

Interim Consolidated Financial Statements of

**ARTIS REAL ESTATE
INVESTMENT TRUST**

Three months and six months ended June 30, 2010 and 2009
(Unaudited)

ARTIS REAL ESTATE INVESTMENT TRUST

Interim Consolidated Balance Sheet

(In thousands of dollars)

	June 30, 2010 (Unaudited)	December 31, 2009
ASSETS		
Income-producing properties (note 4)	\$ 1,363,740	\$ 991,700
Other assets (note 5)	188,434	119,874
Deposits on income-producing properties (note 6)	2,500	1,350
Prepaid expenses	3,882	2,613
Notes receivable (note 7)	28,219	29,062
Rent and other receivables	11,984	9,348
Cash held in trust	1,243	355
Cash and cash equivalents	100,076	35,907
	\$ 1,700,078	\$ 1,190,209
LIABILITIES AND UNITHOLDERS' EQUITY		
Liabilities:		
Mortgages and loans payable (note 8)	\$ 881,481	\$ 612,263
Convertible debentures (note 9)	145,762	86,032
Intangible liabilities (note 10)	87,390	81,523
Security deposits and prepaid rent	7,735	4,572
Accounts payable and other liabilities (note 11)	22,266	14,213
Bank indebtedness (note 12)	8,000	30,700
	1,152,634	829,303
Unitholders' equity	547,444	360,906
Commitments and guarantees (note 22)		
Subsequent events (note 25)		
	\$ 1,700,078	\$ 1,190,209

See accompanying notes to interim consolidated financial statements.

ARTIS REAL ESTATE INVESTMENT TRUST

Interim Consolidated Statements of Operations
 Three months and six months ended June 30, 2010 and 2009
 (Unaudited)

(In thousands of dollars, except per unit amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Revenue	\$ 42,984	\$ 33,487	\$ 80,291	\$ 68,093
Property operating expenses	12,885	10,393	24,523	21,413
	30,099	23,094	55,768	46,680
Interest	13,189	9,766	23,611	19,633
	16,910	13,328	32,157	27,047
Expenses (income):				
Corporate	1,425	1,288	2,649	2,489
Amortization	15,939	12,862	29,403	28,444
Unrealized (gain) loss on commodity derivatives	(66)	60	14	264
	17,298	14,210	32,066	31,197
Income (loss) before other items	(388)	(882)	91	(4,150)
Loss on termination of Interplex II agreement (note 13)	-	(7,287)	-	(7,287)
Future income tax expense (note 18)	-	-	-	(10,895)
Income (loss) before non-controlling interest and discontinued operations	(388)	(8,169)	91	(22,332)
Non-controlling interest (note 13)	-	45	-	40
Income (loss) from continuing operations	(388)	(8,124)	91	(22,292)
Income from discontinued operations (note 21)	-	8,234	-	8,871
Income (loss) for the period	\$ (388)	\$ 110	\$ 91	\$ (13,421)
Basic income (loss) per unit (note 14 (e))				
Continuing operations	\$ (0.01)	\$ (0.25)	\$ 0.00	\$ (0.68)
Discontinued operations	\$ 0.00	\$ 0.25	\$ 0.00	\$ 0.27
Diluted income (loss) per unit (note 14 (e))				
Continuing operations	\$ (0.01)	\$ (0.25)	\$ 0.00	\$ (0.68)
Discontinued operations	\$ 0.00	\$ 0.25	\$ 0.00	\$ 0.27
Weighted-average number of units outstanding,				
Basic	50,097,039	32,725,874	46,620,036	32,557,008
Diluted	50,097,039	32,725,874	46,623,832	32,557,008

See accompanying notes to interim consolidated financial statements.

ARTIS REAL ESTATE INVESTMENT TRUST

Interim Consolidated Statements of Unitholders' Equity
 Three months and six months ended June 30, 2010 and 2009
 (Unaudited)

(In thousands of dollars, except unit amounts)

	Number of Units	Capital Contributions	Equity Component of Convertible Debentures	Deficit	Contributed Surplus	Total
Unitholders' equity, December 31, 2008	32,306,766	\$ 438,256	\$ 9,268	\$ (91,571)	\$ 2,590	\$ 358,543
Issuance of units	166,713	1,086	-	-	-	1,086
Units issued on exchange of Class B units (note 13)	543,781	8,059	-	-	-	8,059
Unit-based compensation	-	-	-	-	115	115
Units acquired and cancelled through normal course issuer bid	(44,100)	(961)	-	-	677	(284)
Loss for the period	-	-	-	(13,421)	-	(13,421)
Distributions for the period	-	-	-	(17,581)	-	(17,581)
Unitholders' equity, June 30, 2009	32,973,160	446,440	9,268	(122,573)	3,382	336,517
Issuance of units	4,595,088	39,478	-	-	-	39,478
Unit-based compensation	-	-	-	-	45	45
Cancellation of options	-	-	-	-	(484)	(484)
Issuance of convertible debentures	-	-	838	-	-	838
Conversion of convertible debentures	66,233	578	(11)	-	-	567
Repayment on convertible debenture	-	-	(169)	-	-	(169)
Units acquired and cancelled through normal course issuer bid	(112,100)	(1,496)	-	-	534	(962)
Income for the period	-	-	-	4,232	-	4,232
Distributions for the period	-	-	-	(19,156)	-	(19,156)
Unitholders' equity, December 31, 2009	37,522,381	485,000	9,926	(137,497)	3,477	360,906
Issuance of units	17,914,513	189,146	-	-	-	189,146
Unit-based compensation	-	-	-	-	41	41
Issuance of convertible debentures	-	-	2,662	-	-	2,662
Conversion of convertible debentures	2,429,219	21,573	(411)	-	-	21,162
Income for the period	-	-	-	91	-	91
Distributions for the period	-	-	-	(26,564)	-	(26,564)
Unitholders' equity, June 30, 2010	57,866,113	\$ 695,719	\$ 12,177	\$ (163,970)	\$ 3,518	\$ 547,444

See accompanying notes to interim consolidated financial statements.

