



ARTIS

REIT

**Management's Discussion & Analysis
Q3 - 10**

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis ("MD&A") of the financial condition and results of operations of Artis Real Estate Investment Trust ("Artis" or the "REIT") should be read in conjunction with the REIT's audited annual consolidated financial statements for the years ended December 31, 2009 and 2008, the unaudited interim consolidated financial statements for the periods ended September 30, 2010 and 2009, and the notes thereto. This MD&A has been prepared taking into account material transactions and events up to and including November 8, 2010. Additional information about Artis, including the REIT's most recent Annual Information Form, has been filed with applicable Canadian securities regulatory authorities and is available at www.sedar.com or on our web site at www.artisreit.com.

FORWARD-LOOKING DISCLAIMER

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

Artis is subject to significant risks and uncertainties which may cause the actual results, performance or achievements of the REIT to be materially different from any future results, performance or achievements expressed or implied in these forward-looking statements. Such risk factors include, but are not limited to, risks associated with real property ownership, availability of cash flow, general uninsured losses, future property acquisitions, environmental matters, tax related matters, debt financing, unitholder liability, potential conflicts of interest, potential dilution, reliance on key personnel, changes in legislation, changes in the tax treatment of trusts and the expected accounting impact of reporting under International Financial Reporting Standards ("IFRS") commencing in 2011. Artis cannot assure investors that actual results will be consistent with any forward-looking statements and Artis assumes no obligation to update or revise such forward-looking statements to reflect actual events or new circumstances. All forward-looking statements contained in this MD&A are qualified by this cautionary statement.

NOTICE RESPECTING NON-GAAP MEASURES

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

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

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

Artis calculates FFO, substantially in accordance with the guidelines set out by the Real Property Association of Canada ("REALpac"). In June 2010, REALpac issued guidelines on FFO for IFRS which is effective upon adoption of IFRS. It includes certain additional adjustments to FFO under IFRS from the current definition of FFO under GAAP. Management considers FFO to be a valuable measure for evaluating the REIT's operating performance in achieving its objectives.

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

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OVERVIEW

Artis is an unincorporated open-end real estate investment trust created under, and governed by, the laws of the province of Manitoba. On February 15, 2007, Artis underwent a name change from "Westfield Real Estate Investment Trust" to "Artis Real Estate Investment Trust". On May 14, 2009, unitholders authorized the trustees of Artis to implement certain amendments to Artis' Declaration of Trust which, if implemented, would have the effect of converting Artis to a closed-end trust. As at November 8, 2010, the trustees of Artis have not yet implemented such amendments.

Certain of the REIT's securities are listed on the Toronto Stock Exchange ("the TSX"). The REIT's trust units ("units") trade under the symbol AX.UN, and the REIT's Series B, Series C, Series E, and Series F convertible debentures trade under the symbols AX.DB.B, AX.DB.C, AX.DB.E, and AX.DB.F respectively. As at November 8, 2010, there were 75,198,068 units, and 1,119,684 options of Artis outstanding (refer to the *Outstanding Unit Data* section for further details).

PRIMARY OBJECTIVES

Artis is focused on producing a stable and growing stream of cash distributions for Unitholders from the ownership and management of high quality commercial properties. Artis focuses exclusively on retail, office and industrial properties with a major focus on western Canada.

The REIT's primary objectives are:

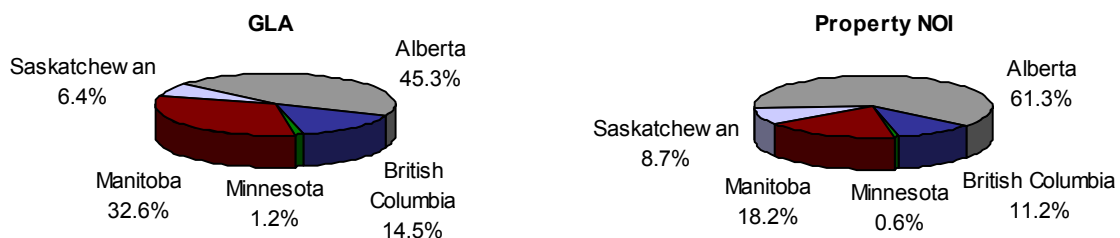
- to provide Unitholders with stable and growing cash distributions, payable monthly, and to the maximum extent practicable, income tax deferred, from investments in a diversified portfolio of income-producing commercial properties;
- to enhance the value of the REIT's assets and maximize long-term unit value through the proactive management of its assets; and
- to expand the REIT's assets base and increase its distributable income through accretive acquisitions in its target markets.

The Declaration of Trust provides that Artis make monthly cash distributions to its unitholders. The amount distributed in each year (currently \$1.08 per unit on an annualized basis) will be the amount of distributable income set down in a policy by the Trustees.

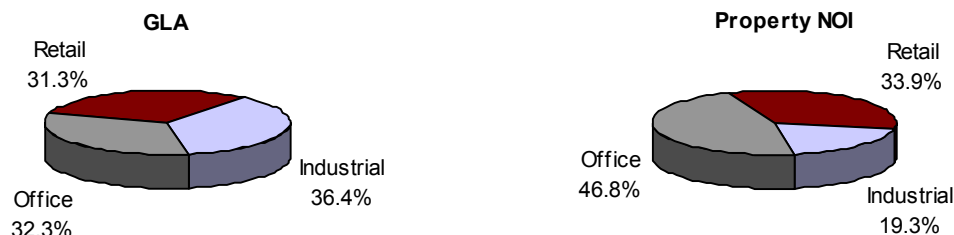
PORTFOLIO SUMMARY

At September 30, 2010, the REIT's portfolio was comprised of 115 commercial properties located primarily across western Canada totaling approximately 10.0 million square feet (s.f.) of gross leasable area ("GLA").

Diversification by Geographical Region:



Diversification by Asset Class:



Portfolio by Asset Class as at September 30, 2010 (in 000's of s.f.)

Asset Class	City	Number of Properties	Owned Share of Leasable Area	% of Portfolio GLA	Occupancy %	Committed % ⁽¹⁾
Industrial	Acheson	2	265	2.7 %	100.0 %	100.0 %
	Calgary	4	452	4.5 %	100.0 %	100.0 %
	Delta	1	70	0.7 %	100.0 %	100.0 %
	Edmonton	5	636	6.4 %	99.3 %	99.3 %
	Nisku	1	23	0.2 %	100.0 %	100.0 %
	Red Deer	1	126	1.3 %	94.1 %	94.1 %
	Saskatoon	1	163	1.6 %	100.0 %	100.0 %
	Winnipeg	29	1,805	18.0 %	95.6 %	96.3 %
Industrial total		44	3,540	35.4 %	97.4 %	97.8 %
Office	Burnaby	2	389	3.9 %	100.0 %	100.0 %
	Calgary	11	1,337	13.4 %	94.6 %	95.4 %
	Nanaimo	2	68	0.7 %	100.0 %	100.0 %
	New Brighton	1	116	1.2 %	100.0 %	100.0 %
	Red Deer	1	149	1.5 %	71.7 %	99.9 %
	Vancouver	1	101	1.0 %	67.2 %	100.0 %
	Winnipeg	6	1,021	10.2 %	96.5 %	96.5 %
Office total		24	3,181	31.9 %	94.2 %	96.9 %
Retail	Calgary	5	426	4.4 %	100.0 %	100.0 %
	Coquitlam	1	82	0.8 %	100.0 %	100.0 %
	Cranbrook	1	294	2.9 %	92.9 %	94.2 %
	Delta	1	75	0.7 %	98.3 %	100.0 %
	Edmonton	2	165	1.6 %	100.0 %	100.0 %
	Edson	1	20	0.2 %	100.0 %	100.0 %
	Estevan	1	38	0.4 %	100.0 %	100.0 %
	Fort McMurray	7	172	1.7 %	100.0 %	100.0 %
	Grande Prairie	4	379	3.8 %	96.3 %	97.5 %
	Lethbridge	1	53	0.5 %	100.0 %	100.0 %
	Medicine Hat	1	162	1.6 %	100.0 %	100.0 %
	Moose Jaw	1	38	0.4 %	100.0 %	100.0 %
	Nanaimo	1	36	0.4 %	100.0 %	100.0 %
	Regina	7	257	2.6 %	99.4 %	99.4 %
	Saskatoon	2	143	1.4 %	100.0 %	100.0 %
	Spruce Grove	1	112	1.1 %	97.8 %	99.9 %
	St. Albert	1	21	0.2 %	100.0 %	100.0 %
	Westbank / West Kelowna	2	231	2.3 %	99.4 %	99.4 %
Winnipeg	3	369	3.8 %	95.8 %	97.9 %	
Retail total		43	3,073	30.8 %	98.1 %	98.8 %
		111	9,794	98.1 %	96.6 %	97.8 %

Properties in Redevelopment

Asset Class	City	Number of Properties	Owned Share of Leasable Area	% of Portfolio GLA	Property	Committed % ⁽¹⁾
Industrial	Airdrie	1	27	0.3 %	Airdrie Flex-Industrial	67.9 %
Retail	Nanaimo	1	54	0.5 %	6461 Metral Drive	40.9 %
Industrial	Winnipeg	1	64	0.6 %	801 Century Street	60.1 %
Office	Burnaby	1	47	0.5 %	Willingdon Green	56.5 %
Development properties total		4	192	1.9 %		54.9 %
Total portfolio		115	9,986	100.0 %		

⁽¹⁾ Percentage committed is based on committed leases at September 30, 2010.

2010 – THIRD QUARTER HIGHLIGHTS

PORTFOLIO GROWTH

Artis acquired 4 commercial properties during Q3-10.

	Office		Retail		Industrial		Total	
	Number of Properties	S.F. (000's)	Number of Properties	S.F. (000's)	Number of Properties	S.F. (000's)	Number of Properties	S.F. (000's)
Portfolio properties at December 31, 2009	22	2,374	34	1,948	40	2,492	96	6,814
Q1-10 acquisitions	-	-	2	231	6	1,137	8	1,368
Q2-10 acquisitions	2	753	5	645	-	-	7	1,398
Q3-10 acquisitions	1	101	3	300	-	-	4	401
Adjustments ⁽¹⁾	-	-	-	3	-	2	-	5
Portfolio properties at September 30, 2010	25	3,228	44	3,127	46	3,631	115	9,986

⁽¹⁾ Includes new commercial retail unit development at North City Centre and new mezzanine space at Airdrie Flex-Industrial.

Property acquisitions:

The properties acquired during Q3-10 include 1045 Howe Street, Pembina Village Shopping Centre, St. Vital Square and Uplands Common. 1045 Howe Street is a Class B office building located in Vancouver, British Columbia. The building comprises 101,145 square feet of rentable area and is 100.0% leased. Pembina Village Shopping Centre and St. Vital Square are unenclosed Class A retail shopping centres located in Winnipeg, Manitoba. The shopping centres have a total leasable area of 247,679 square feet and are 100.0% occupied. Uplands Common is a 100.0% occupied three-building retail centre comprising 53,392 square feet in Lethbridge, Alberta.

FINANCING ACTIVITIES

Series A convertible debenture maturity:

Upon maturity on August 4, 2010, Artis repaid \$620 of face value outstanding on the Series A convertible debentures.

Short-form base shelf prospectus:

On July 28, 2010, the REIT issued a base shelf prospectus. The REIT may from time to time during the 25-month period that this short-form base shelf prospectus is valid, offer and issue the following securities: (i) trust units of the REIT; (ii) preferred trust units, which may be issuable in series; (iii) debt securities, which may consist of debentures, notes or other types of debt and may be issuable in series; (iv) unit purchase warrants; and (v) subscription receipts to purchase trust securities.

Under the short-form base shelf prospectus, on September 2, 2010, Artis issued 7,590,000 units at a price of \$12.20 per unit for aggregate gross proceeds of \$92,598. This includes 990,000 units issued pursuant to the exercise of the underwriters' over-allotment option.

