



ARTIS

REIT

**Management's Discussion and Analysis
Q1 - 11**

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

ARTIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis - Q1-11
(In thousands of Canadian dollars, unless otherwise noted)

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 unaudited interim consolidated financial statements for the three month period ended March 31, 2011, and the notes thereto. This MD&A has been prepared taking into account material transactions and events up to and including May 18, 2011. Additional information about Artis, including the REIT's most recent Annual Information Form, has been filed with applicable Canadian securities regulatory authorities and is available at www.sedar.com or on our web site at www.artisreit.com.

FORWARD-LOOKING DISCLAIMER

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

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

NOTICE RESPECTING NON-GAAP MEASURES

Property Net Operating Income ("Property NOI"), Distributable Income ("DI") and Funds from Operations ("FFO") are non-GAAP measures commonly used by Canadian real estate investment trusts as an indicator of financial performance. "GAAP" means the generally accepted accounting principles described by the Canadian Institute of Chartered Accountants ("CICA") Handbook - Accounting, which are applicable as at the date on which any calculation using GAAP is to be made. As a publicly accountable enterprise, Artis applies the International Financial Reporting Standards ("IFRS") described in Part I of the CICA Handbook - Accounting.

Artis calculates Property NOI as revenues, prepared in accordance with IFRS, 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"), as issued in June 2010 for entities adopting IFRS. These guidelines include certain additional adjustments to FFO under IFRS from the previous definition of FFO. 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 IFRS. 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 IFRS. 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.

ARTIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis - Q1-11
(In thousands of Canadian dollars, unless otherwise noted)

TABLE OF CONTENTS

OVERVIEW	3
Primary Objectives	3
U.S. Investment Strategy	3
Portfolio Summary	4
2011 - FIRST QUARTER HIGHLIGHTS	6
Portfolio Growth	6
Financing Activities	6
Internalization of Asset Management	7
Distributions	7
SELECTED FINANCIAL INFORMATION	7
INTERNATIONAL FINANCIAL REPORTING STANDARDS	8
ANALYSIS OF OPERATING RESULTS	12
Revenue and Property NOI	12
Same Property NOI Growth	12
Property NOI by Asset Class	13
Property NOI by Geographical Region	13
Portfolio Occupancy	14
Portfolio Leasing Activity and Lease Expiries	15
Interest Expense	20
Corporate Expense	20
Foreign Currency Translation Loss	20
Income Tax Recovery	20
Transaction Costs	21
Loss on Financial Instruments	21
Unrealized Fair Value Change on Investment Properties	21
Other Comprehensive Loss	22
Distributable Income and Distributions	22
Distributions	24
Funds from Operations	25
ANALYSIS OF FINANCIAL POSITION	27
Assets	27
Liabilities	29
Unitholders' Equity	30
LIQUIDITY AND CAPITAL RESOURCES	31
Contractual Obligations	31
SUMMARIZED QUARTERLY INFORMATION	32
RELATED PARTY TRANSACTIONS	35
OUTSTANDING UNIT DATA	36
2011 OUTLOOK	36
RISKS AND UNCERTAINTIES	37
Real Estate Ownership	37
Interest Rate and Debt Financing	37
Credit Risk and Tenant Concentration	38
Lease Rollover Risk	39
Tax Risk	39
Foreign Currency Risk	40
Other Risks	40
CRITICAL ACCOUNTING ESTIMATES	40
Valuation of Investment Properties	40
Valuation of Convertible Debentures	40
Valuation of Deferred Tax Assets and Liabilities	41
CHANGES IN ACCOUNTING POLICIES	41
CONTROLS AND PROCEDURES	41
Internal Controls over Financial Reporting	41
Disclosure Controls and Procedures	42

ARTIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis - Q1-11
(In thousands of Canadian dollars, unless otherwise noted)

OVERVIEW

Artis is an unincorporated open-end real estate investment trust created under, and governed by, the laws of the province of Manitoba. On February 15, 2007, Artis underwent a name change from "Westfield Real Estate Investment Trust" to "Artis Real Estate Investment Trust". On May 14, 2009, unitholders authorized the trustees of Artis to implement certain amendments to Artis' Declaration of Trust which, if implemented, would have the effect of converting Artis to a closed-end trust. As at May 18, 2011, 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 C, Series E, Series F and Series G convertible debentures trade under the symbols AX.DB.C, AX.DB.E, AX.DB.F, and AX.DB.G respectively. As at May 18, 2011, there were 75,924,916 units, and 1,068,500 options of Artis outstanding (refer to the *Outstanding Unit Data* section for further details).

PRIMARY OBJECTIVES

Artis REIT's primary objective is to maximize total returns to our unitholders. Returns include a stable, reliable and tax efficient monthly cash distribution as well as long-term appreciation in the value of Artis REIT's units.

Artis REIT's management employs several key strategies to meet our primary objective:

- **Portfolio Diversification.** We build stability into our cash flows through a strategy of diversification. Our commercial properties are well diversified across the industrial, retail and office asset classes. We are also geographically diversified with properties owned across western Canada, as well as Ontario and in select markets in the United States ("U.S.").
- **Portfolio Expansion.** We build growth into our cash flows through the efficient sourcing and deployment of capital into high-quality and accretive acquisition opportunities in our target markets, or into high-yield intensification or (re)development opportunities that exist within our property portfolio.
- **Managing for Value Creation.** We build value through the active management of our portfolio, leveraging off the experience and expertise of our management team. We focus on maximizing property value and cash flows over the long-term, creating additional value through the selective disposition of assets at premium prices, and reinvesting and repositioning the portfolio on an on-going basis in higher growth markets.

The Declaration of Trust provides that Artis may make monthly cash distributions to its unitholders. The amount distributed annually (currently \$1.08 per unit on an annualized basis effective May 31, 2008) will be the amount of distributable income set down in a policy by the Trustees.

U.S. INVESTMENT STRATEGY

At March 31, 2011, approximately 11.3% of Artis' portfolio weighting by run-rate Property NOI is in the United States. Historically, commercial real estate in the U.S. has been more expensive and offered lower unlevered yields than similar property in Canada. This has now changed, and Canadian investors are able to acquire quality U.S. properties at relatively higher yields than in Canada. Artis' management believes that this window of opportunity will not be open for long and has adopted a disciplined approach in pursuing U.S. acquisitions while the opportunity exists, as follows:

- total weighting of U.S. properties in Artis' portfolio will not exceed 20% by pro-forma Property NOI.
- unlevered yield will be accretive, and higher than that available for a comparable property in Canada.
- low interest, conventional mortgage financing will be available.
- quality local third party property management will be available.
- property will be "new generation", thus reducing the average age of Artis' overall portfolio.
- the tenant credit and lease expiry profile for the property will be more conservative than that of a comparable property in Canada, thus improving the credit profile of Artis' overall portfolio.

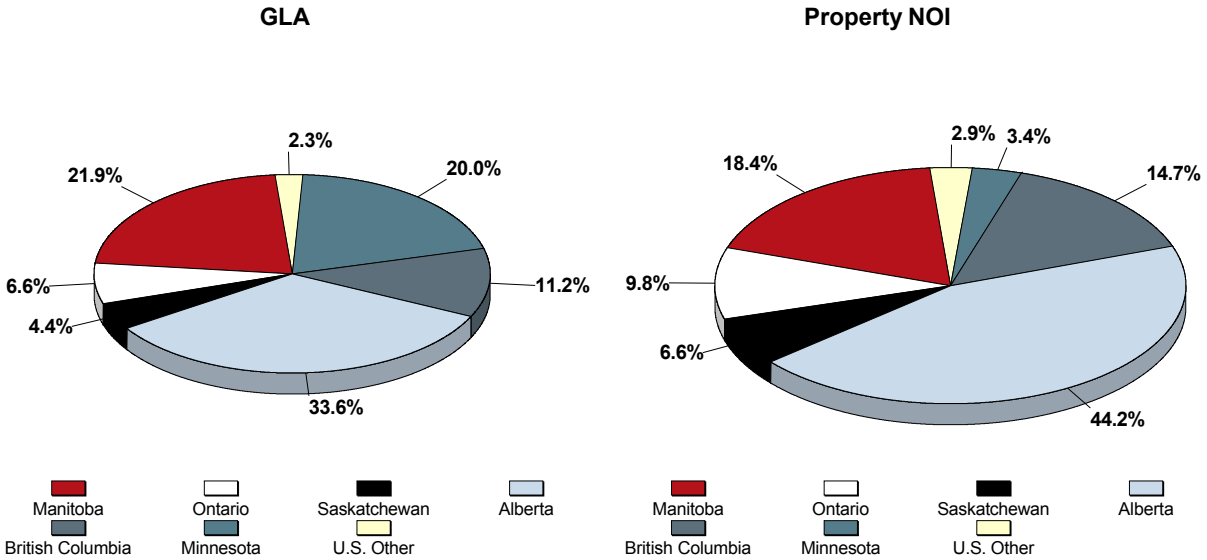
ARTIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis - Q1-11
(In thousands of Canadian dollars, unless otherwise noted)