ARTIS REAL ESTATE INVESTMENT TRUST

Interim Consolidated Statements of Cash Flows
 Three months and six months ended June 30, 2010 and 2009
 (Unaudited)

(In thousands of dollars)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Cash provided by (used for):				
Operating activities:				
Income (loss) for the period	\$ (388)	\$ 110	\$ 91	\$ (13,421)
Adjustments for non-cash items:				
Amortization:				
Income-producing properties	7,935	6,529	14,649	14,009
Office equipment	29	25	56	50
Above-market rent	96	58	153	131
Acquired in-place leases	7,204	6,414	13,211	14,865
Customer relationships	1	2	1	4
Below-market rent	(2,973)	(2,891)	(5,792)	(6,923)
Tenant inducements and leasing costs	770	612	1,486	1,317
Tenant inducements amortized to revenue	108	63	212	128
Above- and below-market mortgages, net	(45)	(46)	(91)	(91)
Accretion on liability component of convertible debentures	562	373	1,058	735
Straight-line rent adjustment	(669)	(509)	(1,112)	(918)
Loss on termination of Interplex II agreement (note 13)	-	7,287	-	7,287
Gain on disposal of income-producing properties	-	(7,988)	-	(8,579)
Unrealized (gain) loss on commodity derivatives	(66)	60	14	264
Unit-based compensation expense	30	54	41	115
Amortization of financing costs included in interest	244	198	457	402
Future income tax expense	-	-	-	11,127
Non-controlling interest (note 13)	-	58	-	91
	12,838	10,409	24,434	20,593
Changes in non-cash operating items (note 16)	2,001	1,187	7,401	(1,288)
	14,839	11,596	31,835	19,305
Investing activities:				
Acquisition of income-producing properties, net of related debt (note 3)	(107,183)	-	(163,475)	-
Disposition of income-producing properties, net of mortgages and costs	-	22,366	-	25,129
Additions to income-producing properties	(1,505)	(1,484)	(3,273)	(1,573)
Deposits on income-producing properties held for sale (note 21)	-	(8,043)	-	(10,000)
Advance of notes receivable	-	(1,800)	-	(1,800)
Notes receivable principal repayments	425	421	843	837
Net change to office equipment and software	-	(8)	(27)	47
Additions to tenant inducements and leasing costs	(2,136)	(958)	(3,398)	(3,917)
Change in deposits on income-producing properties	809	(868)	(1,150)	(815)
	(109,590)	9,626	(170,480)	7,908
Financing activities:				
Issuance of units, net of issue costs	78,049	396	189,146	1,086
Purchase of units under normal course issuer bid	-	-	-	(284)
Issuance of convertible debentures, net of issue costs	82,496	-	82,496	-
Bank indebtedness	8,000	-	(22,700)	-
Distributions paid on REIT units	(14,219)	(8,849)	(26,564)	(17,581)
Distributions paid on Class B units, charged to non-controlling interest (note 13)	-	(16)	-	(65)
Mortgages and loans principal repayments	(3,819)	(2,866)	(7,054)	(6,232)
Repayment of mortgages and loans payable	(4,453)	(5,000)	(30,125)	(5,000)
Advance of mortgages payable	8,775	-	17,615	1,343
	154,829	(16,335)	202,814	(26,733)
Increase in cash and cash equivalents	60,078	4,887	64,169	480
Cash and cash equivalents at beginning of period	39,998	9,440	35,907	13,847
Cash and cash equivalents at end of period	\$ 100,076	\$ 14,327	\$ 100,076	\$ 14,327

See accompanying notes to interim consolidated financial statements.

ARTIS REAL ESTATE INVESTMENT TRUST

Interim Consolidated Statements of Cash Flows (continued)
 Three months and six months ended June 30, 2010 and 2009
 (Unaudited)

(In thousands of dollars)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Supplemental cash flow information:				
Interest paid, net of interest received	\$ 12,326	\$ 10,177	\$ 20,199	\$ 19,174
Non-cash investing and financing activities:				
Elimination of non-controlling interest and related exchange of Class B units for REIT units are excluded from investing and financing activities (note 13)	-	8,059	-	8,059
Elimination of non-controlling interest and related cancellation of Class B units are excluded from investing and financing activities (note 13)	-	2,226	-	2,226

See accompanying notes to interim consolidated financial statements.

ARTIS REAL ESTATE INVESTMENT TRUST

Notes to Interim Consolidated Financial Statements
Three months and six months ended June 30, 2010 and 2009
(Unaudited)

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

1. Organization:

Artis Real Estate Investment Trust (the "REIT") is an unincorporated open-end real estate investment trust (note 14) created under, and governed by, the laws of the province of Manitoba and was created pursuant to the Declaration of Trust dated November 8, 2004, subsequently amended and restated on October 31, 2006 and May 14, 2010 (the "Declaration of Trust"). The purpose of the REIT is to directly, or indirectly, own, manage, lease and (where appropriate) develop retail, industrial and office properties primarily in Canada.

The Declaration of Trust provides that the REIT may make cash distributions to unitholders of the REIT's units. The amount distributed in each year (currently \$1.08 per unit), will be an amount not less than the amount of distributable income in the year set down in a policy by the Trustees.

2. Significant accounting policies:

(a) Basis of presentation:

The disclosure requirements for interim financial statements do not conform in all material respects with the requirements of Canadian generally accepted accounting principles ("GAAP") for annual statements. These interim consolidated financial statements should be read in conjunction with the consolidated financial statements of the REIT as at, and for the year ended, December 31, 2009.

These interim consolidated financial statements follow the same accounting policies and methods of their application as used in the December 31, 2009 financial statements.

(b) Translation of foreign currencies:

Assets and liabilities of self-sustaining properties are translated at the rate of exchange in effect at the balance sheet date. Revenue and expense items are translated at the average exchange rate for the period. Gains or losses on translation are included in other comprehensive income as foreign currency translation gains or losses. When there is a reduction in the net investment as a result of a dilution or sale, or reduction in the equity of the foreign operation as a result of a capital transaction, amounts previously recognized in accumulated other comprehensive income are reclassified into net income.