At-the-market equity financing program:

On September 17, 2010, Artis entered into an Equity Distribution Agreement with an exclusive agent for the issuance and sale, from time to time, until September 19, 2012 of up to 5,300,000 units of the REIT by way of "at-the-market distributions". The timing of any sale of units and the number of units actually sold during such period are at the discretion of the REIT. Sales of units, if any, pursuant to the Equity Distribution Agreement will be made in transactions that are deemed to be "at-the-market distributions", including sales made directly by the TSX. No units have been issued pursuant to this arrangement in Q3-10.

Debt financing and repayments:

During Q3-10, Artis financed an unencumbered property with a new mortgage of \$4,000.

DISTRIBUTIONS

Artis distributed a total of \$16,425 (YTD - \$42,989) to unitholders in Q3-10, of which \$1,265 (YTD - \$3,263) was paid by way of distribution reinvestment, pursuant to Artis' Distribution Reinvestment and Unit Purchase Plan.

SELECTED FINANCIAL INFORMATION

\$000's, except per unit amounts

	Three month period ended September 30,		Nine month period ended September 30,	
	2010	2009	2010	2009
Revenue	\$ 50,603	\$ 33,516	\$ 130,894	\$ 101,609
Property NOI	\$ 34,345	\$ 23,030	\$ 90,113	\$ 69,710
Income (loss) for the period	\$ (2,883)	\$ 92	\$ (2,792)	\$ (13,329)
Basic income (loss) per unit	\$ (0.05)	\$ 0.00	\$ (0.05)	\$ (0.41)
Distributions (including Class B units)	\$ 16,425	\$ 9,047	\$ 42,989	\$ 26,889
Distributions per unit	\$ 0.27	\$ 0.27	\$ 0.81	\$ 0.81
DI	\$ 16,294	\$ 12,187	\$ 45,359	\$ 38,984
DI per unit	\$ 0.27	\$ 0.37	\$ 0.88	\$ 1.18
DI payout ratio	100.0 %	73.0 %	92.0 %	68.6 %
FFO	\$ 16,973	\$ 12,963	\$ 46,637	\$ 40,355
FFO per unit	\$ 0.28	\$ 0.39	\$ 0.91	\$ 1.22
FFO payout ratio	96.4 %	69.2 %	89.0 %	66.4 %
Weighted-average units:				
Weighted-average units (basic)	60,493	33,364	51,268	32,829
Weighted-average units (basic) including Class B units	60,493	33,364	51,268	33,165

Artis has been actively acquiring properties since Q4-09. Due to this acquisition activity as well as same property revenue growth, Q3-10 revenues from continuing operations increased \$17,087, or 51.0% compared to Q3-09 results (YTD - \$29,285, or 28.8%). Property NOI from continuing operations increased by \$11,315, or 49.1% compared to Q3-09 results (YTD - \$20,403, or 29.3%).

DI increased \$4,107, or 33.7% compared to Q3-09, and \$6,375, or 16.4% year-over-year. FFO increased \$4,010, or 30.9% compared to Q3-09, and \$6,282, or 15.6% year-over-year. These increases are primarily attributed to the acquisitions completed in 2009 and 2010. On a per unit basis, basic DI decreased \$0.10 or 27.0% compared to Q3-09 results, and \$0.30 or 25.4% year-over-year. Basic FFO decreased \$0.11 or 28.2% compared to Q3-09 results, and \$0.31 or 25.4% year-over-year. As a result of units issued under the DRIP, units issued from public offerings, and conversion of convertible debentures, net of Normal Course Issuer Bid repurchases, basic units outstanding for the calculation of DI and FFO has substantially increased. This increase has diluted the impact of strong growth in revenues, Property NOI, DI and FFO on per unit results. Additionally, some of the equity raised remains uninvested at September 30, 2010. Management anticipates there will be further growth in revenues, Property NOI, DI and FFO, that will translate to higher per unit results as equity is invested in on-going acquisition activities in future periods.

ANALYSIS OF OPERATING RESULTS

\$000's, except per unit amounts

	Three month period ended September 30,				Nine month period ended September 30,			
	2010	% of Revenue	2009	% of Revenue	2010	% of Revenue	2009	% of Revenue
Revenue	\$ 50,603		\$ 33,516		\$ 130,894		\$ 101,609	
Property operating expenses	16,258	32.1 %	10,486	31.3 %	40,781	31.2 %	31,899	31.4 %
Property NOI	34,345	67.9 %	23,030	68.7 %	90,113	68.8 %	69,710	68.6 %
Interest	15,044	29.7 %	10,029	29.9 %	38,655	29.5 %	29,662	29.2 %
Expenses:	19,301		13,001		51,458		40,048	
Corporate Amortization	1,870	3.7 %	705	2.1 %	4,615	3.5 %	3,194	3.1 %
Unrealized loss on derivative instruments	700		297		714		561	
Foreign currency translation loss	553		-		457		-	
	22,184		13,525		54,250		44,722	
Loss before the undernoted	(2,883)		(524)		(2,792)		(4,674)	
Loss on termination of Interplex II agreement	-		-		-		(7,287)	
Future income tax expense	-		-		-		(10,895)	
Non-controlling interest	-		-		-		40	
Income from discontinued operations	-		616		-		9,487	
Income (loss) for the period	\$ (2,883)		\$ 92		\$ (2,792)		\$ (13,329)	
Other comprehensive loss:								
Unrealized foreign currency translation loss	\$ (179)		\$ -		\$ (179)		\$ -	
Comprehensive income (loss) for the period	\$ (3,062)		\$ 92		\$ (2,971)		\$ (13,329)	
Basic income (loss) per unit	\$ (0.05)		\$ 0.00		\$ (0.05)		\$ (0.41)	
Diluted income (loss) per unit	\$ (0.05)		\$ 0.00		\$ (0.05)		\$ (0.41)	
Weighted-average number of units:								
Basic	60,493		33,364		51,268		32,829	
Diluted	60,493		33,364		51,268		32,829	

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 Q3-10, straight-line rent adjustments of \$772 (YTD - \$1,884) were recorded compared to \$480 in Q3-09 (YTD - \$1,398).

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 has been actively acquiring properties since Q4-09; as in-place rent rates in a number of the acquisitions were considered to be below-market rent rates, intangible assets and liabilities were increased. These increases have been offset by the disposal of 9 commercial properties in 2009. As a result, in Q3-10 the adjustment to market rents was \$2,974 (YTD - \$8,613) compared to \$2,767 (YTD - \$9,559) in Q3-09.

In Q3-10, the REIT recorded amortization of \$124 (YTD - \$336) as a reduction in revenue from tenant incentives compared to \$71 (YTD - \$199) in Q3-09.

Revenue in Q3-10 included interest income of \$670 (YTD - \$1,640) compared to \$483 (YTD - \$1,382) in Q3-09.

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

SAME PROPERTY NOI GROWTH

	Three month period ended		Nine month period ended	
	September 30, ⁽¹⁾		September 30, ⁽¹⁾	
	2010	2009	2010	2009
Revenue	\$ 33,537	\$ 32,745	\$ 100,141	\$ 98,735
Property operating expenses	11,039	10,300	32,202	31,336
Property NOI	22,498	22,445	67,939	67,399
Add (deduct) non-cash revenue adjustments:				
Straight-line rent adjustment	(263)	(455)	(873)	(1,356)
Amortization of tenant inducements	101	70	308	197
Above- and below-market rent	(2,487)	(2,738)	(7,600)	(8,687)
Property NOI less non-cash revenue adjustments	\$ 19,849	\$ 19,322	\$ 59,774	\$ 57,553

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

In Q3-10, Artis achieved an increase of \$53 (YTD - \$540), or 0.2% (YTD - 0.8%) of Property NOI over Q3-09. As well, Artis also achieved an increase of \$527 (YTD - \$2,221), or 2.7% (YTD - 3.9%) of Property NOI less non-cash revenue adjustments over Q3-09.

Same Property NOI less Non-Cash Revenue Adjustments by Asset Class⁽¹⁾:

	Three month period ended September 30,				Nine month period ended September 30,			
	2010	2009	Change	% Change	2010	2009	Change	% Change
Retail	\$ 7,659	\$ 7,493	\$ 166	2.2 %	\$ 22,699	\$ 22,229	\$ 470	2.1 %
Office	\$ 9,524	\$ 9,204	\$ 320	3.5 %	\$ 29,113	\$ 27,421	\$ 1,692	6.2 %
Industrial	\$ 2,666	\$ 2,625	\$ 41	1.6 %	\$ 7,962	\$ 7,903	\$ 59	0.7 %
Total	\$ 19,849	\$ 19,322	\$ 527	2.7 %	\$ 59,774	\$ 57,553	\$ 2,221	3.9 %

Same Property NOI less Non-Cash Revenue Adjustments by Geographical Region⁽¹⁾:

	Three month period ended September 30,				Nine month period ended September 30,			
	2010	2009	Change	% Change	2010	2009	Change	% Change
Alberta	\$ 13,333	\$ 13,068	\$ 265	2.0 %	\$ 39,748	\$ 38,618	\$ 1,130	2.9 %
British Columbia	\$ 1,125	\$ 1,091	\$ 34	3.1 %	\$ 3,362	\$ 3,271	\$ 91	2.8 %
Manitoba	\$ 3,367	\$ 3,216	\$ 151	4.7 %	\$ 10,563	\$ 9,868	\$ 695	7.0 %
Saskatchewan	\$ 2,024	\$ 1,947	\$ 77	4.0 %	\$ 6,101	\$ 5,796	\$ 305	5.3 %
Total	\$ 19,849	\$ 19,322	\$ 527	2.7 %	\$ 59,774	\$ 57,553	\$ 2,221	3.9 %

Same Property Occupancy Comparison⁽¹⁾

By Geographical Region

	As at September 30,	
	2010	2009
Alberta	95.8 %	97.1 %
British Columbia	99.5 %	100.0 %
Manitoba	97.5 %	97.2 %
Saskatchewan	99.7 %	99.6 %
Total	96.9 %	97.5 %

By Asset Class

	As at September 30,	
	2010	2009
Retail	99.5 %	99.2 %
Office	94.1 %	95.4 %
Industrial	98.4 %	98.3 %
Total	96.9 %	97.5 %

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

PROPERTY NOI BY ASSET CLASS

In Q3-10, revenues and Property NOI from continuing operations increased for all asset class segments of the portfolio. This growth is primarily attributable to increased acquisition activity since Q4-09.

	Three month period ended September 30,					
	2010			2009		
	Retail	Office	Industrial	Retail	Office	Industrial
Revenue	\$ 16,006	\$ 24,943	\$ 9,376	\$ 11,431	\$ 17,844	\$ 4,184
Property operating expenses	4,458	8,955	2,845	3,138	6,063	1,285
Property NOI	\$ 11,548	\$ 15,988	\$ 6,531	\$ 8,293	\$ 11,781	\$ 2,899
Share of Property NOI	33.9 %	46.9 %	19.2 %	36.1 %	51.3 %	12.6 %

Nine month period ended September 30,						
2010			2009			
	Retail	Office	Industrial	Retail	Office	Industrial
Revenue	\$ 42,171	\$ 63,172	\$ 25,101	\$ 35,281	\$ 52,970	\$ 13,248
Property operating expenses	11,778	21,201	7,802	9,923	17,682	4,294
Property NOI	\$ 30,393	\$ 41,971	\$ 17,299	\$ 25,358	\$ 35,288	\$ 8,954
Share of Property NOI	33.9 %	46.8 %	19.3 %	36.4 %	50.7 %	12.9 %

PROPERTY NOI BY GEOGRAPHICAL REGION

In Q3-10, revenues and Property NOI from continuing operations increased in all four provinces in comparison to Q3-09. Acquisitions in 2009 and 2010 primarily contributed to this growth.

Property NOI in the Minnesota segment is from an office property acquired at the end of Q2-10.

