



ARTIS

REIT

**Management's Discussion & Analysis
Q3 - 09**

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis ("MD&A") of the financial condition and results of operations of Artis Real Estate Investment Trust ("Artis" or the "REIT") should be read in conjunction with the REIT's audited annual consolidated financial statements for the years ended December 31, 2008 and 2007, the unaudited interim consolidated financial statements for the periods ended September 30, 2009 and 2008, and the notes thereto. This MD&A has been prepared taking into account material transactions and events up to and including November 9, 2009. Additional information about Artis, including the REIT's most recent Annual Information Form, has been filed with applicable Canadian securities regulatory authorities and is available at www.sedar.com or on our web site at www.artisreit.com.

FORWARD-LOOKING DISCLAIMER

This MD&A contains forward-looking statements. For this purpose, any statements contained herein that are not statements of historical fact may be deemed to be forward-looking statements. Particularly, statements regarding the REIT's future operating results, performance and achievements are forward-looking statements. Without limiting the foregoing, the words "expects", "anticipates", "intends", "estimates", "projects", and similar expressions are intended to identify forward-looking statements.

Artis is subject to significant risks and uncertainties which may cause the actual results, performance or achievements of the REIT to be materially different from any future results, performance or achievements expressed or implied in these forward-looking statements. Such risk factors include, but are not limited to, risks associated with real property ownership, availability of cash flow, general uninsured losses, future property acquisitions, environmental matters, tax related matters, debt financing, unitholder liability, potential conflicts of interest, potential dilution, reliance on key personnel, changes in legislation and changes in the tax treatment of trusts. Artis cannot assure investors that actual results will be consistent with any forward-looking statements and Artis assumes no obligation to update or revise such forward-looking statements to reflect actual events or new circumstances. All forward-looking statements contained in this MD&A are qualified by this cautionary statement.

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OVERVIEW

Artis is an unincorporated open-end real estate investment trust created under, and governed by, the laws of the province of Manitoba. On February 15, 2007, Artis underwent a name change from "Westfield Real Estate Investment Trust" to "Artis Real Estate Investment Trust". 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 November 9, 2009, 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 and Series E convertible debentures trade under the symbols AX.DB.A, AX.DB.B, AX.DB.C, and AX.DB.E respectively. As at November 9, 2009, there were 37,404,926 units, and 217,036 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.

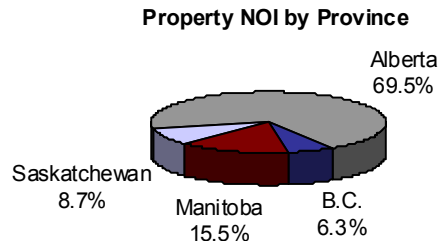
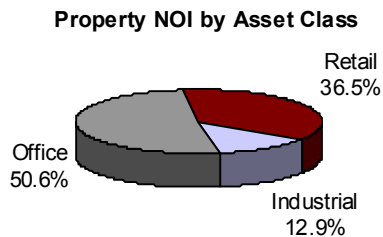
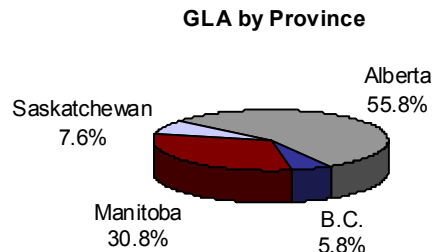
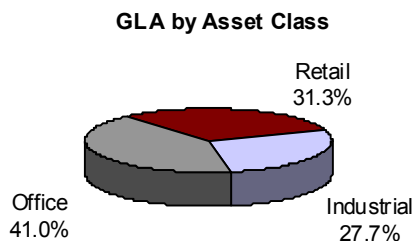
The REIT's primary objectives are:

- 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 effective May 31, 2008) will be the amount of distributable income set down in a policy by the Trustees.

PORTFOLIO SUMMARY

At September 30, 2009, the REIT's portfolio was comprised of 83 commercial properties located across western Canada totaling approximately 6.26 million square feet (s.f.) of gross leasable area ("GLA").



Occupancy Report by Asset Class⁽¹⁾

Asset Class	Q3-08	Q4-08	Q1-09	Q2-09	Q3-09 ⁽¹⁾	% Committed ⁽²⁾
Industrial	98.3%	98.5%	98.5%	99.2%	98.1%	99.1%
Office	95.8%	93.6%	93.2%	93.4%	93.1%	93.1%
Retail	98.4%	98.8%	96.6%	97.3%	99.1%	99.2%
Total Portfolio	97.3%	96.5%	95.8%	96.2%	96.4%	96.7%

Occupancy Report by Province⁽¹⁾

Province	Q3-08	Q4-08	Q1-09	Q2-09	Q3-09 ⁽¹⁾	% Committed ⁽²⁾
Alberta	97.4%	95.7%	95.0%	95.4%	95.2%	95.3%
British Columbia	97.0%	99.0%	89.9%	89.9%	100.0%	100.0%
Manitoba	97.1%	96.9%	97.1%	97.8%	97.2%	98.0%
Saskatchewan	97.7%	99.2%	99.8%	100.0%	99.6%	100.0%
Total Portfolio	97.3%	96.5%	95.8%	96.2%	96.4%	96.7%

⁽¹⁾ Excluding properties currently being redeveloped.

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

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

	Office		Retail		Industrial		Total	
	GLA	%	GLA	%	GLA	%	GLA	%
2009	57	2.2%	54	2.8%	66	3.8%	177	2.8%
2010	364	14.2%	320	16.3%	305	17.6%	989	15.8%
2011	471	18.3%	233	11.9%	293	16.9%	997	15.9%
2012	229	8.9%	183	9.3%	128	7.4%	540	8.6%
2013	379	14.8%	256	13.1%	277	16.0%	912	14.6%
2014	137	5.3%	186	9.5%	334	19.2%	657	10.5%
2015 & later	689	26.8%	662	33.8%	300	17.2%	1,651	26.4%
	2,326	90.5%	1,894	96.7%	1,703	98.1%	5,923	94.6%
Month-to-month	40	1.6%	16	0.8%	-	0.0%	56	0.9%
Vacancies	202	7.9%	49	2.5%	33	1.9%	284	4.5%
Total GLA	2,568	100.0%	1,959	100.0%	1,736	100.0%	6,263	100.0%

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

	Alberta		British Columbia		Manitoba		Saskatchewan	
	GLA	%	GLA	%	GLA	%	GLA	%
2009	94	2.7%	0	0.0%	67	3.5%	16	3.4%
2010	445	12.7%	28	7.7%	429	22.3%	87	18.3%
2011	595	17.0%	11	3.0%	342	17.7%	49	10.3%
2012	272	7.8%	82	22.6%	169	8.8%	17	3.6%
2013	499	14.3%	22	6.1%	271	14.1%	120	25.2%
2014	255	7.3%	30	8.3%	315	16.3%	57	12.0%
2015 & later	1,143	32.7%	111	30.5%	269	13.9%	128	26.8%
	3,303	94.5%	284	78.2%	1,862	96.6%	474	99.6%
Month-to-month	23	0.6%	20	5.5%	13	0.7%	-	0.0%
Vacancies	170	4.9%	59	16.3%	53	2.7%	2	0.4%
Total GLA	3,496	100.0%	363	100.0%	1,928	100.0%	476	100.0%

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

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

NOTICE RESPECTING NON-GAAP MEASURES

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

Artis calculates Distributable Income, or "DI", to reflect distributable cash which is defined in the REIT's Declaration of Trust as net income in accordance with GAAP, subject to certain adjustments as set out in the Declaration of Trust, including: (i) adding back amortization (excluding leasing costs) and accretion to the carrying value of debt and (ii) excluding gains or losses on the disposition of any asset, and (iii) adding or deducting other adjustments as determined by the Trustees at their discretion. Given that one of the REIT's objectives is to provide stable cash flows to investors, management believes that DI is an indicative measure for evaluating the REIT's operating performance in achieving its objectives.

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

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

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

2009 – THIRD QUARTER HIGHLIGHTS

PORTFOLIO SUMMARY

Artis disposed of two commercial properties in Q3-09.

