	3,630	104	8,186

⁽¹⁾ Includes new commercial retail unit development at North City Centre.

Property acquisitions:

During Q1-10, Artis acquired Westbank Zellers, a retail property in Westbank / West Kelowna, British Columbia, the Maple Leaf Building, an industrial property in Saskatoon, Saskatchewan, and the Sherwood Centre, an industrial property in Edmonton, Alberta. All of these properties are 100% occupied. Artis acquired the Alberta Industrial Portfolio which is comprised of 4 new generation industrial properties, which are 100% leased and located in Edmonton, Calgary and Acheson, Alberta. Artis also acquired a 50% interest in Westbank Hub Centre North, a retail property in Westbank / West Kelowna, British Columbia, which is 99.3% occupied.

FINANCING ACTIVITIES

Equity offerings:

On January 26, 2010, Artis issued 4,600,000 units at a price of \$11.00 per unit for aggregate gross proceeds of \$50,600. Also on January 26, 2010, the underwriting syndicate exercised its full over-allotment option and a further 690,000 units were issued for gross proceeds of \$7,590.

On March 16, 2010, Artis issued 4,450,000 units at a price of \$11.25 per unit for aggregate gross proceeds of \$50,063. On March 23, 2010, the underwriting syndicate exercised its full over-allotment option and a further 667,500 units were issued for gross proceeds of \$7,509.

Debt financing and repayments:

During Q1-10, Artis repaid the full balance drawn on the line of credit and a \$20,000 vendor take-back mortgage. Artis refinanced a maturing mortgage of \$5,672, replacing with a new mortgage of \$8,840.

DISTRIBUTIONS

Artis distributed a total of \$12,345 to unitholders in Q1-10, of which \$944 was paid by way of distribution reinvestment, pursuant to Artis' Distribution Reinvestment and Unit Purchase Plan.

SELECTED FINANCIAL INFORMATION

\$000's, except per unit amounts

	Three month period ended March 31,	
	2010	2009
Revenue	\$ 37,307	\$ 34,606
Property NOI	\$ 25,669	\$ 23,586
Income (loss) for the period	\$ 479	\$ (13,531)
Basic income (loss) per unit	\$ 0.01	\$ (0.42)
Distributions (including Class B units)	\$ 12,345	\$ 8,928
Distributions per unit	\$ 0.27	\$ 0.27
DI	\$ 13,787	\$ 13,898
DI per unit	\$ 0.32	\$ 0.42
DI payout ratio	84.4 %	64.3 %
FFO	\$ 14,100	\$ 14,245
FFO per unit	\$ 0.33	\$ 0.43
FFO payout ratio	81.8 %	62.8 %
Weighted-average units:		
Weighted-average units (basic)	43,105	32,386
Weighted-average units (basic) including Class B units	43,105	33,107

Artis acquired 8 income-producing properties during Q1-10 and 16 income-producing properties throughout 2009. Due to this acquisition activity as well as same property revenue growth, Q1-10 revenues from continuing operations increased \$2,701, or 7.8% compared to Q1-09 results. Property NOI from continuing operations increased by \$2,083, or 8.8% compared to Q1-09 results.

DI decreased \$111, or 0.8% compared to Q1-09. FFO decreased \$145, or 1.0% compared to Q1-09. These decreases are primarily attributed to the impact of dispositions during 2009 and settlement of the Interplex II agreement, which was partially offset by the 2009 and Q1-10 acquisitions. On a per unit basis, basic DI decreased \$0.10 or 23.8% compared to Q1-09 results. Basic FFO decreased \$0.10 or 23.3% compared to Q1-09 results. As a result of units issued under the DRIP, units issued from public offerings, and conversion of convertible debentures, net of Normal Course Issuer Bid repurchases, basic units outstanding for the calculation of DI and FFO has increased. This has contributed to the decline in per unit results for DI and FFO.

ANALYSIS OF OPERATING RESULTS

\$000's, except per unit amounts

	Three month period ended March 31,			
	2010	% of Revenue	2009	% of Revenue
Revenue	\$ 37,307		\$ 34,606	
Property operating expenses	11,638	31.2 %	11,020	31.8 %
Property NOI	25,669	68.8 %	23,586	68.2 %
Interest	10,422	27.9 %	9,867	28.5 %
Expenses:	15,247		13,719	
Corporate	1,224	3.3 %	1,201	3.5 %
Amortization	13,464		15,582	
Unrealized loss on commodity derivatives	80		204	
	14,768		16,987	
Income (loss) before the undernoted	479		(3,268)	
Future income tax expense	-		(10,895)	
Non-controlling interest	-		(5)	
Income from discontinued operations	-		637	
Income (loss) for the period	\$ 479		\$ (13,531)	
Basic income (loss) per unit	\$ 0.01		\$ (0.42)	
Diluted income (loss) per unit	\$ 0.01		\$ (0.42)	
Weighted-average number of units:				
Basic	43,105		32,386	
Diluted	43,110		32,386	

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 Q1-10, straight-line rent adjustments of \$443 were recorded compared to \$409 in Q1-09.

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 significant tenants vacate, and recorded a net revenue adjustment of \$907 as a result. Artis disposed of 9 commercial properties during 2009, decreasing intangible assets and liabilities. Artis also acquired 8 commercial properties during Q1-10 and 16 commercial properties throughout 2009; as in-place rent rates in a number of the acquisitions were considered to be below-market rent rates, intangible assets and liabilities were increased. As a result, in Q1-10 the adjustment to market rents was \$2,762 compared to \$3,959 in Q1-09.

In Q1-10, the REIT recorded amortization of \$104 as a reduction in revenue from tenant incentives compared to \$65 in Q1-09.

Revenue in Q1-10 included interest income of \$452 compared to \$461 in Q1-09.

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

	Three month period ended March 31,	
	2010	2009
Revenue	\$ 33,571	\$ 33,229
Property operating expenses	10,633	10,783
Property NOI	22,938	22,446
Add (deduct) non-cash revenue adjustments:		
Straight-line rent adjustment	(322)	(363)
Amortization of tenant inducements	101	64
Above- and below-market rent	(2,564)	(3,158)
Property NOI less non-cash revenue adjustments	\$ 20,153	\$ 18,989

⁽¹⁾ Same property comparison includes only income-producing properties owned on January 1, 2009, and excludes properties accounted for as discontinued operations as well as properties considered to be in redevelopment.

In Q1-10, Artis achieved an increase of \$492 or 2.2% of Property NOI over Q1-09. As well, Artis also achieved an increase of \$1,164 or 6.1% of Property NOI less non-cash revenue adjustments over Q1-09. Positive same property growth on a cash basis was reported for all asset classes and provinces in the portfolio. The year-over-year quarterly growth on a cash basis is primarily attributed to rate increases and absorption in Alberta and Winnipeg office properties, a lease termination fee received in the period for a Winnipeg office property, as well as rate increases achieved in Alberta and Saskatchewan retail properties. These results do not include the impact of growth realized on lease turnovers or absorption in properties acquired throughout fiscal 2009 or in 2010.

Same property occupancy at March 31, 2010 increased 0.3% from March 31, 2009. Absorption was noted for Alberta and Manitoba as well as for the office asset class as a whole.

Same Property Occupancy Comparison⁽¹⁾

By Province	As at March 31,		By Asset Class	As at March 31,	
	2010	2009		2010	2009
Manitoba	97.4%	97.1%	Industrial	98.2%	98.4%
Saskatchewan	99.6%	99.8%	Office	95.3%	94.1%
Alberta	95.9%	95.6%	Retail	97.6%	98.1%
British Columbia	100.0%	100.0%			
Total	96.9%	96.6%		96.9%	96.6%

⁽¹⁾ Same property comparison includes only income-producing properties owned on January 1, 2009, and excludes properties accounted for as discontinued operations as well as properties considered to be in redevelopment.

PROPERTY NOI BY ASSET CLASS

In Q1-10, revenues and Property NOI from continuing operations increased for both the office and industrial segments of the portfolio.

Property NOI in the office segment increased approximately 8.0%. A significant portion of the increase was attributable to the impact of the acquisition of the Kincaid Building in December of 2009. Property NOI growth for this segment was also attributable to higher occupancy, lower tenant allowances, a one-time lease termination fee received in the period of \$163, and the timing of operating cost recovery adjustments.