Three month period ended September 30,										
2010					2009					
	AB	BC	MB	MN	SK	AB	BC	MB	MN	SK
Revenue	\$ 27,237	\$ 6,806	\$ 11,996	\$ 692	\$ 3,594	\$ 22,061	\$ 2,188	\$ 6,368	\$ -	\$ 2,842
Property operating expenses	7,451	2,195	5,505	171	936	5,979	826	2,871	-	810
Property NOI	\$ 19,786	\$ 4,611	\$ 6,491	\$ 521	\$ 2,658	\$ 16,082	\$ 1,362	\$ 3,497	\$ -	\$ 2,032
Share of Property NOI	58.1 %	13.5 %	19.1 %	1.5 %	7.8 %	70.0 %	5.9 %	15.2 %	-	8.9 %

Nine month period ended September 30,										
2010					2009					
	AB	BC	MB	MN	SK	AB	BC	MB	MN	SK
Revenue	\$ 75,505	\$ 14,757	\$ 28,914	\$ 692	\$ 10,576	\$ 66,475	\$ 7,001	\$ 19,308	\$ -	\$ 8,715
Property operating expenses	20,537	4,683	12,619	171	2,771	18,010	2,584	8,627	-	2,678
Property NOI	\$ 54,968	\$ 10,074	\$ 16,295	\$ 521	\$ 7,805	\$ 48,465	\$ 4,417	\$ 10,681	\$ -	\$ 6,037
Share of Property NOI	61.3 %	11.2 %	18.2 %	0.6 %	8.7 %	69.6 %	6.3 %	15.4 %	-	8.7 %

PORTFOLIO OCCUPANCY

Occupancy levels impact the REIT's revenues and Property NOI. Occupancy and commitments at September 30, 2010 (excluding properties currently in redevelopment), and the previous four periods, are as follows.

Occupancy Report by Asset Class ⁽¹⁾

	Q3-10 % Committed ⁽²⁾	Q3-10	Q2-10	Q1-10	Q4-09	Q3-09
Retail	98.8%	98.1%	96.9%	97.7%	98.8%	99.1%
Office	96.9%	94.2%	96.4%	95.6%	95.2%	93.1%
Industrial	97.8%	97.4%	97.9%	95.8%	96.1%	98.1%
Total portfolio	97.8%	96.6%	97.1%	96.2%	96.6%	96.4%

⁽¹⁾ Excluding properties currently being redeveloped.

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

Occupancy Report by Geographical Region ⁽¹⁾

	Q3-10 % Committed ⁽²⁾	Q3-10	Q2-10	Q1-10	Q4-09	Q3-09
Alberta	98.0%	96.8%	96.9%	96.8%	96.5%	95.2%
British Columbia	98.6%	95.8%	98.2%	89.2%	83.5%	100.0%
Manitoba	96.7%	95.9%	96.3%	96.2%	98.2%	97.2%
Minnesota	100.0%	100.0%	100.0%	n/a	n/a	n/a
Saskatchewan	99.8%	99.8%	99.8%	99.7%	99.6%	99.6%
Total portfolio	97.8%	96.6%	97.1%	96.2%	96.6%	96.4%

⁽¹⁾ Excluding properties currently being redeveloped.

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

Of the 192,058 square feet currently considered to be undergoing redevelopment, lease commitments are in place on 54.9% of the leasable area.

PORTFOLIO LEASING ACTIVITY AND LEASE EXPIRIES

Artis monitors period over period changes in weighted-average rental rates for new and renewal leasing activities. In Q3-10, the weighted-average rental rates on total activity increased 1.8% (YTD – 1.9%) compared to 34.0% in Q3-09 (YTD – 18.0%). In Q3-10, the weighted-average rental rates on renewal activity increased 6.1% (YTD – 5.6%) compared to 18.8% in Q3-09 (YTD - 17.3%). The strongest performance was within the retail asset class. Saskatchewan and Alberta reported the largest weighted-average rental rate increases for all leasing activity and for renewal activity specifically.

Leasing Activity Summary (in 000's of s.f.)

	Three months ended September 30, 2010		Three months ended September 30, 2009		Nine months ended September 30, 2010		Nine months ended September 30, 2009	
	S.F.	In-Place Rent	S.F.	In-Place Rent	S.F.	In-Place Rent	S.F.	In-Place Rent
New/renewed	385	\$ 9.04	230	\$ 14.03	1,002	\$ 9.16	642	\$ 13.88
Expiring	409	\$ 8.88	249	\$ 10.47	860	\$ 8.99	687	\$ 11.76
Change		\$ 0.16		\$ 3.56		\$ 0.17		\$ 2.12
% Change		1.8 %		34.0 %		1.9 %		18.0 %
% Change on renewals only		6.1 %		18.8 %		5.6 %		17.3 %

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

	Office		Retail		Industrial		Total	
	GLA	%	GLA	%	GLA	%	GLA	%
2010	246	7.6 %	79	2.5 %	113	3.1 %	438	4.4 %
2011	455	14.1 %	323	10.3 %	627	17.3 %	1,405	14.0 %
2012	326	10.1 %	247	7.9 %	306	8.4 %	879	8.8 %
2013	585	18.1 %	321	10.3 %	498	13.7 %	1,404	14.1 %
2014	207	6.4 %	312	10.0 %	568	15.6 %	1,087	10.9 %
2015	278	8.6 %	309	9.9 %	254	7.0 %	841	8.4 %
2016 & later	906	28.1 %	1,444	46.2 %	1,128	31.1 %	3,478	34.8 %
	3,003	93.0 %	3,035	97.1 %	3,494	96.2 %	9,532	95.4 %
Month-to-month	21	0.7 %	3	0.1 %	2	0.1 %	26	0.3 %
Vacancies	204	6.3 %	89	2.8 %	135	3.7 %	428	4.3 %
Total GLA	3,228	100.0 %	3,127	100.0 %	3,631	100.0 %	9,986	100.0 %

Commitments

2010	79.2 %	82.6 %	94.5 %	83.8 %
2011	50.4 %	22.4 %	21.4 %	31.0 %

Expiring Rents

2010	\$ 16.31	\$ 17.19	\$ 5.06	\$ 13.60
2011	\$ 15.89	\$ 16.98	\$ 7.23	\$ 12.27
2012	\$ 17.28	\$ 17.57	\$ 6.00	\$ 13.44
2013 & later	\$ 18.07	\$ 15.47	\$ 7.23	\$ 13.26
Total	\$ 17.51	\$ 15.83	\$ 7.05	\$ 13.15

Market Rents

2010	\$ 16.81	\$ 21.13	\$ 4.90	\$ 14.54
2011	\$ 15.43	\$ 18.94	\$ 7.97	\$ 12.90
2012	\$ 15.63	\$ 19.51	\$ 6.59	\$ 13.58
2013 & later	\$ 18.11	\$ 17.33	\$ 7.91	\$ 14.17
Total	\$ 17.33	\$ 17.76	\$ 7.71	\$ 13.95

Change

2010	3.1 %	22.9 %	(3.2)%	6.9 %
2011	(2.9)%	11.5 %	10.2 %	5.1 %
2012	(9.5)%	11.0 %	9.8 %	1.0 %
2013 & later	0.2 %	12.0 %	9.4 %	6.9 %
Total	(1.0)%	12.2 %	9.4 %	6.1 %

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

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

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

	Alberta		British Columbia		Manitoba		Minnesota		Saskatchewan	
	GLA	%	GLA	%	GLA	%	GLA	%	GLA	%
2010	77	1.7 %	13	0.9 %	331	10.2 %	-	0.0 %	17	2.7 %
2011	739	16.3 %	126	8.7 %	484	14.9 %	-	0.0 %	56	8.7 %
2012	310	6.8 %	138	9.5 %	417	12.8 %	-	0.0 %	14	2.2 %
2013	587	13.0 %	229	15.8 %	466	14.3 %	-	0.0 %	122	19.0 %
2014	356	7.9 %	96	6.6 %	548	16.7 %	-	0.0 %	87	13.6 %
2015	318	7.0 %	158	11.0 %	309	9.5 %	-	0.0 %	56	8.7 %
2016 & later	1,969	43.5 %	578	40.0 %	528	16.2 %	116	100.0 %	287	44.8 %
	4,356	96.2 %	1,338	92.5 %	3,083	94.6 %	116	100.0 %	639	99.7 %
Month-to-month	8	0.2 %	-	0.0 %	18	0.6 %	-	0.0 %	-	0.0 %
Vacancies	161	3.6 %	109	7.5 %	156	4.8 %	-	0.0 %	2	0.3 %
Total GLA	4,525	100.0 %	1,447	100.0 %	3,257	100.0 %	116	100.0 %	641	100.0 %
Commitments										
2010		89.8 %		46.2 %		85.4 %		-		52.9 %
2011		31.8 %		25.1 %		30.1 %		-		41.1 %
Expiring Rents										
2010	\$ 14.58		\$ 15.16		\$ 13.21		\$ 0.00		\$ 15.76	
2011	\$ 13.95		\$ 12.18		\$ 9.34		\$ 0.00		\$ 15.58	
2012	\$ 18.12		\$ 15.88		\$ 8.98		\$ 0.00		\$ 18.70	
2013 & later	\$ 14.96		\$ 13.82		\$ 9.20		\$ 15.18		\$ 15.50	
Total	\$ 15.00		\$ 13.89		\$ 9.63		\$ 15.18		\$ 15.58	
Market Rents										
2010	\$ 16.06		\$ 19.20		\$ 13.76		\$ 0.00		\$ 19.56	
2011	\$ 14.22		\$ 14.27		\$ 10.12		\$ 0.00		\$ 16.33	
2012	\$ 16.74		\$ 17.36		\$ 9.76		\$ 0.00		\$ 19.90	
2013 & later	\$ 16.20		\$ 14.73		\$ 9.63		\$ 15.18		\$ 16.36	
Total	\$ 15.89		\$ 15.00		\$ 10.17		\$ 15.18		\$ 16.52	
Change										
2010		10.2 %		26.6 %		4.2 %		-		24.1 %
2011		1.9 %		17.2 %		8.4 %		-		4.8 %
2012		(7.6)%		9.3 %		8.7 %		-		6.4 %
2013 & later		8.3 %		6.6 %		4.7 %		0.0 %		5.5 %
Total		5.9 %		8.0 %		5.6 %		0.0 %		6.0 %

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

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

Artis' real estate is diversified across the four western provinces and Minnesota, and across the office, retail and industrial asset classes. At September 30, 2010, the three largest segments of the REIT's portfolio (by GLA) are Winnipeg industrial properties, Calgary office properties and Winnipeg office properties.

Winnipeg industrial properties represent 18.6% of the overall portfolio by GLA. Vacancy in the Winnipeg industrial market, as reported by CBRE, was approximately 3.8% at September 30, 2010, compared to 4.1% at June 30, 2010. Rent rates increased to \$6.18 psf from \$6.08. Artis has one industrial property in Winnipeg, comprising 64,208 square feet, which is considered to be in development; 60.1% of that space is now committed under new leases. Occupancy in the remainder of this segment of the portfolio was 95.6% at September 30, 2010, compared to 96.4% at June 30, 2010. Artis has commitments in place for 15.8% of the unoccupied space. In the remainder of 2010, 102,812 square feet comes up for renewal, which represents 1.0% of the portfolio's GLA; 94.0% has been renewed or committed to a new lease. In 2011, 265,263 square feet comes up for renewal, which represents 2.7% of the portfolio's GLA; 10.2% has been renewed or committed to a new lease.