	Office		Retail		Industrial		Total	
	# of Properties	S.F. (000's)	# of Properties	S.F. (000's)	# of Properties	S.F. (000's)	# of Properties	S.F. (000's)
Portfolio properties at December 31, 2008	26	2,749	37	2,063	26	1,736	89	6,548
Q1-09 disposition	(1)	(35)	-	-	-	-	(1)	(35)
Q2-09 dispositions	(2)	(132)	(1)	(86)	-	-	(3)	(218)
Q3-09 dispositions	(1)	(14)	(1)	(18)	-	-	(2)	(32)
Total 2009 dispositions	(4)	(181)	(2)	(104)	-	-	(6)	(285)
Portfolio properties at September 30, 2009	22	2,568	35	1,959	26	1,736	83	6,263

PROPERTY DISPOSITIONS

On July 15, 2009, the sale of the property known as Albert Street Mall, a retail centre in Regina, Saskatchewan was completed. The proceeds from the sale, net of costs, were paid in cash in the amount of \$4,156, which were used to reduce the outstanding mortgage in the amount of \$2,177. Artis recorded a gain on sale of \$1,215. On July 27, 2009, the sale of the property known as Bridges Centre, a two-storey office building in Calgary, Alberta was completed. The proceeds from the sale, net of costs, were \$5,770. Consideration received was the assumption, by the purchaser, of the existing mortgage in the amount of \$3,951, and cash in the amount of \$1,819. Artis recorded a loss on the sale of \$823.

SERIES E CONVERTIBLE DEBENTURE OFFERING

On July 9, 2009, Artis issued a \$40,000 public offering of 5-year convertible unsecured subordinated debentures (the "Series E Debentures"). On July 15, 2009, an additional \$6,000 of the Series E convertible debentures were issued pursuant to the exercise of the underwriters' overallotment option. The Series E convertible debentures pay interest at a rate of 7.5% per annum and are listed on the Toronto Stock Exchange under the trading symbol AX.DB.E.

FINANCING ACTIVITIES

On September 15, 2009, Artis announced that it had entered into a bought-deal arrangement to sell to a syndicate of underwriters, 3,400,000 units (exclusive of units issuable upon the exercise of the over-allotment option granted to the underwriters) at a price of \$9.00 per unit. The offering closed on October 6, 2009, for gross proceeds of \$30,600. On October 22, 2009, the underwriting syndicate exercised its full over-allotment option and a further 510,000 units were issued for gross proceeds of \$4,590.

DISTRIBUTIONS

Artis distributed a total of \$9,047 to unitholders in Q3-09.

SELECTED FINANCIAL INFORMATION

\$000's, except per unit amounts⁽¹⁾

	Three month period ended September 30,		Nine month period ended September 30,	
	2009	2008	2009	2008
Revenue	\$ 33,567	\$ 33,290	\$ 101,786	\$ 96,580
Property NOI	\$ 23,064	\$ 23,124	\$ 69,824	\$ 67,519
Income (loss) for the period	\$ 92	\$ (1,986)	\$ (13,329)	\$ (5,823)
Basic income (loss) per unit	\$ 0.00	\$ (0.06)	\$ (0.41)	\$ (0.18)
Distributions (including Class B units)	\$ 9,047	\$ 8,718	\$ 26,628	\$ 25,630
Distributions per unit	\$ 0.27	\$ 0.27	\$ 0.81	\$ 0.80
DI	\$ 12,187	\$ 14,010	\$ 38,984	\$ 41,053
DI per unit	\$ 0.37	\$ 0.42	\$ 1.18	\$ 1.25
DI payout ratio	73.0 %	64.3 %	68.6 %	64.0 %
FFO	\$ 12,963	\$ 13,892	\$ 40,355	\$ 40,463
FFO per unit	\$ 0.39	\$ 0.42	\$ 1.22	\$ 1.24
FFO payout ratio	69.2 %	64.3 %	66.4 %	64.5 %
Weighted-average units:				
Weighted-average units (basic)	33,364	32,279	32,829	31,993
Weighted-average units (basic) including Class B units	33,364	33,000	33,165	32,715

⁽¹⁾ Results for 2008 have been restated, refer to Note 2(b) of the Unaudited Interim Consolidated Financial Statements for the three and nine months ended September 30, 2009 and 2008.

During 2008, Artis acquired nine income-producing properties. Due to the 2008 acquisition activity as well as same property revenue growth, Q3-09 revenues increased \$277, or 0.8% compared to Q3-08 results (YTD - \$5,206, or 5.4%).

Property NOI decreased in Q3-09 by \$60, or 0.3% compared to Q3-08 results due to reduced occupancy in the two properties designated as under development. YTD Property NOI increased \$2,305, or 3.4%.

DI decreased \$1,823, or 13.0% compared to Q3-08, and, \$2,069 or 5.0% year-over-year. This decrease is attributed to the impact of dispositions during 2009, increased amortization of leasing costs, and settlement of the Interplex II agreement. FFO decreased \$929, or 6.7% compared to Q3-08, and \$108, or 0.3% year-over-year. This decrease is attributed to the impact of dispositions during 2009 and settlement of the Interplex II agreement. On a per unit basis, basic DI decreased \$0.05 or 11.9% compared to Q3-08 results, and \$0.07 or 5.6% year-over-year. Basic FFO decreased \$0.03 or 7.1% compared to Q3-08 results, and \$0.02 or 1.6% year-over-year. As a result of units issued under the DRIP, units issued pursuant to a private placement and units issued on exchange of Class B units, 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⁽¹⁾

	Three month period ended September 30,				Nine month period ended September 30,			
	2009	% of Revenue	2008	% of Revenue	2009	% of Revenue	2008	% of Revenue
Revenue	\$ 33,567		\$ 33,290		\$ 101,786		\$ 96,580	
Property operating expenses	10,503	31.3 %	10,166	30.5 %	31,962	31.4 %	29,061	30.1 %
Property NOI	23,064	68.7 %	23,124	69.5 %	69,824	68.6 %	67,519	69.9 %
Interest	10,024	29.9 %	9,690	29.1 %	29,673	29.2 %	28,466	29.5 %
Expenses (Income):	13,040		13,434		40,151		39,053	
Corporate	705	2.1 %	1,137	3.4 %	3,194	3.1 %	3,619	3.7 %
Amortization	12,551		13,129		41,058		40,199	
Unrealized (gain) loss on commodity derivatives	297		1,092		561		(291)	
	13,553		15,358		44,813		43,527	
Loss before the undernoted	(513)		(1,924)		(4,662)		(4,474)	
Loss on termination of Interplex II agreement	-		-		(7,287)		-	
Future income tax expense	-		(122)		(10,893)		(866)	
Non-controlling interest	-		(31)		40		(196)	
Income (loss) from discontinued operations	605		91		9,473		(287)	
Income (loss) for the period	\$ 92		\$ (1,986)		\$ (13,329)		\$ (5,823)	
Basic income (loss) per unit	\$ 0.00		\$ (0.06)		\$ (0.41)		\$ (0.18)	
Diluted income (loss) per unit	\$ 0.00		\$ (0.06)		\$ (0.41)		\$ (0.18)	
Weighted-average number of units:								
Basic	33,364		32,279		32,829		31,993	
Diluted	33,364		32,279		32,829		31,993	

⁽¹⁾ Results for 2008 have been restated, refer to Note 2(b) of the Unaudited Interim Consolidated Financial Statements for the three and nine months ended September 30, 2009 and 2008.

REVENUE AND PROPERTY NOI

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

In accordance with GAAP, Artis accounts for rent step-ups by straight-lining the incremental increases over the entire non-cancelable lease term. In Q3-09, straight-line rent adjustments of \$480 (YTD - \$1,398) were recorded compared to \$391 (YTD - \$1,501) in Q3-08.

On the acquisition of properties, Artis records intangible assets and liabilities resulting from above- and below-market rent leases. These intangible assets and liabilities are amortized to revenue over the term of the related leases. When a lease terminates prior to the end of the lease term, the REIT writes off the unamortized balance of these intangible assets and liabilities. Artis acquired nine commercial properties during 2008; in-place rent rates in a number of the acquisitions were considered to be below market rent rates. These increases have been offset by the disposal of six commercial properties during 2009. In Q3-09, the adjustment to market rents was \$2,767 (YTD - \$9,559) compared to \$3,385 (YTD - \$10,666) in Q3-08.

In Q3-09, the REIT recorded amortization of \$71 (YTD - \$199) as a reduction in revenue from tenant incentives.

Included in revenue in Q3-09 is interest income of \$483 (YTD - \$1,382) compared to \$644 (YTD - \$2,008) in Q3-08.

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

SAME PROPERTY NOI GROWTH

\$000's	Three month period ended		Nine month period ended	
	September 30, ⁽¹⁾		September 30, ⁽¹⁾	
	2009	2008	2009	2008
Revenue	\$ 30,567	\$ 30,812	\$ 91,884	\$ 90,559
Property operating expenses	9,402	9,678	28,517	28,011
Property NOI	21,165	21,134	63,367	62,548
Add (deduct) non-cash revenue adjustments:				
Straight-line rent adjustment	(373)	(297)	(1,089)	(1,286)
Amortization of tenant inducements	70	-	197	-
Above- and below-market rent	(2,604)	(3,221)	(8,287)	(10,070)
Property NOI less non-cash revenue adjustments	\$ 18,258	\$ 17,616	\$ 54,188	\$ 51,192

⁽¹⁾ Same property comparison includes only income-producing properties owned on January 1, 2008, and excludes properties accounted for as discontinued operations.