Property NOI in the industrial segment increased approximately 47.0%. The growth in the industrial segment of the portfolio was primarily driven by acquisition activity in 2009 and 2010. Increasing rental revenue growth in the industrial property portfolio was offset by new vacancy in Q1-10 in two Winnipeg industrial properties.

Property NOI in the retail segment decreased approximately 3.0%. Growth was attributable to 2010 acquisitions and as a result of leasing activity in the retail portfolio. However, this Property NOI growth was obscured by the one-time revenue adjustment of approximately \$684 that was recorded in Q1-09. The Q1-09 adjustment related to the write-off of lease intangibles pursuant to the early termination of a lease in the 6461 Metral Drive property, currently undergoing redevelopment.

	Three month period ended March 31,					
	2010			2009		
	Retail	Office	Industrial	Retail	Office	Industrial
Revenue	\$ 11,966	\$ 18,502	\$ 6,786	\$ 12,351	\$ 17,611	\$ 4,625
Property operating expenses	3,461	5,782	2,395	3,576	5,798	1,646
Property NOI	\$ 8,505	\$ 12,720	\$ 4,391	\$ 8,775	\$ 11,813	\$ 2,979
<i>Share of Property NOI</i>	<i>33.2 %</i>	<i>49.7 %</i>	<i>17.1 %</i>	<i>37.2 %</i>	<i>50.1 %</i>	<i>12.7 %</i>

PROPERTY NOI BY PROVINCE

In Q1-10, revenues and Property NOI from continuing operations increased in all four provinces in comparison to Q1-09.

Property NOI in the Manitoba segment increased 41.0%. This increase was primarily attributable to the impact of property acquisitions in 2009. Property NOI growth for this segment was also attributable to higher occupancy and lower tenant allowances in the continuing operations, as well as a one-time lease termination fee received in the period of \$163.

Property NOI in the Saskatchewan segment increased 26.0%. This increase was primarily attributable to the impact of the Maple Leaf Building acquisition in 2010. The balance of the Property NOI growth for this segment was attributable to higher than expected percentage rent in retail properties.

Property NOI in the Alberta segment was basically unchanged. Properties in the segment performed substantially in-line with the prior year and strong Property NOI growth of \$243 was attributable to 2010 acquisitions. However, this Property NOI growth was obscured by the one-time revenue adjustment of approximately \$223 that was recorded in Q1-09. The Q1-09 adjustment related to the write-off of lease intangibles pursuant to the early termination and subsequent lease renegotiation in the Heritage Square property.

Property NOI in the British Columbia segment increased approximately 3.0%. Acquisitions in 2009 and 2010 contributed to growth, however, this growth was largely offset by the vacancy in the 6461 Metral Drive and Willingdon Green properties, which are both currently undergoing redevelopment.

	Three month period ended March 31,							
	2010				2009			
	MB	SK	AB	BC	MB	SK	AB	BC
Revenue	\$ 8,430	\$ 3,493	\$ 22,549	\$ 2,782	\$ 6,393	\$ 2,927	\$ 22,504	\$ 2,763
Property operating expenses	3,514	949	6,269	906	2,907	908	6,257	948
Property NOI	\$ 4,916	\$ 2,544	\$ 16,280	\$ 1,876	\$ 3,486	\$ 2,019	\$ 16,247	\$ 1,815
<i>Share of Property NOI</i>	<i>19.2 %</i>	<i>9.9 %</i>	<i>63.6 %</i>	<i>7.3 %</i>	<i>14.8 %</i>	<i>8.6 %</i>	<i>68.9 %</i>	<i>7.7 %</i>

PORTFOLIO OCCUPANCY AND LEASING ACTIVITY

Occupancy levels impact the REIT's revenues and Property NOI. Artis' portfolio occupancy level at March 31, 2010 was 96.2% (excluding properties currently in redevelopment), compared to 96.6% at December 31, 2009 and 95.8% at March 31, 2009. At March 31, 2010, occupancy plus executed lease commitments on vacancy was 97.9%. Of the 191,000 square feet currently considered to be undergoing redevelopment, lease commitments are in place on 43.5% of the leasable area.

Artis tracks period over period changes in weighted-average rental rates for renewal activities. In Q1-10, the growth rate on renewals was 3.3%, compared to 19.9% in Q1-09. During Q1-10, positive growth was recorded in the retail and industrial segments of the portfolio. A decrease was recorded in the office property segment primarily due to declining rents in certain Calgary office properties. Alberta in total recorded positive growth, as did Manitoba, Saskatchewan and British Columbia.

Artis also tracks period over period changes in weighted-average rental rates for all leasing activities in the period. In Q1-10, the weighted-average rental rates on total activity for the period declined 2.0%, compared to 15.9% growth in Q1-09. Positive growth was recorded in the retail and industrial segments as well as in all provinces with the exception of Alberta. The Alberta results are distorted for this period due to declining rents in the office segment.

	Three Months Ended, March 31, 2010		Three Months Ended, March 31, 2009	
	S.F.	In-Place Rent	S.F.	In-Place Rent
New/renewed	360,174	\$ 8.91	208,628	\$ 15.44
Expiring	285,989	\$ 9.09	268,070	\$ 13.32
Change		\$ (0.18)		\$ 2.12
% Change		(2.0)%		15.9 %
<i>% Change on renewals only</i>		<i>3.3 %</i>		<i>19.9 %</i>

Artis' real estate is diversified across the four western provinces, and across the office, retail and industrial asset classes. At March 31, 2010, the three largest segments of the REIT's portfolio (by GLA) are Winnipeg industrial property, Calgary office property and Winnipeg office property.

Winnipeg industrial properties represent 23.3% of the overall portfolio by GLA. Vacancy in the Winnipeg industrial market, as reported by CBRE, was approximately 4.2% at March 31, 2010, compared to 4.9% at the end of 2009, and down from its 7-year high of 5.2% at September 30, 2009. Rent rates increased to \$6.00 psf from \$5.76 psf. Artis has one industrial property in Winnipeg, comprising 64,690 square feet, which is considered to be in redevelopment. 46.8% of the space is committed under a new lease. Occupancy in the remainder of this segment of the portfolio was 96.1% at March 31, 2010, down from 99.1% at December 31, 2009, in large part due to the early termination of a lease due to tenant bankruptcy. In the remainder of 2010, 281,146 square feet comes up for renewal, which represents 3.6% of the portfolio's GLA; 59.5% has been renewed or committed to a new lease. In 2011, 257,302 square feet comes up for renewal, which represents 3.3% of the portfolio's GLA.

Calgary office properties represent 16.3% 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, as reported by CBRE, was 9.4% at March 31, 2010, compared to 9.4% at December 31, 2009. In Q1-10, positive absorption for the Calgary office market, and the downtown office sub-segment, was recorded; the absorption appears to have been driven by renewed interest/demand from tenants, after several periods of sluggish activity. However, additional supply is expected to be added to inventory through to 2012. Management believes vacancy levels will continue to creep up and rates will remain under pressure until that new inventory is absorbed. At March 31, 2010, the Calgary office segment of Artis' portfolio was 94.9% occupied with new lease commitments in place for 19.0% of the unoccupied space, up slightly from 94.4% occupancy at the end of December 2009. In the remainder of 2010, 66,392 square feet comes up for renewal, which represents 0.9% of the portfolio's GLA; 25.3% has been renewed. In 2011, 263,915 square feet comes up for renewal, which represents 3.4% of the portfolio's GLA; 34.1% has been renewed. Approximately 32.9% of the Calgary office GLA expires in 2016 or later, with 27.0% not expiring until 2020 or later.

Winnipeg office properties represent 8.3% of Artis' portfolio by GLA. Vacancy in the Winnipeg office market, as reported by CBRE, was 8.5% at March 31, 2010, compared to 8.1% at December 31, 2009. Q1-10 vacancy increased due to new suburban office space/sublet space entering the market. However, with a stable economy and little new construction underway in the market, a return to growth in rental rates and occupancy levels appears likely. The REIT's Winnipeg office portfolio performed well, with vacancy at 3.4% at March 31, 2010, compared to 3.6% at December 31, 2009. In the remainder of 2010, 168,356 square feet comes up for renewal which represents 2.2% of the portfolio's GLA; 76.4% has been renewed. In 2011, 134,056 square feet comes up for renewal, which represents 1.7% of the portfolio's GLA; 78.8% has been renewed.

