

Interim Consolidated Financial Statements of

**ARTIS REAL ESTATE
INVESTMENT TRUST**

Three months ended March 31, 2011 and 2010
(Unaudited)

(In Canadian dollars)

ARTIS REAL ESTATE INVESTMENT TRUST

Interim Consolidated Balance Sheets
(Unaudited)

(In thousands of Canadian dollars)

	March 31, 2011	December 31, 2010 (note 25)	January 1, 2010 (note 25)
ASSETS			
Non-current assets:			
Investment properties (note 4)	\$ 2,301,581	\$ 2,052,780	\$ 1,111,586
Investment properties under construction (note 4)	5,271	5,405	-
Other assets (note 5)	319	348	434
Notes receivable (note 6)	23,342	23,788	27,133
	2,330,513	2,082,321	1,139,153
Current assets:			
Deposits on investment properties	6,622	16,081	1,350
Prepaid expenses	5,400	3,040	2,613
Notes receivable (note 6)	3,344	3,354	1,929
Accounts receivable and other receivables	7,015	6,510	3,434
Investment in equity securities	13,443	11,184	-
Cash held in trust	969	782	355
Cash and cash equivalents	32,514	88,324	35,907
	69,307	129,275	45,588
	\$ 2,399,820	\$ 2,211,596	\$ 1,184,741
LIABILITIES AND UNITHOLDERS' EQUITY			
Liabilities:			
Non-current liabilities:			
Mortgages and loans payable (note 7)	\$ 1,148,621	\$ 1,097,402	\$ 541,857
Convertible debentures (note 8)	156,626	153,889	100,193
Deferred taxes (note 17)	152	201	-
Trust units liability	-	-	426,645
	1,305,399	1,251,492	1,068,695
Current liabilities:			
Mortgages and loans payable (note 7)	74,482	58,690	70,406
Convertible debentures (note 8)	-	-	3,032
Trust units liability	-	-	360
Security deposits and prepaid rent	10,467	9,494	4,572
Accounts payable and other liabilities (note 9)	33,862	29,690	14,390
Bank indebtedness (note 10)	8,000	8,000	30,700
	126,811	105,874	123,460
	1,432,210	1,357,366	1,192,155
Unitholders' equity (deficit)	967,610	854,230	(7,414)
Commitments, contingencies and guarantees (note 20)			
Subsequent events (note 23)			
	\$ 2,399,820	\$ 2,211,596	\$ 1,184,741

See accompanying notes to interim consolidated financial statements.

ARTIS REAL ESTATE INVESTMENT TRUST

Interim Consolidated Statements of Operations
 Three months ended March 31, 2011 and 2010
 (Unaudited)

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

	2011	2010 (note 25)
Revenue (note 13)	\$ 63,258	\$ 33,751
Property operating expenses	24,246	11,638
Interest income	39,012	22,113
	750	452
	39,762	22,565
Expenses:		
Interest	16,675	22,271
Corporate	2,513	1,284
Foreign currency translation loss	103	-
	19,291	23,555
Income (loss) before other items	20,471	(990)
Income tax recovery (note 17)	123	-
Transaction costs (note 3)	(1,206)	(1,329)
Loss on financial instruments (note 14)	(3,782)	(25,749)
Gain on disposal of investment property (note 3)	255	-
Unrealized fair value gain (loss) on investment properties (note 4)	116,160	(471)
Income (loss) for the period	132,021	(28,539)
Other comprehensive loss:		
Unrealized foreign currency translation loss	(2,069)	-
Comprehensive income (loss) for the period	\$ 129,952	\$ (28,539)
Basic income (loss) per unit (note 11 (c))	\$ 1.75	\$ (0.66)
Diluted income (loss) per unit (note 11 (c))	\$ 1.63	\$ (0.66)
Weighted-average number of units outstanding		
Basic	75,612,655	43,104,761
Diluted	85,208,550	43,104,761

See accompanying notes to interim consolidated financial statements.

ARTIS REAL ESTATE INVESTMENT TRUST

Interim Consolidated Statements of Changes in Unitholders' Equity
 Three months ended March 31, 2011 and 2010
 (Unaudited)

(In thousands of Canadian dollars, except unit amounts)

	Number of units	Capital contributions	Equity (deficit)	Accumulated other comprehensive loss	Total
Unitholders' deficit, January 1, 2010 (note 25)	-	\$ -	\$ (7,414)	\$ -	\$ (7,414)
Loss for the period	-	-	(28,539)	-	(28,539)
Unitholders' deficit, March 31, 2010 (note 25)	-	-	(35,953)	-	(35,953)
Reclassification of trust units liability to equity	50,076,978	575,885	-	-	575,885
Issuance of units	24,058,272	282,804	-	-	282,804
Conversion of convertible debentures	1,342,058	16,545	-	-	16,545
Income for the period	-	-	61,763	-	61,763
Other comprehensive loss for the period	-	-	-	(310)	(310)
Distributions for the period	-	-	(46,504)	-	(46,504)
Unitholders' equity, December 31, 2010 (note 25)	75,477,308	875,234	(20,694)	(310)	854,230
Issuance of units	128,372	1,626	-	-	1,626
Conversion of convertible debentures	165,585	2,235	-	-	2,235
Income for the period	-	-	132,021	-	132,021
Other comprehensive loss for the period	-	-	-	(2,069)	(2,069)
Distributions for the period	-	-	(20,433)	-	(20,433)
Unitholders' equity, March 31, 2011	75,771,265	\$ 879,095	\$ 90,894	\$ (2,379)	\$ 967,610

See accompanying notes to interim consolidated financial statements.

ARTIS REAL ESTATE INVESTMENT TRUST

Interim Consolidated Statements of Cash Flows
Three months ended March 31, 2011 and 2010
(Unaudited)

(In thousands of Canadian dollars)

	2011	2010 (note 25)
Cash provided by (used in):		
Operating activities:		
Income (loss) for the period	\$ 132,021	\$ (28,539)
Adjustments for non-cash items:		
Unrealized fair value (gain) loss on investment properties	(116,160)	471
Depreciation of office equipment and software	29	27
Amortization:		
Tenant inducements amortized to revenue	1,020	447
Above- and below-market mortgages, net	(138)	(46)
Straight-line rent adjustment	(1,148)	(443)
Unrealized foreign currency translation loss	72	-
Gain on disposal of investment property	(255)	-
Unrealized fair value loss on financial instruments	4,082	25,749
Unit-based compensation expense	353	43
Accretion of financing costs included in interest	386	213
Deferred tax recovery	(49)	-
	20,213	(2,078)
Additions to tenant inducements	(2,557)	(776)
Changes in non-cash operating items (note 15)	3,111	5,400
	20,767	2,546
Investing activities:		
Acquisition of investment properties, net of related debt	(59,409)	(54,963)
Proceeds of disposition of investment property, net of costs	6,780	-
Additions to investment properties	(128)	(1,792)
Additions to investment properties under construction	(4,416)	(73)
Purchase of investment in equity securities	(5,683)	-
Proceeds from sale of equity securities	2,930	-
Notes receivable principal repayments	456	418
Net change to office equipment and software	-	(27)
Additions to leasing costs	(1,382)	(389)
Change in deposits on investment properties	9,450	(1,959)
	(51,402)	(58,785)
Financing activities:		
Issuance of units, net of issue costs	1,626	111,097
Change in bank indebtedness	-	(30,700)
Distributions paid on REIT units	(20,433)	-
Mortgages and loans principal repayments	(6,308)	(3,235)
Repayment of mortgages and loans payable	-	(25,672)
Advance of mortgages payable	-	8,840
	(25,115)	60,330
Foreign exchange loss on cash held in foreign currency	(60)	-
(Decrease) increase in cash and cash equivalents	(55,810)	4,091
Cash and cash equivalents at beginning of period	88,324	35,907
Cash and cash equivalents at end of period	\$ 32,514	\$ 39,998
Supplemental cash flow information:		
Interest paid, net of interest received	\$ 13,409	\$ 7,873
Taxes paid	150	-
Distributions paid on REIT units, included in interest	-	12,345

See accompanying notes to interim consolidated financial statements.

ARTIS REAL ESTATE INVESTMENT TRUST

Notes to Interim Consolidated Financial Statements
Three months ended March 31, 2011 and 2010
(Unaudited)

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

1. Organization:

Artis Real Estate Investment Trust (the "REIT") is an unincorporated open-end real estate investment trust (note 11) created under, and governed by, the laws of the province of Manitoba and was created pursuant to the Declaration of Trust dated November 8, 2004, subsequently amended and restated on October 31, 2006 and May 14, 2010 (the "Declaration of Trust"). The purpose of the REIT is to directly, or indirectly, own, manage, lease and (where appropriate) develop retail, industrial and office properties in Canada and the United States (the "U.S."). The registered office of the REIT is 360 Main Street, Suite 300, Winnipeg, Manitoba, R3C 3Z3.