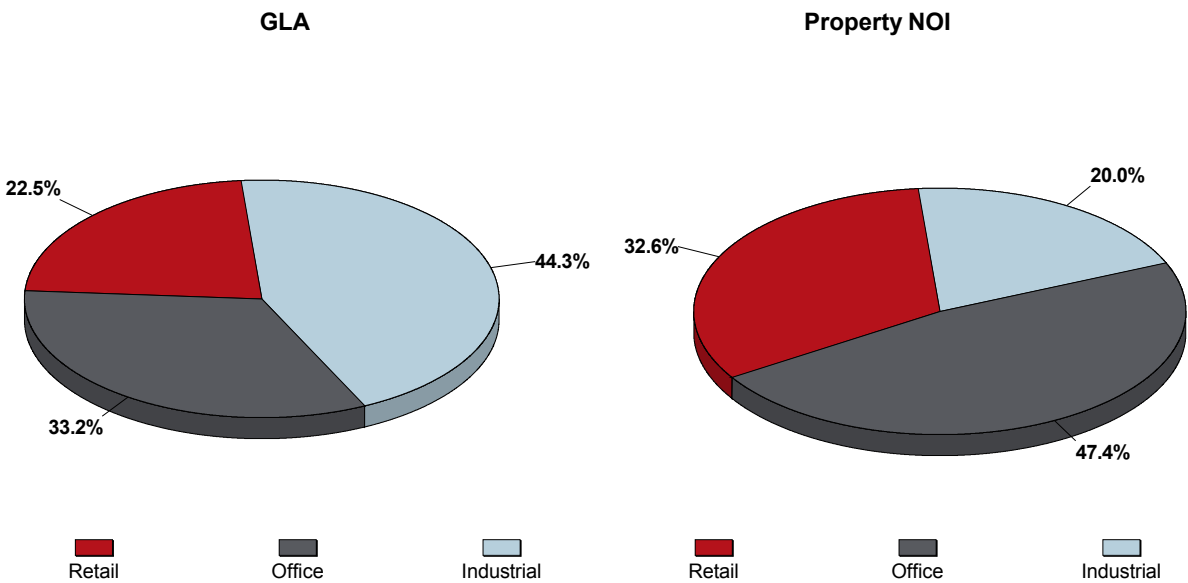
PORTFOLIO SUMMARY

At March 31, 2011, the REIT's portfolio was comprised of 146 commercial properties totaling approximately 14,398 thousand square feet (s.f.) of gross leasable area ("GLA").

Diversification by Geographical Region:



Diversification by Asset Class:



ARTIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis - Q1-11
(In thousands of Canadian dollars, unless otherwise noted)

Portfolio by Asset Class as at March 31, 2011 (in 000's of s.f.) ⁽¹⁾

Asset Class	City	Province / State	Number of Properties	Owned Share of Leasable Area	% of Portfolio GLA	Occupancy %	Committed % ⁽²⁾
Industrial	Acheson	AB	2	265	1.9 %	100.0 %	100.0 %
	Calgary	AB	7	596	4.1 %	97.6 %	97.6 %
	Delta	BC	1	70	0.5 %	100.0 %	100.0 %
	Edmonton	AB	6	734	5.1 %	98.4 %	99.4 %
	Mississauga	ON	1	158	1.1 %	91.4 %	94.6 %
	Nisku	AB	1	23	0.2 %	100.0 %	100.0 %
	Red Deer	AB	1	126	0.9 %	85.2 %	85.2 %
	Saskatoon	SK	1	163	1.1 %	100.0 %	100.0 %
	Winnipeg	MB	28	1,696	11.8 %	97.3 %	98.5 %
Industrial total			48	3,831	26.7 %	97.3 %	98.1 %
Office	Burnaby	BC	2	389	2.7 %	100.0 %	100.0 %
	Calgary	AB	11	1,336	9.3 %	94.8 %	95.1 %
	Edmonton	AB	1	29	0.2 %	100.0 %	100.0 %
	Mississauga	ON	2	244	1.7 %	93.8 %	98.0 %
	Nanaimo	BC	2	68	0.5 %	100.0 %	100.0 %
	Red Deer	AB	1	149	1.0 %	71.3 %	98.9 %
	Toronto	ON	1	546	3.8 %	95.9 %	96.5 %
	Vancouver	BC	1	174	1.2 %	100.0 %	100.0 %
	Winnipeg	MB	6	1,021	7.1 %	96.2 %	97.1 %
Office total			27	3,956	27.5 %	95.2 %	97.0 %
Retail	Calgary	AB	5	426	3.0 %	98.5 %	99.5 %
	Coquitlam	BC	1	82	0.6 %	97.8 %	97.8 %
	Cranbrook	BC	1	290	2.0 %	94.5 %	94.5 %
	Delta	BC	1	75	0.5 %	100.0 %	100.0 %
	Edmonton	AB	2	165	1.1 %	100.0 %	100.0 %
	Edson	AB	1	20	0.1 %	100.0 %	100.0 %
	Estevan	SK	1	38	0.3 %	100.0 %	100.0 %
	Fort McMurray	AB	8	194	1.3 %	100.0 %	100.0 %
	Grande Prairie	AB	4	379	2.6 %	97.5 %	98.7 %
	Lethbridge	AB	1	53	0.4 %	100.0 %	100.0 %
	Medicine Hat	AB	1	162	1.1 %	97.2 %	97.2 %
	Moose Jaw	SK	1	38	0.3 %	100.0 %	100.0 %
	Nanaimo	BC	2	90	0.6 %	60.0 %	60.0 %
	Regina	SK	7	257	1.8 %	95.4 %	95.4 %
	Saskatoon	SK	2	143	1.0 %	100.0 %	100.0 %
	Spruce Grove	AB	1	112	0.8 %	100.0 %	100.0 %
	St. Albert	AB	1	21	0.1 %	100.0 %	100.0 %
	Vancouver	BC	1	91	0.6 %	98.6 %	98.6 %
	Westbank / West Kelowna	BC	2	231	1.6 %	99.4 %	99.4 %
	Winnipeg	MB	3	371	2.6 %	97.9 %	98.3 %
Retail total			46	3,238	22.4 %	97.0 %	97.3 %
Total Canadian portfolio			121	11,025	76.6 %	96.5 %	97.5 %
Industrial	Minneapolis	MN	15	2,313	16.1 %	88.4 %	88.8 %
Industrial total			15	2,313	16.1 %	88.4 %	88.8 %
Office	Minneapolis	MN	2	421	2.9 %	97.8 %	97.8 %
	New Hartford	NY	1	123	0.9 %	100.0 %	100.0 %
	Phoenix	AZ	1	106	0.7 %	100.0 %	100.0 %
	Tampa	FL	1	107	0.7 %	100.0 %	100.0 %
Office total			5	757	5.2 %	98.8 %	98.8 %
Total U.S. portfolio			20	3,070	21.3 %	91.0 %	91.2 %
Total Canadian and U.S.			141	14,095	97.9 %	95.3 %	96.1 %

⁽¹⁾ Excluding properties in redevelopment.

⁽²⁾ Percentage committed is based on committed leases at March 31, 2011.

ARTIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis - Q1-11
(In thousands of Canadian dollars, unless otherwise noted)

Properties in Redevelopment (in 000's of s.f.)

Asset Class	City	Province / State	Number of Properties	Owned Share of Leasable Area	% of Portfolio GLA	Property	Committed % ⁽¹⁾
Industrial	Airdrie	AB	1	27	0.2 %	Airdrie Flex-Industrial	68.1 %
Industrial	Minneapolis	MN	1	147	1.0 %	Rogers Distribution	41.5 %
Industrial	Winnipeg	MB	1	64	0.5 %	801 Century Street	66.8 %
Office	Burnaby	BC	1	47	0.3 %	Willingdon Green	57.4 %
Office	Edmonton	AB	1	18	0.1 %	North City Office	9.5 %
Development properties total			5	303	2.1 %		49.9 %

⁽¹⁾ Percentage committed is based on committed leases at March 31, 2011.

2011 – FIRST QUARTER HIGHLIGHTS

PORTFOLIO GROWTH

Artis acquired 13 commercial properties, disposed of one property and completed construction of one property during Q1-11.

	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, 2010 ⁽¹⁾	31	4,427	46	3,238	56	4,933	133	12,598
Q1-11 acquisitions	2	333	-	-	11	1,557	13	1,890
Q1-11 construction	1	18	-	-	-	-	1	18
Q1-11 disposition	-	-	-	-	(1)	(108)	(1)	(108)
Total 2011	3	351	-	-	10	1,449	13	1,800
Portfolio properties at March 31, 2011	34	4,778	46	3,238	66	6,382	146	14,398

⁽¹⁾ Poco Place partially reclassified from retail to office.

Property acquisitions:

During Q1-11, Artis acquired the ADT & Dominion Buildings, EMC Building, Stinson Office Park and the second tranche of the Minneapolis Industrial Portfolio. The ADT & Dominion Buildings comprise 48,119 square feet of 100.0% leased industrial area in southeast Calgary, Alberta. The EMC Building is a 100.0% occupied, Class A office building located in Edmonton, Alberta comprising 28,520 square feet. Stinson Office Park is a 97.0% occupied, 307,045 square foot office complex with two high credit-rated tenants with prescribed annual rent increases. Stinson Office Park is located in the Midway submarket of Minneapolis, Minnesota. The second tranche of the Minneapolis Industrial Portfolio is 86.9% occupied by a combination of office, flex-industrial, warehouse and distribution, and light manufacturing tenants. It includes 9 properties comprising 1,508,193 square feet of leasable area in Minneapolis, Minnesota.

Property disposition:

During Q1-11, the REIT sold a property that was part of the Winnipeg Industrial Portfolio. The proceeds from the sale of this property, net of costs, were \$6,780. The gain recorded on the sale was \$255.

FINANCING ACTIVITIES

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. The REIT has not issued any units under the base shelf prospectus during Q1-11.

ARTIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis - Q1-11
(In thousands of Canadian dollars, unless otherwise noted)

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 Toronto Stock Exchange. No units have been issued pursuant to this arrangement in Q1-11.

INTERNALIZATION OF ASSET MANAGEMENT

On November 9, 2010, Artis announced that the REIT and Marwest Realty Advisors Inc. have agreed to negotiate in good faith the terms and conditions upon which Artis will internalize its asset management, with a view to completing such internalization by no later than December 31, 2011.