INTEREST

The current period's interest expense 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 Q1-09 due to additional mortgage financing obtained in connection with acquisitions during 2009 and Q1-10 and the issuance of additional convertible debentures since Q1-09. 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, 2010 on mortgages and other debt secured by properties was 5.51% compared to 5.51% in Q1-09. The weighted-average nominal interest rate at March 31, 2010 was 5.37% compared to 5.41% at March 31, 2009.

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 \$1,870 on the carrying value of debentures outstanding in Q1-10, compared to \$1,105 in Q1-09.

CORPORATE EXPENSES

	Three month period ended March 31,	
	2010	2009
Accounting, legal, consulting	\$ 118	\$ 167
Advisory fees	754	661
Public company costs	189	170
Unit-based compensation	11	61
General and administrative	152	142
Total corporate expenses	\$ 1,224	\$ 1,201

Corporate expenses in Q1-10 were \$1,224 or 3.3% of gross revenues compared to \$1,201 or 3.5% of gross revenues in Q1-09.

AMORTIZATION

Amortization includes amortization of the income-producing properties and their related intangible assets, as well as 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 \$6,714 in Q1-10 compared to \$7,480 in Q1-09. 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 Q1-10, Artis recorded \$6,007 for the amortization of intangible assets, compared to \$8,453 in Q1-09.

In Q1-10, amortization expense relating to tenant inducements and leasing commissions totalled \$716, compared to \$705 in Q1-09.

UNREALIZED LOSS ON COMMODITY DERIVATIVES

In accordance with GAAP, in Q1-10 the REIT recorded an unrealized loss on commodity derivatives of \$80, compared to \$204 in Q1-09 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 throughout the three month period ended March 31, 2010. The future income tax asset of \$11,127 recorded in prior periods was reversed in Q1-09.

NON-CONTROLLING INTEREST

Non-controlling interest represents an allocation of net income or loss to the Class B unitholders. As a result of the settlement and cancellation of the Interplex II and Interplex III agreements there are no outstanding Class B units at March 31, 2010 and there will be no further allocation to non-controlling interest, until such time as new class B units are issued.

INCOME FROM DISCONTINUED OPERATIONS

Income from discontinued operations includes income from the 9 properties known as the Plainsman Building, Airways Business Plaza, Glenmore Commerce Court, McKnight Village Mall, Albert Street Mall, Bridges Place, Willowglen Business Park, Franklin Showcase Warehouse, and Raleigh Shopping Centre which were sold during 2009, as well as the loss incurred on termination of the Interplex III agreement in Q2-09.

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 per unit amounts	Three month period ended March 31,	
	2010	2009
Cash flow from operations	\$ 16,996	\$ 7,709
Add (deduct) amortization of:		
Office equipment	(27)	(25)
Above-market rent	(57)	(73)
Below-market rent	2,819	4,032
Tenant inducements and leasing costs	(716)	(705)
Tenant inducements amortized into revenue	(104)	(65)
Above-market mortgage	46	45
Add: Straight-line rent adjustment	443	409
Add (deduct):		
Changes in non-cash operating items	(5,400)	2,475
Financing costs, non-debenture, included in interest expense	(213)	(204)
Other adjustment		
Property rent ⁽¹⁾	-	300
DI for the period	\$ 13,787	\$ 13,898
DI per unit		
Basic	\$ 0.32	\$ 0.42
Diluted	\$ 0.31	\$ 0.41
Weighted-average number of units		
Basic ⁽²⁾	43,105	33,107
Diluted ⁽²⁾	49,402	36,189

⁽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 included 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 Income (Loss) to DI:

	Three month period ended	
	March 31,	
	2010	2009
Income (loss) for the period	\$ 479	\$ (13,531)
Add (deduct):		
Amortization (excluding amortized leasing costs)	12,721	15,933
Accretion on liability component of convertible debentures	496	362
Unit-based compensation expense	11	61
Gain on disposal of income-producing properties	-	(591)
Future income tax expense	-	11,127
Other adjustments		
Property rent ⁽¹⁾	-	300
Non-controlling interest ⁽²⁾	-	33
Unrealized loss on commodity derivatives ⁽³⁾	80	204
DI for the period	\$ 13,787	\$ 13,898

⁽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⁾ Excluded from DI is an unrealized loss on the change in fair value of commodity derivatives.

In Q1-10, DI decreased \$111 or 0.8% over Q1-09. Q1-09 included \$907 of revenue from the termination of two significant tenants. In addition, DI declined due to the impact of dispositions during 2009 and reduced Property rent due to the settlement of the Interplex II agreement, which was partially offset by the 2009 and Q1-10 acquisitions. Basic DI per unit decreased \$0.10 or 23.8% over Q1-09. On a diluted basis, DI has decreased \$0.10 or 24.4% over Q1-09. As a result of units issued under the DRIP, units issued from public offerings, and conversion of convertible debentures, net of Normal Course Issuer Bid repurchases, basic units outstanding for the calculation of DI has increased. This has contributed to the decline in per unit results for DI.

Q1-10 DI may not be indicative of future results due to the impact of new acquisitions of income-producing properties, the issuance of new units and convertible debentures.

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").

	Three month		Year ended	
	period ended		December 31,	
	March 31,		December 31,	
	2010	2009	2008	
Cash flow from operations	\$ 16,996	\$ 41,113	\$ 40,963	
Net income (loss)	\$ 479	\$ (9,189)	\$ (6,952)	
Distributions declared	\$ 12,345	\$ 36,998	\$ 35,123	
Excess of cash flow from operations over distributions declared	\$ 4,651	\$ 4,115	\$ 5,840	
Excess of distributions declared over net income (loss)	\$ (11,866)	\$ (46,187)	\$ (42,075)	

For the three months ended March 31, 2010, cash flow from operations exceeded distributions declared by \$4,651.

For the three months ended March 31, 2010, distributions declared exceeded net income. 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 per unit amounts	Three month period ended	
	March 31,	
	2010	2009
Cash flow from operations	\$ 16,996	\$ 7,709
Add (deduct) amortization of:		
Office equipment	(27)	(25)
Above-market rent	(57)	(73)
Below-market rent	2,819	4,032
Above-market mortgages	46	45
Add:		
Straight-line rent adjustment	443	409
Deduct:		
Accretion on liability component of convertible debentures	(496)	(362)
Unit-based compensation expense	(11)	(61)
Amortization of financing costs included in interest	(213)	(204)
Changes in non-cash operating items	(5,400)	2,475
Other adjustment		
Property rent ⁽¹⁾	-	300
FFO for the period	\$ 14,100	\$ 14,245
FFO per unit		
Basic	\$ 0.33	\$ 0.43
Diluted	\$ 0.32	\$ 0.42
Weighted-average number of units:		
Basic ⁽²⁾	43,105	33,107
Diluted ⁽²⁾	47,447	34,234

⁽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 included 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 Income (Loss) to FFO:

	Three month period ended March 31,	
	2010	2009
Income (loss) for the period	\$ 479	\$ (13,531)
Add amortization on:		
Income-producing properties	6,714	7,480
Acquired in-place leases	6,007	8,451
Customer relationships	-	2
Tenant inducements and leasing costs	716	705
Tenant inducements amortized to revenue	104	65
Gain on disposal of income-producing properties	-	(591)
Future income tax expense	-	11,127
Other adjustments		
Property rent ⁽¹⁾	-	300
Non-controlling interest ⁽²⁾	-	33
Unrealized loss on commodity derivatives ⁽³⁾	80	204
FFO for the period	\$ 14,100	\$ 14,245

⁽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⁾ Excluded from FFO is an unrealized loss on the change in fair value of commodity derivatives.