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

2. Significant accounting policies:

(a) Statement of compliance:

International Financial Reporting Standards ("IFRS") requires an entity to make an explicit and unreserved statement of compliance with IFRS in its first annual financial statements under IFRS. The REIT will make this statement when it issues its 2011 annual consolidated financial statements. These interim consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 - *Interim Financial Reporting*, as issued by the International Accounting Standards Board ("IASB") and using the accounting policies the REIT expects to adopt in its consolidated financial statements for the year ended December 31, 2011. IFRS 1 - *First-time Adoption of International Financial Reporting Standards* ("IFRS 1") has been applied in preparing these interim consolidated financial statements.

An explanation of how the transition to IFRS has affected the reported financial position, operating results and cash flows of the REIT is provided in note 25.

(b) Principles of consolidation:

The consolidated financial statements include the accounts of the REIT and entities controlled by the REIT (its subsidiaries), together with its proportionate share of the assets, liabilities, revenue and expenses of jointly controlled assets.

(c) Basis of presentation and measurement:

The consolidated financial statements are prepared on a going concern basis and have been presented in Canadian dollars rounded to the nearest thousand. The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial statements and in preparing the opening IFRS balance sheet at January 1, 2010. Standards issued but not yet effective for the current accounting period are described in note 2 (r).

The consolidated financial statements are prepared on the historical cost basis with the exception of investment properties, investment in equity securities, derivative financial instruments, convertible debentures, and the liabilities related to trust units and cash-settled unit-based payments, which are measured at fair value.

ARTIS REAL ESTATE INVESTMENT TRUST

Notes to Interim Consolidated Financial Statements
Three months ended March 31, 2011 and 2010
(Unaudited)

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

2. Significant accounting policies (continued):

(d) Translation of foreign currencies:

The consolidated financial statements are presented in Canadian dollars, which is the functional currency of the REIT.

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

For assets, liabilities, revenues and expenses that do not form part of the net investment in foreign operations, foreign currency translation gains or losses are included in net income. Monetary assets and liabilities are translated at the rate of exchange in effect at the balance sheet date. Non-monetary assets and liabilities are translated at historical exchange rates. Revenue and expense items are translated at the rate in effect at the date of the transaction.

(e) Financial instruments:

Initially, all financial assets and liabilities are recorded on the consolidated balance sheet at fair value. Subsequent measurement is determined by the classification of each financial asset and liability. All financial assets are classified as one of: (a) at fair value through profit or loss; (b) held-to-maturity; (c) loans and receivables; or (d) available-for-sale. Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement. All financial liabilities are classified as either: (a) at fair value through profit or loss; or (b) other liabilities. Financial assets and liabilities classified as at fair value through profit or loss are measured at fair value, with gains and losses recognized in net income. Financial instruments classified as held-to-maturity, loans and receivables, and other liabilities are measured at amortized cost. Available-for-sale financial assets are measured at fair value, with unrealized gains and losses recognized in other comprehensive income.

The REIT designated its cash and cash equivalents, cash held in trust, notes receivable, and accounts receivable and other receivables as loans and receivables; mortgages and loans payable, accounts payable and other liabilities and bank indebtedness as other liabilities; and investment in equity securities, convertible debentures and trust units liability as at fair value through profit or loss. The REIT does not hold any financial instruments classified as held-to-maturity or available-for-sale.

Transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities, with the exception of those classified as at fair value through profit or loss, are accounted for as part of the respective asset or liability's carrying value at inception and amortized over the expected life of the financial instrument using the effective interest rate method. Transaction costs directly attributable to the acquisition or issuance of financial assets or liabilities at fair value through profit or loss are recognized immediately in net income.

All derivative instruments, including embedded derivatives, are classified as at fair value through profit or loss and are recorded in the consolidated balance sheet at fair value.

Financial assets, other than those classified as at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the asset have been affected.

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

2. Significant accounting policies (continued):

(e) Financial instruments (continued):

The REIT uses a three-level hierarchy that reflects the significance of the inputs used in making fair value measurements of financial instruments carried at fair value. Level 1 of the fair value hierarchy uses quoted market prices in active markets for identical assets or liabilities to determine the fair value of assets and liabilities. Level 2 includes valuations using inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. Level 3 valuations are based on inputs for the asset or liability that are not based on observable market data.

(f) Investment properties:

Investment properties include properties held to earn rental income and properties that are being constructed or developed for future use as investment properties. Investment properties are measured at fair value with any changes therein recognized in income or loss for the period.

Investment properties under construction include initial acquisition costs and other direct costs during the period of development. The REIT considers practical completion to have occurred when the property is capable of being operated in the manner intended by management.

A property acquisition is accounted for as a business combination using the acquisition method if the assets acquired and liabilities assumed constitute a business, and the REIT obtains control of the business.

Leasing costs, such as commissions, and straight-line rent receivable are included in the carrying amount of investment properties.

Payments to tenants under lease obligations are included in the carrying amount of investment properties. Payments that are determined to primarily benefit the tenant are treated as tenant inducements that reduce revenue. Tenant inducements are amortized on a straight-line basis over the term of the lease.

Investment properties held under operating leases are recognized in the REIT's consolidated balance sheet at fair value.

Investment properties are reclassified to assets held for sale when the criteria set out in IFRS 5 - *Non-current Assets Held for Sale and Discontinued Operations* are met.

(g) Other assets:

Office equipment and software are carried at cost less accumulated depreciation, and are depreciated on a straight-line basis over their estimated useful life of five years. The estimated useful life, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimates accounted for on a prospective basis.

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

2. Significant accounting policies (continued):

(h) Assets held for sale:

Non-current assets, or disposal groups comprising assets and liabilities, are categorized as held for sale at the point in time when the asset or disposal group is available for immediate sale, management has committed to a plan to sell and is actively locating a buyer at a sales price that is reasonable in relation to the current fair value of the asset, and the sale is probable and expected to be completed within a one-year period. Investment properties measured under the fair value model and held for sale continue to be measured by the guidelines of IAS 40 - *Investment Property*. All other assets held for sale are stated at the lower of their carrying amount and fair value less selling costs. An asset that is subsequently reclassified as held and in use, with the exception of an investment property measured under the fair value model, is measured at the lower of its recoverable amount and the carrying amount that would have been recognized had the asset never been classified as held for sale.

The results of operations associated with disposal groups sold, or classified as held for sale, are reported separately as income or loss from discontinued operations.

(i) Cash and cash equivalents:

Cash and cash equivalents consist of cash with financial institutions and include short-term investments with maturities of three months or less.

(j) Provisions:

A provision is recognized if, as a result of a past event, the REIT has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. The amount recognized as a provision is determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the liability. Provisions are remeasured at each balance sheet date using the current discount rate. The increase in the provision due to passage of time is recognized as interest expense.

Present obligations arising under onerous contracts are recognized and measured as provisions. An onerous contract is considered to exist where the REIT has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

(k) Revenue recognition:

The REIT has retained substantially all of the risks and benefits of ownership of its investment properties and therefore accounts for leases with its tenants as operating leases. Revenue from investment properties includes rents earned from tenants under lease agreements, percentage rent, realty tax and operating cost recoveries and other incidental income and is recognized as revenue over the term of the underlying leases. All rent steps in lease agreements are accounted for on a straight-line basis over the term of the respective leases. Percentage rent is not recognized until a tenant is obligated to pay such rent.

(l) Jointly controlled assets:

The REIT carries out a portion of its activities through co-ownership agreements and records its proportionate share of assets, liabilities, revenues, expenses and cash flows of these jointly controlled assets.

ARTIS REAL ESTATE INVESTMENT TRUST

Notes to Interim Consolidated Financial Statements
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(Unaudited)

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

2. Significant accounting policies (continued):

(m) Earnings per unit:

Basic earnings per REIT unit is computed by dividing net earnings by the weighted-average units outstanding during the reporting period. Diluted earnings per unit is calculated based on the weighted-average number of units outstanding during the period, plus the effect of dilutive unit equivalents. The diluted per unit amounts for unit-based compensation are calculated using the treasury stock method, as if all the unit equivalents where average market price exceeds issue price had been exercised at the beginning of the reporting period, or the date of issue, as the case may be, and that the funds obtained thereby were used to purchase units of the REIT at the average trading price of the units during the period. The diluted per unit amounts for convertible debentures are calculated using the if-converted method, whereby conversion is not assumed for the purposes of computing diluted earnings per unit if the effect is antidilutive.