DISTRIBUTIONS

Artis distributed a total of \$20,433 to unitholders in Q1-11, of which \$1,651 was paid by way of distribution reinvestment, pursuant to Artis' Distribution Reinvestment and Unit Purchase Plan ("DRIP").

SELECTED FINANCIAL INFORMATION

000's, except per unit amounts

	Three month period ended	
	March 31,	
	2011	2010
Revenue	\$ 63,258	\$ 33,751
Property NOI	\$ 39,012	\$ 22,113
Income (loss) for the period	\$ 132,021	\$ (28,539)
Basic income (loss) per unit	\$ 1.75	\$ (0.66)
Distributions	\$ 20,433	\$ 12,345
Distributions per unit	\$ 0.27	\$ 0.27
DI	\$ 20,777	\$ 11,398
DI per unit	\$ 0.27	\$ 0.26
DI payout ratio	100.0 %	103.8 %
FFO	\$ 21,444	\$ 11,802
FFO per unit	\$ 0.28	\$ 0.27
FFO payout ratio	96.4 %	100.0 %
Weighted-average units (basic)	75,613	43,105

Artis has been actively acquiring properties since Q4-09. Due to this acquisition activity as well as same property revenue growth, Q1-11 revenues increased \$29,507, or 87.4% compared to Q1-10 results. Property NOI increased by \$16,899, or 76.4% compared to Q1-10 results.

DI increased \$9,379, or 82.3% compared to Q1-10. FFO increased \$9,642, or 81.7% compared to Q1-10. These increases are primarily attributed to the acquisitions completed in 2010. On a per unit basis, basic DI increased \$0.01 or 3.9% compared to Q1-10 results. Basic FFO increased \$0.01 or 3.7% compared to Q1-10 results. As a result of units issued under the DRIP, units issued from public offerings, and conversion of convertible debentures, 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. Management anticipates there will be further growth in revenues, Property NOI, DI and FFO as acquisitions completed in Q1-11 contribute to operating results.

ARTIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis - Q1-11
(In thousands of Canadian dollars, unless otherwise noted)

INTERNATIONAL FINANCIAL REPORTING STANDARDS

In February 2008, the Canadian Accounting Standards Board ("AcSB") confirmed that the adoption of IFRS would be effective for interim and annual periods beginning on or after January 1, 2011 for profit oriented Canadian publicly accountable enterprises. IFRS replaces Canada's previous GAAP for these enterprises. These new standards became effective for the REIT on January 1, 2011. Comparative financial information for the previous fiscal year has been restated to IFRS.

IMPACT OF ADOPTION OF IFRS

IFRS and previous Canadian GAAP are based on conceptual frameworks that are substantially the same, although significant differences exist in certain matters of recognition, measurement and disclosure. The transition to IFRS had a material impact on the REIT's consolidated balance sheets and statements of operations. The cash flow statement was amended in accordance with the changes to the consolidated balance sheets and statements of operations. In particular, the opening IFRS balance sheet at January 1, 2010 reflects the revaluation of substantially all of the REIT's investment properties to fair value and, as a result, intangible assets and liabilities are no longer separately recognized. The impact of the transition to IFRS resulted in a decrease in unitholders' equity from \$360,906 as reported under previous GAAP to a deficit of \$7,414 as reported under IFRS at January 1, 2010. At December 31, 2010, the impact of the transition to IFRS resulted in unitholders' equity increasing to \$854,230 as reported under IFRS from \$719,711 as reported under previous GAAP.

FIRST-TIME ADOPTION OF IFRS

IFRS 1 - *First Time Adoption of International Financial Reporting Standards* ("IFRS 1") contains all the transitional recognition, measurement, presentation and disclosure requirements applicable for an entity's initial adoption of IFRS. Included in IFRS 1 is a requirement for retrospective application of each IFRS, with certain mandatory exceptions and limited optional exceptions available. In accordance with IFRS 1, the REIT 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 Artis or not utilized in the transition to IFRS. 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 previous GAAP are consistent with their application under IFRS at January 1, 2010. The remaining mandatory exceptions are not applicable to the REIT.

IMPACT OF IFRS ON 2010 FINANCIAL POSITION

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, 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 IFRS, investment properties are recognized 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 properties.

The REIT has elected to measure its investment properties at fair value. The fair value of the REIT's investment properties at January 1, 2010 is \$1,111,586, which is \$76,055 greater than the carrying value under previous GAAP, inclusive of related intangible assets, leasing costs, intangible liabilities, straight-line rent receivables, tenant incentives and tenant improvements which were recorded separately under previous GAAP. There was a corresponding \$76,055 decrease to deficit at January 1, 2010. At December 31, 2010, the fair value of investment properties is \$2,052,780 and the carrying value of investment properties under construction is \$5,405, which is \$153,523 greater than the carrying value under previous GAAP. There was a corresponding \$153,523 decrease to deficit at December 31, 2010.

ARTIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis - Q1-11
(In thousands of Canadian dollars, unless otherwise noted)

The REIT determined the fair value of investment properties based upon a combination of generally accepted appraisal methodologies: the discounted cash flow method and the overall capitalization method. Under the discounted cash flow method, expected future cash flows for each investment property were discounted, generally over a term of 10 years, using weighted-average rates of approximately 8.79% at January 1, 2010 and 8.60% at December 31, 2010. Expected future cash flows for each investment property have been based upon, but not limited to, rental income from current leases, budgeted and actual expenses, and assumptions about rental income from future leases. Under the overall capitalization method, year one income was stabilized and capped at weighted-average capitalization rates of approximately 7.69% at January 1, 2010 and 7.74% at December 31, 2010.

Investment properties under construction have been measured at cost, which approximates fair value.

Other assets:

Tenant inducements reflected in other assets under previous GAAP are included in the carrying amount of investment properties under IFRS. Additionally, intangible assets and leasing costs have been derecognized under IFRS as these amounts are inherently reflected in the fair value of investment properties. This resulted in a decrease to other assets of \$119,440 at January 1, 2010 and \$266,707 at December 31, 2010.

Deferred taxes:

As a result of the accounting policy decision to measure investment properties at fair value under IFRS, the deferred tax asset decreased from \$297 under previous GAAP to a liability of \$201 under IFRS at December 31, 2010. This was due to the change in the measurement of the carrying value of investment properties from amortized cost under previous GAAP to fair value under IFRS.

Notes receivable:

Under previous GAAP, Artis did not present a classified balance sheet. Under IFRS, the REIT has presented the current and non-current portion of notes receivable as separate classifications in its balance sheets.

Accounts receivable and other receivables:

Straight-line rent receivables reflected in other receivables under previous GAAP are included in the carrying amount of investment properties under IFRS. This resulted in a decrease to accounts receivable and other receivables of \$5,914 at January 1, 2010 and \$8,752 at December 31, 2010.

Mortgages and loans payable:

Under previous GAAP, Artis did not present a classified balance sheet. Under IFRS, the REIT has presented the current and non-current portion of mortgages and loans payable as separate classifications in its balance sheets.

Convertible debentures:

The REIT's convertible debentures are to be settled by redeemable trust units. Accordingly, under IFRS, an entity chooses as its accounting policy to either fair value the debentures in their entirety with the value recorded as a liability or separate the debentures into their components with the value ascribed to the conversion option recorded as a derivative liability at fair value. Under previous GAAP, convertible debentures were recorded as compound financial instruments and allocated between a liability and equity component at the time of issue. The REIT has elected to fair value its convertible debentures in their entirety. This resulted in an increase to the liability component of convertible debentures of \$17,193, a decrease to the equity component of convertible debentures of \$9,926 and an increase to deficit of \$7,267 at January 1, 2010. At December 31, 2010, the liability component of convertible debentures increased by \$18,198, the equity component of convertible debentures decreased by \$11,442, capital contributions increased by \$4,531, contributed surplus decreased by \$566 and deficit increased by \$10,721. Convertible debentures are further allocated between their current and non-current portions and separately classified in the balance sheets.

Intangible liabilities:

Intangible liabilities have been derecognized under IFRS as these amounts are inherently reflected in the fair value of investment properties. This resulted in a decrease to intangible liabilities of \$81,523 at January 1, 2010 and \$91,568 at December 31, 2010.

ARTIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis - Q1-11
(In thousands of Canadian dollars, unless otherwise noted)

Trust units liability:

Under previous GAAP, the REIT classified its trust units as equity. IAS 32 – *Financial Instruments*, has a more rigorous definition of what constitutes a financial liability which includes financial instruments if they have a contractual obligation to deliver cash or other financial assets to another entity. On May 14, 2010, the REIT amended its Declaration of Trust in order to make distributions non-mandatory. Prior to May 14, 2010, the REIT had a contractual obligation to make cash distributions to its unitholders, therefore under IFRS, trust units are classified as a financial liability measured at fair value at January 1, 2010. This resulted in the REIT recording a trust units liability of \$427,005, a decrease to capital contributions of \$485,000 and a decrease to deficit of \$59,758 at January 1, 2010. Units acquired and cancelled through the normal course issuer bid and recorded to contributed surplus under previous GAAP were derecognized, resulting in a decrease to contributed surplus of \$1,763 at January 1, 2010. Under IFRS, the REIT has presented the current and non-current portion of the trust units liability as separate classifications in its balance sheet.

On May 14, 2010, trust units under IFRS were reclassified from liability to equity at the fair value of the liability at that date, being \$575,885.

Accounts payable and other liabilities:

Under previous GAAP, Artis accounted for unit options issued under its unit option plan using the fair value method. Under this method, compensation expense was 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 trust units. In accordance with IFRS, these unit-based payments are considered to be cash-settled and are therefore recorded as a liability at fair value at each reporting date. This resulted in an increase to accounts payable and other liabilities of \$177, a decrease to contributed surplus of \$1,714 and a decrease to deficit of \$1,537 at January 1, 2010. At December 31, 2010, this resulted in an increase to accounts payable and other payables of \$308, a decrease to contributed surplus of \$1,486, an increase to capital contributions of \$7 and a decrease to deficit of \$1,171 from previous GAAP.