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

	Calgary Office		Other Office		Total Office	
	GLA	%	GLA	%	GLA	%
2010	26	1.9 %	220	11.6 %	246	7.6 %
2011	266	19.9 %	189	10.0 %	455	14.1 %
2012	137	10.3 %	189	10.0 %	326	10.1 %
2013	309	23.2 %	276	14.5 %	585	18.1 %
2014	52	3.9 %	155	8.2 %	207	6.4 %
2015	42	3.1 %	236	12.5 %	278	8.6 %
2016 & later	427	32.0 %	479	25.3 %	906	28.1 %
	1,259	94.3 %	1,744	92.1 %	3,003	93.0 %
Month-to-month	3	0.2 %	18	1.0 %	21	0.7 %
Vacancies	73	5.5 %	131	6.9 %	204	6.3 %
Total GLA	1,335	100.0 %	1,893	100.0 %	3,228	100.0 %
Commitments						
2010	75.2 %		79.7 %		79.2 %	
2011	33.8 %		73.8 %		50.4 %	

Calgary Office	Expiring Rents	Market Rents	Change
2010	\$ 13.94	\$ 12.15	(12.8)%
2011	\$ 17.08	\$ 15.51	(9.2)%
2012	\$ 20.87	\$ 15.69	(24.8)%
2013 & later	\$ 19.41	\$ 19.06	(1.8)%
Total	\$ 18.96	\$ 17.80	(6.1)%

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

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

Calgary office properties represent 13.4% of the overall portfolio by GLA. Artis' office properties are Class A, B and C buildings, in downtown, beltline and suburban locations. Overall vacancy in the Calgary office market, as reported by CBRE, was 10.8% at September 30, 2010, compared to 11.0% at June 30, 2010. Management believes that as new projects continue to be completed as planned and delivered to inventory, rental rates and occupancy levels will remain under pressure through 2012. Tenant demand has been stronger than forecast in both the suburban and downtown markets due largely to the positive impacts of continued capital investment in oil and gas in Alberta. At September 30, 2010, the Calgary office segment of Artis' portfolio was 94.6% occupied, compared to 95.3% occupancy at June 30, 2010. Artis has commitments in place for 15.1% of the unoccupied space. In the remainder of 2010, 25,571 square feet comes up for renewal, which represents 0.3% of the portfolio's GLA; 75.2% has been renewed. In 2011, 266,488 square feet comes up for renewal, which represents 2.7% of the portfolio's GLA; 33.8% has been renewed. Approximately 32.0% of the Calgary office GLA expires in 2016 or later.

Winnipeg office properties represent 10.2% of Artis' portfolio by GLA. Vacancy in the Winnipeg office market, as reported by CBRE, was 7.9% at September 30, 2010, compared to 8.0% at June 30, 2010. Q3-10 vacancy decreased primarily as a result of strong leasing activity in the downtown Class B market. With a stable economy and limited new development activity in the market, management anticipates this will continue to be a strong market. The REIT's Winnipeg office portfolio performed well, with vacancy at 3.5% at September 30, 2010, unchanged from June 30, 2010. In the remainder of 2010, 211,308 square feet comes up for renewal which represents 2.1% of the portfolio's GLA; 80.7% has been renewed. In 2011, 146,063 square feet comes up for renewal, which represents 1.5% of the portfolio's GLA; 72.3% has been renewed.

INTEREST

The current period's interest expense is attributable to mortgages and other loans secured against the income-producing properties, as well as convertible debentures outstanding and the balance drawn on the credit facility. Interest expense has increased over Q3-09 due to additional mortgage financing obtained in connection with acquisitions completed in 2009 and 2010, and the issuance of additional convertible debentures since Q3-09. In accordance with GAAP, financing costs are netted against the related debt, and interest and financing costs are recorded on an effective interest basis.

The REIT's weighted-average effective rate at September 30, 2010 on mortgages and other debt secured by properties was 5.42% compared to 5.54% at September 30, 2009. The weighted-average nominal interest rate at September 30, 2010 was 5.28% compared to 5.44% at September 30, 2009.

At the time of issue, the convertible debentures are allocated between their equity and liability components in accordance with GAAP. Artis recorded interest expense of \$2,993 (YTD - \$7,611) on the carrying value of debentures outstanding in Q3-10, compared to \$2,016 (YTD - \$4,266) in Q3-09.

CORPORATE EXPENSES

	Three month period ended September 30,		Nine month period ended September 30,	
	2010	2009	2010	2009
Accounting, legal, consulting	\$ 159	\$ 114	\$ 408	\$ 430
Advisory fees	1,025	715	2,677	2,103
Public company costs	174	132	636	462
Unit-based compensation	42	37	83	152
Cancellation of options	-	(484)	-	(484)
General and administrative	470	191	811	531
Total corporate expenses	\$ 1,870	\$ 705	\$ 4,615	\$ 3,194

Corporate expenses in Q3-10 were \$1,870 (YTD - \$4,615), or 3.7% (YTD - 3.5%) of gross revenues compared to \$705 (YTD - \$3,194), or 2.1% (YTD - 3.1%) of gross revenues in Q3-09.

AMORTIZATION

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

At the time of acquisition, Artis allocates a portion of the purchase price of properties to income-producing properties and a portion to intangible assets. Income-producing properties are amortized on a straight-line basis over their useful lives, resulting in amortization expense of \$9,373 (YTD - \$24,022) in Q3-10 compared to \$6,332 (YTD - \$20,341) in Q3-09. Intangible assets, such as the value of in-place operating leases and customer relationship values, are amortized on a straight-line basis over the term of the underlying lease agreements. In Q3-10, Artis recorded \$8,461 (YTD - \$21,673) for the amortization of intangible assets, compared to \$5,843 (YTD - \$20,712) in Q3-09.

In Q3-10, amortization expense relating to tenant inducements and leasing commissions totalled \$1,198 (YTD - \$2,684), compared to \$731 (YTD - \$2,048) in Q3-09.

UNREALIZED LOSS ON DERIVATIVE INSTRUMENTS

In accordance with GAAP, in Q3-10 the REIT recorded an unrealized loss on commodity derivatives of \$67 (YTD - \$81), compared to loss of \$297 (YTD - \$561) in Q3-09 on utility supply contracts. The REIT anticipates holding these utility contracts until maturity.

In Q3-10, the REIT entered into a floating rate mortgage and concurrently entered into an interest rate swap to effectively lock the interest rate. In accordance with GAAP, the REIT recorded an unrealized loss on the fair value adjustment of the interest rate swap of \$347 in Q3-10. The REIT anticipates holding this mortgage and interest rate swap contract until maturity.

In Q3-10, the REIT entered into a forward contract to purchase US \$20,000 in order to fund the future purchase of assets in the U.S. In accordance with GAAP, the REIT recorded an unrealized loss on the fair value adjustment of the forward contract of \$286 in Q3-10.

FOREIGN CURRENCY TRANSLATION LOSS

In Q3-10, the REIT converted cash into US dollars to fund the future purchase of assets in Minnesota. This resulted in a foreign currency translation loss of \$553 (YTD - \$457).

FUTURE INCOME TAXES

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

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

The New SIFT Rules do not apply to a "real estate investment trust" that meets prescribed conditions relating to the nature of its assets and revenue (the "REIT Conditions"). The REIT has reviewed the New SIFT Rules and has assessed their interpretation and application to the REIT's assets and revenues. While there are uncertainties in the interpretation and application of the New SIFT Rules, the REIT believes that it has met the REIT Conditions throughout the three and nine month periods ended September 30, 2010. The future income tax asset of \$11,127 recorded in prior periods was reversed in Q1-09.

NON-CONTROLLING INTEREST

Non-controlling interest represents an allocation of net income or loss to the Class B unitholders. As a result of the settlement and cancellation of the Interplex II and Interplex III agreements there are no outstanding Class B units at September 30, 2010 and there will be no further allocation to non-controlling interest, until such time as new class B units are issued.

INCOME FROM DISCONTINUED OPERATIONS

Income from discontinued operations includes income from the 9 properties known as the Plainsman Building, Airways Business Plaza, Glenmore Commerce Court, McKnight Village Mall, Albert Street Mall, Bridges Place, Willowglen Business Park, Franklin Showcase Warehouse, and Raleigh Shopping Centre, which were sold during 2009, as well as the loss incurred on termination of the Interplex III agreement in Q2-09. None of the REIT's properties have been treated as discontinued operations in 2010.

OTHER COMPREHENSIVE LOSS

Other comprehensive loss includes the unrealized foreign currency translation loss of \$179 in Q3-10 (YTD - \$179). Foreign currency translation gains and losses related to the REIT's net investment in self-sustaining properties in the U.S. are recorded in Other Comprehensive Loss according to GAAP.

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,	
	2010	2009	2010	2009
Cash flow from operations	\$ 15,751	\$ 11,533	\$ 47,586	\$ 30,838
Add (deduct) amortization of:				
Office equipment	(29)	(25)	(85)	(75)
Above-market rent	(141)	(48)	(294)	(179)
Below-market rent	3,115	2,815	8,907	9,738
Tenant inducements and leasing costs	(1,198)	(731)	(2,684)	(2,048)
Tenant inducements amortized into revenue	(124)	(71)	(336)	(199)
Above-market mortgage	107	46	198	137
Add: Straight-line rent adjustment	772	480	1,884	1,398
Add (deduct):				
Unrealized foreign currency translation gain	599	-	599	-
Changes in non-cash operating items	(2,277)	(1,630)	(9,678)	(342)
Financing costs, non-debenture, included in interest expense	(281)	(182)	(738)	(584)
Other adjustment:				
Property rent ⁽¹⁾	-	-	-	300
DI for the period	\$ 16,294	\$ 12,187	\$ 45,359	\$ 38,984
DI per unit				
Basic	\$ 0.27	\$ 0.37	\$ 0.88	\$ 1.18
Diluted	\$ 0.26	\$ 0.34	\$ 0.86	\$ 1.12
Weighted-average number of units				
Basic ⁽²⁾	60,493	33,364	51,268	33,165
Diluted ⁽²⁾	69,043	40,793	59,263	37,599

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

⁽²⁾ The weighted-average number of units used in the calculation of basic and diluted DI per unit included Class B units issued by the REIT's subsidiary, AXLP. Options and convertible debentures are factored into the diluted weighted-average calculation, to the extent that their impact is dilutive.

Reconciliation of GAAP Income (Loss) to DI:

	Three month period ended September 30,		Nine month period ended September 30,	
	2010	2009	2010	2009
Income (loss) for the period	\$ (2,883)	\$ 92	\$ (2,792)	\$ (13,329)
Add (deduct):				
Amortization (excluding amortized leasing costs)	17,834	12,175	45,695	41,053
Accretion on liability component of convertible debentures	601	473	1,659	1,208
Unit-based compensation expense	42	37	83	152
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	-	-	-	11,127
Other adjustments:				
Property rent ⁽¹⁾	-	-	-	300
Non-controlling interest ⁽²⁾	-	-	-	91
Unrealized loss on derivative instruments ⁽³⁾	700	297	714	561
DI for the period	\$ 16,294	\$ 12,187	\$ 45,359	\$ 38,984

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

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

⁽³⁾ Excluded from DI is an unrealized loss on the change in fair value of commodity derivatives, an interest rate swap and a forward contract.

In Q3-10, DI increased \$4,107 (YTD - \$6,375), or 33.7% (YTD - 16.4%) over Q3-09. This increase is primarily attributed to the acquisitions completed in 2009 and 2010. Basic DI per unit decreased \$0.10 (YTD - \$0.30), or 27.0% (YTD - 25.4%) over Q3-09. On a diluted basis, DI has decreased \$0.08 (YTD - \$0.26), or 23.5% (YTD - 23.2%) over Q3-09. As a result of units issued under the DRIP, units issued from public offerings, and conversion of convertible debentures, net of Normal Course Issuer Bid repurchases, basic units outstanding for the calculation of DI has substantially increased. This increase has diluted the impact of strong growth in DI on per unit results. Additionally, some of the equity raised remains uninvested at September 30, 2010. Management anticipates there will be further growth in DI that will translate to higher per unit results as equity is invested in on-going acquisition activities in future periods.

DISTRIBUTIONS

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

	Three month period ended September 30,		Nine month period ended September 30,		Year ended December 31,		Year ended December 31,	
	2010	2010	2010	2010	2009	2009	2008	2008
Cash flow from operations	\$ 15,751	\$ 47,586	\$ 41,113	\$ 40,963	\$ (2,883)	\$ (9,189)	\$ (6,952)	\$ (6,952)
Net loss	\$ (2,883)	\$ (2,792)	\$ (9,189)	\$ (6,952)	\$ 16,425	\$ 36,998	\$ 35,123	\$ 35,123
Distributions declared	\$ 16,425	\$ 42,989	\$ 36,998	\$ 35,123	\$ (674)	\$ 4,115	\$ 5,840	\$ 5,840
Excess (shortfall) of cash flow from operations over distributions declared	\$ (674)	\$ 4,597	\$ 4,115	\$ 5,840	\$ (19,308)	\$ (45,781)	\$ (46,187)	\$ (42,075)
Excess of distributions declared over net loss	\$ (19,308)	\$ (45,781)	\$ (46,187)	\$ (42,075)	\$ (19,308)	\$ (45,781)	\$ (46,187)	\$ (42,075)

For the nine months ended September 30, 2010, cash flow from operations exceeded distributions declared by \$4,597. For the three months ended September 30, 2010, distributions declared exceeded cash flow from operations by \$674 as a result of the timing of income-producing property acquisitions. Management expects that future cash flows from operations will increase due to properties acquired in Q3-10 and future acquisitions to be completed using the cash on hand.