(n) Income taxes:

Income taxes are accounted for using the asset and liability method. Under this method, deferred taxes are recognized for the expected deferred tax consequences of temporary differences between the carrying amount of balance sheet items and their corresponding tax values.

Deferred taxes are computed using enacted or substantively enacted income tax rates or laws for the years in which the temporary differences are expected to reverse or settle. When realization of deferred tax assets is not probable, a valuation allowance is provided for the difference.

(o) Discontinued operations:

A discontinued operation is a component of the REIT's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative period.

(p) Unit-based compensation:

The REIT issues unit-based awards to trustees, management, management company employees and consultants. For cash-settled unit-based payment transactions, a liability is recognized and measured initially at fair value by applying an option pricing model. The liability is remeasured to fair value at each reporting date and at settlement date. Any change in the fair value of the liability is recognized as compensation expense for the period.

ARTIS REAL ESTATE INVESTMENT TRUST

Notes to Interim Consolidated Financial Statements
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(Unaudited)

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

2. Significant accounting policies (continued):

(q) Use of estimates and judgments:

The preparation of the consolidated financial statements requires management to make estimates, assumptions and judgments that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts reported in the consolidated financial statements are as follows:

- Accounting for business combinations - The REIT's accounting policy relating to business combinations is described in note 2 (f). Judgment is applied in determining whether property acquisitions constitute the purchase of a business or the purchase of assets.
- Accounting for tenant inducements - The REIT's accounting policy relating to tenant inducements is described in note 2 (f). The REIT makes judgments with respect to whether tenant inducements provided in connection with a lease enhance the value of the leased property which determines whether such amounts are treated as capital expenditures.
- Capitalized cost of investment properties under construction - The REIT's accounting policy relating to investment properties under construction is described in note 2 (f). Judgment is applied in identifying the point at which practical completion of the investment property under construction occurs.
- Classification of leases - The REIT's accounting policy for revenue recognition is described in note 2 (k). The REIT makes judgments in determining whether certain leases are operating or finance leases. The REIT determined that all of its leases are operating leases.

Information about assumptions and estimation uncertainties that are critical to the determination of the amounts reported in the consolidated financial statements are as follows:

- Valuation of investment properties - The fair value of investment properties represents an estimate of the price that would be agreed upon between knowledgeable, willing parties in an arm's length transaction. The critical estimates and assumptions underlying the valuation of investment properties are described in note 4.
- Valuation of deferred tax liabilities and assets - The critical estimates and assumptions underlying the valuation of deferred tax liabilities and assets are described in note 17.
- Allowance for doubtful accounts - The critical estimates and assumptions underlying the value of the allowance for doubtful accounts are described in note 22 (a)(ii).
- Fair value of financial instruments - The fair value of financial instruments is estimated as the amount for which an instrument could be exchanged, or liability settled, between knowledgeable, willing parties in an arm's length transaction. The critical estimates and assumptions underlying the fair value of financial instruments are described in note 22 (b).

ARTIS REAL ESTATE INVESTMENT TRUST

Notes to Interim Consolidated Financial Statements
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(Unaudited)

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

2. Significant accounting policies (continued):

(r) Future changes in accounting policies:

IFRS 9 - *Financial Instruments* ("IFRS 9") was issued by the IASB in November 2009 and will replace IAS 39 - *Financial Instruments: Recognition and Measurement* ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple classification options in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial assets. IFRS 9 was amended by the IASB in October 2010 to provide guidance on the classification and reclassification of financial liabilities, their measurement, and the presentation of gains and losses on financial liabilities designated at fair value through profit and loss. When an entity elects to measure a financial liability at fair value, gains or losses due to changes in the credit risk of the instrument must be recognized in other comprehensive income. The amended standard supersedes IFRS 9, as issued by the IASB in November 2009. IFRS 9 is effective for annual periods beginning on or after January 1, 2013. The REIT is currently evaluating the impact of IFRS 9 on its financial statements.

IAS 12 - *Income Taxes* ("IAS 12") was amended by the IASB in December 2010. The amendment provides a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model, based on a rebuttable presumption that the carrying amount of the investment property will be recovered entirely through sale. The amendment is effective for annual periods beginning on or after July 1, 2011. The REIT is currently evaluating the impact of the amendment to IAS 12 on its financial statements.

ARTIS REAL ESTATE INVESTMENT TRUST

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

3. Acquisitions and dispositions of investment properties:

Acquisitions:

The REIT acquired the following properties during the three months ended March 31, 2011:

Property	Location	Acquisition date	Type
ADT Building	Calgary, AB	January 7, 2011	Industrial
Dominion Construction Building	Calgary, AB	January 7, 2011	Industrial
EMC Building	Edmonton, AB	February 28, 2011	Office
Stinson Office Park	Minneapolis, MN	March 31, 2011	Office
Minneapolis Industrial Portfolio ⁽¹⁾	Minneapolis, MN	March 31, 2011	Industrial

⁽¹⁾ The second tranche of the Minneapolis Industrial Portfolio is comprised of 9 multi-tenant properties.

The REIT acquired the following properties during the three months ended March 31, 2010:

Property	Location	Acquisition date	Type
Westbank Zellers ⁽¹⁾	Westbank / West Kelowna, BC	January 14, 2010	Retail
Maple Leaf Building	Saskatoon, SK	January 29, 2010	Industrial
Sherwood Centre	Edmonton, AB	January 29, 2010	Industrial
Alberta Industrial Portfolio ⁽²⁾	Various locations in Alberta	March 30, 2010	Industrial
Westbank Hub Centre North ^{(1) (3)}	Westbank / West Kelowna, BC	March 31, 2010	Retail

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

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

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

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

The net assets acquired were as follows:

	Three months ended March 31, 2011	Three months ended March 31, 2010
Investment properties	\$ 133,215	\$ 158,286
Long-term debt, net of deferred financing costs	(74,963)	(103,323)
Foreign exchange impact ⁽¹⁾	1,157	-
Cash consideration	\$ 59,409	\$ 54,963
Transaction costs expensed	\$ 1,206	\$ 1,329

⁽¹⁾ Acquisitions of U.S. properties during the period have been translated to Canadian dollars at the period end exchange rate.

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

3. Acquisitions and dispositions of investment properties (continued):

Dispositions:

The REIT disposed of the following property during the three months ended March 31, 2011:

Property	Location	Disposition date	Type
2030 Notre Dame Avenue	Winnipeg, MB	March 7, 2011	Industrial

The proceeds from the sale of 2030 Notre Dame Avenue, net of costs, were \$6,780. The REIT transferred the mortgage on this property to three previously unencumbered properties. The assets and liabilities associated with the property were derecognized and a gain on sale of property in the amount of \$255 was recorded.

The REIT did not dispose of any properties during the three months ended March 31, 2010.

4. Investment properties and investment properties under construction:

	Three months ended March 31, 2011		Year ended December 31, 2010	
	Investment properties	Investment properties under construction	Investment properties	Investment properties under construction
Balance, beginning of period	\$ 2,052,780	\$ 5,405	\$ 1,111,586	\$ -
Additions:				
Acquisitions (note 3)	133,215	-	887,791	-
Capital expenditures	128	4,416	5,606	5,405
Leasing costs	1,382	-	2,549	-
Disposition (note 3)	(6,525)	-	-	-
Reclassification of investment property under construction	4,550	(4,550)	-	-
Foreign currency translation loss	(2,794)	-	(1,217)	-
Straight-line rent adjustment	1,148	-	2,841	-
Net change to tenant inducements	1,537	-	7,259	-
Unrealized fair value gain	116,160	-	36,365	-
Balance, end of period	\$ 2,301,581	\$ 5,271	\$ 2,052,780	\$ 5,405

Investment properties with an aggregate fair value of \$86,784 at March 31, 2011 (December 31, 2010, \$46,218; January 1, 2010, \$72,567) were valued by qualified external valuation professionals.

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4. Investment properties and investment properties under construction (continued):

The REIT determined the fair value of investment properties based upon a combination of the discounted cash flow method and the overall capitalization method, which are generally accepted appraisal methodologies. Under the discounted cash flow method, expected future cash flows are discounted using an appropriate rate based on the risk of the property. Expected future cash flows for each investment property are based upon, but not limited to, rental income from current leases, budgeted and actual expenses, and assumptions about rental income from future leases. The REIT uses leasing history, market reports, tenant profiles and building assessments, among other things, in determining the most appropriate assumptions. Discount and capitalization rates are estimated using market surveys, available appraisals and market comparables. Under the overall capitalization method, year one income is stabilized and capped at a rate deemed appropriate for each investment property. Investment properties under construction are measured at cost, which approximates fair value.