(c) Future changes in accounting policies:

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

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

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.

ARTIS REAL ESTATE INVESTMENT TRUST

Notes to Interim Consolidated Financial Statements
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(Unaudited)

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

3. Acquisitions and dispositions of income-producing properties:

Acquisitions:

The REIT acquired the following properties during the six months ended June 30, 2010:

Property	Location	Acquisition Date	Type
Westbank Zellers ⁽¹⁾	Westbank / West Kelowna, BC	January 14, 2010	Retail
Maple Leaf Building	Saskatoon, SK	January 29, 2010	Industrial
Sherwood Centre	Edmonton, AB	January 29, 2010	Industrial
Alberta Industrial Portfolio ⁽²⁾	Various locations in Alberta	March 30, 2010	Industrial
Westbank Hub Centre North ^{(1) (3)}	Westbank / West Kelowna, BC	March 31, 2010	Retail
Sunrise Towne Square	Spruce Grove, AB	April 1, 2010	Retail
Visions Building	Calgary, AB	April 12, 2010	Retail
Tamarack Centre	Cranbrook, BC	April 15, 2010	Retail
Eagle Ridge Corner	Fort McMurray, AB	May 14, 2010	Retail
Production Court	Burnaby, BC	May 26, 2010	Office
Grande Prairie Power Centre	Grande Prairie, AB	June 15, 2010	Retail
DSI Building	New Brighton, MN	June 30, 2010	Office
Winnipeg Square / 360 Main Street ⁽⁴⁾	Winnipeg, MB	June 30, 2010	Office/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.

(4) The REIT acquired the remaining 62% interest in this property, and also acquired the ancillary parkade on April 30, 2010.

The REIT did not acquire any properties during the six months ended June 30, 2009.

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

The net assets acquired including acquisition costs were as follows:

	Three Months Ended		Six Months Ended	
	2010	June 30, 2009	2010	June 30, 2009
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Land	\$ 43,819	\$ -	\$ 73,531	\$ -
Buildings	163,926	-	239,076	-
Leasehold interest	6	-	25,575	-
Parking lots	19,998	-	20,598	-
Tenant improvements	18,728	-	24,636	-
Acquired in-place leases	51,547	-	78,485	-
Above-market rent	1,492	-	1,769	-
Below-market rent	(7,120)	-	(11,659)	-
Long-term debt including acquired above- and below-market mortgages, net of deferred financing costs	(185,213)	-	(288,536)	-
Cash consideration	\$ 107,183	\$ -	\$ 163,475	\$ -
Acquisition costs included above	\$ 3,505	\$ -	\$ 4,834	\$ -

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Notes to Interim Consolidated Financial Statements
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 (Unaudited)

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

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

Dispositions:

The REIT did not dispose of any properties during the six months ended June 30, 2010.

The REIT disposed of the following properties during the six months ended June 30, 2009:

Property	Location	Disposition Date	Type
Plainsman Building	Kamloops, BC	March 31, 2009	Office
Airways Business Plaza ⁽¹⁾	Calgary, AB	April 1, 2009	Office
Glenmore Commerce Court ⁽¹⁾	Calgary, AB	April 1, 2009	Office
McKnight Village Mall	Calgary, AB	May 15, 2009	Retail

(1) Airways Business Plaza and Glenmore Commerce Court were disposed of as a portfolio.

4. Income-producing properties:

	June 30, 2010 (Unaudited)		
	Cost	Accumulated amortization	Net book value
Land	\$ 326,351	\$ -	\$ 326,351
Buildings and building improvements	968,232	58,198	910,034
Leasehold interest	33,590	1,178	32,412
Tenant improvements	84,160	29,507	54,653
Parking lots	43,834	3,544	40,290
	\$ 1,456,167	\$ 92,427	\$ 1,363,740

	December 31, 2009		
	Cost	Accumulated amortization	Net book value
Land	\$ 252,820	\$ -	\$ 252,820
Buildings and building improvements	727,672	48,303	679,369
Leasehold interest	8,015	885	7,130
Tenant improvements	57,849	25,790	32,059
Parking lots	23,122	2,800	20,322
	\$ 1,069,478	\$ 77,778	\$ 991,700

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 (Unaudited)

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

5. Other assets:

	June 30, 2010 (Unaudited)		
	Cost	Accumulated amortization	Net book value
Acquired in-place leases	\$ 265,901	\$ 96,336	\$ 169,565
Above-market rent	3,680	1,106	2,574
Customer relationships	105	95	10
Tenant inducements and leasing costs	22,294	6,414	15,880
Office equipment and software	580	175	405
	\$ 292,560	\$ 104,126	\$ 188,434

	December 31, 2009		
	Cost	Accumulated amortization	Net book value
Acquired in-place leases	\$ 187,416	\$ 83,125	\$ 104,291
Above-market rent	1,911	953	958
Customer relationships	105	94	11
Tenant inducements and leasing costs	18,896	4,716	14,180
Office equipment and software	553	119	434
	\$ 208,881	\$ 89,007	\$ 119,874

6. Deposits on income-producing properties:

	Six Months Ended June 30, 2010 (Unaudited)	Year Ended December 31, 2009
Deposit on income-producing property (note 13):		
Balance, beginning of period	\$ -	\$ 6,712
Property rent	-	(300)
Costs incurred	-	618
Distributions on 543,781 Class B units of AX L.P.	-	196
	-	7,226
Forfeiture on settlement of Interplex II (note 13)	-	(7,226)
	-	-
Deposits on income-producing properties	2,500	1,350
	\$ 2,500	\$ 1,350

ARTIS REAL ESTATE INVESTMENT TRUST

Notes to Interim Consolidated Financial Statements
 Three months and six months ended June 30, 2010 and 2009
 (Unaudited)

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

7. Notes receivable:

	June 30, 2010 (Unaudited)	December 31, 2009
Note receivable from tenant maturing in May 2023, bearing interest at 5.894% per annum, repayable in varying blended monthly installments of principal and interest. The note is unsecured and is transferable at the option of the holder. A default under the terms of the note constitutes a default of the lease of the tenant.	\$ 26,106	\$ 26,918
Notes receivable with maturity dates ranging from November 2010 to September 2017, bearing interest at rates ranging from 5.06% to 9.50% per annum, repayable in blended monthly installments of principal and interest.	2,113	2,144
	\$ 28,219	\$ 29,062

8. Mortgages and loans payable:

Substantially all of the REIT's assets have been pledged as security under mortgages and other security agreements. The mortgages and loans payable bear interest at fixed rates, with a weighted-average effective rate of 5.46% at June 30, 2010, a weighted-average nominal rate of 5.32% at June 30, 2010 (effective and nominal at June 30, 2009, 5.52% and 5.41%, respectively), and maturity dates ranging from September 1, 2010 to December 1, 2022.