In Q1-10, FFO has decreased \$145 or 1.0% over Q1-09. Q1-09 included \$907 of revenue from the termination of two significant tenants. In addition, FFO declined due to the impact of dispositions during 2009 and reduced Property rent due to the settlement of the Interplex II agreement, which was partially offset by the 2009 and Q1-10 acquisitions. Basic FFO per unit has decreased by \$0.10 or 23.3% over Q1-09. On a diluted basis, FFO per unit has decreased \$0.10 or 23.8% over Q1-09. As a result of units issued under the DRIP, units issued from public offerings, and conversion of convertible debentures, net of Normal Course Issuer Bid repurchases, basic units outstanding for the calculation of FFO has increased. This has contributed to the decline in per unit results for FFO.

Q1-10 FFO may not be indicative of future results due to the impact of new acquisitions of income-producing properties, the issuance of new units and convertible debentures.

ANALYSIS OF FINANCIAL POSITION

ASSETS

	March 31, 2010	December 31, 2009	Increase
Income-producing properties	\$ 1,123,693	\$ 991,700	\$ 131,993
Other assets, including intangibles	186,945	162,247	24,698
Cash, cash equivalents and cash held in trust	40,399	36,262	4,137
	\$ 1,351,037	\$ 1,190,209	\$ 160,828

Income-producing properties and related intangible assets:

The increase in assets is a result of the acquisition of the following 8 commercial properties, in addition to amortization recorded, during the period ended March 31, 2010:

Property	Location	Acquisition Date	Type
Westbank Zellers ⁽¹⁾	3571 Old Okanagan Highway, Westbank / West Kelowna, BC	January 14, 2010	Retail
Maple Leaf Building	1015 - 64th Street East, Saskatoon, SK	January 29, 2010	Industrial
Sherwood Centre	4103 - 84th Avenue, Edmonton, AB	January 29, 2010	Industrial
Alberta Industrial Portfolio ⁽²⁾	Various locations in Alberta	March 30, 2010	Industrial
Westbank Hub Centre North ^{(1) (3)}	Elk Road and Louie Drive - North Side of Highway 97, Westbank / West Kelowna, BC	March 31, 2010	Retail

⁽¹⁾ The REIT acquired a leasehold interest in these properties.

⁽²⁾ The Alberta Industrial Portfolio is comprised of 2 single-tenant and 2 multi-tenant properties.

⁽³⁾ The REIT acquired a 50% interest in this property, which is proportionately consolidated in the accounts of the REIT.

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 financing. 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.

	Three month period ended	
	March 31,	
	2010	2009
Cash consideration	\$ 56,292	\$ -
New or assumed mortgages, net of deferred financing costs	103,323	-
Net assets acquired	\$ 159,615	\$ -
Allocated to income-producing properties	\$ 136,939	\$ -
Allocated to other assets	27,215	-
Allocated to intangible liabilities	(4,539)	-
Net assets acquired	\$ 159,615	\$ -

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. The REIT has four additional notes receivable arising from the acquisition and disposition of income-producing properties.

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.

Capital expenditures in Q1-10 totalled \$1,768 compared to \$89 in Q1-09. This includes revenue enhancing capital expenditures of \$790 related to redevelopment of Willingdon Green in Burnaby, British Columbia and Airdrie in Airdrie, Alberta, and completion of the new 3,500 square foot retail development at North City Centre in Edmonton, Alberta. Artis has pre-leased 100% of the new space at North City Centre. The remaining \$978 of capital expenditures primarily relate to roof repairs at an industrial property and a chiller replacement at an office property.

Tenant inducements and leasing costs:

Other assets of the REIT at March 31, 2010 include \$14,622 of unamortized tenant inducement and leasing costs related to the leasing or re-leasing of space, compared to \$14,180 at December 31, 2009. 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 Q1-10, Artis incurred \$1,262 of tenant inducements and leasing costs compared to \$2,959 in Q1-09 .

	Three month period ended March 31,	
	2010	2009
Tenant inducements	\$ 873	\$ 2,433
Leasing commissions	389	526
Total	\$ 1,262	\$ 2,959

Future income tax assets:

The REIT believes that it has met the REIT Conditions throughout the three month period ended March 31, 2010. The future income tax asset recorded in prior periods was reversed in Q1-09. 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 \$43,576 at March 31, 2010 (December 31, 2009, \$39,032).

Deposits on income-producing properties:

At March 31, 2010, Artis had made \$3,309 of deposits on income-producing properties, compared to \$1,350 at December 31, 2009.

Cash and cash equivalents:

At March 31, 2010, the REIT had \$39,998 of cash and cash equivalents on hand, compared to \$35,907 at December 31, 2009. 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.

LIABILITIES

	March 31,	December 31,	Increase
	2010	2009	(decrease)
Long-term debt	\$ 769,110	\$ 698,295	\$ 70,815
Other liabilities	108,735	100,308	8,427
Bank indebtedness	-	30,700	(30,700)
	\$ 877,845	\$ 829,303	\$ 48,542

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, 2010 was 45.4%, compared to 47.4% at December 31, 2009.

	March 31, 2010	December 31, 2009
GBV	\$ 1,531,447	\$ 1,356,994
Mortgages, loans and bank indebtedness	695,626	642,963
Mortgages, loans and bank indebtedness to GBV	45.4 %	47.4 %
Carrying value of convertible debentures	\$ 73,484	\$ 86,032
Total long-term debt and bank indebtedness	769,110	728,995
Total long-term debt and bank indebtedness to GBV	50.2 %	53.7 %

At the 2009 Annual and Special Meeting of Unitholders', the REIT received 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 Preferred 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 Preferred Units is conditional on support and demand for such a security in the market. The REIT is in receipt of a favourable tax ruling from the Canada Revenue Agency regarding any potential future issuance.

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 Q1-10, \$3,235 of principal repayments were made, compared to \$3,366 in Q1-09.

During Q1-10, debt, net of deferred financing costs, added on acquisition of income-producing properties was \$103,323. The REIT also repaid a vendor take-back mortgage in the amount of \$20,000 and paid off a maturing mortgage of \$5,672. Artis refinanced this income-producing property for \$8,840.

The weighted-average term to maturity at March 31, 2010 is 4.5 years, which is unchanged from December 31, 2009.

Convertible debentures:

Artis has five series of convertible debentures outstanding as at March 31, 2010, as follows:

	March 31, 2010				December 31, 2009			
	Issued	Maturity	Face rate	Carrying value	Face value	Carrying value	Face value	
Series A	4-Aug-05	4-Aug-10	7.75%	\$ 606	\$ 620	\$ 595	\$ 620	
Series B	9-Nov-05	9-Nov-10	7.50%	2,213	2,313	2,175	2,313	
Series C	4-May-06	31-May-13	6.25%	24,857	29,920	24,535	29,920	
Series D	30-Nov-07	30-Nov-14	5.00%	16,289	17,000	16,257	17,000	
Series E	9-July-09	30-June-14	7.50%	29,519	31,435	42,470	45,384	
				\$ 73,484	\$ 81,288	\$ 86,032	\$ 95,237	

The carrying value of convertible debentures has decreased by \$12,548 from December 31, 2009. This decrease is due primarily to the conversion of Series E convertible debentures. Also included in the carrying value is interest and financing costs which are amortized on an effective interest basis. The weighted-average effective rate of the debentures at March 31, 2010 was 10.20%, a increase from the rate of 10.04% at December 31, 2009.

Other liabilities and bank indebtedness:

Other liabilities includes the unamortized below-market rent intangible liability of \$83,243 at March 31, 2010. This increased \$1,720 from \$81,523 at December 31, 2009, as a result of properties acquired during the period offset by amortization recorded during the period. Included in other liabilities are security deposits paid by tenants, rents prepaid by tenants at March 31, 2010, accounts payable and accruals, as well as the March 31, 2010 distribution payable to unitholders of \$4,456, subsequently paid on April 15, 2010. Bank indebtedness relates to the balance drawn on the REIT's revolving term credit facility. At March 31, 2010, there was no balance drawn on the credit facility. Amounts drawn on the facility bear interest at a floating rate equal to Canadian dollar bankers' acceptances with a term to maturity of 30 days, plus 3.40% per annum.

UNITHOLDERS' EQUITY

Unitholders' equity increased overall by \$112,286 between March 31, 2010 and December 31, 2009. The increase was primarily due to the issuance of units for \$111,097, the conversion of convertible debentures for \$13,044 and net income for the period of \$479. This increase was offset by the distributions made to unitholders of \$12,345.