The key valuation assumptions for investment properties are as follows:

	March 31, 2011			December 31, 2010			January 1, 2010		
	Maximum	Minimum	Weighted-average	Maximum	Minimum	Weighted-average	Maximum	Minimum	Weighted-average
Discount rate	9.50%	7.50%	8.39%	10.00%	7.50%	8.60%	10.25%	8.00%	8.79%
Terminal capitalization rate	9.00%	6.25%	7.34%	9.50%	6.50%	7.62%	9.50%	7.25%	7.93%
Capitalization rate	9.50%	6.75%	7.56%	9.50%	7.00%	7.74%	9.50%	6.50%	7.69%
Investment horizon (years)	20.0	10.0	10.6	20.0	10.0	10.7	20.0	10.0	11.1

Included in investment properties is \$9,838 (December 31, 2010, \$8,752; January 1, 2010, \$5,914) of net straight line rent receivables arising from the recognition of rental income on a straight-line basis over the lease term in accordance with IAS 17 - *Leases*.

Investment properties include properties held under operating leases with an aggregate fair value of \$44,600 at March 31, 2011 (December 31, 2010, \$44,578; January 1, 2010, \$9,082).

Investment properties with a fair value of \$2,165,728 (December 31, 2010, \$1,945,487; January 1, 2010, \$1,015,038) are pledged as security under mortgage agreements.

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5. Other assets:

	March 31, 2011	December 31, 2010	January 1, 2010
Office equipment and software	\$ 581	\$ 581	\$ 553
Accumulated depreciation	262	233	119
	\$ 319	\$ 348	\$ 434

6. Notes receivable:

	March 31, 2011	December 31, 2010	January 1, 2010
Note receivable from tenant maturing in May 2023, bearing interest at 5.89% per annum, repayable in varying blended monthly installments of principal and interest. A default under the terms of the note constitutes a default of the lease of the tenant.	\$ 24,922	\$ 25,323	\$ 26,918
Note receivable maturing in June 2011, bearing interest at 10.00% per annum, repayable in blended monthly installments of principal and interest of \$17 and is unsecured.	1,764	1,749	1,785
Note receivable repaid in March 2011.	-	69	77
Notes receivable matured in November 2010 and January 2011.	-	1	282
	26,686	27,142	29,062
Current portion	3,344	3,354	1,929
	\$ 23,342	\$ 23,788	\$ 27,133

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7. Mortgages and loans payable:

	March 31, 2011	December 31, 2010	January 1, 2010
Mortgages and loans payable	\$ 1,225,961	\$ 1,158,048	\$ 613,618
Net above- and below-market mortgage adjustments	3,168	3,351	598
Financing costs	(6,026)	(5,307)	(1,953)
	1,223,103	1,156,092	612,263
Current portion	74,482	58,690	70,406
	\$ 1,148,621	\$ 1,097,402	\$ 541,857

Substantially all of the REIT's assets have been pledged as security under mortgages and other security agreements. The majority of mortgages and loans payable bear interest at fixed rates. The weighted-average effective rate on all mortgages and loans payable is 4.97% at March 31, 2011 and the weighted-average nominal rate is 4.83% at March 31, 2011 (December 31, 2010, 5.12% and 4.97%, respectively). The maturity dates range from April 1, 2011 to October 1, 2030.

8. Convertible debentures:

Particulars of the REIT's outstanding convertible debentures are as follows:

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

Convertible redeemable debenture issue	Face value	Fair value adjustment	Carrying value	Current portion	Non-current portion
Series C	\$ 29,920	\$ 1,047	\$ 30,967	\$ -	\$ 30,967
Series D	17,000	284	17,284	-	17,284
Series E	12,454	6,221	18,675	-	18,675
Series F	86,250	3,450	89,700	-	89,700
March 31, 2011	\$ 145,624	\$ 11,002	\$ 156,626	\$ -	\$ 156,626
December 31, 2010	147,164	6,725	153,889	-	153,889
January 1, 2010	95,237	7,988	103,225	3,032	100,193

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9. Accounts payable and other liabilities:

	March 31, 2011	December 31, 2010	January 1, 2010
Accounts payable and accrued liabilities	\$ 26,382	\$ 22,589	\$ 10,836
Distributions payable (note 12)	6,819	6,793	3,377
Cash-settled unit-based payments liability	661	308	177
	\$ 33,862	\$ 29,690	\$ 14,390

Under the REIT's unit option plan, the total number of units reserved under option for issuance may not exceed 5% of the units outstanding.

A summary of the REIT's unit options for the three months ended March 31 are as follows:

	2011		2010	
	Units	Weighted-average exercise price	Units	Weighted-average exercise price
Balance, beginning of period	1,070,250	\$ 12.84	217,036	\$ 11.25
Granted	-	-	273,250	11.28
Exercised	(250)	11.28	-	-
Balance, end of period	1,070,000	\$ 12.84	490,286	\$ 11.27
Options exercisable at end of period	67,563		217,036	
Weighted-average fair value per unit of options granted during the period		\$ -		\$ 1.01

The weighted-average unit price at the date of exercise for unit options exercised during the three months ended March 31, 2011 was \$13.99 (2010, no options exercised).

Options outstanding at March 31, 2011 consist of the following:

Range of exercise prices	Number outstanding	Weighted-average remaining contractual life	Options outstanding weighted-average exercise price	Number exercisable
\$ 11.28	271,000	4 years	\$ 11.28	67,563
\$ 13.30	399,000	4.5 years	\$ 13.30	-
\$ 13.44	400,000	4.75 years	\$ 13.44	-
	1,070,000		\$ 12.84	67,563

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9. Accounts payable and other liabilities (continued):

The compensation expense related to unit options granted under the unit option plan for the three months ended March 31, 2011 amounted to \$353 (2010, \$43). These unit options granted vest equally over a four-year period. Compensation expense was determined based on the change in fair value of the options, with the following weighted-average assumptions:

	March 31, 2011	December 31, 2010	March 31, 2010	January 1, 2010
Expected option life	4.5 years	4.4 years	1.2 years	1.0 year
Risk-free interest rate	2.77%	2.41%	1.80%	1.47%
Distribution yield	7.59%	8.18%	9.25%	9.49%
Expected volatility	24.76%	25.28%	26.58%	26.92%

Expected volatility is estimated by considering historic average unit price volatility.

10. Bank indebtedness:

On September 22, 2010, the REIT entered into an amended and restated loan agreement for a revolving term credit facility in the amount of \$60,000, which may be utilized to fund acquisitions of office, retail and industrial properties. \$5,000 of the credit facility may be used 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. Amounts drawn on the facility will bear interest at a floating rate equal to Canadian dollar bankers' acceptances with a term to maturity of 30 days, plus 3.30% per annum. The credit facility is secured by a first charge on Delta Centre, Grain Exchange Building, Johnston Terminal and Sears Centre. At March 31, 2011, the REIT had utilized \$8,000 (December 31, 2010, \$8,000) of the facility.

11. Capital contributions:

(a) Authorized:

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

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

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11. Capital contributions (continued):

(b) Issued and outstanding:

	Number of units	Amount
Balance at January 1, 2010	-	\$ -
Reclassification of trust units liability to equity	50,076,978	575,885
Public offerings, net of issue costs of \$12,805	23,546,250	276,443
Conversion of Series B convertible debentures	3,048	40
Conversion of Series E convertible debentures	1,339,010	16,505
Options exercised	217,036	2,898
Distribution Reinvestment and Unit Purchase Plan	294,986	3,463
Balance at December 31, 2010	75,477,308	875,234
Conversion of Series E convertible debentures	165,585	2,235
Options exercised	250	4
Distribution Reinvestment and Unit Purchase Plan	128,122	1,622
Balance at March 31, 2011	75,771,265	\$ 879,095

At March 31, 2011, there were no special voting units issued and outstanding.

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

(c) Weighted-average units:

	Three months ended March 31, 2011	Three months ended March 31, 2010
Income (loss) for the period	\$ 132,021	\$ (28,539)
Adjustment for convertible debentures	7,150	-
Diluted income (loss) for the period	\$ 139,171	\$ (28,539)

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

Basic units	75,612,655	43,104,761
Adjustment for convertible debentures	9,595,895	-
Diluted units	85,208,550	43,104,761
Income (loss) per unit:		
Basic	\$ 1.75	\$ (0.66)
Diluted	\$ 1.63	\$ (0.66)

The computation of diluted income per unit for the three months ended March 31, 2011 does not include unit options as these instruments are anti-dilutive.

The computation of loss per unit for the three months ended March 31, 2010 is based upon the weighted-average units outstanding during the period, notwithstanding the trust units classification as financial liabilities at March 31, 2010.