Principal payment requirements on the mortgages and loans payable as at June 30, 2010 are as follows:

2011	\$ 68,706
2012	60,765
2013	197,465
2014	35,410
2015	207,108
2016 and thereafter	313,698
	883,152
Net above- and below-market mortgage adjustments	2,057
Financing costs	(3,728)
	\$ 881,481

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Notes to Interim Consolidated Financial Statements
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(In thousands of dollars, except unit and per unit amounts)

9. Convertible debentures:

Particulars of the REIT's outstanding convertible debentures as at June 30, 2010 and December 31, 2009 are as follows:

Convertible redeemable debenture issue	Issue date	Maturity date	Interest rate
Series A	August 4, 2005	August 4, 2010	7.75%
Series B	November 9, 2005	November 9, 2010	7.50%
Series C	May 4, 2006	May 31, 2013	6.25%
Series D	November 30, 2007	November 30, 2014	5.00%
Series E	July 9, 2009	June 30, 2014	7.50%
Series F	April 22, 2010	June 30, 2020	6.00%

Convertible redeemable debenture issue	Face value	Equity portion	Liability portion	Accretion	Financing costs	Carrying value
Series A	\$ 620	\$ 116	\$ 504	\$ 158	\$ (46)	\$ 616
Series B	2,313	457	1,856	559	(161)	2,254
Series C	29,920	7,570	22,350	3,658	(819)	25,189
Series D	17,000	956	16,044	314	(35)	16,323
Series E	22,792	416	22,376	69	(982)	21,463
Series F	86,250	2,662	83,588	36	(3,707)	79,917
2010 (unaudited)	158,895	12,177	146,718	4,794	(5,750)	145,762
2009	\$ 95,237	\$ 9,926	\$ 85,311	\$ 4,006	\$ (3,285)	\$ 86,032

Accretion to the carrying value of the debt component was \$562 (2009, \$373) during the three months ended June 30, 2010 and \$1,058 (2009, \$735) during the six months ended June 30, 2010. The weighted-average effective rate of the debentures at June 30, 2010 is 8.52% (June 30, 2009, 10.33%).

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10. Intangible liabilities:

	June 30, 2010 (Unaudited)		
	Cost	Accumulated amortization	Net book value
Below-market rent	\$ 132,250	\$ 44,860	\$ 87,390

	December 31, 2009		
	Cost	Accumulated amortization	Net book value
Below-market rent	\$ 120,591	\$ 39,068	\$ 81,523

11. Accounts payable and other liabilities:

	June 30, 2010 (Unaudited)		December 31, 2009
Accounts payable and accrued liabilities	\$ 17,058	\$ 10,836	
Distributions payable (note 15)	5,208	3,377	
	\$ 22,266	\$ 14,213	

12. Bank indebtedness:

On September 28, 2008, the REIT entered into an amended and restated loan agreement for a revolving term credit facility in the amount of \$60,000, which may be utilized to fund acquisitions of office, retail and industrial properties. \$7,500 of the credit facility is available to purchase units under the normal course issuer bid, \$10,000 may be utilized to provide mezzanine financing, and an additional \$10,000 may be used for general corporate purposes. The credit facility matures on September 28, 2010. Amounts drawn on the facility will 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. The credit facility is secured by a first charge on Delta Centre, Grain Exchange Building, Johnston Terminal and Sears Centre. At June 30, 2010, the REIT had utilized \$8,000 (December 31, 2009, \$30,700) of the facility.

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13. Non-controlling interest:

Non-controlling interest represents the allocation of income related to the Class B units of a subsidiary, AX L.P. ("AXLP").

On May 11, 2009, Artis reached a settlement with the holders of the Class B units, and agreed to terminate both agreements. Under the terms of the settlement, the vendor of Interplex II retained the 543,781 Class B units of AXLP. The Class B units were converted into REIT units at the closing of the settlement agreement. Deposits on income-producing properties were forfeited in the amount of \$7,226, accounts payable and accrued liabilities increased by \$61, non-controlling interest in the amount of \$8,059 was eliminated, capital contributions increased \$8,059, and a loss of \$7,287 was recorded in Q2-09.

The 177,566 Class B units of AXLP that were issued for a 50% interest in the Interplex III lands were returned to AXLP for cancellation, and the 50% interest in land was transferred to the vendor. Property under development in the amount of \$2,725 was removed from the books, non-controlling interest in the amount of \$2,226 was eliminated, and a loss on disposition of property in the amount of \$499 was recorded as part of discontinued operations in Q2-09.

14. Capital contributions:

(a) Authorized:

In accordance with the Declaration of Trust, the REIT may issue an unlimited number of units, with each unit representing an equal fractional undivided beneficial interest in any distributions from the REIT, and in the net assets in the event of termination or wind-up of the REIT. All units are of the same class with equal rights and privileges. The units are redeemable at any time at the option of the holder at a price defined in the Declaration of Trust, subject to a maximum of \$30 in cash redemptions by the REIT in any one month. Redemptions in excess of this amount will be paid by way of a distribution of notes of the REIT, or the notes of a wholly-owned subsidiary of the REIT.

In accordance with the Declaration of Trust, the REIT may also issue a class of special voting units, which are non-participating voting units of the REIT, to be issued to holders of securities which are exchangeable for units of the REIT (note 13). Special voting units are cancelled on the issuance of REIT units on exercise, conversion or cancellation of the corresponding exchangeable securities.