LIQUIDITY AND CAPITAL RESOURCES

In Q1-10, Artis generated \$16,996 of cash flows from operating activities compared to \$7,709 in Q1-09. Cash flows from operations funded distributions to unitholders of \$12,345 and for principal repayments on mortgages and loans of \$3,235.

Cash of \$3,030 was used for capital building improvements and for tenant inducements and leasing costs compared to \$3,048 in Q1-09.

At March 31, 2010, Artis had \$39,998 of cash and cash equivalents on hand. Management anticipates that the cash on hand will be invested in income-producing properties in subsequent periods, or used for working capital purposes.

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 matures on September 28, 2010. \$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, 2010, the REIT has no balance drawn on its 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 for the period ended March 31, 2010.

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

	Total	Less than 1 year	1 - 3 years	4 - 5 years	After 5 years
Mortgages and loans	\$ 697,800	\$ 61,336	\$ 233,122	\$ 123,111	\$ 280,231
Convertible debentures ⁽¹⁾	81,288	2,933	-	78,355	-
Total	\$ 779,088	\$ 64,269	\$ 233,122	\$ 201,466	\$ 280,231

⁽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, 2010, obligations due within one year include \$46,841 of mortgages and principal repayments on mortgages of \$14,495.

SUMMARIZED QUARTERLY INFORMATION

\$000's, except per unit amounts ^{(1) (2)}

	Q1-10	Q4-09	Q3-09	Q2-09	Q1-09	Q4-08	Q3-08	Q2-08
Revenue	\$ 37,307	\$ 35,243	\$ 33,517	\$ 33,487	\$ 34,606	\$ 35,143	\$ 33,241	\$ 32,427
Property operating expenses	11,638	11,590	10,487	10,393	11,020	11,521	10,149	9,723
Property NOI	25,669	23,653	23,030	23,094	23,586	23,622	23,092	22,704
Interest	10,422	10,438	10,029	9,766	9,867	10,100	9,682	9,558
	15,247	13,215	13,001	13,328	13,719	13,522	13,410	13,146
Expenses (income):								
Corporate	1,224	1,330	705	1,288	1,201	1,350	1,137	1,342
Amortization	13,464	13,286	12,523	12,862	15,582	13,676	13,094	13,137
Unrealized (gain) loss on commodity derivatives	80	(95)	297	60	204	68	1,092	(455)
	14,768	14,521	13,525	14,210	16,987	15,094	15,323	14,024
Income (loss) before the undernoted	479	(1,306)	(524)	(882)	(3,268)	(1,572)	(1,913)	(878)
Loss on termination of Interplex II agreement	-	-	-	(7,287)	-	-	-	-
Non-controlling interest	-	-	-	45	(5)	(71)	(31)	(16)
Income (loss) before income taxes and discontinued operations	\$ 479	\$ (1,306)	\$ (524)	\$ (8,124)	\$ (3,273)	\$ (1,643)	\$ (1,944)	\$ (894)
Future income tax (expense) recovery	-	-	-	-	(10,895)	291	(125)	(1,038)
Income (loss) from discontinued operations	-	5,446	616	8,234	637	223	83	(48)
Income (loss) for the period	\$ 479	\$ 4,140	\$ 92	\$ 110	\$ (13,531)	\$ (1,129)	\$ (1,986)	\$ (1,980)
Basic income (loss) per unit	\$ 0.01	\$ 0.11	\$ 0.00	\$ 0.00	\$ (0.42)	\$ (0.03)	\$ (0.06)	\$ (0.06)
Diluted income (loss) per unit	\$ 0.01	\$ 0.11	\$ 0.00	\$ 0.00	\$ (0.42)	\$ (0.03)	\$ (0.06)	\$ (0.06)

⁽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 Consolidated Financial Statements for the years ended December 31, 2009 and 2008.

Artis acquired 8 income-producing properties in Q1-10. Due to this acquisition activity, Artis increased revenues and Property NOI from continuing operations in Q1-10.

Reconciliation of GAAP Income (Loss) to DI:

\$000's, except per unit amounts ⁽¹⁾

	Q1-10	Q4-09	Q3-09	Q2-09	Q1-09	Q4-08	Q3-08	Q2-08
Income (loss) for the period	\$ 479	\$ 4,140	\$ 92	\$ 110	\$ (13,531)	\$ (1,129)	\$ (1,986)	\$ (1,980)
Add:								
Amortization (excluding amortized leasing costs)	12,721	12,597	12,175	12,945	15,933	14,314	13,922	14,313
Accretion on liability component of debentures	496	516	473	373	362	355	349	384
Unit-based compensation expense	11	8	37	54	61	144	143	144
Cancellation of options	-	-	(484)	-	-	-	-	-
Unrealized (gain) loss on commodity derivatives	80	(95)	297	60	204	68	1,092	(455)
Loss on termination of Interplex II agreement	-	-	-	7,287	-	-	-	-
(Gain) loss on disposal of income-producing properties	-	(5,460)	(403)	(7,988)	(591)	197	-	-
Future income tax expense (recovery)	-	-	-	-	11,127	(211)	156	1,020
Other adjustments								
Property rent ⁽²⁾	-	-	-	-	300	300	300	300
Non-controlling interest ⁽³⁾	-	-	-	58	33	79	34	14
Distributable income (DI)	\$ 13,787	\$ 11,706	\$ 12,187	\$ 12,899	\$ 13,898	\$ 14,117	\$ 14,010	\$ 13,740
DI per unit								
Basic	\$ 0.32	\$ 0.32	\$ 0.37	\$ 0.39	\$ 0.42	\$ 0.43	\$ 0.42	\$ 0.42
Diluted	\$ 0.31	\$ 0.30	\$ 0.34	\$ 0.38	\$ 0.41	\$ 0.41	\$ 0.41	\$ 0.40
Weighted-average number of units:								
Basic ⁽⁴⁾	43,105	37,138	33,364	33,019	33,107	33,082	33,000	32,780
Diluted ⁽⁴⁾	49,402	44,506	40,793	36,101	36,189	36,164	36,152	35,983

⁽¹⁾ Results for 2008 have been restated, refer to Note 2(b) of the Consolidated Financial Statements for the years ended December 31, 2009 and 2008.

⁽²⁾ 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 Statements of Operations due to the project being in the development phase.

⁽³⁾ 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.

⁽⁴⁾ The weighted-average number of units used in the calculation of DI per unit included 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 per unit amounts ⁽¹⁾	Q1-10	Q4-09	Q3-09	Q2-09	Q1-09	Q4-08	Q3-08	Q2-08
Income (loss) for the period	\$ 479	\$ 4,140	\$ 92	\$ 110	\$ (13,531)	\$ (1,129)	\$ (1,986)	\$ (1,980)
Add amortization on:								
Income-producing properties	6,714	6,523	6,332	6,529	7,480	6,927	6,906	6,709
Acquired in-place leases	6,007	6,073	5,841	6,414	8,451	7,385	7,011	7,598
Customer relationships	-	1	2	2	2	2	5	6
Tenant inducements and leasing costs	716	675	731	612	705	409	374	307
Tenant inducements amortized into revenue	104	141	71	63	65	110	-	-
Unrealized (gain) loss on commodity derivatives	80	(95)	297	60	204	68	1,092	(455)
Loss on termination of Interplex II agreement	-	-	-	7,287	-	-	-	-
(Gain) loss on disposal of income-producing properties	-	(5,460)	(403)	(7,988)	(591)	197	-	-
Future income tax expense (recovery)	-	-	-	-	11,127	(211)	156	1,020
Other adjustments								
Property rent ⁽²⁾	-	-	-	-	300	300	300	300
Non-controlling interest ⁽³⁾	-	-	-	58	33	79	34	14
Funds from operations (FFO)	\$ 14,100	\$ 11,998	\$ 12,963	\$ 13,147	\$ 14,245	\$ 14,137	\$ 13,892	\$ 13,519
FFO per unit								
Basic	\$ 0.33	\$ 0.32	\$ 0.39	\$ 0.40	\$ 0.43	\$ 0.43	\$ 0.42	\$ 0.41
Diluted	\$ 0.32	\$ 0.31	\$ 0.36	\$ 0.39	\$ 0.42	\$ 0.42	\$ 0.42	\$ 0.41
Weighted-average number of units:								
Basic ⁽⁴⁾	43,105	37,138	33,364	33,019	33,107	33,082	33,000	32,780
Diluted ⁽⁴⁾	47,447	42,551	38,838	34,146	34,234	34,209	34,197	34,020

⁽¹⁾ Results for 2008 have been restated, refer to Note 2(b) of the Consolidated Financial Statements for the years ended December 31, 2009 and 2008.