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11. Capital contributions (continued):

(d) Normal course issuer bid:

On December 10, 2010, the REIT announced that the Toronto Stock Exchange (the "Exchange") had approved the renewal of its normal course issuer bid. Under the renewed bid, the REIT will have the ability to purchase for cancellation up to a maximum of 7,448,867 units, representing 10% of the REIT's float of 74,488,667 on November 30, 2010. Purchases will be made at market prices through the facilities of the Exchange. The bid commenced on December 14, 2007, and will remain in effect until the earlier of December 14, 2011, or the date on which the REIT has purchased the maximum number of units permitted under the bid. During the three months ended March 31, 2011, the REIT did not acquire units through the normal course issuer bid. Since December 14, 2007, the REIT had acquired 410,200 units for cancellation.

(e) 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 up to a maximum of \$750,000 of initial offering price: (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. As at March 31, 2011, the REIT has issued 16,215,000 units under the base shelf prospectus.

(f) At-the-market equity financing:

The REIT has entered into an Equity Distribution Agreement dated September 17, 2010 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 on the Exchange. As at March 31, 2011, no units have been issued pursuant to this arrangement.

12. Distributions to unitholders:

The REIT declared distributions to REIT unitholders of record in the amount of \$0.27 per unit (2010, \$0.27 per unit) or \$20,433 for the three months ended March 31, 2011 (2010, \$12,345). Distributions for the three months ended March 31, 2010 are classified as interest expense. Total distributions payable at March 31, 2011 are \$6,819 (December 31, 2010, \$6,793).

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13. Revenue:

The REIT leases retail, industrial and office properties to tenants under operating leases.

Minimum rental commitments on non-cancellable tenant operating leases over their remaining terms are as follows:

	March 31, 2011	December 31, 2010
Not later than one year	\$ 155,779	\$ 156,891
Later than one year and not later than five years	472,853	483,059
Later than five years	347,968	366,044
	\$ 976,600	\$ 1,005,994

14. Loss on financial instruments:

The components of the fair value loss on financial instruments are as follows:

	Three months ended March 31, 2011	Three months ended March 31, 2010
Fair value (gain) loss:		
Convertible debentures	\$ 4,973	\$ (1,196)
Commodity derivatives	(125)	80
Interest rate swaps	(1,155)	-
Forward contract	(104)	-
Investment in equity securities	193	-
Trust units liability (note 25 (f))	-	26,865
	\$ 3,782	\$ 25,749

15. Changes in non-cash operating items:

	Three months ended March 31, 2011	Three months ended March 31, 2010
Prepaid expenses	\$ (1,309)	\$ (631)
Accounts receivable and other receivables	(505)	(550)
Cash held in trust	(187)	(46)
Security deposits and prepaid rent	980	2,300
Accounts payable and other liabilities	4,132	4,327
	\$ 3,111	\$ 5,400

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16. Related party transactions:

In addition to their salaries, the REIT provides non-equity incentive plan compensation and bonuses to key management personnel. The REIT also issues unit-based awards to trustees, management, management company employees and consultants (note 9).

Other related party transactions are outlined as follows:

	Three months ended March 31, 2011	Three months ended March 31, 2010
Legal fees	\$ 252	\$ 782
Advisory fees	1,305	754
Acquisition fees	659	791
Property management fees	2,341	1,280
Recoverable property management salaries and wages	970	103
Capitalized leasing commissions	332	68
Capitalized building improvements	4,387	884
Capitalized tenant inducements	442	306
Property tax assessment consulting fees	3	15
Consulting fees	25	25

The REIT incurred legal fees with a law firm associated with a trustee of the REIT in connection with property acquisitions and general business matters. The amount payable at March 31, 2011 is \$156 (December 31, 2010, \$869).

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 March 31, 2011 is \$1,018 (December 31, 2010, \$464). Under the asset management agreement, Marwest Realty is entitled to an annual advisory fee equal to 0.25% of the adjusted cost base of the REIT's assets and an acquisition fee equal to 0.5% of the cost of each property acquired.

The REIT incurred property management fees, recoverable property management salaries and wages, leasing commission fees, and tenant improvement fees under the property management agreement with Marwest Management Canada Ltd. ("Marwest Management"). The amount payable at March 31, 2011 is \$1,341 (December 31, 2010, \$390). 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. Under certain leases, Marwest Management is entitled to recover property management salaries and wages for properties managed directly.

The REIT incurred costs for building improvements and tenant inducements paid to Marwest Construction Ltd. and Marwest Development Corporation, companies related to certain trustees and officers of the REIT. The amount payable at March 31, 2011 is \$2,669 (December 31, 2010, \$671).

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16. Related party transactions (continued):

The REIT incurred costs for property tax assessment consulting paid to Fairtax Realty Advocates, a company under control of close family members of key management personnel. The amount payable at March 31, 2011 is \$nil (December 31, 2010, \$nil).

The consulting fees represent work performed by Marwest Realty on IFRS accounting work. The amount payable at March 31, 2011 is \$nil (December 31, 2010, \$nil).

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

Significant subsidiaries of the REIT are outlined as follows:

Name of entity	Ownership interest		
	March 31, 2011	December 31, 2010	January 1, 2010
Artis General Partner Ltd.	100%	100%	100%
AX L.P.	100%	100%	100%
Artis US Holdings, Inc.	100%	100%	100%
Osborne Street Call Centre Partnership	100%	100%	100%
Winnipeg Square Leaseco Inc.	100%	100%	38%

17. Income taxes:

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

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

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

The 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 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 SIFT Rules, the REIT believes that it has met the REIT Conditions throughout the three months ended March 31, 2011 and year ended December 31, 2010.

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17. Income taxes (continued):

In respect of assets and liabilities of the REIT and its flow through entities, excluding real estate investments in the U.S., the net book value of net assets for accounting purposes exceeds their tax basis by approximately \$227,074 at March 31, 2011 (December 31, 2010, \$88,807). This balance includes non-capital losses available for carryforward in the amount of \$18,873, which may be used to offset taxable income in future periods, and allowable capital losses available for carryforward in the amount of \$2,656, which may be used to offset taxable capital gains in the future periods. No recognition has been given to these temporary differences and loss carryforwards.

The REIT is subject to taxation in the U.S. on the taxable income earned by its U.S. properties.

A deferred tax liability arises from the temporary differences between the carrying value and the tax basis of the net assets of the U.S. properties. The tax effects of temporary differences arise from investment properties.

A reconciliation of expected income taxes based upon the statutory rates to the recorded income tax recovery is as follows:

	Three months ended March 31, 2011
Income for the period	\$ 132,021
Income subject to tax in the hands of unitholders, not the REIT	(132,428)
	(407)
Combined statutory rate	34.46 %
	(140)
Rate differential	23
Other	(6)
Income tax recovery	\$ (123)
Comprised of:	
Current income tax recovery	\$ (74)
Deferred tax recovery	(49)
	\$ (123)

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18. Jointly controlled assets:

These consolidated financial statements include the REIT's proportionate share of assets, liabilities, revenues, expenses and cash flows of jointly controlled assets as at March 31, 2011. The REIT is contingently liable for the obligations of its joint venturers in certain jointly controlled assets. Management believes that the jointly controlled assets are available and are sufficient for the purpose of satisfying such obligations. The REIT has interests in the following jointly controlled assets:

Name of entity	Principal purpose	Ownership interest		
		March 31, 2011	December 31, 2010	January 1, 2010
Centre 70 Building	Investment property	85%	85%	85%
Kincaid Building	Investment property	50%	50%	50%
Cliveden Building	Investment property	50%	50%	50%
Winnipeg Square / 360 Main Street ⁽¹⁾	Investment property	-	-	38%
Westbank Hub Centre North	Investment property	50%	50%	-%

⁽¹⁾ The REIT acquired the remaining 62% interest in this property on June 30, 2010.

The REIT's proportionate share of these jointly controlled assets is summarized as follows:

	March 31, 2011	December 31, 2010	January 1, 2010
Non-current assets	\$ 72,846	\$ 68,401	\$ 89,177
Current assets	596	392	1,109
	73,442	68,793	90,286
Non-current liabilities	68,266	68,946	85,256
Current liabilities	1,696	1,527	2,287
	\$ 69,962	\$ 70,473	\$ 87,543

	Three months ended March 31, 2011	Three months ended March 31, 2010
Revenue	\$ 1,981	\$ 3,234
Expenses	1,194	2,318
	787	916
Unrealized fair value gain (loss) on investment properties	4,374	(1,416)
Operating income (loss) from properties	\$ 5,161	\$ (500)
Cash flows provided by operating activities	\$ 959	\$ 742
Cash flows used in investing activities	(16)	(7,986)
Cash flows (used in) provided by financing activities	(671)	7,344

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19. Segmented information:

The REIT owns and operates various properties located in Canada and the U.S. Information related to these geographical locations is presented below. Western Canada includes British Columbia and Alberta; Central Canada includes Saskatchewan and Manitoba; and Eastern Canada includes Ontario. REIT expenses as well as interest relating to the convertible debentures have not been allocated to the segments.