In Q3-09, Artis achieved an increase of \$31 (YTD - \$819), or 0.1% (YTD - 1.3%) of Property NOI over Q3-08. As well, Artis also achieved an increase of \$642 (YTD - \$2,996), or 3.6% (YTD - 5.9%) of Property NOI less non-cash revenue adjustments over Q3-08. These improvements are primarily the result of rate increases achieved on lease rollovers, particularly in Alberta. These results do not include the impact of growth realized on lease turnovers in properties acquired throughout fiscal 2008.

Same Property Occupancy Comparison⁽¹⁾

	Q3-09	Q3-08
Manitoba	97.2%	97.1%
Saskatchewan	99.5%	97.2%
Alberta	96.9%	98.5%
British Columbia	100.0%	94.0%
Total	97.3%	97.7%

⁽¹⁾ Same property comparison includes only income-producing properties owned on January 1, 2008, and excludes properties accounted for as discontinued operations.

PROPERTY NOI BY ASSET CLASS

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

	Three month period ended September 30,					
	2009			2008		
	Retail	Office	Industrial	Retail	Office	Industrial
Revenue	\$ 11,482	\$ 17,844	\$ 4,184	\$ 11,764	\$ 17,941	\$ 3,481
Property operating expenses	3,155	6,063	1,285	3,336	5,763	1,067
Property NOI	\$ 8,327	\$ 11,781	\$ 2,899	\$ 8,428	\$ 12,178	\$ 2,414
Share of Property NOI	36.2 %	51.2 %	12.6 %	36.6 %	52.9 %	10.5 %

	Nine month period ended September 30,					
	2009			2008		
	Retail	Office	Industrial	Retail	Office	Industrial
Revenue	\$ 35,458	\$ 52,970	\$ 13,248	\$ 34,605	\$ 51,840	\$ 9,629
Property operating expenses	9,986	17,682	4,294	9,760	16,700	2,601
Property NOI	\$ 25,472	\$ 35,288	\$ 8,954	\$ 24,845	\$ 35,140	\$ 7,028
Share of Property NOI	36.5 %	50.6 %	12.9 %	37.1 %	52.4 %	10.5 %

PROPERTY NOI BY PROVINCE

	Three month period ended September 30,							
	2009				2008			
	MB	SK	AB	BC	MB	SK	AB	BC
Revenue	\$ 6,418	\$ 2,842	\$ 22,061	\$ 2,189	\$ 6,267	\$ 2,901	\$ 21,796	\$ 2,222
Property operating expenses	2,887	811	5,979	826	2,815	866	5,806	679
Property NOI	\$ 3,531	\$ 2,031	\$ 16,082	\$ 1,363	\$ 3,452	\$ 2,035	\$ 15,990	\$ 1,543
Share of Property NOI	15.3 %	8.8 %	69.9 %	5.9 %	15.0 %	8.8 %	69.5 %	6.7 %

	Nine month period ended September 30,							
	2009				2008			
	MB	SK	AB	BC	MB	SK	AB	BC
Revenue	\$ 19,485	\$ 8,715	\$ 66,475	\$ 7,001	\$ 18,963	\$ 8,204	\$ 62,603	\$ 6,304
Property operating expenses	8,690	2,678	18,010	2,584	8,142	2,502	16,463	1,954
Property NOI	\$ 10,795	\$ 6,037	\$ 48,465	\$ 4,417	\$ 10,821	\$ 5,702	\$ 46,140	\$ 4,350
Share of Property NOI	15.5 %	8.7 %	69.5 %	6.3 %	16.1 %	8.5 %	68.9 %	6.5 %

PORTFOLIO OCCUPANCY AND LEASING ACTIVITY

Occupancy levels impact the REIT's revenues and Property NOI. At September 30, 2009 portfolio occupancy remained very high at 96.4% (excluding properties currently in redevelopment) an increase from 96.2% at June 30, 2009. At September 30, 2009, it was 96.7% including committed space.

Growth in revenues and Property NOI is achieved as leases are rolled over at higher rental rates than rates in-place at the time of expiry. In Q3-09, Artis continued to conclude new and renewal lease transactions at rates well above the in-place rate at expiry, as per the below table:

	Three months ended September 30, 2009		Three months ended September 30, 2008		Nine months ended September 30, 2009		Nine months ended September 30, 2008	
	S.F.	In-Place Rent	S.F.	In-Place Rent	S.F.	In-Place Rent	S.F.	In-Place Rent
New/renewed	229,529	\$ 14.03	395,511	\$ 18.80	641,565	\$ 13.88	727,749	\$ 16.21
Expiring	248,901	\$ 10.47	435,932	\$ 10.79	686,783	\$ 11.76	761,452	\$ 11.08
Change		\$ 3.56		\$ 8.02		\$ 2.11		\$ 5.13
Change %		34.0 %		74.3 %		18.0 %		46.4 %

⁽¹⁾ Excluding properties currently being redeveloped.

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

Calgary office properties represents 25.9% of the overall portfolio by GLA. Artis' office properties are Class A, B and C buildings, in downtown, beltline and suburban locations. Overall vacancy in the Calgary office market rose to 10.1% at the end of Q3-09, including sublet space. Although there may be variances across Calgary office sub markets, management believes the Calgary office market, in general, will continue to be under pressure in the remainder of 2009 and into 2010, as supply is added to inventory. Vacancy is expected to rise for the next 18 months, and rates will remain under pressure with higher vacancy and competition from sublet space. Artis has 7,460 square feet of leases coming up for renewal in the Calgary office market in the remainder of 2009 and 116,813 in 2010, representing 0.5% and 1.9% of portfolio GLA.

Winnipeg industrial properties represent 18.3% of the overall portfolio by GLA. Vacancy in the Winnipeg industrial market increased to approximately 5.2% at the end of September 2009 from 4.6% at the end of 2008. Rent rates have increased steadily in the market for the past two years with a nominal increase in average net rental rates noted in Q3-09. Artis has 42,332 square feet of leases coming up for renewal in this market in the remainder of 2009 of which 90% has been renewed. In 2010, 248,639 square feet comes up for renewal, which represents 3.9% of the portfolio's GLA. This market remains one of the strongest industrial markets in Canada.

Winnipeg office properties represent 10.9% of the overall portfolio by GLA. Vacancy was 7.4% at the end of September 2009 compared to 7.9% at June 30, 2009 and 5.4% at the end of 2008. This is largely as a result of new sublet space coming to the market. 23,207 square feet comes up for renewal in the remainder of 2009, of which 55% has been renewed. In 2010, 172,744 square feet comes up for renewal, which represents 2.8% of the portfolio's GLA. Many of the REIT's Class A and Heritage office properties in downtown Winnipeg have single tenants on long term leases.

INTEREST

The current period's interest on long-term debt is attributable to mortgages and other loans secured against the income-producing properties, as well as convertible debentures outstanding and the balance drawn on the credit facility. Interest expense has increased over Q3-08 due to additional mortgage financing obtained in connection with acquisitions during 2008, issuance of additional convertible debentures, and amounts drawn on the credit facility. In accordance with GAAP, financing costs are netted against the related debt, and interest and financing costs are recorded on an effective interest basis.

The REIT's weighted-average effective rate for the period ending September 30, 2009 on mortgages and other debt secured by properties was 5.54% compared to 5.52% in Q3-08. The weighted-average nominal interest rate at September 30, 2009 was 5.44% compared to 5.43% at September 30, 2008.

At the time of issue, the convertible debentures are allocated between their equity and liability components in accordance with GAAP. Artis recorded interest expense of \$2,016 (YTD - \$4,266) on the carrying value of debentures outstanding in Q3-09, compared to \$1,125 (YTD - \$3,563) in Q3-08.

CORPORATE EXPENSES

\$000's	Three month period ended September 30,		Nine month period ended September 30,	
	2009	2008	2009	2008
Accounting, legal, consulting	\$ 114	\$ 139	\$ 430	\$ 566
Advisory fees	715	642	2,103	1,858
Public company costs	132	90	462	385
Unit-based compensation	37	143	152	423
Cancellation of options	(484)	-	(484)	-
General and administrative	191	123	531	387
Total corporate expenses	\$ 705	\$ 1,137	\$ 3,194	\$ 3,619

In Q3-09, Artis and the holders of options agreed to cancel an aggregate of 1,212,800 options to acquire units. This resulted in a \$484 reversal of unit-based compensation expense in the period. Corporate expenses in Q3-09 were \$705 (YTD - \$3,194), or 2.1% (YTD - 3.1%) of gross revenues compared to \$1,137 (YTD - \$3,619), or 3.4% (YTD - 3.7%) of gross revenues in Q3-08.