For the three and nine months ended September 30, 2010, distributions declared exceeded net loss. These differences are mainly comprised of amortization and other non-cash adjustments.

FUNDS FROM OPERATIONS ("FFO")

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

Reconciliation of Cash Flows from Operations to FFO:

\$000's, except per unit amounts	Three month period ended		Nine month period ended	
	September 30,		September 30,	
	2010	2009	2010	2009
Cash flow from operations	\$ 15,751	\$ 11,533	\$ 47,586	\$ 30,838
Add (deduct) amortization of:				
Office equipment	(29)	(25)	(85)	(75)
Above-market rent	(141)	(48)	(294)	(179)
Below-market rent	3,115	2,815	8,907	9,738
Above-market mortgages	107	46	198	137
Add:				
Straight-line rent adjustment	772	480	1,884	1,398
Add (deduct):				
Unrealized foreign currency translation gain	599	-	599	-
Accretion on liability component of convertible debentures	(601)	(473)	(1,659)	(1,208)
Unit-based compensation expense	(42)	(37)	(83)	(152)
Cancellation of options	-	484	-	484
Amortization of financing costs included in interest	(281)	(182)	(738)	(584)
Changes in non-cash operating items	(2,277)	(1,630)	(9,678)	(342)
Other adjustment:				
Property rent ⁽¹⁾	-	-	-	300
FFO for the period	\$ 16,973	\$ 12,963	\$ 46,637	\$ 40,355
FFO per unit				
Basic	\$ 0.28	\$ 0.39	\$ 0.91	\$ 1.22
Diluted	\$ 0.28	\$ 0.36	\$ 0.89	\$ 1.18
Weighted-average number of units:				
Basic ⁽²⁾	60,493	33,364	51,268	33,165
Diluted ⁽²⁾	68,872	38,838	57,357	35,644

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

⁽²⁾ The weighted-average number of units used in the calculation of FFO per unit included Class B units issued by the REIT's subsidiary, AXLP. Options and convertible debentures are factored into the diluted weighted-average calculation, to the extent that their impact is dilutive.

Reconciliation of GAAP Income (Loss) to FFO:

	Three month period ended September 30,		Nine month period ended September 30,	
	2010	2009	2010	2009
Income (loss) for the period	\$ (2,883)	\$ 92	\$ (2,792)	\$ (13,329)
Add amortization on:				
Income-producing properties	9,373	6,332	24,022	20,341
Acquired in-place leases	8,461	5,841	21,672	20,706
Customer relationships	-	2	1	6
Tenant inducements and leasing costs	1,198	731	2,684	2,048
Tenant inducements amortized to revenue	124	71	336	199
Loss on termination of Interplex II agreement	-	-	-	7,287
Gain on disposal of income-producing properties	-	(403)	-	(8,982)
Future income tax expense	-	-	-	11,127
Other adjustments:				
Property rent ⁽¹⁾	-	-	-	300
Non-controlling interest ⁽²⁾	-	-	-	91
Unrealized loss on derivative instruments ⁽³⁾	700	297	714	561
FFO for the period	\$ 16,973	\$ 12,963	\$ 46,637	\$ 40,355

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

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

⁽³⁾ Excluded from FFO is an unrealized loss on the change in fair value of commodity derivatives, an interest rate swap and a forward contract.

In Q3-10, FFO has increased \$4,010 (YTD - \$6,282), or 30.9% (YTD - 15.6%) over Q3-09. This increase is primarily attributed to acquisitions completed in 2009 and 2010. Basic FFO per unit has decreased by \$0.11 (YTD - \$0.31), or 28.2% (YTD - 25.4%) over Q3-09. On a diluted basis, FFO per unit has decreased \$0.08 (YTD - \$0.29), or 22.2% (YTD - 24.6%) over Q3-09. Affecting FFO is a foreign currency translation loss of \$553 (\$0.01 per unit) in the current quarter relating to the US dollars acquired to fund further US asset purchases in the fourth quarter. Also, as a result of units issued under the DRIP, units issued from public offerings, and conversion of convertible debentures, net of Normal Course Issuer Bid repurchases, basic units outstanding for the calculation of FFO has substantially increased. This increase has diluted the impact of strong growth in FFO on per unit results. Additionally, some of the equity raised remains uninvested at September 30, 2010. Management anticipates there will be further growth in FFO that will translate to higher per unit results as equity is invested in on-going acquisition activities in future periods.

ANALYSIS OF FINANCIAL POSITION

ASSETS

	September 30, 2010	December 31, 2009	Increase
Income-producing properties	\$ 1,453,282	\$ 991,700	\$ 461,582
Other assets, including intangibles	254,705	162,247	92,458
Cash, cash equivalents and cash held in trust	130,508	36,262	94,246
	\$ 1,838,495	\$ 1,190,209	\$ 648,286

Income-producing properties and related intangible assets:

The increase in assets is a result of the commercial properties acquired, net of amortization recorded. During the three months ended September 30, 2010 the following 4 commercial properties were acquired:

Property	Location	GLA	Acquisition Date	Type
Uplands Common	Lethbridge, AB	53,392	August 13, 2010	Retail
1045 Howe Street	Vancouver, BC	101,145	September 13, 2010	Office
Pembina Village Shopping Centre ⁽¹⁾	Winnipeg, MB	131,326	September 30, 2010	Retail
St. Vital Square ⁽¹⁾	Winnipeg, MB	116,353	September 30, 2010	Retail

⁽¹⁾ Pembina Village Shopping Centre and St. Vital Square were acquired together as the Winnipeg Retail portfolio.

The results of operations for the acquired properties are included in the REIT's accounts from the dates of acquisition. Artis funded these acquisitions from cash on hand and from the proceeds of new or assumed mortgage financing. The acquisitions have been accounted for by the purchase method, with a portion of the purchase price allocated to income-producing properties and a portion allocated to intangible assets and liabilities, as noted below.

	Three month period ended September 30,		Nine month period ended September 30,	
	2010	2009	2010	2009
Cash consideration	\$ 47,402	\$ -	\$ 210,877	\$ -
New or assumed mortgages including above- and below-market mortgages, net of deferred financing costs	61,476	-	350,012	-
Net assets acquired	\$ 108,878	\$ -	\$ 560,889	\$ -
Allocated to income-producing properties	\$ 97,300	\$ -	\$ 480,716	\$ -
Allocated to other assets	15,647	-	95,901	-
Allocated to intangible liabilities	(4,069)	-	(15,728)	-
Net assets acquired	\$ 108,878	\$ -	\$ 560,889	\$ -

Notes receivable:

In conjunction with the 2007 acquisition of TransAlta Place, the REIT acquired a note receivable in the amount of \$31,000. The note bears interest at 5.89% per annum and is repayable in varying blended monthly instalments of principal and interest. The note is transferable at the option of the REIT and matures in May 2023. The REIT has four additional notes receivable arising from the acquisition and disposition of income-producing properties.

Capital expenditures:

Income-producing properties includes certain capital expenditures related to sustaining building improvements not related to a specific lease or tenancy. These improvements are amortized over the estimated useful life of the relevant assets.

Capital expenditures in Q3-10 totalled \$2,062 (YTD - \$5,335) compared to \$1,344 (YTD - \$2,917) in Q3-09. Capital expenditures were offset this quarter by \$1,842 received as a settlement relating to expropriation of a portion of a retail property. Revenue enhancing capital expenditures of \$1,926 were incurred in Q3-10 relating to construction of a new office building at North City Centre in Edmonton, Alberta and construction of a parkade ancillary to an existing portfolio office property in Winnipeg, Manitoba. The remaining \$1,978 of capital expenditures primarily relate to roof repairs at five properties and an elevator modernization project at a Winnipeg office property. Approximately \$1,823 of these capital expenditures are recoverable from tenants in future periods.

Tenant inducements and leasing costs:

Other assets of the REIT at September 30, 2010 include \$21,047 of unamortized tenant inducement and leasing costs related to the leasing or re-leasing of space, compared to \$14,180 at December 31, 2009. Tenant inducements include costs incurred to improve the space, as well as allowances paid to tenants. Leasing costs are primarily brokers' commissions. These costs are amortized over the terms of the underlying leases.

In Q3-10, Artis incurred \$6,489 (YTD - \$9,887) of tenant inducements and leasing costs compared to \$1,776 (YTD - \$5,693) in Q3-09. The current period's tenant inducements include \$4,075 relating to a lease executed in 2008. As the tenant has now satisfied the tenant inducement requirements, this balance was paid out in Q3-10.

	Three month period ended September 30,		Nine month period ended September 30,	
	2010	2009	2010	2009
Tenant inducements	\$ 5,879	\$ 851	\$ 8,409	\$ 3,812
Leasing commissions	610	925	1,478	1,881
Total	\$ 6,489	\$ 1,776	\$ 9,887	\$ 5,693

Future income tax assets:

The REIT believes that it has met the REIT Conditions throughout the three and nine month periods ended September 30, 2010. The future income tax asset recorded in prior periods was reversed in Q1-09. In respect of assets and liabilities of the REIT, and its flow through entities, the tax basis of net assets exceeds their net book value for accounting purposes by approximately \$54,237 at September 30, 2010 (December 31, 2009, \$39,032).

Deposits on income-producing properties:

At September 30, 2010, Artis had made \$6,733 of deposits on income-producing properties, compared to \$1,350 at December 31, 2009.

Cash and cash equivalents:

At September 30, 2010, the REIT had \$129,078 of cash and cash equivalents on hand, compared to \$35,907 at December 31, 2009. The balance is anticipated to be invested in income-producing properties in subsequent periods, or used for working capital purposes. All of the REIT's cash and cash equivalents are held in current accounts and/or bank guaranteed investment certificates.

LIABILITIES

	September 30,	December 31,	Increase (decrease)
	2010	2009	
Long-term debt	\$ 1,082,057	\$ 698,295	\$ 383,762
Other liabilities	124,584	100,308	24,276
Bank indebtedness	8,000	30,700	(22,700)
	\$ 1,214,641	\$ 829,303	\$ 385,338

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, 2010 was 46.2%, compared to 47.4% at December 31, 2009.

	September 30,	December 31,
	2010	2009
GBV	\$ 2,054,374	\$ 1,356,994
Mortgages, loans and bank indebtedness	950,084	642,963
Mortgages, loans and bank indebtedness to GBV	46.2 %	47.4 %
Carrying value of convertible debentures	\$ 139,973	\$ 86,032
Total long-term debt and bank indebtedness	1,090,057	728,995
Total long-term debt and bank indebtedness to GBV	53.1 %	53.7 %

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

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

Mortgages:

Artis finances acquisitions in part through the assumption of mortgage financing and consequently, substantially all of the REIT's income-producing properties are pledged as security under mortgages and other loans. In Q3-10, \$4,607 (YTD - \$11,661) of principal repayments were made, compared to \$3,055 (YTD - \$9,287) in Q3-09.

During Q3-10, long-term debt including above- and below-market mortgages, net of deferred financing costs, added on acquisition of income-producing properties was \$61,476 (YTD - \$350,012). The REIT also financed an unencumbered property for \$4,000.

The weighted-average term to maturity at September 30, 2010 is 4.8 years, compared to 4.5 years at December 31, 2009.