Three months ended March 31, 2011						
	Western Canada	Central Canada	Eastern Canada	U.S.	REIT	Total
Revenue	\$ 35,838	\$ 16,764	\$ 6,977	\$ 3,679	\$ -	\$ 63,258
Property operating expenses	12,887	6,947	3,161	1,251	-	24,246
	22,951	9,817	3,816	2,428	-	39,012
Interest income	376	13	6	1	354	750
	23,327	9,830	3,822	2,429	354	39,762
Interest expense	8,714	3,752	1,112	726	2,371	16,675
Corporate expenses	-	-	-	-	2,513	2,513
Foreign currency translation loss	-	-	-	-	103	103
	8,714	3,752	1,112	726	4,987	19,291
	14,613	6,078	2,710	1,703	(4,633)	20,471
Income tax recovery	-	-	-	123	-	123
Transaction costs	(177)	-	(36)	(993)	-	(1,206)
Loss on financial instruments	-	-	-	-	(3,782)	(3,782)
Gain on disposal of investment property	-	255	-	-	-	255
Unrealized fair value gain (loss) on investment properties	82,641	19,507	14,836	(824)	-	116,160
Income (loss) for the period	\$ 97,077	\$ 25,840	\$ 17,510	\$ 9	\$ (8,415)	\$ 132,021
Acquisitions of investment properties	\$ 19,373	\$ -	\$ -	\$ 113,842	\$ -	\$ 133,215
Additions to investment properties and investment properties under construction	2,457	2,087	-	-	-	4,544
Additions to leasing costs	699	222	207	254	-	1,382
Additions to tenant inducements	727	1,505	10	315	-	2,557
March 31, 2011						
	Western Canada	Central Canada	Eastern Canada	U.S.	REIT	Total
Total assets	\$ 1,397,540	\$ 537,748	\$ 184,137	\$ 235,931	\$ 44,464	\$ 2,399,820
Total liabilities	703,356	290,274	107,716	155,733	175,131	1,432,210

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19. Segmented information (continued):

Three months ended March 31, 2010						
	Western Canada	Central Canada	REIT	Total		
Revenue	\$ 22,268	\$ 11,483	\$ -	\$ 33,751		
Property operating expenses	7,176	4,462	-	11,638		
	15,092	7,021	-	22,113		
Interest income	396	3	53	452		
	15,488	7,024	53	22,565		
Interest expense	5,831	2,526	13,914	22,271		
Corporate expenses	-	-	1,284	1,284		
	5,831	2,526	15,198	23,555		
	9,657	4,498	(15,145)	(990)		
Transaction costs	(1,049)	(280)	-	(1,329)		
Loss on financial instruments	-	-	(25,749)	(25,749)		
Unrealized fair value gain (loss) on investment properties	25	(496)	-	(471)		
Income (loss) for the period	\$ 8,633	\$ 3,722	\$ (40,894)	\$ (28,539)		
Acquisitions of investment properties	\$ 132,786	\$ 25,500	\$ -	\$ 158,286		
Additions to investment properties and investment properties under construction	1,196	669	-	1,865		
Additions to leasing costs	233	156	-	389		
Additions to tenant inducements	408	368	-	776		
December 31, 2010						
	Western Canada	Central Canada	Eastern Canada	U.S.	REIT	Total
Total assets	\$ 1,289,799	\$ 521,111	\$ 168,849	\$ 123,671	\$ 108,166	\$ 2,211,596
Total liabilities	706,329	291,877	107,882	81,073	170,205	1,357,366

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20. Commitments, contingencies and guarantees:

(a) Letters of credit:

As of March 31, 2011, the REIT had issued letters of credit in the amount of \$1,701 (December 31, 2010, \$1,701).

(b) Guarantees:

AXLP has guaranteed certain debt assumed by a purchaser in connection with the disposition of a property. This guarantee will remain until the debt is modified, refinanced or extinguished. Credit risk arises in the event that the purchaser defaults on repayment of their debt since it is guaranteed by the REIT. This credit risk is mitigated as the REIT has recourse under this guarantee in the event of default by the purchaser, in which case the REIT would have a claim against the underlying property. The estimated amount of debt subject to the guarantee at March 31, 2011 is \$5,838 (December 31, 2010, \$5,873), with an estimated weighted-average remaining term of 6.7 years (December 31, 2010, 6.9 years). No liability in excess of the fair value of the guarantee has been recognized in these consolidated financial statements as the estimated fair value of the borrower's interests in the underlying property is greater than the mortgage payable for which the REIT provided the guarantee.

(c) Contingent consideration:

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

21. Capital management:

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

The REIT's Declaration of Trust permits the REIT to incur indebtedness, provided that after giving effect to incurring or assuming any indebtedness (as defined in the Declaration of Trust), the amount of such indebtedness of the REIT is not more than 70% of the gross book value of the REIT's total assets. Gross book value is defined in the Declaration of Trust as "the consolidated book value of the assets of the REIT, plus the amount of accumulated depreciation and amortization recorded in the books and records of the REIT, plus the amount of any deferred tax liability arising out of any indirect acquisitions, calculated in accordance with generally accepted accounting principles". As at March 31, 2011, the ratio of such indebtedness to gross book value was 51.3% (December 31, 2010, 52.6%), which complies with the requirement in the Declaration of Trust and is consistent with the REIT's objectives.

In addition to the covenant outlined in the Declaration of Trust, the REIT must maintain a debt to gross book value ratio of 70%, a debt service coverage ratio of 1.4, and minimum unitholders' equity of \$275,000 for the purposes of the credit facility (note 10). As at March 31, 2011, the REIT was in compliance with these requirements.

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21. Capital management (continued):

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

The total managed capital for the REIT is summarized below:

	March 31, 2011	December 31, 2010	January 1, 2010
Mortgages and loans payable	\$ 1,223,103	\$ 1,156,092	\$ 612,263
Convertible debentures	156,626	153,889	103,225
Bank indebtedness	8,000	8,000	30,700
Total debt	1,387,729	1,317,981	746,188
Unitholders' equity (deficit)	967,610	854,230	(7,414)
	\$ 2,355,339	\$ 2,172,211	\$ 738,774

22. Risk management and fair values:

(a) Risk management:

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

(i) Market risk:

(a) Interest rate risk:

The REIT is exposed to interest rate risk on its borrowings. It minimizes the risk by restricting debt to 70% of the gross book value of the REIT's total assets and by limiting the amount of variable rate debt. The REIT has the majority of its mortgage payable and debentures in fixed rate terms. In addition, management considers the weighted-average term to maturity of long-term debt relative to the remaining average lease terms. At March 31, 2011, the REIT is a party to \$256,934 of variable rate debt, including the outstanding balance of bank indebtedness (December 31, 2010, \$183,584). At March 31, 2011, the REIT had entered into interest rate swaps to hedge the interest rate risk associated with \$66,209 of variable rate debt (December 31, 2010, \$66,584).

The following table outlines the impact on interest expense of a 100 basis point increase or decrease in interest rates on the REIT's variable rate debt and fixed rate debt maturing within one year:

	Impact on interest expense
Variable rate debt	\$ 598
Fixed rate debt due within one year	416
	\$ 1,014

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22. Risk management and fair values (continued):

(a) Risk management (continued):

(i) Market risk (continued):

(b) Foreign currency risk:

The REIT owns properties located in the U.S., and therefore, the REIT is subject to foreign currency fluctuations that may impact its financial position and results. In order to mitigate this risk, the REIT's debt on U.S. properties is held in US dollars to act as a natural hedge.

A \$0.10 weakening in the US dollar against the average Canadian dollar exchange rate of \$0.9802 for the three months ended March 31, 2011 and the period end exchange rate of \$0.9718 at March 31, 2011 would have increased the unrealized foreign currency translation loss included in net income by approximately \$947 and increased other comprehensive loss by approximately \$8,288. Conversely, a \$0.10 strengthening in the US dollar against the Canadian dollar would have had an equal but opposite effect. This analysis assumes that all variables, in particular interest rates, remain constant.