(b) Issued and outstanding:

	Number of units	Amount
Balance at December 31, 2008	32,306,766	\$ 438,256
Public offerings, net of issue costs of \$1,879	3,910,000	33,311
Conversion of Series E convertible debentures	66,233	578
Distribution Reinvestment Plan	296,246	2,263
Units issued on exchange of Class B units	543,781	8,059
Units issued on private placement	555,555	4,990
Units acquired and cancelled through normal course issuer bid	(156,200)	(2,457)
Balance at December 31, 2009	37,522,381	485,000
Public offerings, net of issue costs of \$9,175	17,738,750	187,231
Conversion of Series E convertible debentures	2,429,219	21,573
Distribution Reinvestment Plan	175,763	1,915
Balance at June 30, 2010 (unaudited)	57,866,113	\$ 695,719

At June 30, 2010, there were no special voting units issued and outstanding (note 13).

The REIT has a Distribution Reinvestment and Unit Purchase Plan ("DRIP") which allows Unitholders the option to elect to receive all or a portion of their regular monthly distributions in additional REIT units.

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14. Capital contributions (continued):

(c) Contributed surplus:

	Six Months Ended June 30, 2010 (Unaudited)	Year Ended December 31, 2009
Balance, beginning of period	\$ 3,477	\$ 2,590
Unit-based compensation expense	41	160
Cancellation of options	-	(484)
Units purchased and cancelled under normal course issuer bid (note 14 (f))	-	1,211
Balance, end of period	\$ 3,518	\$ 3,477

Contributed surplus includes the recording of the fair value of options granted under the unit option plan (see note 14(d)). The fair value of the options is recorded to contributed surplus as the options vest. Upon exercise, the proceeds received, as well as any balance previously recorded to contributed surplus, are credited to capital contributions.

(d) Unit options:

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

A summary of the REIT's unit options for the six months ended June 30 are as follows:

	2010		2009	
	Units	Weighted- average exercise price	Units	Weighted- average exercise price
Balance, beginning of period	217,036	\$ 11.25	1,458,336	\$ 15.52
Granted	273,250	11.28	-	-
Expired	-	-	(15,000)	16.75
Balance, end of period	490,286	\$ 11.27	1,443,336	\$ 15.51
Options exercisable at end of period	217,036		926,226	
Weighted-average fair value per unit of options granted during the period		\$ 0.83		\$ -

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14. Capital contributions (continued):

(d) Unit options (continued):

Options outstanding at June 30, 2010 consist of the following:

Range of exercise prices	Number outstanding	Weighted-average remaining contractual life	Options outstanding weighted-average exercise price	Number exercisable
\$ 11.25	217,036	0.5 years	\$ 11.25	217,036
\$ 11.28	273,250	4.75 years	\$ 11.28	-
	490,286		\$ 11.27	217,036

The compensation expense related to unit options granted under the unit option plan for the three months ended June 30, 2010 amounted to \$30 and \$41 for the six months ended June 30, 2010. The compensation expense was determined based on the fair value of the options at the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions:

	2010	2009
Expected option life	5.0 years	-
Risk-free interest rate	2.49%	-
Dividend yield	9.57%	-
Expected volatility	26.72%	-

(e) Weighted-average units:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Income (loss)	\$ (388)	\$ 110	\$ 91	\$ (13,421)
Diluted income (loss)	\$ (388)	\$ 110	\$ 91	\$ (13,421)

The weighted-average number of units outstanding was as follows:

Basic units	50,097,039	32,725,874	46,620,036	32,557,008
Effect of dilutive securities:				
Unit option plan	-	-	3,796	-
Diluted units	50,097,039	32,725,874	46,623,832	32,557,008
Income (loss) per unit:				
Basic	\$ (0.01)	\$ 0.00	\$ 0.00	\$ (0.41)
Diluted	\$ (0.01)	\$ 0.00	\$ 0.00	\$ (0.41)

The computation of diluted income (loss) per unit for the three months and six months ended June 30, 2010 does not include convertible debentures as these instruments are anti-dilutive. The computation of diluted income (loss) per unit for three months and six months ended June 30, 2009 does not include Class B units, convertible debentures and unit options as these instruments are anti-dilutive.

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14. Capital contributions (continued):

(f) Normal course issuer bid:

On December 11, 2009, the REIT announced that the Toronto Stock Exchange (the "Exchange") had approved the renewal of its normal course issuer bid. Under the renewed bid, the REIT will have the ability to purchase for cancellation up to a maximum of 3,172,816 units, representing 10% of the REIT's float of 31,728,167 on December 15, 2009. Purchases will be made at market prices through the facilities of the Exchange. The bid commenced on December 14, 2007, and will remain in effect until the earlier of December 14, 2010, or the date on which the REIT has purchased the maximum number of units permitted under the bid. During the three months and six months ended June 30, 2010, the REIT did not acquire units through the normal course issuer bid. Since December 14, 2007, the REIT had acquired 410,200 units for cancellation.

15. Distributions to unitholders:

The REIT declared distributions to REIT unitholders of record in the amount of \$14,219 for the three months ended June 30, 2010 (2009, \$8,849) and \$26,564 for the six months ended June 30, 2010 (2009, \$17,581). On May 11, 2009, all outstanding Class B units were returned to AXLP for cancellation or converted into REIT units (Note 13). The REIT declared distributions on Class B units of AXLP in the amount of \$65 for the three months ended June 30, 2009 and \$261 for the six months ended June 30, 2009. Total distributions payable at June 30, 2010 are \$5,208 (December 31, 2009, \$3,377).