AMORTIZATION

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

At the time of acquisition, Artis allocates a portion of the purchase price of properties to income-producing properties and a portion to intangible assets. Income-producing properties are amortized on a straight-line basis over their useful lives, resulting in amortization expense of \$6,332 (YTD - \$20,341) in Q3-09 compared to \$6,906 (YTD - \$20,541) in Q3-08. 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 Q3-09, Artis recorded \$5,843 (YTD - \$20,712) for the amortization of intangible assets, compared to \$7,016 (YTD - \$23,249) in Q3-08.

In Q3-09, amortization expense relating to tenant inducements and leasing commissions totalled \$731 (YTD - \$2,048), compared to \$374 (YTD - \$942) in Q3-08.

UNREALIZED GAIN (LOSS) ON COMMODITY DERIVATIVES

In accordance with GAAP, in Q3-09 the REIT recorded an unrealized loss on commodity derivatives of \$297 (YTD - \$561) compared to an unrealized loss of \$1,092 (YTD gain - \$291) in Q3-08 on utility supply contracts. The REIT anticipates holding these utility contracts until maturity.

FUTURE INCOME TAXES

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

On June 22, 2007, new legislation relating to, among other things, the federal income taxation of a specified investment flow-through trust or partnership (a "SIFT") was enacted (such legislation, as amended, referred to as the "New SIFT Rules"). A SIFT includes a publicly-listed or traded partnership or trust, such as an income trust. Under the New SIFT Rules, following a transition period for qualifying SIFTs, certain distributions from a SIFT will no longer be deductible in computing a SIFT's taxable income, and a SIFT will be subject to tax on such distributions at a rate that is substantially equivalent to the general tax rate applicable to a Canadian corporation. However, distributions paid by a SIFT as returns of capital should generally not be subject to the tax. A qualifying SIFT is a trust which was a SIFT on October 31, 2006. The application of the SIFT Rules to a qualifying trust is delayed until the earlier of the trust's 2011 taxation year and the first taxation year in which it exceeds certain specified growth guidelines. In the case of the REIT, its subsequent offerings have exceeded the specified growth guidelines. Therefore, commencing on January 1, 2007, subject to the REIT's ability to meet the REIT Conditions, the REIT is subject to tax on certain income which may adversely impact the level of cash otherwise available for distribution. Please refer to the REIT's Annual Information Form for a more detailed discussion of the New SIFT Rules and their application to the REIT.

The New SIFT Rules do not apply to a "real estate investment trust" that meets prescribed conditions relating to the nature of its assets and revenue (the "REIT Conditions"). The REIT has reviewed the New SIFT Rules and has assessed their interpretation and application to the REIT's assets and revenues. While there are uncertainties in the interpretation and application of the New SIFT Rules, the REIT believes that it has met the REIT Conditions effective January 1, 2009. Accordingly, the future income tax asset of \$11,127 recorded in prior periods was reversed 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 agreement there are no outstanding Class B units at September 30, 2009 and there will be no further allocation to non-controlling interest.

INCOME FROM DISCONTINUED OPERATIONS

Income from discontinued operations includes income from the six properties known as the Plainsman Building, Airways Business Plaza, Glenmore Commerce Court, McKnight Village Mall, Albert Street Mall, and Bridges Place which were sold during 2009, as well as the loss incurred on termination of the Interplex III agreement. Also included are the properties known as Willowglen Business Park and Franklin Showcase Warehouse which were held for sale in Q3-09. Willowglen Business Park was subsequently closed on October 1, 2009 and Franklin Showcase Warehouse was subsequently closed on November 1, 2009.

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 September 30,		Nine month period ended September 30,	
	2009	2008	2009	2008
Cash flow from operations	\$ 11,533	\$ 23,714	\$ 30,838	\$ 43,657
Add (deduct) amortization of:				
Office equipment	(25)	(2)	(75)	(6)
Above-market rent	(48)	(84)	(179)	(219)
Below-market rent	2,815	3,469	9,738	10,885
Tenant inducements and leasing costs	(731)	(374)	(2,048)	(942)
Tenant inducements amortized into revenue	(71)	-	(199)	-
Above-market mortgage	46	53	137	133
Add: Straight-line rent adjustment	480	391	1,398	1,501
Add (deduct):				
Changes in non-cash operating items	(1,630)	(13,361)	(342)	(14,574)
Financing costs, non-debenture, included in interest expense	(182)	(96)	(584)	(282)
Other adjustment				
Property rent ⁽¹⁾	-	300	300	900
DI for the period	\$ 12,187	\$ 14,010	\$ 38,984	\$ 41,053
DI per unit				
Basic	\$ 0.37	\$ 0.42	\$ 1.18	\$ 1.25
Diluted	\$ 0.34	\$ 0.41	\$ 1.12	\$ 1.21
Weighted-average number of units				
Basic ⁽²⁾	33,364	33,000	33,165	32,715
Diluted ⁽²⁾	40,793	36,152	37,599	35,874

⁽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:

\$000's	Three month period ended September 30,		Nine month period ended September 30,	
	2009	2008	2009	2008
Income (loss) for the period	\$ 92	\$ (1,986)	\$ (13,329)	\$ (5,823)
Add (deduct):				
Amortization (excluding amortized leasing costs)	12,175	13,922	41,053	43,790
Accretion on liability component of convertible debentures	473	349	1,208	1,109
Unit-based compensation expense	37	143	152	423
Cancellation of options	(484)	-	(484)	-
Loss on termination of Interplex II agreement	-	-	7,287	-
Gain on disposal of income-producing properties	(403)	-	(8,982)	-
Future income tax expense	-	156	11,127	759
Other adjustments				
Property rent ⁽¹⁾	-	300	300	900
Non-controlling interest ⁽²⁾	-	34	91	186
Unrealized (gain) loss on commodity derivatives ⁽³⁾	297	1,092	561	(291)
DI for the period	\$ 12,187	\$ 14,010	\$ 38,984	\$ 41,053

⁽¹⁾ Included in DI is Property rent, which is cash revenue earned pursuant to the Interplex II purchase and sale agreement not recorded as revenue in the REIT's Consolidated Statement of Operations due to the project being in the development phase.

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

⁽³⁾ Included in (excluded from) DI is an unrealized (gain) loss on the change in fair value of commodity derivatives.

In Q3-09, DI decreased \$1,823 (YTD - \$2,069), or 13.0% (YTD - 5.0%) over Q3-08. This decrease is attributed to the impact of dispositions during 2009, increased amortization of leasing costs, and settlement of the Interplex II agreement. Basic DI per unit decreased \$0.05 (YTD - \$0.07), or 11.9% (YTD - 5.6%) over Q3-08. On a diluted basis, DI has decreased \$0.07 (YTD - \$0.09), or 17.1% (YTD - 7.4%) over Q3-08.

Q3-09 DI may not be indicative of future results due to the impact of the disposition of income-producing properties, the issuance of convertible debentures and other subsequent events such as the issuance of new units and deployment of those proceeds.

DISTRIBUTIONS

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

\$000's	Three month period ended	Nine month period ended	Year ended	Year ended
	September 30,	September 30,	December 31,	December 31,
	2009	2009	2008	2007
Cash flow from operations	\$ 11,533	\$ 30,838	\$ 37,170	\$ 28,586
Net income (loss)	\$ 92	\$ (13,329)	\$ (6,790)	\$ 6,157
Distributions declared	\$ 9,047	\$ 26,628	\$ 35,123	\$ 27,106
Excess of cash flow from operations over distributions declared	\$ 2,486	\$ 4,210	\$ 2,047	\$ 1,480
Excess of distributions declared over net income (loss)	\$ (8,955)	\$ (39,957)	\$ (41,913)	\$ (20,949)

For the three months ended September 30, 2009, cash flow from operations exceeded distributions declared by \$2,486 (YTD - \$4,210).

For the three and nine months ended September 30, 2009, distributions declared exceeded net income (loss). These differences are mainly comprised of amortization and other non-cash adjustments.