Convertible debentures:

Artis has five series of convertible debentures outstanding as at September 30, 2010, as follows:

				September 30, 2010		December 31, 2009	
	Issued	Maturity	Face rate	Carrying value	Face value	Carrying value	Face value
Series A	4-Aug-05	4-Aug-10	7.75%	\$ -	\$ -	\$ 595	\$ 620
Series B	9-Nov-05	9-Nov-10	7.50%	2,296	2,313	2,175	2,313
Series C	4-May-06	31-May-13	6.25%	25,537	29,920	24,535	29,920
Series D	30-Nov-07	30-Nov-14	5.00%	16,356	17,000	16,257	17,000
Series E	9-July-09	30-June-14	7.50%	15,755	16,676	42,470	45,384
Series F	22-Apr-10	30-June-20	6.00%	80,029	86,250	-	-
				\$ 139,973	\$ 152,159	\$ 86,032	\$ 95,237

The carrying value of convertible debentures has increased by \$53,941 from December 31, 2009. This increase is due to the issuance of Series F convertible debentures offset by the conversion of Series E convertible debentures and the maturing of Series A convertible debentures during 2010. 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, 2010 was 8.47%, a decrease from the rate of 10.04% at December 31, 2009.

Other liabilities and bank indebtedness:

Other liabilities includes the unamortized below-market rent intangible liability of \$88,344 at September 30, 2010. This increased \$6,821 from \$81,523 at December 31, 2009, as a result of properties acquired during the period offset by amortization recorded during the period. Included in other liabilities are security deposits paid by tenants, rents prepaid by tenants at September 30, 2010, accounts payable and accruals, as well as the September 30, 2010 distribution payable to unitholders of \$5,963, subsequently paid on October 15, 2010. Bank indebtedness relates to the balance drawn on the REIT's revolving term credit facility. At September 30, 2010, Artis had drawn \$8,000 on the credit facility in conjunction with 2010 acquisitions. Amounts drawn on the facility bear interest at a floating rate equal to Canadian dollar bankers' acceptances with a term to maturity of 30 days, plus 3.30% per annum.

UNITHOLDERS' EQUITY

Unitholders' equity increased overall by \$262,948 between September 30, 2010 and December 31, 2009. The increase was primarily due to the issuance of units for \$279,232, the conversion of convertible debentures for \$26,931 and the issuance of convertible debentures for \$2,662. This increase was offset by the comprehensive loss for the period of \$2,971 and the distributions made to unitholders of \$42,989.

LIQUIDITY AND CAPITAL RESOURCES

In Q3-10, Artis generated \$15,751 (YTD - \$47,586) of cash flows from operating activities compared to \$11,533 (YTD - \$30,838) in Q3-09. Cash flows from operations assisted in funding distributions to unitholders of \$16,425 (YTD - \$42,989) and for principal repayments on mortgages and loans of \$4,607 (YTD - \$11,661).

Cash of \$8,551 (YTD - \$15,222) was used for capital building improvements and for tenant inducements and leasing costs compared to \$3,120 (YTD - \$8,610) in Q3-09.

At September 30, 2010, Artis had \$129,078 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 22, 2010, Artis entered into an amended and restated loan agreement for a revolving term credit facility for a total amount of \$60,000 which may be utilized to fund acquisitions of office, retail and industrial properties. \$5,000 of the credit facility may be utilized for general corporate purposes. The credit facility may be extended for an additional year at the REIT's option; if the option is not exercised, the credit facility matures on September 28, 2011. As at September 30, 2010, the REIT had incurred bank indebtedness of \$8,000.

To its knowledge, Artis is not in default or arrears on any of its obligations, including distributions to unitholders, interest or principal payments on debt or any debt covenants for the period ended September 30, 2010.

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

CONTRACTUAL OBLIGATIONS

	Total	Less than 1 year	1 - 3 years	4 - 5 years	After 5 years
Mortgages, loans and bank indebtedness	\$ 950,330	\$ 96,323	\$ 263,650	\$ 241,696	\$ 348,661
Convertible debentures ⁽¹⁾	152,159	2,313	29,920	33,676	86,250
Total	\$ 1,102,489	\$ 98,636	\$ 293,570	\$ 275,372	\$ 434,911

⁽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, 2010, obligations due within one year include \$68,636 of mortgages, \$8,000 drawn on the revolving term credit facility, and principal repayments on mortgages of \$19,687.

SUMMARIZED QUARTERLY INFORMATION

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

	Q3-10	Q2-10	Q1-10	Q4-09	Q3-09	Q2-09	Q1-09	Q4-08
Revenue	\$ 50,603	\$ 42,984	\$ 37,307	\$ 35,243	\$ 33,517	\$ 33,487	\$ 34,606	\$ 35,143
Property operating expenses	16,258	12,885	11,638	11,590	10,487	10,393	11,020	11,521
Property NOI	34,345	30,099	25,669	23,653	23,030	23,094	23,586	23,622
Interest	15,044	13,189	10,422	10,438	10,029	9,766	9,867	10,100
	19,301	16,910	15,247	13,215	13,001	13,328	13,719	13,522
Expenses (income):								
Corporate	1,870	1,521	1,224	1,330	705	1,288	1,201	1,350
Amortization	19,061	15,939	13,464	13,286	12,523	12,862	15,582	13,676
Unrealized (gain) loss on derivative instruments	700	(66)	80	(95)	297	60	204	68
Foreign currency translation (gain) loss	553	(96)	-	-	-	-	-	-
	22,184	17,298	14,768	14,521	13,525	14,210	16,987	15,094
Income (loss) before the undernoted	(2,883)	(388)	479	(1,306)	(524)	(882)	(3,268)	(1,572)
Loss on termination of Interplex II agreement	-	-	-	-	-	(7,287)	-	-
Non-controlling interest	-	-	-	-	-	45	(5)	(71)
Income (loss) before income taxes and discontinued operations	\$ (2,883)	\$ (388)	\$ 479	\$ (1,306)	\$ (524)	\$ (8,124)	\$ (3,273)	\$ (1,643)
Future income tax (expense) recovery	-	-	-	-	-	-	(10,895)	291
Income from discontinued operations	-	-	-	5,446	616	8,234	637	223
Income (loss) for the period	\$ (2,883)	\$ (388)	\$ 479	\$ 4,140	\$ 92	\$ 110	\$ (13,531)	\$ (1,129)
Other comprehensive income: Unrealized foreign currency translation loss	\$ (179)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Comprehensive income (loss) for the period	\$ (3,062)	\$ (388)	\$ 479	\$ 4,140	\$ 92	\$ 110	\$ (13,531)	\$ (1,129)
Basic income (loss) per unit	\$ (0.05)	\$ (0.01)	\$ 0.01	\$ 0.11	\$ 0.00	\$ 0.00	\$ (0.42)	\$ (0.03)
Diluted income (loss) per unit	\$ (0.05)	\$ (0.01)	\$ 0.01	\$ 0.11	\$ 0.00	\$ 0.00	\$ (0.42)	\$ (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 Consolidated Financial Statements for the years ended December 31, 2009 and 2008.

Artis acquired a number of income-producing properties in Q3-10. Due to the acquisition activity since Q4-09, Artis has steadily increased revenues and Property NOI from continuing operations over the last few quarters. Artis has equity uninvested at September 30, 2010. Management anticipates there will be further growth in revenues and Property NOI as equity is invested in on-going acquisition activities in future periods.

Reconciliation of GAAP Income (Loss) to DI:

\$000's, except per unit amounts ⁽¹⁾	Q3-10	Q2-10	Q1-10	Q4-09	Q3-09	Q2-09	Q1-09	Q4-08
Income (loss) for the period	\$ (2,883)	\$ (388)	\$ 479	\$ 4,140	\$ 92	\$ 110	\$ (13,531)	\$ (1,129)
Add:								
Amortization (excluding amortized leasing costs)	17,834	15,140	12,721	12,597	12,175	12,945	15,933	14,314
Accretion on liability component of debentures	601	562	496	516	473	373	362	355
Unit-based compensation expense	42	30	11	8	37	54	61	144
Cancellation of options	-	-	-	-	(484)	-	-	-
Unrealized (gain) loss on derivative instruments	700	(66)	80	(95)	297	60	204	68
Loss on termination of Interplex II agreement	-	-	-	-	-	7,287	-	-
(Gain) loss on disposal of income-producing properties	-	-	-	(5,460)	(403)	(7,988)	(591)	197
Future income tax expense (recovery)	-	-	-	-	-	-	11,127	(211)
Other adjustments:								
Property rent ⁽²⁾	-	-	-	-	-	-	300	300
Non-controlling interest ⁽³⁾	-	-	-	-	-	58	33	79
Distributable income (DI)	\$ 16,294	\$ 15,278	\$ 13,787	\$ 11,706	\$ 12,187	\$ 12,899	\$ 13,898	\$ 14,117
DI per unit								
Basic	\$ 0.27	\$ 0.30	\$ 0.32	\$ 0.32	\$ 0.37	\$ 0.39	\$ 0.42	\$ 0.43
Diluted	\$ 0.26	\$ 0.29	\$ 0.31	\$ 0.30	\$ 0.34	\$ 0.38	\$ 0.41	\$ 0.41
Weighted-average number of units:								
Basic ⁽⁴⁾	60,493	50,097	43,105	37,138	33,364	33,019	33,107	33,082
Diluted ⁽⁴⁾	69,043	59,741	49,402	44,506	40,793	36,101	36,189	36,164

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

⁽²⁾ Included in DI is Property rent, which is cash revenue earned pursuant to the Interplex II purchase and sale agreement not recorded as revenue in the REIT's Consolidated Statements of Operations due to the project being in the development phase.

⁽³⁾ Included in DI is income allocated to the non-controlling interest, as it relates to Class B units that are included in the weighted-average units outstanding for the purpose of this calculation.

⁽⁴⁾ The weighted-average number of units used in the calculation of DI per unit included Class B units issued by the REIT's subsidiary, AXLP, beginning in Q4-06. Options and convertible debentures are factored into the diluted weighted-average calculation, to the extent that their impact is dilutive.

Reconciliation of GAAP Income (Loss) to FFO:

\$000's, except per unit amounts ⁽¹⁾	Q3-10	Q2-10	Q1-10	Q4-09	Q3-09	Q2-09	Q1-09	Q4-08
Income (loss) for the period	\$ (2,883)	\$ (388)	\$ 479	\$ 4,140	\$ 92	\$ 110	\$ (13,531)	\$ (1,129)
Add amortization on:								
Income-producing properties	9,373	7,935	6,714	6,523	6,332	6,529	7,480	6,927
Acquired in-place leases	8,461	7,204	6,007	6,073	5,841	6,414	8,451	7,385
Customer relationships	-	1	-	1	2	2	2	2
Tenant inducements and leasing costs	1,198	770	716	675	731	612	705	409
Tenant inducements amortized into revenue	124	108	104	141	71	63	65	110
Unrealized (gain) loss on derivative instruments	700	(66)	80	(95)	297	60	204	68
Loss on termination of Interplex II agreement	-	-	-	-	-	7,287	-	-
(Gain) loss on disposal of income-producing properties	-	-	-	(5,460)	(403)	(7,988)	(591)	197
Future income tax expense (recovery)	-	-	-	-	-	-	11,127	(211)
Other adjustments:								
Property rent ⁽²⁾	-	-	-	-	-	-	300	300
Non-controlling interest ⁽³⁾	-	-	-	-	-	58	33	79
Funds from operations (FFO)	\$ 16,973	\$ 15,564	\$ 14,100	\$ 11,998	\$ 12,963	\$ 13,147	\$ 14,245	\$ 14,137
FFO per unit								
Basic	\$ 0.28	\$ 0.31	\$ 0.33	\$ 0.32	\$ 0.39	\$ 0.40	\$ 0.43	\$ 0.43
Diluted	\$ 0.28	\$ 0.30	\$ 0.32	\$ 0.31	\$ 0.36	\$ 0.39	\$ 0.42	\$ 0.42
Weighted-average number of units:								
Basic ⁽⁴⁾	60,493	50,097	43,105	37,138	33,364	33,019	33,107	33,082
Diluted ⁽⁴⁾	68,872	57,786	47,447	42,551	38,838	34,146	34,234	34,209

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

⁽²⁾ Included in FFO is Property rent, which is cash revenue earned pursuant to the Interplex II purchase and sale agreement not recorded as revenue in the REIT's Consolidated Statements of Operations due to the project being in the development phase.

⁽³⁾ Included in FFO is income allocated to the non-controlling interest, as it relates to Class B units that are included in the weighted-average units outstanding for the purpose of this calculation.