16. Changes in non-cash operating items:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Prepaid expenses	\$ (758)	\$ (860)	\$ (1,389)	\$ (556)
Rent and other receivables	(974)	362	(1,524)	641
Cash held in trust	(842)	662	(888)	149
Security deposits and prepaid rent	863	1,038	3,163	929
Accounts payable and other liabilities	3,712	(15)	8,039	(2,451)
	\$ 2,001	\$ 1,187	\$ 7,401	\$ (1,288)

17. Related party transactions:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Legal fees expensed	\$ -	\$ 61	\$ 40	\$ 141
Capitalized legal fees	847	133	1,589	578
Advisory fees	899	727	1,653	1,388
Capitalized acquisition fees	1,437	-	2,228	-
Property management fees	1,567	1,265	2,950	2,556
Capitalized leasing commissions	239	95	307	661
Capitalized building improvements	982	1,095	1,866	1,383
Capitalized tenant inducements	31	37	337	90
Services fee	-	198	-	198
Consulting fees	25	-	50	-

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17. Related party transactions (continued):

The REIT incurred legal fees with a law firm associated with a trustee of the REIT in connection with property acquisitions and general business matters. The amount payable at June 30, 2010 is \$675 (December 31, 2009, \$150).

The REIT incurred advisory fees and acquisition fees under the asset management agreement with Marwest Realty Advisors Inc. ("Marwest Realty"), a company owned and controlled by certain trustees and officers of the REIT. The amount payable at June 30, 2010 is \$9 (December 31, 2009, \$38). Under the asset management agreement, Marwest Realty is entitled to an annual advisory fee equal to 0.25% of the adjusted cost base of the REIT's assets and an acquisition fee equal to 0.5% of the cost of each property acquired.

The REIT incurred property management fees, leasing commission fees, and tenant improvement fees under the property management agreement with Marwest Management Canada Ltd. ("Marwest Management"). The amount payable at June 30, 2010 is \$276 (December 31, 2009, \$136). Marwest Management acts as the general property manager for the REIT's properties and is entitled to management fees, leasing renewal commissions and tenant improvement fees at commercially reasonable rates.

The REIT incurred costs for building improvements and tenant inducements paid to Marwest Construction Ltd., a company related to certain trustees and officers of the REIT. The amount payable at June 30, 2010 is \$529 (December 31, 2009, \$302).

The services fee represents work done for all services rendered in anticipation of the purchase of the Interplex II and Interplex III properties, and the termination of said agreements. The amount payable at June 30, 2010 is \$nil (December 31, 2009, \$nil).

The consulting fees represent work performed by Marwest Realty on the International Financial Reporting Standards implementation project. The amount payable at June 30, 2010 is \$nil (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.

18. 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. Accordingly, the REIT did not previously record a provision for income taxes or future income tax assets or liabilities.

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

Under the New SIFT Rules, following a transition period for qualifying SIFTs, certain distributions from a SIFT will no longer be deductible in computing a SIFT's taxable income, and a SIFT will be subject to tax on such distributions at a rate that is substantially equivalent to the general tax rate applicable to a Canadian corporation. However, distributions paid by a SIFT as returns of capital should generally not be subject to the tax.

The New SIFT Rules do not apply to a "real estate investment trust" that meets prescribed conditions relating to the nature of its assets and revenue (the "REIT Conditions"). The REIT 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 months and six months ended June 30, 2010. The future income tax asset recorded in prior periods was reversed and charged to continuing and discontinued operations in 2009.

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18. Future income taxes (continued):

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 \$47,032 at June 30, 2010 (December 31, 2009, \$39,032). This balance includes non-capital losses available for carryforward in the amount of \$7,252, which may be used to offset taxable income in future periods, and allowable capital losses available for carryforward in the amount of \$3,125, which may be used to offset taxable capital gains in the future periods.

19. Co-ownership activities:

These consolidated financial statements include the REIT's proportionate share of assets, liabilities, revenue, expenses and cash flows of the co-ownerships in which it participates as at June 30, 2010. The REIT is contingently liable for the obligations of its associates in certain co-ownerships. Management believes that the assets of the co-ownerships are available and are sufficient for the purpose of satisfying such obligations. The REIT's proportionate share of these co-ownerships range between 50% and 85%, summarized as follows:

	June 30, 2010 (Unaudited)		December 31, 2009	
Assets	\$	78,263	\$	52,967
Liabilities		76,558		51,406

	Three Months Ended June 30,		Six Months Ended June 30,					
	2010	2009	2010	2009				
Revenue	\$	2,126	\$	914	\$	3,625	\$	1,893
Expenses		2,159		807		3,481		1,641
Operating income (loss) from properties		(33)		107		144		252
Cash flows provided by operating activities		496		393		1,172		669
Cash flows used in investing activities		(90)		(26)		(8,220)		(46)
Cash flows provided by (used in) financing activities		(258)		(397)		7,157		(425)

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20. Segmented information:

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

Three Months Ended June 30, 2010					
	Retail	Office	Industrial	REIT	Total
Revenue	\$ 14,199	\$ 19,727	\$ 8,939	\$ 119	\$ 42,984
Property operating expenses	3,859	6,464	2,562	-	12,885
	10,340	13,263	6,377	119	30,099
Interest	3,692	4,132	2,442	2,923	13,189
Corporate expenses	-	-	-	1,425	1,425
Amortization	4,697	7,321	3,883	38	15,939
Unrealized gain on commodity derivatives	-	-	-	(66)	(66)
	8,389	11,453	6,325	4,320	30,487
Income (loss) for the period	1,951	1,810	52	(4,201)	(388)
Total assets	\$ 526,515	\$ 759,909	\$ 315,050	\$ 98,604	\$ 1,700,078

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20. Segmented information (continued):

Three Months Ended June 30, 2009					
	Retail	Office	Industrial	REIT	Total
Revenue	\$ 11,501	\$ 17,504	\$ 4,439	\$ 43	\$ 33,487
Property operating expenses	3,208	5,822	1,363	-	10,393
	8,293	11,682	3,076	43	23,094
Interest	2,940	4,302	998	1,526	9,766
Corporate expenses	-	-	-	1,288	1,288
Amortization	3,926	6,663	2,239	34	12,862
Unrealized loss on commodity derivatives	-	-	-	60	60
	6,866	10,965	3,237	2,908	23,976
Loss on termination of Interplex II agreement	1,427	717	(161)	(2,865)	(882)
Non-controlling interest	-	-	-	45	45
Income (loss) from discontinued operations	2,361	6,394	(22)	(499)	8,234
Income (loss) for the period	\$ 3,788	\$ 7,111	\$ (183)	\$ (10,606)	\$ 110
Total assets	\$ 390,390	\$ 607,648	\$ 142,812	\$ 12,648	\$ 1,153,498