FUNDS FROM OPERATIONS ("FFO")

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

Reconciliation of Cash Flows from Operations to FFO:

\$000's, except per unit amounts	Three month period ended		Nine month period ended	
	September 30,		September 30,	
	2009	2008	2009	2008
Cash flow from operations	\$ 11,533	\$ 23,714	\$ 30,838	\$ 43,657
Add (deduct) amortization of:				
Office equipment	(25)	(2)	(75)	(6)
Above-market rent	(48)	(84)	(179)	(219)
Below-market rent	2,815	3,469	9,738	10,885
Above-market mortgages	46	53	137	133
Add:				
Straight-line rent adjustment	480	391	1,398	1,501
Deduct:				
Accretion on liability component of convertible debentures	(473)	(349)	(1,208)	(1,109)
Unit-based compensation expense	(37)	(143)	(152)	(423)
Cancellation of options	484	-	484	-
Amortization of financing costs included in interest	(182)	(96)	(584)	(282)
Changes in non-cash operating items	(1,630)	(13,361)	(342)	(14,574)
Other adjustment				
Property rent ⁽¹⁾	-	300	300	900
FFO for the period	\$ 12,963	\$ 13,892	\$ 40,355	\$ 40,463
FFO per unit				
Basic	\$ 0.39	\$ 0.42	\$ 1.22	\$ 1.24
Diluted	\$ 0.36	\$ 0.42	\$ 1.18	\$ 1.22
Weighted-average number of units:				
Basic ⁽²⁾	33,364	33,000	33,165	32,715
Diluted ⁽²⁾	38,838	34,197	35,644	33,919

⁽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:

\$000's	Three month period ended September 30,		Nine month period ended September 30,	
	2009	2008	2009	2008
Income (loss) for the period	\$ 92	\$ (1,986)	\$ (13,329)	\$ (5,823)
Add amortization on:				
Income-producing properties	6,332	6,906	20,341	20,541
Acquired in-place leases	5,841	7,011	20,706	23,233
Customer relationships	2	5	6	16
Tenant inducements and leasing costs	731	374	2,048	942
Tenant inducements amortized to revenue	71	-	199	-
Loss on termination of Interplex II agreement	-	-	7,287	-
Gain on disposal of income-producing properties	(403)	-	(8,982)	-
Future income tax expense	-	156	11,127	759
Other adjustments				
Property rent ⁽¹⁾	-	300	300	900
Non-controlling interest ⁽²⁾	-	34	91	186
Unrealized (gain) loss on commodity derivatives ⁽³⁾	297	1,092	561	(291)
FFO for the period	\$ 12,963	\$ 13,892	\$ 40,355	\$ 40,463

⁽¹⁾ Included in FFO is Property rent, which is cash revenue earned pursuant to the Interplex II purchase and sale agreement not recorded as revenue in the REIT's Consolidated Statement of Operations due to the project being in the development phase.

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

⁽³⁾ Included in (excluded from) FFO is an unrealized (gain) loss on the change in fair value of commodity derivatives.

In Q3-09, FFO has decreased \$929 (YTD - \$108), or 6.7% (YTD - 0.3%) over Q3-08. This decrease is attributed to the impact of dispositions during 2009 and settlement of the Interplex II agreement. Basic FFO per unit has decreased by \$0.03 (YTD - \$0.02), or 7.1% (YTD - 1.6%), over Q3-08. On a diluted basis, FFO per unit has decreased \$0.06 (YTD - \$0.04), or 14.3% (YTD - 3.3%) over Q3-08.

Q3-09 FFO may not be indicative of future results due to the impact of the disposition of income-producing properties, the issuance of convertible debentures and other subsequent events such as the issuance of new units and deployment of those proceeds.

ANALYSIS OF FINANCIAL POSITION

ASSETS

\$000's	September 30,		December 31,	Increase (decrease)
	2009	2008		
Income-producing properties	\$ 960,176	\$ 1,030,181	\$ (70,005)	
Other assets, including intangibles	157,843	199,077	(41,234)	
Cash, cash equivalents and cash held in trust	23,712	14,435	9,277	
	\$ 1,141,731	\$ 1,243,693	\$ (101,962)	

Income-producing properties and related intangible assets:

The decrease in assets is a result of the disposition of six commercial properties during the nine months ended September 30, 2009, the removal of property under development as a result of the settlement of the Interplex III agreement, in addition to amortization recorded in the period.

The REIT did not acquire any income-producing properties during the nine months ended September 30, 2009.

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 two additional notes receivable arising from the 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.

These capital expenditures in Q3-09 totalled \$1,344 (YTD - \$2,917) compared to \$3,878 (YTD - \$10,326) in Q3-08. The current period costs were primarily related to concrete slab restoration on a six-storey parkade which is ancillary to two existing portfolio office properties in Winnipeg, and the construction of a new 3,500 square foot retail development at the property known as North City Centre in Edmonton, Alberta. Artis has pre-leased 100% of this new space.

Tenant inducements and leasing costs:

Other assets of the REIT at September 30, 2009 include \$14,462 of unamortized tenant inducement and leasing costs related to the leasing or re-leasing of space, compared to \$11,693 at December 31, 2008. Of this total, \$13,643 relates to properties in use, and \$819 relates to properties available for sale. Tenant inducements include costs incurred to improve the space, as well as allowances paid to tenants. Leasing costs are primarily brokers' commissions. These costs are amortized over the terms of the underlying leases.

In Q3-09, Artis incurred \$1,776 (YTD - \$5,694) of tenant inducements and leasing costs compared to \$2,762 (YTD - \$4,785) in Q3-08.

\$000's	Three month period ended September 30,		Nine month period ended September 30,	
	2009	2008	2009	2008
Tenant inducements	\$ 851	\$ 1,574	\$ 3,813	\$ 2,114
Leasing commissions	925	1,188	1,881	2,671
Total	\$ 1,776	\$ 2,762	\$ 5,694	\$ 4,785

Future income tax assets:

The REIT believes that it has met the REIT Conditions effective January 1, 2009. Accordingly, the future income tax asset recorded in prior periods was reversed in 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 \$37,512 at September 30, 2009 (December 31, 2008, \$43,045).

Deposits on income-producing properties:

Artis had a deposit of \$6,712 at December 31, 2008 relating to the Interplex II agreement which was settled during 2009. At September 30, 2009, Artis had made \$700 of deposits on other income-producing properties, compared to \$nil at December 31, 2008.

Cash and cash equivalents:

At September 30, 2009, the REIT had \$23,042 of cash and cash equivalents on hand, compared to \$13,847 at December 31, 2008. The balance is anticipated to be invested in income-producing properties in subsequent periods, or used for working capital purposes. All of the REIT's cash and cash equivalents are held in current accounts and/or bank guaranteed investment certificates. The REIT does not invest in asset-backed commercial paper.

LIABILITIES

\$000's	September 30,	December 31,	Decrease
	2009	2008	
Long-term debt	\$ 679,731	\$ 721,275	\$ (41,544)
Other liabilities	99,006	121,117	(22,111)
Bank indebtedness	30,700	32,500	(1,800)
	\$ 809,437	\$ 874,892	\$ (65,455)

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 September 30, 2009 was 47.7%, compared to 51.6% at December 31, 2008.

\$000's	September 30,	December 31,
	2009	2008
GBV	\$ 1,307,939	\$ 1,374,377
Mortgages, loans and bank indebtedness	624,273	708,869
Mortgages, loans and bank indebtedness to GBV	47.7 %	51.6 %
Carrying value of convertible debentures	\$ 86,158	\$ 44,906
Total long-term debt and bank indebtedness	710,431	753,775
Total long-term debt and bank indebtedness to GBV	54.3 %	54.8 %

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 Q3-09, \$3,055 (YTD - \$9,287) of principal repayments were made, compared to \$2,771 (YTD - \$8,161) in Q3-08. In Q3-09, the REIT repaid two vendor take-back second mortgages in the amount of \$20,000 and \$15,000.

The weighted-average term to maturity at September 30, 2009 is 4.5 years, compared to 5.0 years at December 31, 2008.

Convertible debentures:

Artis has five series of convertible debentures outstanding as at September 30, 2009, as follows:

\$000's				September 30, 2009		December 31, 2008	
	Issued	Maturity	Face rate	Carrying value	Face value	Carrying value	Face value
Series A	4-Aug-05	4-Aug-10	7.75%	\$ 583	\$ 620	\$ 555	\$ 620
Series B	9-Nov-05	9-Nov-10	7.50%	2,138	2,313	2,034	2,313
Series C	4-May-06	31-May-13	6.25%	24,221	29,920	23,336	29,920
Series D	30-Nov-07	30-Nov-14	5.00%	16,225	17,000	18,981	20,000
Series E	9-July-09	30-June-14	7.50%	42,991	46,000	-	-
				\$ 86,158	\$ 95,853	\$ 44,906	\$ 52,853

The carrying value of the convertible debentures has increased by \$41,252 from December 31, 2008. This increase is due primarily to the issuance of Series E convertible debentures, which was offset by a repayment on the Series D 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 September 30, 2009 was 10.17%, a decrease from the rate of 10.33% at December 31, 2008.

Other liabilities and bank indebtedness:

Other liabilities includes the unamortized below-market rent intangible liability of \$80,379 at September 30, 2009. This decreased \$10,807 from \$91,186 at December 31, 2008, as a result of amortization, and the properties disposed of during the period. Included in other liabilities are security deposits paid by tenants, rents prepaid by tenants at September 30, 2009, accounts payable and accruals, as well as the September 30, 2009 distribution payable to unitholders of \$3,016, subsequently paid on October 15, 2009. Bank indebtedness relates to the balance drawn on the REIT's revolving term credit facility. At September 30, 2009, Artis had drawn \$30,700 on its credit facility in conjunction with 2008 acquisitions. The loan bears interest at a floating rate equal to Canadian dollar bankers' acceptances with a term to maturity of 30 days, plus 3.40% per annum.