IMPACT OF IFRS ON 2010 OPERATING RESULTS

Revenue:

Under the fair value model of accounting for investment properties, historic intangible assets and liabilities established under previous GAAP are no longer separately recognized and accordingly not amortized under IFRS. The impact of no longer amortizing historic intangible assets and liabilities resulted in a decrease to revenue of \$2,761 for the three months ended March 31, 2010 and \$11,633 for the year ended December 31, 2010.

Previous GAAP required the REIT to record tenant inducements as a reduction of rental revenue. IFRS requires the same treatment, however, the definition of tenant inducements differs from the REIT's previous application of GAAP. All of the REIT's tenant inducements under IFRS are amortized as a reduction of rental revenue, with the exception of certain tenant improvements determined to benefit the REIT. This resulted in a decrease to revenue of \$386 for the three months ended March 31, 2010 and \$2,500 for the year ended December 31, 2010.

Under IFRS, tenant improvements are not amortized, which resulted in an increase to revenue of \$43 for the three months ended March 31, 2010 and \$196 for the year ended December 31, 2010.

Under IFRS, the REIT has presented interest income as a separate classification in its statements of operations.

Interest expense:

Under the fair value approach of accounting for convertible debentures, no accretion adjustment to the liability is required. The impact of no longer recording accretion on convertible debentures resulted in a decrease to interest expense of \$496 for the three months ended March 31, 2010 and \$2,223 for the year ended December 31, 2010.

Additionally, distributions paid to unitholders during the period from January 1, 2010 to May 13, 2010 were reclassified from equity to interest expense as a result of the mandatory distribution requirement, resulting in an increase to interest expense of \$12,345 for the three months ended March 31, 2010 and \$16,828 for the period from January 1, 2010 to May 13, 2010.

ARTIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis - Q1-11
(In thousands of Canadian dollars, unless otherwise noted)

Corporate expense:

As described above, unit options are measured on a different basis under IFRS than under previous GAAP, and resulted in an increase to corporate expense of \$33 for the three months ended March 31, 2010 and \$368 for the year ended December 31, 2010.

Under the fair value model, amortization of investment properties is not recorded. The impact of no longer amortizing historic intangible assets and liabilities as described above, along with no longer recording amortization expense on investment properties resulted in a decrease to amortization expense of \$13,051 for the three months ended March 31, 2010 and \$68,372 for the year ended December 31, 2010.

The REIT's accounting treatment for tenant inducements as described above resulted in a decrease to amortization expense of \$386 for the three months ended March 31, 2010 and \$2,500 for the year ended December 31, 2010.

Transaction costs:

During the year ended December 31, 2010, \$3,754 of transaction costs attributable to the issuance of convertible debentures were expensed in accordance with IFRS. Under previous GAAP, transaction costs were included in the carrying value of the liability at inception and amortized over the expected life of the debentures.

For the three months ended March 31, 2010 and the year ended December 31, 2010, \$1,329 and \$15,792, respectively, of transaction costs attributable to the acquisition of properties were expensed under IFRS, as these acquisitions were considered to be business combinations. Under previous GAAP, transactions costs associated with property acquisitions were capitalized.

Unrealized fair value changes on financial instruments:

As described above, trust units are measured on a different basis under IFRS than under previous GAAP, and resulted in fair value gains and losses being recorded under IFRS. For the three months ended March 31, 2010, an unrealized fair value loss on trust units of \$26,865 was recorded and \$19,361 for the period from January 1, 2010 to May 13, 2010.

As described above, convertible debentures are measured on a different basis under IFRS than under previous GAAP, and resulted in fair value gains and losses being recorded under IFRS. For the three months ended March 31, 2010, an unrealized fair value gain on convertible debentures of \$1,196 was recorded and \$5,676 for the year ended December 31, 2010.

Income tax recovery:

As described above, the change in the measurement of the carrying value of investment properties from amortized cost under previous GAAP to fair value under IFRS resulted in the REIT's income tax recovery decreasing from \$200 to an expense of \$298 for the year ended December 31, 2010.

Unrealized fair value changes on investment properties:

As a result of electing to use the fair value model to account for investment properties, net income during any given period may be greater or less than as determined under previous GAAP depending on whether an increase or decrease in fair value occurs during the period. The impact of fair value changes resulted in a decrease to net income of \$471 for the three months ended March 31, 2010 and an increase of \$36,365 for the year ended December 31, 2010.

Other comprehensive loss:

As a result of the accounting policy decision to measure investment properties at fair value under IFRS, the unrealized foreign currency translation loss included in other comprehensive loss increased from \$273 under previous GAAP to \$310 under IFRS for the year ended December 31, 2010. This was due to the change in the measurement of the carrying value of investment properties from amortized cost under previous GAAP to fair value under IFRS.

ARTIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis - Q1-11
(In thousands of Canadian dollars, unless otherwise noted)

ANALYSIS OF OPERATING RESULTS

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 recorded in accordance with IFRS.

In accordance with IFRS, Artis accounts for rent step-ups by straight-lining the incremental increases over the entire non-cancelable lease term. In Q1-11, straight-line rent adjustments of \$1,148 were recorded compared to \$443 in Q1-10.

In Q1-11, the REIT recorded amortization of \$1,020 as a reduction in revenue from tenant incentives compared to \$447 in Q1-10.

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

Same property comparison includes only investment properties owned on January 1, 2010, and excludes properties considered to be in redevelopment.

	Three month period ended	
	March 31,	
	2011	2010
Revenue ⁽¹⁾	\$ 33,979	\$ 32,565
Property operating expenses	13,428	11,476
Property NOI	20,551	21,089
Add (deduct) non-cash revenue adjustments:		
Straight-line rent adjustment	(182)	(363)
Amortization of tenant inducements	851	425
Property NOI less non-cash revenue adjustments	\$ 21,220	\$ 21,151

⁽¹⁾ Revenue in Q1-10 was adjusted for a lease termination fee received for a Winnipeg office property and income received for a post-closing adjustment.

In Q1-11, Property NOI decreased \$538, or 2.6% over Q1-10. Property NOI less non-cash revenue adjustments for Q1-11 increased \$69 or 0.3% over Q1-10.

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

	Three month period ended March 31,				
	2011	2010	Change	% Change	
Retail	\$ 7,671	\$ 7,630	\$ 41	0.5 %	
Office	10,035	10,120	(85)	(0.8)%	
Industrial	3,514	3,401	113	3.3 %	
Total	\$ 21,220	\$ 21,151	\$ 69	0.3 %	

ARTIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis - Q1-11
(In thousands of Canadian dollars, unless otherwise noted)

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

Three month period ended March 31,						
		2011		2010	Change	% Change
Alberta	\$	13,351	\$	13,322	\$ 29	0.2 %
British Columbia		1,526		1,401	125	8.9 %
Manitoba		4,312		4,343	(31)	(0.7)%
Saskatchewan		2,031		2,085	(54)	(2.6)%
Total	\$	21,220	\$	21,151	\$ 69	0.3 %

Same Property Occupancy Comparison:

By Geographical Region

	As at March 31,	
	2011	2010
Alberta	95.3 %	95.9 %
British Columbia	98.6 %	83.5 %
Manitoba	95.7 %	96.1 %
Saskatchewan	97.5 %	99.6 %
Total	95.8 %	95.4 %

By Asset Class

	As at March 31,	
	2011	2010
Retail	98.1 %	97.5 %
Office	94.0 %	95.5 %
Industrial	95.7 %	93.7 %
Total	95.8 %	95.4 %

PROPERTY NOI BY ASSET CLASS

In Q1-11, revenues and Property NOI increased for all asset class segments of the portfolio. This growth is primarily attributable to acquisition activity.

Three month period ended March 31,						
	2011			2010		
	Retail	Office	Industrial	Retail	Office	Industrial
Revenue	\$ 19,194	\$ 31,595	\$ 12,469	\$ 11,278	\$ 16,004	\$ 6,469
Property operating expenses	6,473	13,098	4,675	3,461	5,782	2,395
Property NOI	\$ 12,721	\$ 18,497	\$ 7,794	\$ 7,817	\$ 10,222	\$ 4,074
Share of Property NOI	32.6 %	47.4 %	20.0 %	35.3 %	46.3 %	18.4 %

PROPERTY NOI BY GEOGRAPHICAL REGION

In Q1-11, revenues and Property NOI increased in all four western provinces in comparison to Q1-10. This growth is primarily attributable to acquisition activity. The revenues and Property NOI in the Minnesota, U.S. - Other, and Ontario segments are due to various properties acquired during 2010.

Three month period ended March 31, 2011								
	Canada					U.S.		
	AB	BC	MB	ON	SK	MN	Other	
Revenue	\$ 26,956	\$ 8,882	\$ 13,160	\$ 6,977	\$ 3,604	\$ 2,289	\$ 1,390	
Property operating expenses	9,732	3,154	5,905	3,161	1,043	974	277	
Property NOI	\$ 17,224	\$ 5,728	\$ 7,255	\$ 3,816	\$ 2,561	\$ 1,315	\$ 1,113	
Share of Property NOI	44.2 %	14.7 %	18.4 %	9.8 %	6.6 %	3.4 %	2.9 %	

ARTIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis - Q1-11
(In thousands of Canadian dollars, unless otherwise noted)

Three month period ended March 31, 2010

	Canada					U.S	
	AB	BC	MB	ON	SK	MN	Other
Revenue	\$ 19,684	\$ 2,584	\$ 8,082	\$ -	\$ 3,401	\$ -	\$ -
Property operating expenses	6,269	906	3,514	-	949	-	-
Property NOI	\$ 13,415	\$ 1,678	\$ 4,568	\$ -	\$ 2,452	\$ -	\$ -
Share of Property NOI	60.7 %	7.6 %	20.6 %	- %	11.1 %	- %	- %

PORTFOLIO OCCUPANCY

Occupancy levels impact the REIT's revenues and Property NOI. Occupancy and commitments at March 31, 2011 (excluding properties currently in redevelopment), and the previous four periods, are as follows.