Six Months Ended June 30, 2010					
	Retail	Office	Industrial	REIT	Total
Revenue	\$ 26,165	\$ 38,229	\$ 15,725	\$ 172	\$ 80,291
Property operating expenses	7,320	12,246	4,957	-	24,523
	18,845	25,983	10,768	172	55,768
Interest	6,620	7,855	4,148	4,988	23,611
Corporate expenses	-	-	-	2,649	2,649
Amortization	8,401	14,064	6,863	75	29,403
Unrealized loss on commodity derivatives	-	-	-	14	14
	15,021	21,919	11,011	7,726	55,677
Income (loss) for the period	\$ 3,824	\$ 4,064	\$ (243)	\$ (7,554)	\$ 91
Total assets	\$ 526,515	\$ 759,909	\$ 315,050	\$ 98,604	\$ 1,700,078

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20. Segmented information (continued):

	Six Months Ended June 30, 2009				
	Retail	Office	Industrial	REIT	Total
Revenue	\$ 23,852	\$ 35,114	\$ 9,064	\$ 63	\$ 68,093
Property operating expenses	6,784	11,620	3,009	-	21,413
	17,068	23,494	6,055	63	46,680
Interest	5,890	8,623	2,052	3,068	19,633
Corporate expenses	-	-	-	2,489	2,489
Amortization	9,057	14,951	4,366	70	28,444
Unrealized loss on commodity derivatives	-	-	-	264	264
	14,947	23,574	6,418	5,891	50,830
Loss on termination of Interplex II agreement	2,121	(80)	(363)	(5,828)	(4,150)
Future income tax expense	-	-	-	(7,287)	(7,287)
Non-controlling interest	-	-	-	(10,895)	(10,895)
Income (loss) from discontinued operations	-	-	-	40	40
	2,365	7,059	(54)	(499)	8,871
Income (loss) for the period	\$ 4,486	\$ 6,979	\$ (417)	\$ (24,469)	\$ (13,421)
Total assets	\$ 390,390	\$ 607,648	\$ 142,812	\$ 12,648	\$ 1,153,498

21. Income from discontinued operations:

Included in discontinued operations are the Plainsman Building, Airways Business Plaza, Glenmore Commerce Court, McKnight Village Mall, Interplex III, Albert Street Mall, Bridges Place, Willowglen Business Park, Franklin Showcase Warehouse and Raleigh Shopping Centre which were sold during 2009. None of the REIT's properties have been treated as discontinued operations in 2010.

	Three Months Ended		Six Months Ended	
	2010	June 30, 2009	2010	June 30, 2009
Revenue	\$ -	\$ 2,462	\$ -	\$ 5,988
Property operating expenses	-	895	-	2,221
	-	1,567	-	3,767
Interest	-	498	-	1,311
Amortization	-	720	-	1,801
Net property operating income	-	349	-	655
Gain on disposal of income-producing properties	-	7,988	-	8,579
Future income tax expense (note 18)	-	-	-	(232)
Non-controlling interest (note 13)	-	(103)	-	(131)
Income from discontinued operations	\$ -	\$ 8,234	\$ -	\$ 8,871

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22. Commitments and guarantees:

(a) Letters of credit:

As of June 30, 2010, the REIT had issued letters of credit in the amount of \$1,701 (December 31, 2009, \$1,701).

(b) Guarantees:

AXLP has guaranteed certain debt assumed by purchasers in connection with the dispositions of Royal Square, Airways Business Plaza, Glenmore Commerce Court and Bridges Place. These guarantees will remain until the debt is modified, refinanced or extinguished. Credit risk arises in the event that the purchaser defaults on repayment of their debt since it is guaranteed by the REIT. This credit risk is mitigated as the REIT has recourse under these guarantees in the event of default by the purchasers, in which case the REIT would have a claim against the underlying properties. The estimated amount of debt subject to the guarantees at June 30, 2010, is \$15,604 (December 31, 2009, \$15,806), with an estimated weighted-average remaining term of 3.1 years (December 31, 2009, 3.6 years). No liability in excess of the fair value of the guarantees has been recognized in these consolidated financial statements as the estimated fair value of the borrower's interests in the underlying properties is greater than the mortgages payable for which the REIT provided the guarantees.

(c) Contingent consideration:

In accordance with the purchase and sale agreement for Grande Prairie Power Centre, the vendor is entitled to an earn out payment related to certain future events. The purchase and sale agreement provides for this contingent consideration to be based on the lease up of certain vacant leasable area prior to June 14, 2011. The calculation provides for the gross rent earned to be capitalized at 7.5% and paid to the vendor. The amount and timing of the contingent consideration are not determinable at this time, and when determinable, will be recorded as an intangible asset.

23. Capital management:

The REIT's objectives when managing capital are to safeguard the ability to continue as a going concern, and to generate sufficient returns to provide unitholders with stable cash distributions. The REIT defines capital as bank indebtedness, mortgages and loans payable, convertible debentures and unitholders' equity.

The REIT's Declaration of Trust permits the REIT to incur indebtedness, provided that after giving effect to incurring or assuming any indebtedness (as defined in the Declaration of Trust), the amount of such indebtedness of the REIT is not more than 70% of the gross book value of the REIT's total assets. Gross book value is defined in the Declaration of Trust as "the consolidated book value of the assets of the REIT, plus the amount of accumulated depreciation and amortization recorded in the books and records of the REIT, plus the amount of any future income tax liability arising out of any indirect acquisitions, calculated in accordance with generally accepted accounting principles". As at June 30, 2010, the ratio of such indebtedness to gross book value was 46.9% (December 31, 2009, 47.4%), which complies with the requirement in the Declaration of Trust and is consistent with the REIT's objectives.