⁽⁴⁾ The weighted-average number of units used in the calculation of FFO per unit included Class B units issued by the REIT's subsidiary, AXLP, beginning in Q4-06. Options and convertible debentures are factored into the diluted weighted-average calculation, to the extent that their impact is dilutive.

Artis acquired a number of income-producing properties in Q3-10. Due to the acquisition activity since Q4-09, Artis has steadily increased DI and FFO over the last few quarters. Artis has equity uninvested at September 30, 2010. Management anticipates there will be further growth in DI and FFO, that will translate to higher per unit results as equity is invested in on-going acquisition activities in future periods.

RELATED PARTY TRANSACTIONS

	Three month period ended September 30,		Nine month period ended September 30,	
	2010	2009	2010	2009
Legal fees expensed	\$ 2	\$ 139	\$ 42	\$ 280
Capitalized legal fees	505	295	2,094	873
Advisory fees	1,024	715	2,677	2,103
Capitalized acquisition fees	515	-	2,743	-
Property management fees	1,871	1,240	4,821	3,796
Capitalized leasing commissions	35	450	342	1,111
Capitalized building improvements	3,238	1,035	5,104	2,418
Capitalized tenant inducements	207	23	544	113
Services fee	-	-	-	198
Consulting fees	25	-	75	-

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, 2010 is \$200 (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 September 30, 2010 is \$310 (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.

Artis has the option to terminate the asset management agreement in certain circumstances, including at any time on 120 days' notice to Marwest Realty 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 Realty is entitled to receive a termination fee equal to the anticipated fees payable until the end of the term). Marwest Realty 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 Realty 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 Management Canada Ltd. ("Marwest Management"). The amount payable at September 30, 2010 is \$244 (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 September 30, 2010 is \$1,354 (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 balance payable at September 30, 2010 is \$nil (December 31, 2009, \$nil).

The consulting fees represent work performed by Marwest Realty on the IFRS implementation project. The amount payable at September 30, 2010 is \$25 (December 31, 2009, \$75).

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

OUTSTANDING UNIT DATA

The balance of units outstanding as of November 8, 2010 is as follows:

Units outstanding at September 30, 2010	66,257,188
Share issuance	7,500,000
Over-allotment	1,125,000
Units issued (DRIP)	36,721
Units issued on exercise of options	126,522
Units issued on conversion of debentures	<u>152,637</u>
 Units outstanding at November 8, 2010	 <u>75,198,068</u>

The balance of options outstanding as of November 8, 2010 is as follows:

	Options outstanding	Options exercisable
\$11.25 options, issued December 8, 2005	46,434	46,434
\$11.28 options, issued February 25, 2010	273,250	-
\$13.30 options, issued September 10, 2010	400,000	-
\$13.44 options, issued October 15, 2010	400,000	-
	<u>1,119,684</u>	<u>46,434</u>

2010 OUTLOOK

Artis focuses exclusively on retail, office and industrial properties with a major focus on western Canada. According to the Scotiabank Global Economic Research report of September 2010, real GDP in Canada is forecast to grow 3.0% in 2010. Forecast GDP growth for the western Canadian provinces is also positive, as follows: Manitoba, 2.5%; Saskatchewan, 2.9%; Alberta, 3.0%; British Columbia, 3.1%. Artis has also selectively diversified into other geographical areas where GDP growth is also anticipated to be strong, such as the greater Minneapolis / St. Paul area and the greater Toronto area.

The real estate investment market has been active, with numerous REITs competing for quality product. Capitalization rate compression continues to be observed. Since January 1, 2010, 5-year and 10-year benchmark bond rates have moved down. Spreads on mortgage financing remain low, with banks, credit unions and insurers all in the market competing for deals. Management anticipates that mortgage financing will remain inexpensive in 2010. Transaction volume is expected to be steady with further capitalization rate compression, particularly for retail product in Canada.

As at September 30, 2010, Artis had \$129,078 of cash and cash equivalents on hand in addition to \$52,000 available on the line of credit. Cash and cash equivalents on hand have been used in part to fund the following acquisitions that occurred subsequent to September 30, 2010:

- On October 1, 2010, the REIT acquired Cancross Court which is located in Mississauga, Ontario. The office property was acquired for \$29,500 and the purchase price was satisfied with a combination of cash and new 5-year mortgage financing in the amount of \$17,500, which matures in 2015 and bears interest at a rate of 3.82% per annum.
- On October 15, 2010, the REIT acquired the Meadowvale Building which is located in Mississauga, Ontario. The newly constructed office property was acquired for \$29,150 and the purchase price was satisfied with cash.

- On October 15, 2010, the REIT acquired Horizon II which is located in Calgary, Alberta. The industrial property was acquired for \$7,600 and the purchase price was satisfied with cash and the receipt of new 6-year mortgage financing on October 22, 2010 in the amount of \$5,030, which matures in 2016. The REIT entered into a floating rate mortgage and concurrently entered into an interest rate swap to effectively lock the interest rate at 3.77% per annum.
- On October 15, 2010, the REIT acquired the Letourneau Centre which is located in Edmonton, Alberta. The industrial property was acquired for \$9,300 and the purchase price was satisfied with cash and the receipt of new 4-year mortgage financing on October 28, 2010 in the amount of \$6,500, which matures in 2014 and bears interest at a rate equal to 3.46% per annum.
- On October 20, 2010, the REIT acquired the Furniture Pluss Building which is located in Fort McMurray, Alberta. The retail property was acquired for \$5,680 and the purchase price was satisfied with cash.
- On October 22, 2010, the REIT acquired the Caterpillar Building which is located in Maple Grove, Minnesota. The retail property was acquired for US \$10,600 and the purchase price was satisfied with cash.
- On October 29, 2010, the REIT acquired the first 6 properties of the Minneapolis Industrial Portfolio for an aggregate purchase price of US \$39,850.
- On October 29, 2010, the REIT received proceeds of US \$35,150 of new mortgage financing with respect to the Caterpillar Building and the first 6 properties of the Minneapolis Industrial Portfolio. The mortgage is for 3 years with a 2-year renewal option and bears interest at a rate equal to 2.25% over Libor.

On October 14, 2010, the REIT issued 8,625,000 units at a price of \$13.45 per unit for aggregate gross proceeds of \$116,006 (inclusive of 1,125,000 units issued pursuant to the exercise in full of the underwriter's over-allotment option). With available cash and room on the line of credit, management believes that Artis is well positioned to pursue additional accretive acquisitions in 2010 and further enhance future earnings.

Artis has already announced that it has entered into unconditional agreements to acquire industrial and office properties in Ontario and Minnesota for aggregate purchase prices of CAD \$104,000 and US \$73,200. The REIT anticipates that the acquisitions will close in November and December 2010 and March 2011, and will be financed with cash on hand and from the proceeds of new mortgage financing.

Leasing activity has been steady in Canada's major markets. The industrial segment performed well, recording positive absorption and a decline in the availability rate. In the office segment, absorption was positive for the fifth consecutive quarter with positive absorption being posted in nearly all major markets, while office rental rates have begun to stabilize. However, new product being added to inventory, particularly in the Calgary and Toronto office markets, is expected to impact absorption in future periods. Artis anticipates that its properties will continue to perform in line with the market. Growth may be realized as leases expire and are renewed or re-leased at higher market rates. Artis reviews the current market rents across its portfolio on an on-going basis. Management estimates that the weighted-average market rent rates at September 30, 2010 for the remaining 2010 and 2011 lease expiries are approximately 6.9% and 5.1% higher than the rates in place at expiry.

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

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 primarily 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 limited.

INTEREST RATE AND DEBT FINANCING

Artis will be subject to the risks associated with debt financing. There can be no assurance that Artis will be able to refinance its existing indebtedness on terms that are as or more favourable to Artis as the terms of existing indebtedness. The inability to replace financing of debt on maturity would have an adverse impact on the financial condition and results of Artis.

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

Artis is also subject to interest rate risk associated with the REIT's revolving term credit facility, mortgages and unsecured debentures payable due to the expected requirement to refinance such debts in the year of maturity. The REIT 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.

The REIT's ratio of mortgages, loans and bank indebtedness to GBV is 46.2%, down from 47.4% at December 31, 2009. Approximately 3.1% of Artis' maturing mortgage debt comes up for renewal in the remainder of 2010, and 5.5% in 2011. Management has secured commitments to refinance the remaining 2010 mortgage maturities, and has secured commitments or is in discussion with various lenders with respect to the renewal or refinancing of the 2011 mortgage maturities.

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. Artis' portfolio includes over 1,540 tenant leases with a weighted-average term to maturity of 5.7 years. Approximately 66.9% of the REIT's portfolio was occupied by national or government tenants. As indicated below, the largest tenant by gross revenue is AMEC Americas Ltd., a global supplier of consultancy, engineering and project management services to the energy, power and process industries. AMEC Americas Ltd. is a London Exchange listed entity with 2009 annual revenues in excess of £2.5 billion. The second largest tenant by gross revenue is TransAlta Corporation, a Standard & Poor's BBB rated multi-national corporation with a market capitalization of over \$4.8 billion. As at September 30, 2010, government tenants contribute 8.3% to the REIT's overall gross revenue and occupy 6.2% of total GLA.

Top Twenty Tenants By Gross Revenue

Tenant	% of Total Gross Revenue	GLA (in 000's)	% of Total GLA	Weighted-Average Remaining Lease Term
AMEC Americas Ltd	4.3 %	200	2.0 %	2.92
TransAlta Corporation	2.5 %	336	3.4 %	12.67
Sobeys	1.9 %	191	1.9 %	51.79
PMC - Sierra	1.9 %	148	1.5 %	3.00
Birchcliff Energy	1.7 %	59	0.6 %	7.17
Shoppers Drug Mart	1.6 %	118	1.2 %	39.33
Credit Union Central	1.5 %	90	0.9 %	5.63
Data Sciences International	1.3 %	116	1.2 %	9.75
Bell Canada	1.2 %	76	0.8 %	10.33
Aikins	1.1 %	60	0.6 %	4.08
Q9 Networks Inc.	1.1 %	35	0.3 %	5.92
MTS Allstream	1.1 %	77	0.8 %	21.26
Maple Leaf Consumer Foods Inc.	1.0 %	163	1.6 %	18.74
Kuehne + Nagel Ltd.	1.0 %	300	3.0 %	12.80
Navistar Canada Inc.	0.9 %	158	1.6 %	8.75
Komex International	0.8 %	52	0.5 %	1.16
Cineplex Odeon	0.8 %	65	0.6 %	9.84
Suncor Energy Oil Sand LP	0.7 %	107	1.1 %	4.25
Pitblado	0.7 %	40	0.4 %	5.25
Zellers Inc.	0.7 %	206	2.1 %	19.28
Total	27.8 %	2,597	26.1 %	8.78

Government Tenants By Gross Revenue

Tenant	% of Total Gross Revenue	GLA (in 000's)	% of Total GLA	Weighted-Average Remaining Lease Term
Federal Government	4.2 %	312	3.1 %	4.11
Provincial Government	3.1 %	210	2.1 %	3.60
Civic or Municipal Government	1.0 %	98	1.0 %	5.62
Total	8.3 %	620	6.2 %	4.19

Weighted-Average Term to Maturity (Entire Portfolio)	5.65
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LEASE ROLLOVER RISK

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

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

Expiry Year	Alberta	British Columbia	Manitoba	Minnesota	Saskatchewan	Calgary Office Only	Total
2010	0.8 %	0.1 %	3.3 %	0.0 %	0.2 %	0.3 %	4.4 %
2011	7.3 %	1.3 %	4.8 %	0.0 %	0.6 %	2.7 %	14.0 %
2012	3.1 %	1.4 %	4.2 %	0.0 %	0.1 %	1.4 %	8.8 %
2013	5.9 %	2.3 %	4.7 %	0.0 %	1.2 %	3.1 %	14.1 %
2014	3.6 %	1.0 %	5.4 %	0.0 %	0.9 %	0.5 %	10.9 %
2015	3.2 %	1.6 %	3.0 %	0.0 %	0.6 %	0.3 %	8.4 %
2016 & later	19.7 %	5.7 %	5.3 %	1.2 %	2.9 %	4.2 %	34.8 %
Month-to-month	0.1 %	0.0 %	0.2 %	0.0 %	0.0 %	0.0 %	0.3 %
Vacant	1.6 %	1.1 %	1.6 %	0.0 %	0.0 %	0.7 %	4.3 %
Total GLA (in 000's)	4,525	1,447	3,257	116	641	1,337	9,986

Artis' real estate is diversified across the four western provinces and Minnesota, and across the office, retail and industrial asset classes. At September 30, 2010, the portfolio by GLA is weighted towards Manitoba and Alberta properties. By city and asset class, the three largest segments of the REIT's portfolio by GLA are Winnipeg industrial properties, Calgary office properties and Winnipeg office properties.