⁽²⁾ 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 Statements of Operations due to the project being in the development phase.

⁽³⁾ 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.

⁽⁴⁾ The weighted-average number of units used in the calculation of FFO per unit included 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.

During Q1-10, Artis acquired 8 commercial properties which has resulted in an increase in DI and FFO. Q1-10 DI and FFO may not be indicative of future results due to the impact of new acquisitions of income-producing properties, the issuance of new units and convertible debentures.

RELATED PARTY TRANSACTIONS

	Three month period ended March 31,	
	2010	2009
Legal fees expensed	\$ 40	\$ 80
Capitalized legal fees	742	445
Advisory fees	754	661
Capitalized acquisition fees	791	-
Property management fees	1,383	1,291
Capitalized leasing commissions	68	566
Capitalized building improvements	884	287
Capitalized tenant inducements	306	53
Consulting fees	25	-

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, 2010 is \$175 (December 31, 2009, \$150).

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, 2010 is \$814 (December 31, 2009, \$38). 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, 2010 is \$346 (December 31, 2009, \$136). 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, 2010 is \$702 (December 31, 2009, \$302).

The consulting fees represent work performed by Marwest on the International Financial Reporting Standards implementation project. The amount payable at March 31, 2010 is \$25 (December 31, 2009, \$75).

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

OUTSTANDING UNIT DATA

The balance of units outstanding as of May 11, 2010 is as follows:

Units outstanding at March 31, 2010	49,508,915
Units issued (DRIP)	31,723
Units issued on conversion of debentures	<u>536,342</u>
Units outstanding at May 11, 2010	<u>50,076,980</u>

The balance of options outstanding as of May 11, 2010 is as follows:

	<u>Options outstanding</u>	<u>Options exercisable</u>
\$11.25 options, issued December 8, 2005	217,036	217,036
\$11.28 options, issued February 25, 2010	<u>273,250</u>	<u>-</u>
	<u>490,286</u>	<u>217,036</u>

2010 OUTLOOK

According to the Scotiabank Global Economic Research report of May 2010, real GDP in Canada is forecast to grow 3.4% in 2010. Forecast GDP growth for the western Canadian provinces is also positive, as follows: Manitoba, 2.9%; Saskatchewan, 3.9%; Alberta, 3.7%; British Columbia, 3.8%.

Real estate transactions continue to be announced and completed and capitalization rate compression has been observed over the past three to six months. Spreads on mortgage financing have also been tightening, with banks, credit unions and insurers all in the market competing for deals. Although there are indications that bond rates are likely to increase towards the end of the year, management anticipates that mortgage financing will remain relatively cheap as lenders spreads remain tight. Management expects that there will be steady volume throughout 2010 for real estate transactions and believes that further capitalization rate compression is possible.

As at March 31, 2010, Artis had \$39,998 of cash and cash equivalents on hand in addition to \$60,000 available on the line of credit. Subsequent to March 31, 2010, the following transactions took place:

- On April 1, 2010, Artis acquired Sunrise Towne Square, a 111,978 square foot Class A retail centre in Spruce Grove, Alberta for \$22,725. The purchase price was satisfied with cash on hand and from the proceeds of new five-year mortgage financing of \$14,800 bearing interest at a rate of 4.66% per annum.
- On April 12, 2010, Artis acquired the Visions Electronics Building, a 50,045 square foot Class A retail property in Calgary, Alberta for \$11,300. The purchase price was satisfied from cash on hand and from the proceeds of new five-year mortgage financing of \$7,345 bearing interest at a rate of 4.84% per annum, and a four-year vendor take-back mortgage in the amount of \$1,000 that bears interest-only at 5.0% per annum.
- On April 15, 2010, Artis acquired the Tamarack Mall, a 96.7% occupied 287,741 square foot enclosed mall in Cranbrook, British Columbia for \$26,200. The purchase price was satisfied with cash on hand and from the proceeds of new five-year mortgage financing of \$18,600 bearing interest at 5.50% per annum and by way of an \$8,000 draw on the line of credit.
- On April 22, 2010, Artis realized gross proceeds of \$86,250, pursuant to a prospectus offering of Series F convertible debentures in addition to the concurrent exercise of the overallotment option.
- On April 30, 2010, Artis acquired the Winnipeg Square Parkade, a 978 stall underground heated parking garage servicing the 32 storey office tower at the southwest corner of Portage and Main in Winnipeg, Manitoba. The purchase price of \$24,000 was satisfied with cash on hand and from the proceeds of new seven-year mortgage financing of \$16,000 bearing interest at a rate of 5.39% per annum.

Artis has also entered into additional conditional and unconditional agreements to acquire properties, as follows:

- 100% of 360 Main Street Property. Artis previously announced its intent to acquire an 11% interest in the 360 Main Street Property, which is comprised of the 32 storey office tower and Shops of Winnipeg Square located at the southwest corner of Portage and Main in Winnipeg, Manitoba. Artis currently owns a 38% interest in the 360 Main Street Property and under the terms of the amended conditional agreement, intends to acquire from the two other co-owners the remaining 62% interest in the property. The 62% interest in the 360 Main Street Property is being acquired for a purchase price of \$70,700 and is expected to be satisfied with cash on hand and by way of assuming the additional 62% interest in the existing mortgage financing in the amount of \$45,900. Management expects this transaction will close in July 2010.
- Production Court. Artis announced that it has entered into an unconditional agreement to acquire Production Court, a three-building, 297,801 square foot Class A office complex in Burnaby, British Columbia. The purchase price of \$64,000 represents a going-in capitalization rate of 7.8%. The acquisition is anticipated to close on or about May 26, 2010. The purchase price will be satisfied with cash on hand and from the proceeds of new five-year mortgage financing of \$41,600, bearing interest at a rate of 4.90% per annum.
- Eagle Ridge. Artis has entered into an unconditional agreement to acquire this 100% occupied 12,695 square foot retail property in Fort McMurray, Alberta, for \$5,800. The purchase price is expected to be financed with cash on hand and from the proceeds of new five-year mortgage financing of \$4,000. Management expects this transaction will close May 14, 2010.

With available cash and room on the line of credit, management believes that Artis is well positioned to pursue additional accretive acquisitions in 2010 and further enhance future earnings.

Management believes that a return to economic growth will have a positive impact on leasing activity in most of its market segments. Although there has been an increase in tenant activity and absorption in the Calgary office market, on-going delivery of new inventory into the market will remain a challenge for the foreseeable future in this segment. Across the portfolio, growth may be realized as leases expire and are renewed or re-leased at higher market rates. Artis reviews the current market rents across its portfolio on an on-going basis. Management estimates that the weighted-average market rent rates at March 31, 2010 for the remaining 2010 and 2011 lease expiries are approximately 11.5% and 4.6% higher than the rates in place at expiry.

Credit risk, lease rollover risk and financing risk continue to be the top-most concerns. Artis believes it is well positioned to address these challenges for the following reasons:

- The REIT's largest tenant is AMEC Americas Ltd. which accounts for 5.3% of the REIT's gross revenues. No other tenant in the portfolio accounts for more than 5.0% of gross revenues. At March 31, 2010, approximately 66.6% of the REIT's portfolio was occupied by national or government tenants.
- At March 31, 2010, 10.6% of the portfolio's leasable area is set to expire in the remainder of 2010 and 14.5% in 2011. As of today's date, 72.3% of the 2010 and 15.1% of the 2011 leasing programs are complete. The tenant retention ratio for 2010 thus far is 84.8%.
- The REIT's ratio of mortgages, loans and bank indebtedness to GBV is 45.4%, down from 47.4% at December 31, 2009. Approximately 6.1% of Artis' maturing mortgage debt comes up for renewal in the remainder of 2010, and 6.0% in 2011. Management is currently in discussion with various lenders with respect to the renewal or refinancing of these mortgages.