In addition to the covenant outlined in the Declaration of Trust, the REIT must maintain a debt to gross book value ratio of 70%, a debt service coverage ratio of 1.4, and minimum unitholders' equity of \$275,000 for the purposes of the credit facility (note 12). As at June 30, 2010, the REIT was in compliance with these requirements.

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23. Capital management (continued):

The REIT's mortgage providers also have minimum limits on debt service coverage ratios. The REIT monitors these ratios and is in compliance with these requirements.

The total managed capital for the REIT is summarized below:

	June 30, 2010 (Unaudited)	December 31, 2009
Mortgages and loans payable	\$ 881,481	\$ 612,263
Convertible debentures	145,762	86,032
Bank indebtedness	8,000	30,700
Total debt	1,035,243	728,995
Unitholders' equity	547,444	360,906
	\$ 1,582,687	\$ 1,089,901

24. Risk management and fair values:

(a) Risk management:

In the normal course of business, the REIT is exposed to a number of risks that can affect its operating performance. These risks, and the actions taken to manage them, are as follows:

(i) Market risk:

(a) Interest rate risk:

The REIT is exposed to interest rate risk on its borrowings. It minimizes the risk by restricting debt to 70% of gross book value and by obtaining fixed rate debt to replace short-term floating rate borrowings. The REIT has the majority of its mortgage payable and debentures in fixed rate terms. In addition, management considers the weighted-average term to maturity of long-term debt relative to the remaining average lease terms. At June 30, 2010, the REIT is a party to \$23,304 of variable rate debt.

(b) Other price risk:

The REIT periodically enters into derivative transactions in regards to non-financial items, primarily natural gas and electrical contracts, to manage the price risk arising from fluctuations in these commodities.

(ii) Credit risk:

The REIT is exposed to credit risk as an owner of real estate in that tenants may become unable to pay the contracted rents. Management mitigates this risk by carrying out appropriate credit checks and related due diligence on the significant tenants. Management has diversified the REIT's holdings so that it owns several categories of properties (retail, office and industrial) and acquires properties primarily throughout western Canada. The allowance for doubtful accounts at June 30, 2010 was \$114, and \$396 at December 31, 2009. The credit quality of the rent and other receivables amount is considered adequate.

The REIT is also exposed to credit risk as a holder of notes receivable. Management mitigates this risk by carrying out appropriate credit checks and related due diligence on the borrowers.

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24. Risk management and fair values (continued):

(a) Risk management (continued):

(iii) Liquidity risk:

Liquidity risk is the risk that the REIT will not be able to meet its financial obligations as they come due. The REIT manages liquidity by maintaining adequate cash and by having appropriate lines of credit available. In addition, the REIT continuously monitors and reviews both actual and forecasted cash flows.

The following are the estimated maturities of the REIT's mortgages, loans, bank indebtedness and convertible debentures, with convertible debentures disclosed at their face value:

	Total	Less than 1 year	1 - 3 years	4 - 5 years	After 5 years
Mortgages, loans and bank indebtedness	\$ 891,152	\$ 76,706	\$ 258,230	\$ 242,518	\$ 313,698
Convertible debentures	158,895	2,933	29,920	39,792	86,250
	<u>\$ 1,050,047</u>	<u>\$ 79,639</u>	<u>\$ 288,150</u>	<u>\$ 282,310</u>	<u>\$ 399,948</u>

(b) Fair values:

The fair value of the REIT's rent and other receivables, accounts payable and other liabilities, and bank indebtedness approximate their carrying amounts due to the relatively short periods to maturity of these financial instruments.

The fair value of the notes receivable has been determined by discounting the cash flows of these financial assets using period end market rates for assets of similar terms and credit risks. Based on these assumptions, the fair value of notes receivable at June 30, 2010 has been estimated at \$27,722 (December 31, 2009, \$29,581), compared with the carrying value of \$28,219 (December 31, 2009, \$29,062).

The fair value of the mortgages and loans payable has been determined by discounting the cash flows of these financial obligations using period end market rates for debt of similar terms and credit risks. Based on these assumptions, the fair value of mortgages and loans payable at June 30, 2010 has been estimated at \$922,808 (December 31, 2009, \$618,150) compared with the carrying value of \$881,481 (December 31, 2009, \$612,263).

The fair value of the REIT's convertible debentures is \$157,262 (December 31, 2009, \$103,225) compared to its face value of \$158,895 (December 31, 2009, \$95,237) at June 30, 2010. Fair value is based on the market price of the debentures, or if no market price exists, fair value is determined by discounting the cash flows of these financial obligations using period end market rates for debt of similar terms and credit risks.

As at June 30, 2010, the REIT had entered into natural gas and electrical contracts with a fair value liability of \$257 (December 31, 2009, fair value liability of \$243).

Under the fair value hierarchy of financial instruments measured at fair value on the consolidated balance sheet, cash and cash equivalents and bank indebtedness are measured using a Level 1 methodology and natural gas and electrical contracts are valued using a Level 2 methodology.

ARTIS REAL ESTATE INVESTMENT TRUST

Notes to Interim Consolidated Financial Statements
Three months and six months ended June 30, 2010 and 2009
(Unaudited)

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

25. Subsequent events:

On July 7, 2010, the REIT completed the financing of the mortgage related to Eagle Ridge Corner. The mortgage is for \$4,000, with an interest rate of 4.63%.

The REIT has entered into agreements with respect to the acquisitions of properties located in British Columbia, Alberta and Ontario. The total purchase price of the properties is \$167,020. The REIT anticipates that the acquisitions will close in August, September and December 2010, and will be financed through a combination of cash consideration, new mortgage financing and the assumption of mortgage financing.

Subsequent to June 30, 2010, Series E convertible debentures with a face value of \$1,124 were converted and the REIT issued 120,859 units at the price of \$9.30 per unit.

Subsequent to June 30, 2010, the REIT has renewed its current \$60,000 revolving term credit facility with a new \$60,000 revolving term credit facility. The acquisition line of credit is for a one-year term, with renewal at the option of the REIT for a further one-year term.

26. Comparative figures:

Certain 2009 comparative figures have been reclassified to conform with the financial statement presentation adopted in 2010.