As of today's date, approximately 94.0% of the Winnipeg industrial and 37.9% of the Calgary office lease expiries remaining in 2010 are already renewed or committed under new leases. In total, 95.4% of the 2010 and 37.2% of the 2011 leasing programs are complete, and the retention ratio thus far in 2010 is 82.7%.

TAX RISK

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

The New SIFT Rules do not apply to a "real estate investment trust" that meets prescribed conditions relating to the nature of its assets and revenue (the "REIT Conditions"). In order to meet the REIT Conditions, a trust must meet a number of technical tests that do not fully accommodate common real estate and business structures. Prior to the end of 2008, the REIT undertook various restructuring activities in order to attempt to meet the requirements of the REIT Conditions, and the REIT intends to comply with the REIT Conditions so that the New SIFT Rules will not apply to the REIT in 2009 and subsequent years. The REIT believes that it has met the REIT Conditions throughout the three and nine month periods ended September 30, 2010. There can be no assurances, however, that the REIT will continue to be able to satisfy the REIT Conditions in the future such that the REIT will not be subject to the tax imposed by the New SIFT Rules.

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

OTHER RISKS

In addition to the specific risks identified above, Artis REIT is subject to a variety of other risks, including, but not limited to, risks posed by the illiquidity of real property investments, foreign currency 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 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 Realty as asset manager.

CRITICAL ACCOUNTING ESTIMATES

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

ALLOCATION OF PURCHASE PRICE OF INCOME-PRODUCING PROPERTIES

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

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

IMPAIRMENT OF ASSETS

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

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

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

AMORTIZATION

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

ALLOCATION OF CONVERTIBLE DEBENTURES

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

FUTURE INCOME TAX VALUATION

The REIT currently qualifies as a mutual fund trust for Canadian income tax purposes. On June 22, 2007, new legislation relating to, among other things, the federal income taxation of a specified investment flow-through trust or partnership (a "SIFT") was enacted (the "New SIFT Rules"). The REIT has reviewed the New SIFT Rules and has assessed their interpretation and application to the REIT's assets and revenues. While there are uncertainties in the interpretation and application of the New SIFT Rules, the REIT believes that it has met the REIT Conditions throughout the three and nine month periods ended September 30, 2010. The future income tax asset recorded in prior periods was reversed and charged to continuing and discontinued operations in Q1-09.

CHANGES IN ACCOUNTING POLICIES

There are no Canadian GAAP accounting pronouncements effective on or before December 31, 2010 that are expected to have a significant impact on the REIT.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

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

Communication and training:

Regular progress reporting to the Board of Trustees and Audit Committee of the Board of Trustees on the status of the IFRS transition project has continued through Q3-10. In 2009, management performed an analysis of the impact of all IFRS standards and developed recommendations on the majority of the accounting policy choices. These IFRS accounting policies were reviewed and approved by the Audit Committee in the third quarter of 2010. There are still certain policies that are under review as the International Accounting Standards Board is currently in the process of amending, or expects to amend, certain standards that are applicable to the REIT. As further policies are finalized they will be brought to the Audit Committee for approval. Please see below under impact of IFRS conversion on accounting policies for a discussion of the significant accounting policies chosen by the REIT.

The REIT has ensured that employees involved in the project team have attended on-going education and training sessions since commencement of the project, and have access to IFRS standards and standard updates as they are released. The Board of Trustees and Audit Committee have received training during 2009 and 2010. Training for accounting staff and business groups will commence in Q4-10.

Information systems:

The REIT has completed the review of its information systems and the effect of IFRS on these systems. No major changes to the systems are planned for 2010 and 2011. During Q3-10, the REIT continues to compile IFRS financial information utilizing its financial statement reporting software, which is external to the REIT's current accounting system. Use of the financial statement reporting software allows the REIT to incorporate IFRS adjustments in order to transition the GAAP general ledger to IFRS compliant financial information.

Management has identified IFRS differences impacting the budget process for 2011, and implementation of changes to this process has commenced.

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

Internal controls over financial reporting and disclosure:

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

Impact of IFRS conversion on accounting policies:

The REIT has identified the following key IFRS standards which may result in significant accounting policy changes upon implementation. The REIT has chosen the majority of accounting policies to be applied upon transition to IFRS, but at this time, management has not yet finalized the impact of the significant changes identified in the following discussion on the REIT's financial statements. The implementation of accounting policy changes will also result in changes to both the REIT's consolidated balance sheet and consolidated statement of operations, as well as changes to note disclosure.

Investment property

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

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

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

IFRS 1 – *First Time Adoption of IFRS* ("IFRS 1") allows the REIT to choose to use the fair value as the deemed cost of the investment property on transition to IFRS if the cost model is chosen.

The REIT has analyzed IAS 40 and reviewed the differences that would arise under each of the fair value and cost models. The REIT has elected to measure its investment properties at fair value. The REIT is in the process of finalizing the valuation of its investment properties and external audit procedures have commenced.

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

Leases

GAAP requires the REIT to record tenant incentives as a reduction of rental revenue. Standing Interpretations Committee 15 - *Operating Leases - Incentives* ("SIC 15"), requires the same treatment as required under GAAP, however, the definition of tenant incentives may differ from the REIT's current application of GAAP, which may result in a reduction of revenue as more tenant costs would be amortized against revenue. The REIT has substantially completed its review of the nature of existing capitalized leasing costs using the definitions of tenant incentives and tenant improvements under SIC 15. The REIT cannot yet quantify the impact on revenue due to this difference.

A significant difference between lease accounting principles under GAAP and IFRS is that IFRS places more focus on the substance of the arrangement. IAS 17 - *Leases*, uses qualitative factors in determining lease classification, where under GAAP, bright line tests are used to determine if a lease is an operating or finance lease. This difference may result in the REIT classifying a lease as a finance lease rather than an operating lease. Under IFRS, in certain circumstances, land leases are considered to be finance leases. The REIT currently treats all land leases as operating leases. The REIT has substantially completed the review of its leases in order to determine if under IFRS, each lease would be treated as a financing or operating lease. There is no impact expected to the REIT's consolidated financial statements as a result of this difference.

Co-ownerships

Currently under GAAP, the REIT uses proportionate consolidation for its four jointly controlled properties. IAS 31 – *Interests in Joint Ventures* ("IAS 31"), allows the choice to either proportionately consolidate jointly controlled properties or account for such interests using the equity method. Currently, there would be no effect on how the REIT accounts for its co-ownerships upon conversion to IFRS. However, the International Accounting Standards Board ("IASB") is currently considering Exposure Draft 9 – Joint Arrangements, which proposes to eliminate the option to proportionately consolidate interests in jointly controlled entities. The IASB has indicated that it expects to issue a new standard to replace IAS 31 in the fourth quarter of 2010, which is expected to be applicable for the REIT in 2012 or later. The effect of this new standard would be a reclassification of the assets and liabilities of these jointly controlled properties to show as a net balance on the REIT's consolidated balance sheet and a reclassification of the revenues and expenses of these properties to show as a net balance on the REIT's consolidated statement of operations.

Business combinations

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

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

Trust units

GAAP has a less restrictive definition of financial liabilities than IFRS as it does not give specific guidance to settling contracts with the issuer's own equity instruments. Therefore, the REIT currently accounts for their trust units as equity. However, IAS 32 – *Financial Instruments*, has a more rigorous definition of what constitutes a financial liability which includes equity instruments if they have a contractual obligation to deliver cash or other financial assets to another entity. Canadian REITs have been modifying their Declarations of Trust in order to make the distributions non-mandatory, with the consent of unitholders, in order to be able to classify their trust units as equity on their balance sheet under IFRS. This modification to the REIT's Declaration of Trust was approved at the Annual and Special Meeting held on May 14, 2010.

The Declaration of Trust prior to May 14, 2010 provided that the REIT make monthly cash distributions to unitholders of the REIT's units. The amount distributed in each year will be an amount not less than the amount of distributable income in the year as set down in a policy by the Trustees. Therefore, as the REIT has a contractual obligation to make cash distributions to unitholders, trust units will be classified as a financial liability under IFRS at the January 1, 2010 transition date and at March 31, 2010. Such liability will be reclassified to equity when the June 30, 2010 comparative IFRS balance sheet is presented.

Income taxes

On January 1, 2009 and through to September 30, 2010, the REIT believes it has met the SIFT rules, which has resulted in the REIT no longer being required to record future taxes. However, there is uncertainty as to whether the guidance under IAS 12 – *Income Taxes* ("IAS 12") is applicable to the REIT. If IAS 12 is applicable, the REIT will be required to record future income taxes, despite the fact that the REIT currently meets the SIFT rules. If IAS 12 is not applicable, the REIT would not be required to record future income taxes if the income earned by the REIT is distributed in full. This is an industry wide issue which is currently under discussion and there is no definitive date as to when the issue will be addressed in the future. The REIT is of the view that IAS 12 will not be applicable, and continues to follow the necessary requirements of the SIFT legislation.

Discontinued operations

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

Share-based compensation

In accordance with GAAP, the REIT accounts for unit options issued under its unit option plan using the fair value method. Under this method, compensation expense is measured at fair value at the grant date using the Black-Scholes option pricing model and recognized over the vesting period. The REIT's unit options are to be settled by redeemable units. Therefore, under IFRS, the REIT's unit option plan is considered to be cash-settled and will be recorded as a liability at fair value in accordance with IFRS 2 – *Share-based Payment*.

Convertible debentures

As the REIT's Declaration of Trust was not amended until May 14, 2010, the conversion feature of the convertible debentures is cash-settled at transition. Therefore, the convertible debentures are not a compound financial instrument under IAS 32 - *Financial Instruments - Presentation*. Rather, at the January 1, 2010 transition date and at March 31, 2010, they will be recorded as a liability for the interest and principal amount, plus a derivative instrument for the conversion option measured at fair value.

IFRS 1

The IFRS 1 standard provides guidance to entities who are adopting IFRS for the first time. Accounting changes are to be applied retrospectively to an entity's financial statements when transitioning from GAAP to IFRS. In order to facilitate the transition, IFRS 1 allows certain optional exemptions and mandatory exceptions to applying IFRS retrospectively. Under IFRS 1, the REIT has elected to apply IFRS 3R prospectively to all business combinations that occurred on or after the January 1, 2010 transition date. The remaining exemptions and exceptions are either not applicable or will not have a significant impact on the REIT.

Financial statement presentation:

Management has substantially completed preparation of mock IFRS financial statements and note disclosures. This is an on-going project throughout 2010 and 2011 as IFRS standards are amended, decisions on accounting policies are finalized and their impact is determined.

Management has substantially completed preparation of the opening IFRS balance sheet as at January 1, 2010 and external audit procedures have commenced.

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, 2010, an evaluation was carried out, under the supervision of and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the REIT's disclosure controls and procedures (as defined in National 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, 2010.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. The Chief Executive Officer and Chief Financial Officer evaluated, or caused to be evaluated, the design of the REIT's internal controls over financial reporting (as defined in National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings) as at September 30, 2010.

During the period ended September 30, 2010, no changes to internal controls over financial reporting have materially affected, or are reasonably likely to materially affect, internal controls over financial reporting.

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

On October 1, 2010, the Canadian Securities Administrators implemented amendments to National Instrument 52-109, effective January 1, 2011, with the primary purpose of accommodating the transition to IFRS. The amendments replace current Canadian GAAP terms and phrases with IFRS terms and phrases.