UNITHOLDERS' EQUITY

Unitholders' equity decreased overall by \$26,249 between September 30, 2009 and December 31, 2008. The decrease was primarily due to the net loss for the period of \$13,329 and the distributions made to unitholders of \$26,628. This decrease was offset by the issuance of units under the DRIP for \$1,563, units issued pursuant to a private placement for \$4,990, and the exchange of Class B units for \$8,059.

LIQUIDITY AND CAPITAL RESOURCES

In Q3-09, Artis generated \$11,533 (YTD - \$30,838) of cash flows from operating activities compared to \$23,714 (YTD - \$43,657) in Q3-08. The variances between the quarterly and year-to-date figures in Q3-08, as compared to Q3-09, are the result of deposits totalling \$10,000 in changes in non-cash operating items received on the disposition of Airways Business Plaza and Glenmore Commerce Court. Cash flows from operations assisted in funding distributions to unitholders of \$9,047 (YTD - \$26,628), distributions to Class B unitholders of \$nil (YTD - \$65), and for principal repayments on mortgages and loans of \$3,055 (YTD - \$9,287).

Cash of \$3,120 (YTD - \$8,611) was used for capital building improvements and for tenant inducements and leasing costs compared to \$6,640 (YTD - \$15,111) in Q3-08.

At September 30, 2009, Artis had \$23,042 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. \$29,300 of the facility is undrawn and available for future acquisitions. \$10,000 of the facility can be utilized for general corporate purposes; \$10,000 may be utilized to provide mezzanine financing; and \$7,500 can be utilized to purchase units under the REIT's NCIB. As at September 30, 2009, the REIT had incurred bank indebtedness of \$30,700.

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

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

CONTRACTUAL OBLIGATIONS

\$000's	Total	Less than 1 year	1 - 3 years	4 - 5 years	After 5 years
Mortgages, loans and bank indebtedness	\$ 625,537	\$ 104,512	\$ 181,640	\$ 122,522	\$ 216,863
Convertible debentures ⁽¹⁾	95,853	620	2,313	75,920	17,000
Total	\$ 721,390	\$ 105,132	\$ 183,953	\$ 198,442	\$ 233,863

⁽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 September 30, 2009, obligations due within one year include \$62,745 of mortgages, of which \$23,005 relates to the mortgages on properties held for sale. These mortgages have a weighted-average term to maturity of 5.1 years and has been classified as current as the REIT is responsible for the payout of the mortgage. The REIT is currently in discussions with lenders regarding the 2010 mortgage renewals.

At September 30, 2009 obligations due within one year also include \$30,700 drawn on the revolving term credit facility, and principal repayments on mortgages of \$11,067.

Management is of the view that refinancing risk is one of the concerns facing the real estate sector in the near term. While banks and insurance companies have pulled back on commercial real estate lending, they are not adverse to refinancing performing mortgages or financing new properties with strong operating fundamentals.

SUMMARIZED QUARTERLY INFORMATION:

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

	Q3-09	Q2-09	Q1-09	Q4-08	Q3-08	Q2-08	Q1-08	Q4-07
Revenue	\$ 33,567	\$ 33,560	\$ 34,659	\$ 35,189	\$ 33,290	\$ 32,469	\$ 30,821	\$ 28,652
Property operating expenses	10,503	10,418	11,041	11,545	10,166	9,737	9,158	8,599
Property NOI	23,064	23,142	23,618	23,644	23,124	22,732	21,663	20,053
Interest	10,024	9,774	9,875	10,108	9,690	9,565	9,211	8,016
	13,040	13,368	13,743	13,536	13,434	13,167	12,452	12,037
Expenses (income):								
Corporate	705	1,288	1,201	1,350	1,137	1,342	1,140	1,382
Amortization	12,551	12,892	15,615	13,707	13,129	13,165	13,905	11,222
Unrealized (gain) loss on commodity derivatives	297	60	204	68	1,092	(455)	(928)	-
	13,553	14,240	17,020	15,125	15,358	14,052	14,117	12,604
Loss before the undernoted	(513)	(872)	(3,277)	(1,589)	(1,924)	(885)	(1,665)	(567)
Loss on termination of Interplex II agreement	-	(7,287)	-	-	-	-	-	-
Non-controlling interest	-	45	(5)	(70)	(31)	(15)	(150)	-
Loss before income taxes and discontinued operations	\$ (513)	\$ (8,114)	\$ (3,282)	\$ (1,659)	\$ (1,955)	\$ (900)	\$ (1,815)	\$ (567)
Future income tax (expense) recovery	-	-	(10,893)	296	(122)	(1,036)	292	(1,539)
Income (loss) from discontinued operations	605	8,224	644	234	91	(44)	(334)	(233)
Income (loss) for the period	\$ 92	\$ 110	\$ (13,531)	\$ (1,129)	\$ (1,986)	\$ (1,980)	\$ (1,857)	\$ (2,339)
Basic income (loss) per unit	\$ 0.00	\$ 0.00	\$ (0.42)	\$ (0.03)	\$ (0.06)	\$ (0.06)	\$ (0.06)	\$ (0.03)
Diluted income (loss) per unit	\$ 0.00	\$ 0.00	\$ (0.42)	\$ (0.03)	\$ (0.06)	\$ (0.06)	\$ (0.06)	\$ (0.03)

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

⁽²⁾ Results for 2008 have been restated, refer to Note 2(b) of the Unaudited Interim Consolidated Financial Statements for the nine months ended September 30, 2009 and 2008.

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

Reconciliation of GAAP Income (Loss) to DI:

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

	Q3-09	Q2-09	Q1-09	Q4-08	Q3-08	Q2-08	Q1-08	Q4-07
Income (loss) for the period	\$ 92	\$ 110	\$ (13,531)	\$ (1,129)	\$ (1,986)	\$ (1,980)	\$ (1,857)	\$ (2,339)
Add:								
Amortization (excluding amortized leasing costs)	12,175	12,945	15,933	14,314	13,922	14,313	15,555	12,640
Accretion on liability component of debentures	473	373	362	355	349	384	376	374
Unit-based compensation expense	37	54	61	144	143	144	136	262
Cancellation of options	(484)	-	-	-	-	-	-	-
Unrealized (gain) loss on commodity derivatives	297	60	204	68	1,092	(455)	(928)	-
Loss on termination of Interplex II agreement	-	7,287	-	-	-	-	-	-
(Gain) loss on disposal of income-producing properties	(403)	(7,988)	(591)	197	-	-	-	10
Future income tax expense (recovery)	-	-	11,127	(211)	156	1,020	(417)	1,433
Other adjustments								
Property rent ⁽¹⁾	-	-	300	300	300	300	300	300
Non-controlling interest ⁽²⁾	-	58	33	79	34	14	138	-
Distributable income (DI)	\$ 12,187	\$ 12,899	\$ 13,898	\$ 14,117	\$ 14,010	\$ 13,740	\$ 13,303	\$ 12,680
DI per unit								
Basic	\$ 0.37	\$ 0.39	\$ 0.42	\$ 0.43	\$ 0.42	\$ 0.42	\$ 0.41	\$ 0.41
Diluted	\$ 0.34	\$ 0.38	\$ 0.41	\$ 0.41	\$ 0.41	\$ 0.40	\$ 0.40	\$ 0.39
Weighted-average number of units:								
Basic ⁽³⁾	33,364	30,319	33,107	33,082	33,000	32,780	32,346	31,133
Diluted ⁽³⁾	40,793	36,101	36,189	36,164	36,152	35,983	35,782	35,114

⁽¹⁾ Included in DI is Property rent, which is cash revenue earned pursuant to the Interplex II purchase and sale agreement not recorded as revenue in the REIT's Consolidated Statement of Operations due to the project being in the development phase.

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

⁽³⁾ The weighted average number of units used in the calculation of DI per unit 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.

⁽⁴⁾ Results for 2008 have been restated, refer to Note 2(b) of the Unaudited Interim Consolidated Financial Statements for the nine months ended September 30, 2009 and 2008.