(c) Other price risk:

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

(ii) Credit risk:

The REIT's maximum exposure to credit risk is equivalent to the carrying value of each class of financial asset as separately presented in cash and cash equivalents, cash held in trust, notes receivable, accounts receivable and other receivables, and investment in equity securities.

The REIT is exposed to credit risk as an owner of real estate in that tenants may become unable to pay the contracted rents. Management mitigates this risk by carrying out appropriate credit checks and related due diligence on the significant tenants. The REIT's properties are diversified across the industrial, retail and office asset classes, and geographically diversified with properties owned across five Canadian provinces and four U.S. states. Included in property operating expenses is an impairment loss on accounts receivable and other receivables of \$95 during the three months ended March 31, 2011 (2010, \$51). The credit quality of the accounts receivable and other receivables amount is considered adequate.

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22. Risk management and fair values (continued):

(a) Risk management (continued):

(ii) Credit risk (continued):

The aging of accounts receivable is summarized as follows:

	March 31, 2011	December 31, 2010
Past due 0 - 30 days	\$ 614	\$ 502
Past due 31 - 90 days	377	134
Past due more than 91 days	367	608
	1,358	1,244
Allowance for doubtful accounts	(206)	(174)
	\$ 1,152	\$ 1,070

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

(iii) Liquidity risk:

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

The following are the estimated maturities of the REIT's non-derivative financial liabilities including accounts payable and other liabilities, mortgages and loans payable, bank indebtedness and convertible debentures, with convertible debentures disclosed at their face value:

	Total	Less than 1 year	1 - 3 years	4 - 5 years	After 5 years
Accounts payable and other liabilities	\$ 33,862	\$ 33,862	\$ -	\$ -	\$ -
Mortgages, loans and bank indebtedness	1,233,961	83,260	296,452	453,649	400,600
Convertible debentures	145,624	-	29,920	29,454	86,250
	\$ 1,413,447	\$ 117,122	\$ 326,372	\$ 483,103	\$ 486,850

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22. Risk management and fair values (continued):

(b) Fair values:

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

The fair value of notes receivable has been determined by discounting the cash flows of these financial assets using period end market rates for assets of similar terms and credit risks. Based on these assumptions, the fair value of notes receivable at March 31, 2011 has been estimated at \$26,294 (December 31, 2010, \$26,689), compared with the carrying value of \$26,686 (December 31, 2010, \$27,142).

The fair value of mortgages and loans payable has been determined by discounting the cash flows of these financial obligations using period end market rates for debt of similar terms and credit risks. Based on these assumptions, the fair value of mortgages and loans payable at March 31, 2011 has been estimated at \$1,239,773 (December 31, 2010, \$1,183,292) compared with the carrying value of \$1,223,103 (December 31, 2010, \$1,156,092).

The fair value of the REIT's convertible debentures is \$156,626 (December 31, 2010, \$153,889) compared to its face value of \$145,624 (December 31, 2010, \$147,164) at March 31, 2011. Fair value is based on the market price of the debentures, or if no market price exists, fair value is determined by discounting the cash flows of these financial obligations using period end market rates for debt of similar terms and credit risks.

As at March 31, 2011, the REIT has entered into natural gas and electrical contracts with a fair value liability of \$71 (December 31, 2010, fair value liability of \$196). The REIT recorded an unrealized fair value gain of \$125 for the three months ended March 31, 2011 (2010, loss of \$80).

The REIT entered into interest rate swaps on four mortgages. The swaps are not designated in a hedge relationship. An unrealized gain of \$1,155 was recorded for the three months ended March 31, 2011 (2010, \$nil) in relation to the fair value of these interest rate swaps, resulting in a fair value asset at March 31, 2011 of \$1,649 (December 31, 2010, \$494).

On December 31, 2010, the REIT had entered into a forward contract to purchase US \$10,000 on March 28, 2011. An unrealized gain of \$104 was recorded for the three months ended March 31, 2011 in relation to this contract, to offset unrealized losses recognized in prior periods.

The fair value of equity securities is \$13,443 at March 31, 2011 (December 31, 2010, \$11,184), with an unrealized loss of \$493 and a realized gain of \$300 recorded for the three months ended March 31, 2011.

Under the fair value hierarchy of financial instruments measured at fair value on the consolidated balance sheet, investment in equity securities, convertible debentures and the trust units liability are measured using a Level 1 methodology and natural gas and electrical contracts and interest rate swaps are valued using a Level 2 methodology. There are no financial instruments valued using a Level 3 methodology.

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23. Subsequent events:

On April 4, 2011, the REIT drew \$7,400 on the line of credit for the EMC Building which was acquired on February 28, 2011.

On April 15, 2011, the REIT acquired a 50% interest in the Cara Foods building, located in the Greater Toronto Area in Ontario. This interest was acquired for \$21,000 and the purchase price was satisfied with a combination of cash, assumed mortgage financing of \$12,163, which matures in 2013 and bears interest at a rate of 5.44% per annum, and by way of an \$8,800 draw on the line of credit.

On April 21, 2011, the REIT issued Series G convertible redeemable 5.75% debentures totaling US \$88,000 (inclusive of US \$8,000 debentures issued pursuant to the exercise in full of the underwriter's over-allotment option) under its base shelf prospectus. Interest is paid semi-annually on June 30 and December 31. The convertible debentures mature on June 30, 2018 and are convertible into units of the REIT by the holder at a price of US \$18.25 (with a fixed foreign exchange rate of 1.0390).

On April 29, 2011, the REIT acquired the 3M Distribution Facility building, located in the Greater Toronto Area in Ontario. The industrial building was acquired for \$39,300 and the purchase price was satisfied with a combination of cash, new mortgage financing of \$25,545, which matures in 2020 and bears interest at a rate of 4.94% per annum, and by way of a \$13,700 draw on the line of credit.

The REIT has entered into agreements with respect to the acquisition of properties located in Ontario, Manitoba and Saskatchewan. The total purchase price of the properties is \$189,000. The REIT anticipates that the acquisitions will close in May and June of 2011, and will be financed through a combination of cash consideration and either existing or new mortgage financing.

The REIT has entered into agreements with respect to the acquisition of properties located in Minnesota. The total purchase price of the properties is US \$53,300. The REIT anticipates that the acquisitions will close in May and June of 2011, and will be financed through a combination of cash consideration and new mortgage financing.

Subsequent to March 31, 2011, Series E convertible debentures with a face value of \$614 were converted and the REIT issued 66,016 units at the price of \$9.30 per unit.

24. Approval of financial statements:

The consolidated financial statements were approved by the Board of Trustees and authorized for issue on May 18, 2011.

25. Transition to IFRS:

As stated in note 2 (a), the REIT's consolidated financial statements for the year ended December 31, 2011 will be the first annual financial statements prepared in accordance with IFRS.

The accounting policies set out in note 2 have been applied in preparing the consolidated financial statements for the three months ended March 31, 2011, the comparative information presented in these consolidated financial statements for the three months ended March 31, 2010 and in the preparation of an opening IFRS balance sheet at January 1, 2010 (the REIT's date of transition). The REIT will ultimately prepare its opening IFRS balance sheet in the 2011 annual consolidated financial statements by applying existing IFRS with an effective date of December 31, 2011 or prior. Accordingly, the opening IFRS balance sheet and the December 31, 2010 comparative balance sheet presented in the 2011 annual consolidated financial statements may differ from those presented at this time.

In preparing its opening IFRS balance sheet, the REIT has adjusted amounts reported previously in financial statements prepared in accordance with previous Canadian GAAP. An explanation of how the transition from previous Canadian GAAP to IFRS has affected the REIT's financial position, operating results and cash flows is set out in the following tables and the accompanying notes.