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 this geographical diversification is currently limited.

DEBT FINANCING

Artis will be subject to the risks associated with debt financing. 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, 2010, government tenants contribute 8.8% to the REIT's overall gross revenue and occupy 6.4% of total GLA. Artis' portfolio includes over 1,280 tenant leases with a weighted-average term to maturity of 5.7 years. 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 2009 annual revenues in excess of £2.5 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 over \$4.5 billion.

Top Twenty Tenants By Gross Revenue

Tenant	% of Total Gross Revenue	GLA	% of Total GLA	Weighted-Average Remaining Lease Term
AMEC Americas Ltd	5.3 %	199,672	2.4 %	3.42
TransAlta Corporation	3.2 %	336,041	4.1 %	13.17
Birchcliff Energy	2.2 %	58,769	0.7 %	7.67
Credit Union Central	2.0 %	90,053	1.1 %	1.75
Sobeys	1.9 %	150,156	1.8 %	10.35
Kuehne + Nagel Ltd.	1.6 %	299,767	3.7 %	13.30
Bell Canada	1.5 %	76,017	0.9 %	6.25
Shoppers Drug Mart	1.4 %	85,397	1.0 %	6.09
Maple Leaf Consumer Foods Inc.	1.4 %	163,418	2.0 %	19.24
MTS Allstream	1.3 %	75,986	0.9 %	16.76
Navistar Canada Inc.	1.2 %	158,154	1.9 %	9.25
Q9 Networks Inc.	1.1 %	34,720	0.4 %	6.42
Komex International	1.0 %	52,073	0.6 %	1.67
Cineplex Odeon	1.0 %	64,830	0.8 %	10.34
Suncor Energy Oil Sand LP	0.9 %	107,018	1.3 %	1.75
BW Technologies (Honeywell)	0.8 %	61,847	0.8 %	6.71
Kodak Graphic Comm. Canada Company	0.8 %	91,219	1.1 %	9.46
The Brick	0.8 %	62,747	0.8 %	7.02
London Drugs	0.7 %	47,010	0.6 %	13.41
NOVA Chemicals Corporation	0.7 %	36,001	0.4 %	0.42
Total	30.8 %	2,250,895	27.3 %	9.63

Government Tenants By Gross Revenue

Tenant	% of Total Gross Revenue	GLA	% of Total GLA	Weighted-Average Remaining Lease Term
Provincial Government	3.8 %	197,801	2.4 %	3.34
Federal Government	3.7 %	225,319	2.8 %	2.51
Civic or Municipal Government	1.3 %	97,989	1.2 %	6.12
Total	8.8 %	521,109	6.4 %	3.51

Weighted-Average Term to Maturity (Entire Portfolio)	5.71
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LEASE ROLLOVER RISK

The value of income-producing 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
2010	0.3 %	0.7 %	5.6 %	4.0 %	0.8 %	10.6 %
2011	0.1 %	0.6 %	4.9 %	8.9 %	3.2 %	14.5 %
2012	1.0 %	0.2 %	3.6 %	3.7 %	1.7 %	8.5 %
2013	0.3 %	1.5 %	4.5 %	6.8 %	3.6 %	13.1 %
2014	0.6 %	0.9 %	5.6 %	4.3 %	0.6 %	11.4 %
2015	0.5 %	0.4 %	1.8 %	1.7 %	0.5 %	4.4 %
2016 & later	4.9 %	3.5 %	4.4 %	19.3 %	5.1 %	32.1 %
Month-to-month	0.0 %	0.0 %	0.2 %	0.1 %	0.0 %	0.3 %
Vacant	1.5 %	0.0 %	1.6 %	2.0 %	15.5 %	5.1 %
Total GLA	753,491	639,648	2,638,413	4,154,027	1,336,950	8,185,579

Artis' real estate is diversified across the four western provinces, and across the office, retail and industrial asset classes. At March 31, 2010, the portfolio by GLA is weighted towards Manitoba and Alberta properties. By city and asset class, the three largest segments of the REIT's portfolio by GLA are Winnipeg industrial property, Calgary office property and Winnipeg office property.

As of today's date, approximately 59.5% of the Winnipeg industrial and 25.3% of the Calgary office lease expiries remaining in 2010 are already renewed or committed under new leases. In total, 72.3% of the 2010 and 15.1% of the 2011 leasing programs are complete, and the retention ratio thus far in 2010 is 84.8%.

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. The REIT believes that it has met the REIT Conditions throughout the three month period ended March 31, 2010. There can be no assurances, however, that the REIT will continue to be able to satisfy the REIT Conditions in the future 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 where applicable.

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

The REIT currently qualifies as a mutual fund trust for Canadian income tax purposes. 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"). 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 throughout the three month period ended March 31, 2010. The future income tax asset recorded in prior periods was reversed and charged to continuing and discontinued operations in Q1-09.

CHANGES IN ACCOUNTING POLICIES

There are no Canadian GAAP accounting pronouncements effective on or before January 1, 2011 that are expected to have a significant impact on the REIT.

INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

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 on January 1, 2011.

Upon commencement of the IFRS transition project, the REIT established a project team led by the Chief Financial Officer, and includes representatives from various areas of the organization, as necessary, to achieve a smooth transition to IFRS. The project team has identified the following key elements as part of the REIT's transition plan, as well as the current progress that has been made on each element.

Communication and training:

Regular progress reporting to the Audit Committee of the Board of Trustees on the status of the IFRS implementation project has continued through Q1-10. In 2009 management performed an analysis of the impact of all IFRS standards and has developed recommendations on the majority of the accounting policy choices. There are still certain policies that are under review as there remain some areas of uncertainty. As policies are finalized they will be brought to the Audit Committee for approval. Management expects that all new IFRS accounting policies will be reviewed and approved by the Audit Committee by the end of the third quarter of 2010. Please see below under impact of IFRS conversion on accounting policies for a discussion on the significant accounting policies identified by the REIT.

The REIT has ensured that employees involved in the implementation team have attended on-going education and training sessions since commencement of the project. The Audit Committee has received training during 2009 and additional training in 2010 has been scheduled. All employees who are part of the implementation team have access to IFRS standards and standard updates as they are released.

Information systems:

The REIT has completed the review of its information systems and the effect of IFRS on these systems. No major changes to the systems are planned for 2010 and 2011. During Q1-10, the REIT continues to compile IFRS financial information utilizing its financial statement reporting software, which is external to the REIT's current accounting system. Use of the financial statement reporting software allows the REIT to incorporate IFRS adjustments in order to transition the GAAP general ledger to IFRS-compliant financial information.

The REIT is using a discounted cash flow software package to create internal property valuations for the fair value modelling of its investment property. The REIT has appropriate staff members utilizing this software package, and has ensured that they have been provided with an appropriate level of training.

Internal controls over financial reporting and disclosure:

The REIT plans to begin its analysis on internal controls over financial reporting and disclosure relating to the IFRS conversion during the second quarter of 2010. This will be an on-going process as accounting policies and the investment property valuation process are finalized and controls are developed, and will be completed by end of the fourth quarter of 2010. Thereafter, changes to internal controls will be assessed in conjunction with changes to IFRS standards.

Impact of IFRS conversion on accounting policies:

The REIT has identified the following key IFRS standards which may result in significant accounting policy changes upon implementation. At this time, management cannot quantify the impact of any of the significant changes identified in the following discussion on the REIT's financial statements. The following accounting policies may also result in changes to both the REIT's consolidated balance sheet and consolidated statement of operations, as well as changes to note disclosure.

Investment property

Under International Accounting Standard ("IAS") 40 – *Investment Property* ("IAS 40"), Investment property is defined as property held to earn rentals or for capital appreciation rather than for use in the production or supply of goods or services, for administrative purposes or for sale in the ordinary course of business. Under IAS 40, an entity may choose as its accounting policy either the fair value model or the cost model and should apply that policy to all of its investment property.

Under the fair value model, the REIT would present the investment properties at the fair value as determined using valuations of each of the investment properties to reflect market conditions at the end of the reporting period. The fair value of the investment properties would be presented on the consolidated balance sheet and the change due to revaluation each period would be recognized in the consolidated statement of operations. As the investment properties would be recorded at fair value, no amortization expense would be required to be recorded.