Occupancy Report by Asset Class ⁽¹⁾

	Q1-11 % Committed ⁽²⁾	Q1-11	Q4-10	Q3-10	Q2-10	Q1-10
Retail	97.3%	97.0%	97.5%	98.1%	96.9%	97.7%
Office	97.3%	95.8%	95.6%	94.2%	96.4%	95.6%
Industrial	94.6%	94.0%	95.3%	97.4%	97.9%	95.8%
Total portfolio	96.1%	95.3%	96.0%	96.6%	97.1%	96.2%

Occupancy Report by Geographical Region ⁽¹⁾

	Q1-11 % Committed ⁽²⁾	Q1-11	Q4-10	Q3-10	Q2-10	Q1-10
Canada:						
Alberta	97.6%	96.3%	96.6%	96.8%	96.9%	96.8%
British Columbia	96.4%	96.4%	96.4%	95.8%	98.2%	89.2%
Manitoba	98.0%	97.0%	96.3%	95.9%	96.3%	96.2%
Ontario	96.5%	94.6%	94.2%	n/a	n/a	n/a
Saskatchewan	98.1%	98.1%	98.5%	99.8%	99.8%	99.7%
U.S.:						
Minnesota	90.2%	89.9%	90.0%	100.0%	100.0%	n/a
U.S. - Other	100.0%	100.0%	100.0%	n/a	n/a	n/a
Total portfolio	96.1%	95.3%	96.0%	96.6%	97.1%	96.2%

⁽¹⁾ Excluding properties currently being redeveloped.

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

Occupancy was 95.3% at March 31, 2011 compared to 96.0% at December 31, 2010. Occupancy declined 70 basis points as a result of the addition of the second tranche of the Minneapolis Industrial Portfolio, which was 86.9% occupied at March 31, 2011. The decline in occupancy was partially offset by the disposition of 2030 Notre Dame and the acquisition of Stinson Office Park. Assuming no acquisitions or dispositions in the quarter, occupancy would have been flat at 96.0% at Q1-11 as there was a positive 954 square feet of absorption in the quarter. Of the 303,080 square feet currently considered to be undergoing redevelopment, lease commitments are in place on 49.9% of the leasable area.

ARTIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis - Q1-11
(In thousands of Canadian dollars, unless otherwise noted)

PORTFOLIO LEASING ACTIVITY AND LEASE EXPIRIES

Artis monitors period over period changes in weighted-average rental rates for new and renewal leasing activities. In Q1-11, the weighted-average rental rates on total activity was flat compared to a decrease of 2.0% in Q1-10. In Q1-11, the weighted-average rental rates on renewal activity increased 4.7% compared to 3.3% in Q1-10. The strongest performance was within the retail asset class. Saskatchewan and Ontario reported the largest weighted-average rental rate increases for all leasing activity. Saskatchewan and Alberta reported the largest weighted-average rental rate increases for renewal activity specifically.

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

	Three month period ended March 31,			
	2011		2010	
	S.F.	In-Place Rent	S.F.	In-Place Rent
New/renewed	523	\$ 10.97	360	\$ 8.91
Expiring	532	\$ 10.97	286	\$ 9.09
Change		\$ -		\$ (0.18)
% Change		0.0 %		(2.0)%
% Change on renewals only		4.7 %		3.3 %

Lease Expiries by Asset Class (in 000's of s.f.) ⁽¹⁾ ⁽²⁾ ⁽³⁾

	2011	2012	2013	2014	2015	2016	2017 & later	Total
Office								
GLA	500	348	632	239	570	118	2,108	4,778
%	10.5 %	7.3 %	13.2 %	5.0 %	12.0 %	2.5 %	44.1 %	33.2 %
Retail								
GLA	314	272	359	328	353	191	1,323	3,238
%	9.7 %	8.4 %	11.1 %	10.1 %	10.9 %	5.9 %	40.9 %	22.5 %
Industrial								
GLA	973	572	786	753	821	830	1,146	6,382
%	15.2 %	9.0 %	12.3 %	11.8 %	12.9 %	13.0 %	18.0 %	44.3 %
Total portfolio								
GLA	1,787	1,192	1,777	1,320	1,744	1,139	4,577	14,398
%	12.4 %	8.3 %	12.3 %	9.2 %	12.1 %	7.9 %	31.8 %	100.0 %

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

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

⁽³⁾ Excluding vacancies and month-to-month leases.

ARTIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis - Q1-11
(In thousands of Canadian dollars, unless otherwise noted)

Market Rents

Artis reviews market rents across the portfolio on an on-going basis. Market rent estimates are based on management's best estimate for each leasable space and may take into consideration the property manager's revenue budget, recent leasing activity, current prospects, future commitments or publically available market information. Rates applied in future expiry years do not allow for the impact of inflation, nor do they attempt to factor in anticipated higher (or lower) than normal periods of demand or market rent inflation due to specific market conditions.

Market Rents and Commitments by Asset Class (in 000's of s.f.) ⁽¹⁾ ⁽²⁾ ⁽³⁾

	2011	2012	2013	2014 & later	Total
Office					
Commitments	55.7 %	8.9 %	24.0 %	0.0 %	11.1 %
Expiring rents	\$ 16.54	\$ 17.13	\$ 19.37	\$ 15.35	\$ 16.18
Market rents	\$ 15.06	\$ 14.97	\$ 15.82	\$ 16.15	\$ 15.89
Change	(8.9)%	(12.6)%	(18.3)%	5.2 %	(1.8)%
Revenue impact ⁽⁴⁾	\$ (740)	\$ (752)	\$ (2,244)	\$ 2,428	\$ (1,386)
Retail					
Commitments	74.8 %	20.5 %	1.6 %	0.7 %	10.0 %
Expiring rents	\$ 17.13	\$ 17.97	\$ 18.51	\$ 15.49	\$ 16.21
Market rents	\$ 18.92	\$ 19.65	\$ 20.19	\$ 16.75	\$ 17.61
Change	10.4 %	9.3 %	9.1 %	8.1 %	8.6 %
Revenue impact ⁽⁴⁾	\$ 562	\$ 457	\$ 603	\$ 2,766	\$ 4,533
Industrial					
Commitments	45.8 %	0.9 %	26.4 %	6.4 %	14.5 %
Expiring rents	\$ 6.35	\$ 6.12	\$ 5.33	\$ 6.76	\$ 6.44
Market rents	\$ 6.61	\$ 6.33	\$ 5.26	\$ 7.03	\$ 6.66
Change	4.1 %	3.4 %	(1.3)%	4.0 %	3.4 %
Revenue impact ⁽⁴⁾	\$ 253	\$ 120	\$ (55)	\$ 959	\$ 1,404
Total portfolio					
Commitments	53.7 %	7.7 %	20.6 %	2.7 %	12.3 %
Expiring rents	\$ 11.10	\$ 12.07	\$ 12.98	\$ 11.91	\$ 11.96
Market rents	\$ 11.14	\$ 11.91	\$ 12.03	\$ 12.61	\$ 12.29
Change	0.1 %	(1.3)%	(7.3)%	5.9 %	2.8 %
Revenue impact ⁽⁴⁾	\$ 71	\$ (191)	\$ (1,688)	\$ 6,146	\$ 4,751

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

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

⁽³⁾ Excluding vacancies and month-to-month leases.

⁽⁴⁾ This impact is based on the difference between the expiring rents and the market rents for the period. This excludes the impact of any straight-line rent adjustments on revenues.

ARTIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis - Q1-11
(In thousands of Canadian dollars, unless otherwise noted)

Average in-place rents at March 31, 2011 are estimated to be 2.8% below market across the portfolio (compared to 3.3% at December 31, 2010). The decrease at March 31, 2011 compared to prior periods' reported estimates is largely due to significant decreases in near-term market rent expectations particularly in the Calgary office market. However, as noted above, market rents reflect today's rates without inflation for growth in future years that is likely to be realized as that market stabilizes. Although expiring rents in the office segment of the portfolio in 2012 and 2013 are above current market rents, management anticipates that as the Calgary office market stabilizes, market rents will again begin to increase throughout 2011.

Lease Expiries by Geographical Region (in 000's of s.f.) ⁽¹⁾ ⁽²⁾ ⁽³⁾

	2011	2012	2013	2014	2015	2016	2017 & later	Total
Alberta								
GLA	609	392	607	384	384	469	1,771	4,834
%	12.6 %	8.1 %	12.6 %	7.9 %	7.9 %	9.7 %	36.6 %	33.6 %
British Columbia								
GLA	156	161	263	131	187	22	609	1,607
%	9.7 %	10.0 %	16.4 %	8.2 %	11.6 %	1.4 %	37.9 %	11.2 %
Manitoba								
GLA	437	448	489	595	525	128	404	3,153
%	13.9 %	14.2 %	15.5 %	18.9 %	16.7 %	4.1 %	12.8 %	21.9 %
Ontario								
GLA	89	59	29	15	123	59	520	947
%	9.4 %	6.2 %	3.1 %	1.6 %	13.0 %	6.2 %	54.9 %	6.6 %
Saskatchewan								
GLA	47	14	121	87	56	24	279	640
%	7.3 %	2.2 %	18.9 %	13.6 %	8.8 %	3.8 %	43.6 %	4.4 %
Minnesota								
GLA	449	118	268	108	469	437	658	2,881
%	15.6 %	4.1 %	9.3 %	3.7 %	16.3 %	15.2 %	22.8 %	20.0 %
U.S. - Other								
GLA	-	-	-	-	-	-	336	336
%	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	100.0 %	2.3 %
Total portfolio								
GLA	1,787	1,192	1,777	1,320	1,744	1,139	4,577	14,398
%	12.4 %	8.3 %	12.3 %	9.2 %	12.1 %	7.9 %	31.8 %	100.0 %

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

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

⁽³⁾ Excluding vacancies and month-to-month leases.

ARTIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis - Q1-11
(In thousands of Canadian dollars, unless otherwise noted)

Market Rents and Commitments by Geographical Region (in 000's of s.f.) ⁽¹⁾ ⁽²⁾ ⁽³⁾

	2011	2012	2013	2014 & later	Total
Alberta					
Commitments	66.6 %	9.2 %	5.7 %	0.5 %	11.5 %
Expiring rents	\$ 14.95	\$ 16.14	\$ 18.88	\$ 14.01	\$ 14.96
Market rents	\$ 14.49	\$ 14.30	\$ 15.32	\$ 15.03	\$ 14.93
Change	(3.1)%	(11.4)%	(18.8)%	7.2 %	(0.2)%
Revenue impact ⁽⁴⁾	\$ (280)	\$ (721)	\$ (2,161)	\$ 3,068	\$ (145)
British Columbia					
Commitments	33.4 %	22.9 %	50.9 %	0.0 %	13.9 %
Expiring rents	\$ 13.14	\$ 16.79	\$ 16.55	\$ 14.02	\$ 14.66
Market rents	\$ 15.06	\$ 17.80	\$ 17.50	\$ 14.75	\$ 15.57
Change	14.6 %	6.0 %	5.8 %	5.2 %	6.3 %
Revenue impact ⁽⁴⁾	\$ 300	\$ 163	\$ 250	\$ 693	\$ 1,462
Manitoba					
Commitments	61.4 %	4.2 %	40.2 %	13.7 %	23.4 %
Expiring rents	\$ 10.13	\$ 8.59	\$ 6.97	\$ 11.05	\$ 9.89
Market rents	\$ 10.49	\$ 9.34	\$ 7.50	\$ 11.60	\$ 10.44
Change	3.6 %	8.8 %	7.7 %	4.9 %	5.5 %
Revenue impact ⁽⁴⁾	\$ 157	\$ 336	\$ 259	\$ 909	\$ 1,734
Ontario					
Commitments	41.3 %	0.0 %	0.0 %	0.0 %	5.8 %
Expiring rents	\$ 15.11	\$ 10.56	\$ 9.75	\$ 12.40	\$ 12.47
Market rents	\$ 13.05	\$ 10.64	\$ 9.26	\$ 13.37	\$ 13.02
Change	(13.6)%	0.7 %	(5.1)%	7.8 %	4.5 %
Revenue impact ⁽⁴⁾	\$ (183)	\$ 5	\$ (14)	\$ 695	\$ 521
Saskatchewan					
Commitments	87.5 %	0.0 %	0.0 %	0.0 %	6.4 %
Expiring rents	\$ 15.52	\$ 18.70	\$ 18.42	\$ 15.00	\$ 15.78
Market rents	\$ 17.24	\$ 20.99	\$ 18.95	\$ 15.93	\$ 16.73
Change	11.1 %	12.2 %	2.9 %	6.2 %	6.0 %
Revenue impact ⁽⁴⁾	\$ 81	\$ 32	\$ 64	\$ 415	\$ 608
Minnesota					
Commitments	34.6 %	0.0 %	0.0 %	0.0 %	5.7 %
Expiring rents	\$ 4.85	\$ 5.15	\$ 4.98	\$ 6.52	\$ 6.02
Market rents	\$ 4.85	\$ 5.19	\$ 4.62	\$ 6.78	\$ 6.15
Change	0.0 %	0.8 %	(7.3)%	3.8 %	2.2 %
Revenue impact ⁽⁴⁾	\$ -	\$ 5	\$ (96)	\$ 435	\$ 375
U.S. - Other					
Commitments	n/a	n/a	n/a	n/a	n/a
Expiring rents	n/a	n/a	n/a	\$ 12.99	\$ 12.99
Market rents	n/a	n/a	n/a	\$ 13.01	\$ 13.01
Change	n/a	n/a	n/a	0.1 %	0.1 %
Revenue impact ⁽⁴⁾	n/a	n/a	n/a	\$ 7	\$ 7
Total portfolio					
Commitments	53.7 %	7.7 %	20.6 %	2.7 %	12.3 %
Expiring rents	\$ 11.10	\$ 12.07	\$ 12.98	\$ 12.38	\$ 11.96
Market rents	\$ 11.14	\$ 11.91	\$ 12.03	\$ 13.11	\$ 12.29
Change	0.4 %	(1.3)%	(7.4)%	5.9 %	2.8 %
Revenue impact ⁽⁴⁾	\$ 71	\$ (191)	\$ (1,688)	\$ 6,409	\$ 4,751

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

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

⁽³⁾ Excluding vacancies and month-to-month leases.

⁽⁴⁾ This impact is based on the difference between the expiring rents and the market rents for the period. This excludes the impact of any straight-line rent adjustments on revenues.

Artis' real estate is diversified across five Canadian provinces and four U.S. states, and across the office, retail and industrial asset classes. At March 31, 2011, the three largest segments of the REIT's portfolio (by GLA) are Minneapolis industrial properties, Winnipeg industrial properties and Calgary office properties.

ARTIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis - Q1-11
(In thousands of Canadian dollars, unless otherwise noted)

Minneapolis industrial properties represent 17.1% of the overall portfolio by GLA. Vacancy in the Minneapolis industrial market, as reported by CBRE, was approximately 7.5% at March 31, 2011, down slightly from December 31, 2010 on positive net absorption of 425,426 square feet. This is the third consecutive quarter of positive absorption. Lease rates have remained constant over the last few quarters averaging approximately \$4.00 psf for warehouse space. Artis has one industrial property in Minneapolis, comprising 147,160, which is considered to be in development; 41.5% of that space is currently occupied. Occupancy in the remainder of this segment of the portfolio was 88.4% at March 31, 2011. In the remainder of 2011, 448,810 square feet comes up for renewal, which represents approximately 3.1% of the portfolio's GLA; 34.6% has been renewed or committed to new leases. In 2012, 118,053 square feet comes up for renewal, which represents 0.8% of the portfolio's GLA.

Winnipeg industrial properties represent 12.3% of Artis' portfolio by GLA. Vacancy in the Winnipeg industrial market, as reported by CBRE, was approximately 3.4% at March 31, 2011, compared to 3.8% at December 31, 2010. Rent rates increased to \$6.45 psf from \$6.26. Artis has one industrial property in Winnipeg, comprising 64,208 square feet, which is considered to be in development; 66.8% of that space is now committed under new leases. Occupancy in the remainder of this segment of the portfolio was 97.3% at March 31, 2011, compared to 95.8% at December 31, 2010. In the remainder of 2011, 228,106 square feet comes up for renewal, which represents approximately 1.6% of the portfolio's GLA; 21.9% has been renewed or committed to new leases. In 2012, 287,238 square feet comes up for renewal, which represents 2.0% of the portfolio's GLA.

Lease Expiries for Calgary Office Segment (in 000's of s.f.) ⁽¹⁾ ⁽²⁾ ⁽³⁾

	2011	2012	2013	2014	2015	2016	2017 & later	Total
Calgary office								
GLA	243	136	311	54	57	17	436	1,337
%	18.2 %	10.1 %	23.2 %	4.1 %	4.3 %	1.3 %	32.7 %	28.0 %
Other office								
GLA	257	212	321	185	513	101	1,672	3,441
%	7.5 %	6.2 %	9.3 %	5.4 %	14.9 %	2.9 %	48.6 %	72.0 %
Total office								
GLA	500	348	632	239	570	118	2,108	4,778
%	10.5 %	7.3 %	13.2 %	5.0 %	12.0 %	2.5 %	44.1 %	100.0 %

Market Rents and Commitments for Calgary Office Segment (in 000's of s.f.) ⁽¹⁾ ⁽²⁾ ⁽³⁾

	2011	2012	2013	2014 & later	Total
Calgary office					
Commitments	47.0 %	7.8 %	5.6 %	0.0 %	10.9 %
Expiring rents	\$ 17.35	\$ 20.50	\$ 23.18	\$ 16.90	\$ 18.93
Market rents	\$ 14.74	\$ 13.58	\$ 15.13	\$ 18.67	\$ 16.47
Change	(15.0)%	(33.8)%	(34.7)%	10.5 %	(13.0)%
Revenue impact ⁽⁴⁾	\$ (634)	\$ (941)	\$ (2,504)	\$ 998	\$ (3,289)
Other office					
Commitments	63.8 %	9.5 %	41.8 %	0.0 %	11.2 %
Expiring rents	\$ 15.77	\$ 14.84	\$ 15.69	\$ 14.18	\$ 14.48
Market rents	\$ 15.28	\$ 15.83	\$ 16.48	\$ 15.34	\$ 15.48
Change	(3.1)%	6.7 %	5.0 %	8.2 %	6.9 %
Revenue impact ⁽⁴⁾	\$ (126)	\$ 210	\$ 254	\$ 2,866	\$ 3,441
Total office					
Commitments	55.7 %	8.9 %	24.0 %	0.0 %	11.1 %
Expiring rents	\$ 16.54	\$ 17.13	\$ 19.37	\$ 15.35	\$ 16.18
Market rents	\$ 15.06	\$ 14.97	\$ 15.82	\$ 16.15	\$ 15.89
Change	(8.9)%	(12.6)%	(18.3)%	5.2 %	(1.8)%
Revenue impact ⁽⁴⁾	\$ (740)	\$ (752)	\$ (2,244)	\$ 2,428	\$ (1,386)

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

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

⁽³⁾ Excluding vacancies and month-to-month leases.