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

Reconciliation of GAAP Income (Loss) to FFO:

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

	Q3-09	Q2-09	Q1-09	Q4-08	Q3-08	Q2-08	Q1-08	Q4-07
Income (loss) for the period	\$ 92	\$ 110	\$ (13,531)	\$ (1,129)	\$ (1,986)	\$ (1,980)	\$ (1,857)	\$ (2,339)
Add amortization on:								
Income-producing properties	6,332	6,529	7,480	6,927	6,906	6,709	6,926	6,014
Acquired in-place leases	5,841	6,414	8,451	7,385	7,011	7,598	8,624	6,620
Customer relationships	2	2	2	2	5	6	5	6
Tenant inducements and leasing costs	731	612	705	409	374	307	261	231
Tenant inducements amortized into revenue	71	63	65	110	-	-	-	-
Unrealized (gain) loss on commodity derivatives	297	60	204	68	1,092	(455)	(928)	-
Loss on termination of Interplex II agreement	-	7,287	-	-	-	-	-	-
(Gain) loss on disposal of income-producing properties	(403)	(7,988)	(591)	197	-	-	-	10
Future income tax expense (recovery)	-	-	11,127	(211)	156	1,020	(417)	1,433
Other adjustments								
Property rent ⁽¹⁾	-	-	300	300	300	300	300	300
Non-controlling interest ⁽²⁾	-	58	33	79	34	14	138	-
Funds from operations (FFO)	\$ 12,963	\$ 13,147	\$ 14,245	\$ 14,137	\$ 13,892	\$ 13,519	\$ 13,052	\$ 12,275
FFO per unit								
Basic	\$ 0.39	\$ 0.40	\$ 0.43	\$ 0.43	\$ 0.42	\$ 0.41	\$ 0.40	\$ 0.39
Diluted	\$ 0.36	\$ 0.39	\$ 0.42	\$ 0.42	\$ 0.42	\$ 0.41	\$ 0.40	\$ 0.39
Weighted-average number of units:								
Basic ⁽³⁾	33,364	33,019	33,107	33,082	33,000	32,780	32,346	31,133
Diluted ⁽³⁾	38,838	34,146	34,234	34,209	34,197	34,020	33,519	31,197

⁽¹⁾ Included in FFO is Property rent, which is cash revenue earned pursuant to the Interplex II purchase and sale agreement not recorded as revenue in the REIT's Consolidated Statement of Operations due to the project being in the development phase.

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

⁽³⁾ The weighted-average number of units used in the calculation of FFO per unit 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.

⁽⁴⁾ Results for 2008 have been restated, refer to Note 2(b) of the Unaudited Interim Consolidated Financial Statements for the nine months ended September 30, 2009 and 2008.

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

Prior to Q2-09, DI and FFO experienced an upward trend due to an aggressive but disciplined external growth strategy executed by Artis. These metrics declined in Q2-09 and Q3-09 due to the disposition of six commercial properties during the nine months ended September 30, 2009. Management believes that there is further growth possible in the REIT's portfolio that may be realized should below-market leases be renewed at higher rates.

RELATED PARTY TRANSACTIONS

\$000's	Three month period ended		Nine month period ended	
	September 30,		September 30,	
	2009	2008	2009	2008
Legal fees expensed	\$ 139	\$ 27	\$ 280	\$ 81
Capitalized legal fees	295	-	873	273
Advisory fees	715	642	2,103	1,858
Capitalized acquisition fees	-	240	-	502
Property management fees	1,240	1,323	3,796	3,465
Capitalized leasing commissions	450	1,188	1,111	2,671
Capitalized building improvements	1,035	2,759	2,418	9,682
Tenant inducements	23	-	113	-
Services fee	-	-	198	-
Consulting fees	-	13	-	13

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 September 30, 2009 is \$nil (December 31, 2008, \$nil).

The REIT incurred advisory fees and acquisition fees under the asset management agreement with Marwest Management Canada Ltd. ("Marwest"), a company owned and controlled by certain trustees and officers of the REIT. The amount payable at September 30, 2009 is \$21 (December 31, 2008, \$nil). Under the asset management agreement, Marwest is entitled to an annual advisory fee equal to 0.25% of the adjusted cost base of the REIT's assets and an acquisition fee equal to 0.5% of the cost of each property acquired.

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

The REIT incurred property management fees, leasing commission fees, and tenant improvement fees under the property management agreement with Marwest. The amount payable at September 30, 2009 is \$85 (December 31, 2008, \$546). Marwest acts as the general property manager for the REIT's properties and is entitled to management fees, leasing renewal commissions and tenant improvement fees at commercially reasonable rates.

The REIT incurred costs for building improvements and tenant inducements paid to Marwest Construction Ltd., a company related to certain trustees and officers of the REIT. The amount payable at September 30, 2009 is \$40 (December 31, 2008, \$292).

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. There is no balance payable at September 30, 2009 (December 31, 2008, \$nil).

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 November 9, 2009, not including Class B units, is as follows:

Units outstanding at September 30, 2009	33,475,758
Share issuance	3,400,000
Over-allotment	510,000
Units issued (DRIP)	<u>19,168</u>
Units outstanding at November 9, 2009	<u>37,404,926</u>

The balance of options outstanding as of November 9, 2009 is as follows:

	<u>Options outstanding</u>	<u>Options exercisable</u>
\$11.25 options, issued December 8, 2005	<u>217,036</u>	<u>145,938</u>

2009 OUTLOOK

According to the Conference Board of Canada, real GDP in Canada is forecast to contract 2.1% in 2009, before recovering with growth of 2.9% forecast for 2010. The western Canadian outlook remains positive, with Manitoba expected to achieve 2% GDP growth in 2010 and Alberta, BC and Saskatchewan all forecast to achieve GDP growth over 3% in 2010.

Signs of optimism in the Canadian real estate markets have been observed. Most notably, the capital markets have been active with a number of real estate investment trusts and companies successfully closing equity and debt offerings in recent months. As well, there has been an increase in the volume of real estate transactions and mortgage financing spreads appear to have leveled off.

At September 30, 2009, Artis had \$23,042 of cash and cash equivalents on hand. The cash position has improved subsequent to September 30, 2009 as a result of a number of transactions concluded since period end.

On October 1, 2009, the sale of Willowglen Business Plaza closed. The property sold for \$28,320 which represents a capitalization rate of approximately 8.3%. The REIT expects to record an estimated gain of \$4,652 on the transaction in Q4-09. In conjunction with the sale, Artis acquired from the purchaser a newly developed flex-industrial property and development lands in Airdrie, Alberta, for a purchase price of \$4,600. Artis realized cash proceeds of approximately \$4,422 on the closing of these transactions.

On October 6, 2009, a public offering of 3,400,000 units at a price of \$9.00 per unit for aggregate gross proceeds of \$30,600 closed. On October 22, 2009, the overallotment option was exercised and an additional 510,000 units were issued for additional proceeds of \$4,590.

On October 6, 2009, the REIT obtained \$10,300 of new five-year mortgage financing bearing an interest rate of 5.4%, secured by three unencumbered properties in Fort McMurray, Alberta.

On October 29, 2009, Artis acquired the Winnipeg Industrial Portfolio from ING Canada. The 13-property portfolio was acquired for \$42,700 and settled in cash. Artis has secured a commitment for \$27,500 of new 10-year mortgage financing bearing interest at a rate of 6.3% per annum.

On November 1, 2009, the sale of Franklin Showcase Warehouse, an industrial property in Calgary, Alberta, closed. The property was sold for \$6,000, which represented a capitalization rate of approximately 8.2%. Artis realized cash proceeds of \$2,290 on the sale, and expects to record a gain of approximately \$621 in Q4-09.

In addition to cash resources, the REIT also has \$29,300 undrawn and available on its line of credit. The undrawn balance can be utilized to fund future acquisitions; alternately, up to \$10,000 of the undrawn facility may be utilized for general corporate purposes, up to \$10,000 may be utilized to provide mezzanine financing and up to \$7,500 may be utilized to purchase units under the REIT's normal course issuer bid. In Q3-09, Artis exercised its option and extended the maturity date on the line of credit to September 28, 2010.

Recent acquisition and disposition activity will impact the financial performance of Artis in future periods. With greater availability of capital, additional clarity on costs of financing and a stronger investment market, management is optimistic that opportunities to redeploy capital into new growth opportunities will arise.

Management believes there is potential growth embedded in the portfolio, as below-market 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 September 30, 2009 for all remaining 2009 lease expiries and for the 2010 lease expiries are approximately 14.3% and 13.8% higher than the rates in place at expiry.

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

- Artis REIT's ratio of mortgages, loans and bank indebtedness to GBV is 47.7%, down from 51.6% at December 31, 2008. In Q3-09, Artis dealt with all the remaining 2009 mortgage maturities; there are no mortgages left to refinance in 2009. As at September 30, 2009, approximately 12.3% of its mortgage debt is maturing in 2010 and 6.6% is maturing in 2011. The average size of mortgages to be refinanced for 2010 and 2011 is \$6.5 million and \$7.0 million, respectively. Management is currently in discussion with various lenders with respect to the 2010 and 2011 refinancings.

- Artis REIT's largest tenant is AMEC Americas Ltd. which accounts for 6.0% of the REIT's gross revenues. No other tenant in the portfolio accounts for more than 5.0% of gross revenues. At September 30, 2009, approximately 62.8% of the REIT's portfolio is occupied by national or government tenants.
- At September 30, 2009, 2.8% of the portfolio's leasable area was set to expire in the remainder of 2009. 82.1% of these remaining expiries have been renewed or new lease commitments secured. To date, 96.3% of the total 2009 leasing program is complete; with tenant retention of approximately 73% achieved for the year. Approximately 15.8% of the portfolio's leasable area will expire in 2010, and to date, 19.7% of these expiries have been renewed.