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25. Transition to IFRS (continued):

The following is a reconciliation of unitholders' equity reported in accordance with previous Canadian GAAP to unitholders' equity reported in accordance with IFRS at the transition date:

	Capital contributions	Equity component of convertible debentures	Deficit	Contributed surplus	Total
Unitholders' equity as reported under previous Canadian GAAP, December 31, 2009	\$ 485,000	\$ 9,926	\$ (137,497)	\$ 3,477	\$ 360,906
Adjustments:					
Investment properties (note 25 (c))	-	-	76,055	-	76,055
Unit-based payments (note 25 (d))	-	-	1,537	(1,714)	(177)
Convertible debentures (note 25 (e))	-	(9,926)	(7,267)	-	(17,193)
Trust units (note 25 (f))	(485,000)	-	59,758	(1,763)	(427,005)
Unitholders' deficit as reported under IFRS, January 1, 2010	\$ -	\$ -	\$ (7,414)	\$ -	\$ (7,414)

The following is a reconciliation of unitholders' equity reported in accordance with previous Canadian GAAP to unitholders' equity reported in accordance with IFRS at March 31, 2010:

	Capital contributions	Equity component of convertible debentures	Deficit	Contributed surplus	Total
Unitholders' equity as reported under previous Canadian GAAP, March 31, 2010	\$ 609,395	\$ 9,672	\$ (149,363)	\$ 3,488	\$ 473,192
Adjustments:					
Investment properties (note 25 (c))	-	-	84,587	-	84,587
Unit-based payments (note 25 (d))	-	-	1,504	(1,725)	(221)
Convertible debentures (note 25 (e))	-	(9,672)	(5,575)	-	(15,247)
Trust units (note 25 (f))	(609,395)	-	32,894	(1,763)	(578,264)
Unitholders' deficit as reported under IFRS, March 31, 2010	\$ -	\$ -	\$ (35,953)	\$ -	\$ (35,953)

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25. Transition to IFRS (continued):

The following is a reconciliation of unitholders' equity reported in accordance with previous Canadian GAAP to unitholders' equity reported in accordance with IFRS at December 31, 2010:

	Capital contributions	Equity component of convertible debentures	Deficit	Accumulated other comprehensive loss	Contributed surplus	Total
Unitholders' equity as reported under previous Canadian GAAP, December 31, 2010	\$ 909,331	\$ 11,442	\$ (204,604)	\$ (273)	\$ 3,815	\$ 719,711
Adjustments:						
Investment properties (note 25 (c))	-	-	153,523	-	-	153,523
Unit-based payments (note 25 (d))	7	-	1,171	-	(1,486)	(308)
Convertible debentures (note 25 (e))	4,531	(11,442)	(10,721)	-	(566)	(18,198)
Trust units (note 25 (f))	(38,635)	-	40,398	-	(1,763)	-
Deferred taxes (note 25 (g))	-	-	(498)	-	-	(498)
Foreign currency translation (note 25 (h))	-	-	37	(37)	-	-
Unitholders' equity as reported under IFRS, December 31, 2010	\$ 875,234	\$ -	\$ (20,694)	\$ (310)	\$ -	\$ 854,230

The following is a reconciliation of comprehensive income reported in accordance with previous Canadian GAAP to comprehensive income reported in accordance with IFRS for the three months ended March 31, 2010 and year ended December 31, 2010:

	Three months ended March 31, 2010	Year ended December 31, 2010
Comprehensive income (loss) for the period as reported under previous Canadian GAAP	\$ 479	\$ (4,048)
Adjustments:		
Investment properties (note 25 (c))	8,533	77,508
Unit-based payments (note 25 (d))	(33)	(368)
Convertible debentures (note 25 (e))	1,692	(3,454)
Trust units (note 25 (f))	(39,210)	(36,189)
Deferred taxes (note 25 (g))	-	(498)
Foreign currency translation (note 25 (h))	-	(37)
Comprehensive (loss) income for the period as reported under IFRS	\$ (28,539)	\$ 32,914

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25. Transition to IFRS (continued):

- (a) Elected exemptions from full retrospective application:

In preparing the consolidated financial statements in accordance with IFRS 1, the REIT has elected to apply IFRS prospectively to all business combinations that occurred on or after the January 1, 2010 transition date. The remaining optional exemptions are either not applicable to the REIT or not utilized in the transition to IFRS.

- (b) Mandatory exceptions from full retrospective application:

In accordance with IFRS 1, the REIT has applied the mandatory exception from full retrospective application of IFRS with respect to estimates. Hindsight was not used to create or revise estimates and accordingly the estimates previously made by the REIT under Canadian GAAP are consistent with their application under IFRS at January 1, 2010. The remaining mandatory exceptions are not applicable to the REIT.

- (c) Investment properties and investment properties under construction:

The REIT considers its commercial properties to be investment properties under IAS 40 - *Investment Property*. Investment property is property held to earn rental income or for capital appreciation, or both.

Consistent with the REIT's accounting policy, investment properties have been recognized at fair value at the date of transition. Under previous Canadian GAAP investment properties were measured on an amortized cost basis.

The adjustment to equity represents the cumulative unrealized gain in respect of the REIT's investment properties, inclusive of related intangible assets, leasing costs, intangible liabilities, straight-line rent receivable, tenant inducements and tenant improvements which were recorded separately under previous GAAP.

Under IFRS, investment properties under construction are separately presented in the balance sheet.

In accordance with IFRS, acquisitions of properties that constitute a business are accounted for as business combinations using the acquisition method. Transaction costs associated with business combinations have been expensed as incurred. Under previous Canadian GAAP, transaction costs associated with property acquisitions were capitalized.

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25. Transition to IFRS (continued):

- (c) Investment properties and investment properties under construction (continued):

The impact arising from the change is summarized as follows:

	Three months ended March 31, 2010	Year ended December 31, 2010
Consolidated statement of operations:		
Elimination of amortization expense	\$ (13,437)	\$ (70,872)
Decrease in revenue	3,104	13,937
Unrealized fair value loss (gain)	471	(36,365)
Increase in transaction costs	1,329	15,792
Increase in comprehensive income for the period	\$ (8,533)	\$ (77,508)

	January 1, 2010	March 31, 2010	December 31, 2010
Consolidated balance sheet:			
Increase in investment properties	\$ 119,886	\$ 148,661	\$ 332,009
Increase in investment properties under construction	-	73	5,405
Decrease in other assets	(119,440)	(141,033)	(266,707)
Decrease in intangible liabilities	81,523	83,243	91,568
Decrease in other receivables	(5,914)	(6,357)	(8,752)
Increase in equity	\$ 76,055	\$ 84,587	\$ 153,523

- (d) Unit-based payments:

The REIT's unit options are to be settled by redeemable trust units. In accordance with IFRS 2 - *Share-Based Payment*, these unit-based payments are considered to be cash-settled, and are therefore recorded as a liability at fair value at each reporting date. Any change in the fair value of the liability is recognized as compensation expense in net income for the period. Unit options granted by the REIT vest equally over a four-year period. In accordance with IFRS, the REIT treats each installment as a separate unit option grant as each installment has a different vesting period. Under previous GAAP, the fair value at the grant date of options granted and vested under the unit option plan were recorded to contributed surplus, and unit option installments were not treated as separate unit option grants.

- (e) Convertible debentures:

The REIT's convertible debentures are to be settled by redeemable trust units. Consistent with the REIT's accounting policy, convertible debentures are recorded as a liability at fair value at each reporting date, with gains and losses recognized in net income. Transaction costs are recognized immediately in net income. Under previous GAAP, convertible debentures were recorded as compound financial instruments and allocated between a liability and equity component at the time of issue. Transaction costs were included in the carrying value of the liability at inception and amortized over the expected life of the debentures using the effective interest method.

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25. Transition to IFRS (continued):

(f) Trust units:

In accordance with IAS 32 - *Financial Instruments: Presentation*, the REIT's trust units are classified as liabilities as they represent puttable financial instruments that include a contractual obligation to redeem the trust units for cash on exercise of the put, and are measured at fair value with gains and losses recognized in net income. On May 14, 2010, the REIT amended its Declaration of Trust in order to make distributions non-mandatory, and thereby, permit classification of the trust units as equity. Distributions paid to unitholders during the period from January 1 to May 13, 2010 are classified as interest expense. Under previous GAAP, trust units and distributions on those units were classified as equity.

The impact arising from the change is summarized as follows:

	Three months ended March 31, 2010	Year ended December 31, 2010	
Consolidated statement of operations:			
Increase in interest expense	\$ 12,345	\$ 16,828	
Increase in unrealized fair value loss	26,865	19,361	
Decrease in comprehensive income for the period	\$ 39,210	\$ 36,189	
	January 1, 2010	March 31, 2010	December 31, 2010
Consolidated balance sheet:			
Increase in trust units liability	\$ 427,005	\$ 578,264	\$ -
Decrease in equity	\$ 427,005	\$ 578,264	\$ -

(g) Deferred taxes:

The change in deferred taxes recorded under IFRS compared with previous Canadian GAAP relates to the change in the measurement of the carrying value of investment properties from amortized cost to fair value.

(h) Foreign currency translation:

The change in other comprehensive income recorded under IFRS compared with previous Canadian GAAP relates to the change in the measurement of the carrying value of investment properties from amortized cost to fair value.

(i) Classification:

Under previous GAAP, the REIT did not present a classified balance sheet. Under IAS 1 - *Presentation of Financial Statements*, the REIT presents current and non-current assets, and current and non-current liabilities, as separate classifications in its balance sheet.

(j) Changes to the cash flow statement:

There were no material adjustments to the cash flow statement as a result of the transition to IFRS, other than the impact of the adjustments discussed in note 25 (c) through (h).