⁽⁴⁾ This impact is based on the difference between the expiring rents and the market rents for the period. This excludes the impact of any straight-line rent adjustments on revenues.

ARTIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis - Q1-11
(In thousands of Canadian dollars, unless otherwise noted)

Calgary office properties represent 9.3% of the overall portfolio by GLA. Artis' office properties are Class A, B and C buildings, in downtown, beltline and suburban locations. Overall vacancy in the Calgary office market, as reported by CBRE, was 9.6% at March 31, 2011, compared to 10.2% at December 31, 2010. 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. Recent research from CRESA, Avison Young, Colliers and CBRE reflect increased optimism based on positive absorption in both suburban and downtown markets. Management believes that as the vacancy continues to stabilize in these markets, rental rates will start to inflate again in 2012. At March 31, 2011, the Calgary office segment of Artis' portfolio was 94.8% occupied, compared to 94.9% occupancy at December 31, 2010. Artis has commitments in place for 5.5% of the unoccupied space. In the remainder of 2011, 242,755 square feet comes up for renewal, which represents 0.7% of the portfolio's GLA; 47.0% has been renewed. In 2012, 135,618 square feet comes up for renewal, which represents 0.9% of the portfolio's GLA; 7.8% has been renewed. Approximately 32.7% of the Calgary office GLA expires in 2017 or later.

INTEREST EXPENSE

The current period's interest expense is attributable to mortgages and other loans secured against the investment properties, as well as convertible debentures outstanding and the balance drawn on the credit facility. Interest expense in Q1-10 includes distributions paid to unitholders during the period. When compared to Q1-10 without these distributions, interest expense in Q1-11 has increased due to additional mortgage financing obtained in connection with acquisitions completed in 2010, and the issuance of additional convertible debentures since Q1-10. In accordance with IFRS, financing costs on mortgages and other loans are netted against the related debt, and amortized on an effective interest basis over the expected life of the debt.

The REIT's weighted-average effective rate at March 31, 2011 on mortgages and other debt secured by properties was 4.97% compared to 5.12% at December 31, 2010. The weighted-average nominal interest rate at March 31, 2011 was 4.83% compared to 4.97% at December 31, 2010.

In accordance with IFRS, convertible debentures are recorded as a financial liability at fair value. Artis recorded interest expense of \$2,186 on the face value of debentures outstanding in Q1-11, compared to \$1,374 in Q1-10.

CORPORATE EXPENSE

	Three month period ended March 31,	
	2011	2010
Accounting, legal, consulting	\$ 276	\$ 118
Advisory fees	1,305	754
Public company costs	201	189
Unit-based compensation	353	43
Amortization	29	28
General and administrative	349	152
Total corporate expenses	\$ 2,513	\$ 1,284

Corporate expenses in Q1-11 were \$2,513, or 4.0% of gross revenues compared to \$1,284, or 3.8% of gross revenues in Q1-10. For unit-based compensation, a liability is recognized and measured initially at fair value. The liability is remeasured to fair value at each reporting date and at each settlement date. Any change in the fair value of the liability is recognized as compensation expense for the period. An increase in the value of the REIT's units and the number of options outstanding has caused an increase in the compensation expense for the period. The increase in advisory fees is due to the number of properties acquired since Q1-10.

FOREIGN CURRENCY TRANSLATION LOSS

In Q1-11, the REIT held cash and deposits in US dollars to fund the future purchase of assets in the U.S. This resulted in a foreign currency translation loss of \$103. The REIT considers this to be specifically attributable to the acquisition of U.S. properties.

INCOME TAX RECOVERY

The REIT is subject to taxation in the U.S. on the taxable income earned by its U.S. properties at a combined federal and state tax rate of 34.46%. For Q1-11, the REIT recorded a current income tax recovery of \$74.

ARTIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis - Q1-11
(In thousands of Canadian dollars, unless otherwise noted)

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. For Q1-11, the REIT recorded a deferred tax recovery of \$49.

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 "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. 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 SIFT Rules and their application to the REIT.

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 month period ended March 31, 2011 and the year ended December 31, 2010.

TRANSACTION COSTS

During Q1-11, \$1,206 of transaction costs attributable to the acquisition of properties were expensed in accordance with IFRS compared to \$1,329 in Q1-10.

LOSS ON FINANCIAL INSTRUMENTS

Prior to May 14, 2010, the REIT had a contractual obligation to make cash distributions to its unitholders. Therefore, the REIT's trust units were classified as a financial liability measured at fair value. On May 14, 2010, the Declaration of Trust was amended to make distributions non-mandatory and the trust units were reclassified from liabilities to equity at the fair value of the liability at that date. During Q1-10, the REIT recorded an unrealized loss on the liability of \$26,865.

The REIT holds a number of interest rate swaps to effectively lock the interest rate on a portion of floating rate debt. In accordance with IFRS, the REIT recorded an unrealized gain on the fair value adjustment of the interest rate swaps outstanding of \$1,155 in Q1-11. The REIT anticipates holding the mortgages and interest rate swap contracts until maturity.

In Q1-11, the REIT recorded an unrealized loss on convertible debentures of \$4,973 compared to a gain of \$1,196 in Q1-10.

UNREALIZED FAIR VALUE GAIN (LOSS) ON INVESTMENT PROPERTIES

The changes in fair value of investment properties, period over period, are recognized as fair value gains and losses in the statement of operations. Fair values of the investment properties are determined through a combination of the discounted cash flow method and the overall capitalization method which are generally accepted appraisal methodologies. The increase in the fair value change is the result of two factors. The first factor is that the size and mix of the Q1-11 portfolio is significantly different than the size and mix of the portfolio in Q1-10. Also in Q1-11, significant capitalization rate compression was noted in several markets.

ARTIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis - Q1-11
(In thousands of Canadian dollars, unless otherwise noted)

OTHER COMPREHENSIVE LOSS

Other comprehensive loss includes the unrealized foreign currency translation loss in Q1-11 of \$2,069. Foreign currency translation gains and losses related to the REIT's net investment in foreign operations in the U.S. are recorded in other comprehensive loss according to IFRS.

DISTRIBUTABLE INCOME ("DI") AND DISTRIBUTIONS

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

Reconciliation of Cash Flows from Operations to DI:

000's, except per unit amounts	Three month period ended	
	March 31,	
	2011	2010
Cash flow from operations	\$ 20,767	\$ 2,546
Add (deduct) amortization of:		
Office equipment and software	(29)	(27)
Tenant inducements amortized into revenue	(1,020)	(447)
Above- and below-market mortgages, net	138	46
Add: Straight-line rent adjustment	1,148	443
Add (deduct):		
Unrealized loss on equity securities	(493)	-
Distributions paid, included in interest	-	12,345
Additions to tenant inducements	2,557	776
Transaction costs	1,206	1,329
Changes in non-cash operating items	(3,111)	(5,400)
Accretion of financing costs included in interest	(386)	(213)
DI for the period	\$ 20,777	\$ 11,398
Add back:		
Realized currency translation loss ⁽¹⁾	31	-
Loss on equity securities ⁽¹⁾	193	-
DI for the period after adjustments	\$ 21,001	\$ 11,398
DI per unit		
Basic	\$ 0.27	\$ 0.26
Diluted	\$ 0.27	\$ 0.26
DI per unit after adjustments		
Basic	\$ 0.28	\$ 0.26
Diluted	\$ 0.27	\$ 0.26
Weighted-average number of units		
Basic ⁽²⁾	75,613	43,105
Diluted ⁽²⁾	85,264	47,668

⁽¹⁾ Added back to DI is the realized foreign currency impact specifically attributable to the acquisition of U.S. properties and the loss on equity securities resulting from the investment of surplus cash.

⁽²⁾ Options and convertible debentures are factored into the diluted weighted-average calculation, to the extent that their impact is dilutive.

ARTIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis - Q1-11
(In thousands of Canadian dollars, unless otherwise noted)

Reconciliation of GAAP Income (Loss) to DI:

	Three month period ended	
	2011	March 31, 2010
Income (loss) for the period	\$ 132,021	\$ (28,539)
Add (deduct):		
Unit-based compensation expense	353	43
Transaction costs	1,206	1,329
Gain on disposal of investment property	(255)	-
Deferred tax recovery	(49)	-
Other adjustments:		
Unrealized fair value (gain) loss on investment properties	(116,160)	471
Unrealized foreign currency translation loss	72	-
Distributions paid, included in interest	-	12,345
Unrealized loss on financial instruments	3,589	25,749
DI for the period	\$ 20,777	\$ 11,398
Add back:		
Realized foreign currency translation loss ⁽¹⁾	31	-
Loss on equity securities ⁽¹⁾	193	-
DI for the period after adjustments	\$ 21,001	\$ 11,398

⁽¹⁾ Added back to DI is the realized foreign currency impact specifically attributable to the acquisition of U.S. properties and the loss on equity securities resulting from the investment of surplus cash.

In Q1-11, DI for the period increased \$9,379, or 82.3% over Q1-10. This increase is primarily attributed to the acquisitions completed in 2010. Basic DI per unit increased \$0.01, or 3.8% over Q1-10. On a diluted basis, DI has increased \$0.01, or 3.8% over Q1-10.

As a result of units issued under the DRIP, units issued from public offerings, and conversion of convertible debentures, 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. Management anticipates there will be further growth in DI as acquisitions completed in Q1-11 contribute to operating results.