The cost model under IAS 40 is similar to Canadian GAAP in that the investment property is carried on the consolidated balance sheet at its cost less accumulated amortization. If the REIT chooses to value its investment properties using the cost model, the fair value of such investment properties would be disclosed in the notes to the consolidated financial statements.

Under IFRS 1 – *First Time Adoption of IFRS* ("IFRS 1"), the REIT may elect to adopt either the fair value model or the cost model to account for its investment properties. IFRS 1 also allows the REIT to choose to use the fair value as the deemed cost of the investment property upon initial conversion to IFRS whether it chooses the fair value or cost model.

The REIT has analyzed IAS 40 and reviewed the differences that would arise under each of the fair value and cost models. The REIT has not yet finalized which model will be applied to investment property, however, management anticipates that the policy decision will be made in the second quarter of 2010. As noted above, fair value information will be required under either model.

The REIT has retained an external valuation firm to assist in developing the fair values of the REIT's investment properties. The external valuations will be done on a rotational basis over a 4 year cycle to ensure that each property will have been externally valued once during the cycle. During the 4 year cycle, the investment properties that are not evaluated externally will be valued through the REIT's internal valuation process.

Impairment

Under GAAP, only if events or circumstances indicate that the carrying value of the income-producing property may be impaired, a recoverability analysis is performed based upon estimated undiscounted cash flows to be generated from the income-producing property. If the analysis indicates that the carrying value is not recoverable from future cash flows, the income-producing property is written-down to estimated fair value and an impairment loss is recognized.

Under IAS 36 – *Impairment of Assets* ("IAS 36"), impairment indicators must be assessed at each reporting period, not just when events or circumstances indicate there may be an impairment. Also, the recoverability analysis is performed based on comparing carrying value to the greater of fair value less costs to sell, or value-in-use, as opposed to undiscounted future cash flows. Value-in-use is defined as the discounted present value of estimated future cash flows expected to arise from the planned use of an asset, and from its disposal at the end of its useful life. This difference may result in assets being impaired under IAS 36, while there may not have been an impairment under GAAP.

Leases

GAAP requires the REIT to record tenant incentives as a reduction of rental revenue. IAS 17 – *Leases* ("IAS 17"), requires the same treatment as required under GAAP, however, the definition of tenant incentives may differ from the REIT's current application of GAAP. The REIT has commenced its review of the nature of existing capitalized leasing costs using the definitions of tenant incentives and tenant improvements under IAS 17. It is likely that more capitalized leasing costs will be classified as tenant incentives under IFRS than under GAAP. This difference would result in a reduction of revenue as more tenant costs would be amortized against revenue. The REIT cannot yet quantify the impact on revenue due to this difference.

A significant difference between lease accounting principles under GAAP and IFRS is that IFRS focuses more on the substance of the arrangement. IFRS uses qualitative factors in determining lease classification, where under GAAP, bright line tests are used to determine if a lease is an operating or finance lease. This difference may result in the REIT classifying a lease as a finance lease rather than an operating lease. Under IFRS, in certain circumstances, land leases are considered to be finance leases. The REIT currently treats all land leases as operating leases. The REIT has commenced the review of its leases in order to determine if under IFRS, each lease would be treated as a financing or operating lease.

Co-ownerships

Currently under GAAP, the REIT uses proportionate consolidation for its five jointly controlled properties. IAS 31 – *Interests in Joint Ventures* (“IAS 31”), allows the choice to either proportionately consolidate jointly controlled properties or account for such interests using the equity method. Currently, there would be no effect on how the REIT accounts for its co-ownerships upon conversion to IFRS. Exposure Draft 9 – *Joint Arrangements*, which proposes to eliminate the option to proportionately consolidate interests in jointly controlled entities, has been put on hold until 2012 or later. Therefore, at transition there will be no change to the REIT’s co-ownership accounting policy.

Business combinations

Under GAAP, an entity shall account for each business combination by applying the purchase method, whereby the cost of acquisition includes direct, incremental acquisition related costs. IFRS 3R – *Business Combinations*, differs from GAAP in that all transactions costs are expensed immediately. As well, IFRS has a broader definition of what constitutes a business. Currently under GAAP, the REIT accounts for the acquisitions of investment properties as asset acquisitions rather than business combinations. Under IFRS, single property acquisitions may be required to be accounted for as business combinations.

The REIT has completed the review of their prior property acquisitions and has determined that none of the acquisitions meet the IFRS definition of a business combination. Therefore, at transition the implementation of this standard will have no impact on the REIT’s consolidated financial statements.

Trust units

GAAP has a less restrictive definition of financial liabilities than IFRS as it does not give specific guidance to settling contracts with the issuer’s own equity instruments. Therefore, the REIT currently accounts for their trust units as equity. However, IAS 32 – *Financial Instruments*, has a more rigorous definition of what constitutes a financial liability which includes equity instruments if they have a contractual obligation to deliver cash or other financial assets to another entity. The Declaration of Trust currently provides that the REIT makes monthly cash distributions to unitholders of the REIT’s units. The amount distributed in each year will be an amount not less than the amount of distributable income in the year as set down in a policy by the Trustees. Therefore, as the REIT currently has a contractual obligation to make cash distributions to unitholders, trust units may be considered a financial liability under IFRS.

Canadian REITs have been modifying their Declarations of Trust in order to make the distributions non-mandatory, with the consent of unitholders, in order to be able to classify their trust units as equity on their balance sheet under IFRS. The REIT intends to present this modification to the Declaration of Trust for unitholder approval at the upcoming Annual and Special Meeting to be held on May 14, 2010.

Income taxes

On January 1, 2009 and through to March 31, 2010, the REIT believes it has met the SIFT rules, which has resulted in the REIT no longer being required to record future taxes. However, under IAS 12 – *Income Taxes*, it appears that the REIT may have to record future income taxes, despite the fact that the REIT currently meets the SIFT rules. This is an industry-wide issue which is currently under discussion.

Discontinued operations

The definition of a discontinued operation is more restrictive under IFRS than it is under GAAP. Under IFRS 5 – *Non-current Assets Held for Sale and Discontinued Operations*, only components that represent a separate major line of business or geographical area of operations, or a subsidiary acquired exclusively with a view to resale can be classified as discontinued operations. Currently under GAAP, the REIT classifies individual properties held for sale through unconditional agreements, and individual properties sold as discontinued operations. Under IFRS, the REIT is less likely to disclose discontinued operations as the sale of a single property is not likely to meet the IFRS definition of a discontinued operation. The current classifications will likely change under IFRS, which would result in a reclassification between income from continuing operations and income from discontinued operations, with no change to net income.

Share-based compensation

In accordance with GAAP, the REIT accounts for unit options issued under its unit option plan using the fair value method. Under this method, compensation expense is measured at fair value at the grant date using the Black-Scholes option pricing model and recognized over the vesting period. There are no significant differences expected to this accounting policy upon transition to IFRS.

IFRS 1

The IFRS 1 standard provides guidance to entities who are adopting IFRS for the first time. Accounting changes are to be applied retrospectively to an entity's financial statements when transitioning from GAAP to IFRS. In order to facilitate the transition, IFRS 1 allows certain exemptions and exceptions to applying IFRS retrospectively. The most significant exception to the REIT has been discussed above under investment property. IFRS 1 allows the REIT to fair value its properties at the transition date, January 1, 2011, and use the fair value as its deemed cost if it were to select the cost model. Going forward, amortization of the investment property would be based on this deemed cost. This is a one-time election available to an entity at the IFRS transition date. The remaining exemptions and exceptions are either not applicable or will not have a significant impact on the REIT.

Financial statement presentation:

Management continues to work on drafting IFRS financial statements and note disclosures. This is an on-going project throughout 2010 as decisions on accounting policies are finalized and their impact is calculated.

Under IAS 1 – *Presentation of Financial Statements*, the REIT must present either a classified balance sheet or present its balance sheet in the order of liquidity. The REIT uses neither method when presenting its balance sheet under GAAP. The REIT is still evaluating this decision.

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, 2010, 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, 2010.

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, 2010.

During the period ended March 31, 2010, no changes to internal controls over financial reporting have materially affected, or are reasonably 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.