RISKS AND UNCERTAINTIES

REAL ESTATE OWNERSHIP

All real property investments are subject to elements of risk. General economic conditions, local real estate markets, supply and demand for leased premises, competition from other available premises and various other factors affect such investments. The REIT's properties are located in western Canada, with a significant majority of our properties, measured by gross leasable area, located in the province of Alberta. As a result, our properties are impacted by factors specifically affecting the real estate markets in Alberta, British Columbia, Saskatchewan and Manitoba. These factors may differ from those affecting the real estate markets in other regions of Canada. If real estate conditions in western Canada were to decline relative to real estate conditions in other regions, this could more adversely impact our revenues and results of operations than those of other more geographically diversified REITs in Canada. Our ability to manage risk through geographical diversification is currently limited. While Manitoba is expected to remain in positive territory in 2009, economic contraction in Saskatchewan, British Columbia and Alberta may have an impact on the REIT's results.

DEBT FINANCING

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

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

CREDIT RISK AND TENANT CONCENTRATION

Artis is exposed to risk as tenants may be unable to pay their contracted rents. Management mitigates this risk by seeking to acquire properties across several asset classes. As well, management seeks to acquire properties with strong tenant covenants in place. As at September 30, 2009, government tenants contribute 10.0% to the REIT's overall gross revenue and occupy 8.4% of total GLA. The REIT's ten top tenants (excluding government tenants) are primarily high credit rated national retailers or businesses. As indicated below, the largest tenant by gross revenue is AMEC Americas Ltd., a global supplier of consultancy, engineering and project management services to the energy, power and process industries. AMEC Americas Ltd. is a London Exchange listed entity with annual revenues in excess of £2.6 billion. The second largest tenant by gross revenue is TransAlta Corporation, a Standard & Poor's BBB rated multi-national corporation with a market capitalization of nearly \$4.0 billion.

Top Twenty Tenants By Gross Revenue

Tenant	% of total Gross Revenue	GLA	% of Total GLA	Weighted Average Remaining Lease Term
AMEC Americas Ltd	6.0%	199,672	3.2%	3.92
TransAlta Corporation	3.6%	336,041	5.4%	13.67
Birchcliff Energy	2.5%	58,769	0.9%	8.17
Credit Union Central	2.2%	90,053	1.4%	2.25
Sobeys	2.2%	150,156	2.4%	10.85
Bell Canada	1.8%	76,017	1.2%	6.75
Shoppers Drug Mart	1.5%	85,397	1.4%	6.01
MTS Allstream	1.4%	75,986	1.2%	17.26
Q9 Networks Inc.	1.3%	34,720	0.6%	6.92
Komex International	1.2%	52,073	0.8%	2.16
Cineplex Odeon	1.1%	64,830	1.0%	10.84
BW Technologies (Honeywell)	1.0%	61,847	1.0%	7.21
The Brick	0.9%	62,747	1.0%	7.52
Columbia College Corp	0.9%	44,792	0.7%	4.83
NOVA Chemicals Corporation	0.8%	36,001	0.6%	0.92
Jysk Linen 'n Furniture	0.7%	69,260	1.1%	4.46
Geologic Systems	0.7%	30,411	0.5%	3.08
Canadian Bank Institute Ltd.	0.7%	27,407	0.4%	7.27
Red River Packaging	0.6%	196,254	3.1%	5.00
DC Energy Group Inc.	0.6%	17,170	0.3%	2.50
Total	31.7%	1,769,603	28.2%	7.84

Government Tenants By Gross Revenue

Tenant	% of total Gross Revenue	GLA	% of Total GLA	Weighted Average Remaining Lease Term
Federal Government	4.8%	218,204	3.5%	6.46
Provincial Government	3.8%	209,542	3.3%	2.13
Civic or Municipal Government	1.4%	97,716	1.6%	3.78
Total	10.0%	525,462	8.4%	3.62

Weighted Average Term to Maturity (Entire Portfolio)

4.9

LEASE ROLLOVER RISK

The value of income properties and the stability of cash flows derived from those properties is dependent upon the level of occupancy and lease rates in those properties. Upon expiry of any lease, there is no assurance that a lease will be renewed on favourable terms, or at all; nor is there any assurance that a tenant can be replaced. A contraction in the Canadian economy would negatively impact demand for space in retail, office and industrial properties across Canada, consequently increasing the risk that leases expiring in the near term will not be renewed.

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

Expiry Year	British	Saskat-	Manitoba	Alberta	Calgary Office	Total
	Columbia	chewan			Only	
2009	0.0%	0.3%	1.1%	1.4%	0.5%	2.8%
2010	0.4%	1.4%	6.9%	7.1%	1.9%	15.8%
2011	0.2%	0.8%	5.5%	9.4%	5.3%	15.9%
2012	1.3%	0.3%	2.7%	4.3%	2.3%	8.6%
2013	0.3%	1.9%	4.3%	8.1%	5.1%	14.6%
2014	0.5%	0.9%	5.0%	4.1%	1.5%	10.5%
2015 & later	1.9%	2.0%	4.2%	18.3%	7.1%	26.4%
Month-to-month	0.3%	0.0%	0.2%	0.4%	0.1%	0.9%
Vacant	0.9%	0.0%	0.9%	2.7%	2.2%	4.5%
Total GLA	362,102	476,230	1,928,010	3,496,318	1,622,799	6,262,660

Artis' portfolio has a significant weighting of Calgary office properties. A number of new building projects are underway in the Calgary office market with completion dates expected in 2009 through to 2012. Not all of this new inventory has been committed under lease, and certain of the REIT's properties will compete with the new inventory, creating additional lease rollover risk. Artis' exposure to lease rollover risk in the Calgary office market is limited to 7,460 square feet in the remainder 2009, and 116,813 square feet in 2010.

At September 30, 2009, 2.8% of the portfolio's leasable area was set to expire in the remainder of 2009. 82.1% of these remaining expiries have been renewed or new lease commitments secured. To date, 96.3% of the total 2009 leasing program is complete; with tenant retention of approximately 73% achieved for the year. Approximately 15.8% of the portfolio's leasable area will expire in 2010, and to date, 19.7% of these expiries have been renewed. The weighted average term to maturity of all leases in the portfolio is 4.9 years; for the top ten tenants (who account for 23.7% of the portfolio's gross revenues at September 30, 2009), the weighted average lease term is 9.0 years.

TAX RISK

On June 22, 2007, the New SIFT Rules (discussed in more detail above under the heading "Future Income Taxes") were enacted. Under the New SIFT Rules, certain distributions from a SIFT will no longer be deductible in computing a SIFT's taxable income, and a SIFT will be subject to tax on such distributions at a rate that is substantially equivalent to the general tax rate applicable to a Canadian corporation. However, distributions paid by a SIFT as returns of capital should generally not be subject to the tax.

The New SIFT Rules do not apply to a "real estate investment trust" that meets prescribed conditions relating to the nature of its assets and revenue (the "REIT Conditions"). In order to meet the REIT Conditions, a trust must meet a number of technical tests that do not fully accommodate common real estate and business structures. Prior to the end of 2008, the REIT undertook various restructuring activities in order to attempt to meet the requirements of the REIT Conditions, and the REIT intends to comply with the REIT Conditions so that the New SIFT Rules will not apply to the REIT in 2009 and subsequent years. There can be no assurances, however, that the REIT will be able to satisfy the REIT Conditions such that the REIT will not be subject to the tax imposed by the New SIFT Rules.

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

OTHER RISKS

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

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

CRITICAL ACCOUNTING ESTIMATES

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

ALLOCATION OF PURCHASE PRICE OF INCOME-PRODUCING PROPERTIES

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

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

IMPAIRMENT OF ASSETS

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

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

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

AMORTIZATION

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

ALLOCATION OF CONVERTIBLE DEBENTURES

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

FUTURE INCOME TAX VALUATION

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

CHANGES IN ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

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

CONTROLS AND PROCEDURES

DISCLOSURE CONTROLS AND PROCEDURES

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

As of September 30, 2009, an evaluation was carried out, under the supervision of and with the participation of Management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the REIT's disclosure controls and procedures (as defined in Multilateral Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings). Based on the evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the design and operation of the REIT's disclosure controls and procedures were effective as at September 30, 2009.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. The Chief Executive Officer and Chief Financial Officer evaluated, or caused to be evaluated, the design of the REIT's internal controls over financial reporting (as defined in Multilateral Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings) as at September 30, 2009.

During the period ended September 30, 2009, no changes to internal controls over financial reporting have materially affected, or are reasonable likely to materially affect, internal controls over financial reporting.

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