The following is a reconciliation of DI for the period under previous GAAP to DI for the period under IFRS:

	Three month period ended March 31, 2010
DI for the period as reported under previous GAAP	\$ 13,787
Adjustments:	
Amortization of below-market rent	(2,819)
Amortization of above-market rent	57
Amortization of leasing commissions	330
Reclassification of tenant inducements amortization to investment properties	43
DI for the period as reported under IFRS	\$ 11,398

ARTIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis - Q1-11
(In thousands of Canadian dollars, unless otherwise noted)

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 DRIP.

	Three month period ended March 31, 2011	Year ended December 31, 2010	Year ended December 31, 2009 ⁽¹⁾
Cash flow from operations	\$ 20,767	\$ 24,187	\$ 41,113
Net income (loss)	\$ 132,021	\$ 33,224	\$ (9,189)
Distributions declared ⁽²⁾	\$ 20,433	\$ 46,503	\$ 36,998
Excess (shortfall) of cash flow from operations over distributions declared	\$ 334	\$ (22,316)	\$ 4,115
Excess of distributions declared over net (loss) income	\$ 111,588	\$ (13,279)	\$ (46,187)

⁽¹⁾ Results for 2009 are reported under previous Canadian GAAP.

⁽²⁾ Excludes distributions recorded in interest expense in 2010.

For the three months ended March 31, 2011, cash flow from operations exceeded distributions declared by \$334.
For the three months ended March 31, 2011, net income exceeded distributions declared.

ARTIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis - Q1-11
(In thousands of Canadian dollars, unless otherwise noted)

FUNDS FROM OPERATIONS ("FFO")

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

Reconciliation of Cash Flows from Operations to FFO:

000's, except per unit amounts	Three month period ended	
	March 31,	
	2011	2010
Cash flow from operations	\$ 20,767	\$ 2,546
Add (deduct) amortization of:		
Office equipment and software	(29)	(27)
Above- and below-market mortgages, net	138	46
Add (deduct):		
Straight-line rent adjustment	1,148	443
Unrealized loss on equity securities	(493)	-
Unit-based compensation expense	(353)	(43)
Accretion of financing costs included in interest	(386)	(213)
Distributions paid, included in interest	-	12,345
Transaction costs	1,206	1,329
Additions to tenant inducements	2,557	776
Changes in non-cash operating items	(3,111)	(5,400)
FFO for the period	\$ 21,444	\$ 11,802
Add back:		
Realized foreign currency translation loss ⁽¹⁾	31	-
Loss on equity securities ⁽¹⁾	193	-
FFO for the period after adjustments	\$ 21,668	\$ 11,802
FFO per unit		
Basic	\$ 0.28	\$ 0.27
Diluted	\$ 0.28	\$ 0.27
FFO per unit after adjustments		
Basic	\$ 0.29	\$ 0.27
Diluted	\$ 0.28	\$ 0.27
Weighted-average number of units:		
Basic ⁽²⁾	75,613	43,105
Diluted ⁽²⁾	85,209	49,398

⁽¹⁾ Added back to FFO is the realized foreign currency impact specifically attributable to the acquisition of U.S. properties and the loss on equity securities resulting from the investment of surplus cash.

⁽²⁾ Options and convertible debentures are factored into the diluted weighted-average calculation, to the extent that their impact is dilutive.

The following is a reconciliation of the weighted-average number of basic units to diluted units and FFO to diluted FFO:

Diluted units reconciliation

	Three month period ended	
	March 31,	
	2011	2010
Basic units	75,613	43,105
Add:		
Debentures ⁽¹⁾	9,596	6,293
Diluted units	85,209	49,398

Diluted FFO reconciliation

	Three month period ended	
	March 31,	
	2011	2010
FFO	\$ 21,444	\$ 11,802
Add:		
Debentures ⁽¹⁾	2,177	1,307
Diluted FFO	\$ 23,621	\$ 13,109

⁽¹⁾ All debentures are dilutive in Q1-11 and Q1-10.

ARTIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis - Q1-11
(In thousands of Canadian dollars, unless otherwise noted)

Reconciliation of GAAP Income (Loss) to FFO:

	Three month period ended	
	March 31,	
	2011	2010
Income (loss) for the period	\$ 132,021	\$ (28,539)
Add amortization on:		
Tenant inducements amortized to revenue	1,020	447
Add (deduct):		
Gain on disposal of investment property	(255)	-
Deferred tax recovery	(49)	-
Unrealized fair value (gain) loss on investment properties	(116,160)	471
Unrealized foreign currency translation loss	72	-
Transaction costs	1,206	1,329
Distributions paid, included in interest	-	12,345
Unrealized loss on financial instruments	3,589	25,749
FFO for the period	\$ 21,444	\$ 11,802
Add back:		
Realized foreign currency translation loss ⁽¹⁾	31	-
Loss on equity securities ⁽¹⁾	193	-
FFO for the period after adjustments	\$ 21,668	\$ 11,802

⁽¹⁾ Added back to FFO is the realized foreign currency impact specifically attributable to the acquisition of U.S. properties and the loss on equity securities resulting from the investment of surplus cash.

In Q1-11, FFO has increased \$9,642, or 81.7% over Q1-10. Basic FFO per unit has increased by \$0.01 or 3.7% over Q1-10. On a diluted basis, FFO per unit has increased \$0.01, or 3.7% over Q1-10.

As a result of units issued under the DRIP, units issued from public offerings, and conversion of convertible debentures, 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. Management anticipates there will be further growth in FFO as acquisitions completed in Q1-11 contribute to operating results.

The following is a reconciliation of FFO for the period under previous GAAP to FFO for the period under IFRS:

	Three month period ended March 31, 2010	
FFO for the period as reported under previous GAAP	\$	14,100
Adjustments:		
Unit-based compensation		(32)
Amortization of below-market rent		(2,819)
Amortization of above-market rent		57
Accretion on liability component of convertible debentures		496
FFO for the period as reported under IFRS	\$	11,802

ARTIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis - Q1-11
(In thousands of Canadian dollars, unless otherwise noted)

ANALYSIS OF FINANCIAL POSITION

ASSETS

	March 31, 2011	December 31, 2010	Increase (decrease)
Non-current assets:			
Investment properties and investment properties under construction	\$ 2,306,852	\$ 2,058,185	\$ 248,667
Other non-current assets	23,661	24,136	(475)
Current assets:			
Cash, cash equivalents and cash held in trust	33,483	89,106	(55,623)
Other current assets	35,824	40,169	(4,345)
	\$ 2,399,820	\$ 2,211,596	\$ 188,224

Investment properties and investment properties under construction:

The increase in investment properties and investment properties under construction is a result of the following:

	Investment properties	Investment properties under construction	Total
Balance, December 31, 2010	\$ 2,052,780	\$ 5,405	\$ 2,058,185
Additions:			
Acquisitions	133,215	-	133,215
Capital expenditures	128	4,416	4,544
Leasing costs	1,382	-	1,382
Net change to tenant inducements	1,537	-	1,537
Disposition	(6,525)	-	(6,525)
Reclassification of investment property under construction	4,550	(4,550)	-
Unrealized fair value gain	116,160	-	116,160
Other adjustments	(1,646)	-	(1,646)
Balance, March 31, 2011	\$ 2,301,581	\$ 5,271	\$ 2,306,852

During the three months ended March 31, 2011, the following 13 commercial properties were acquired:

Property	Location	GLA	Acquisition Date	Type
ADT Building	Calgary, AB	30,932	January 7, 2011	Industrial
Dominion Construction Building	Calgary, AB	17,187	January 7, 2011	Industrial
EMC Building	Edmonton, AB	28,520	February 28, 2011	Office
Stinson Office Park	Minneapolis, MN	307,045	March 31, 2011	Office
Minneapolis Industrial Portfolio ⁽¹⁾	Minneapolis, MN	1,508,193	March 31, 2011	Industrial

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

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 using the acquisition method.

ARTIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis - Q1-11
(In thousands of Canadian dollars, unless otherwise noted)

	Three month period ended	
	March 31,	
	2011	2010
Cash consideration	\$ 59,409	\$ 54,963
Foreign exchange impact	(1,157)	-
New or assumed mortgages including above- and below-market mortgages, net of deferred financing costs	74,963	103,323
Net assets acquired	\$ 133,215	\$ 158,286

Investment properties include certain capital expenditures related to sustaining building improvements not related to a specific lease or tenancy. Capital expenditures, including tenant improvements, in Q1-11 totaled \$4,544 compared to \$1,865 in Q1-10. Revenue enhancing capital expenditures of \$4,106 were incurred in Q1-11 relating to construction of a new office building at North City Centre in Edmonton, Alberta, construction of a new industrial building at Fourell Business Park in Edmonton, Alberta, and construction of a parkade ancillary to an existing portfolio office property in Winnipeg, Manitoba. The remaining \$438 of capital expenditures primarily relate to an elevator modernization project and a parkade upgrade at a Winnipeg office property. Approximately \$168 of these capital expenditures are recoverable from tenants in future periods.

In Q1-11, Artis incurred \$3,939 of tenant inducements and leasing costs compared to \$1,165 in Q1-10. Tenant inducements include costs incurred to improve the space that primarily benefit the tenant, as well as allowances paid to tenants. Leasing costs are primarily brokers' commissions.

	Three month period ended	
	March 31,	
	2011	2010
Tenant inducements	\$ 2,557	\$ 776
Leasing commissions	1,382	389
Total	\$ 3,939	\$ 1,165

On March 7, 2011, the REIT sold a property that was part of the Winnipeg Industrial Portfolio. The proceeds from the sale of this property, net of costs, were \$6,780. The gain recorded on the sale was \$255. The REIT transferred the mortgage on this property to three previously unencumbered properties.

The construction of a new office building at North City Centre in Edmonton, Alberta was completed during the quarter and has been reclassified from investment properties under construction to properties in redevelopment.

In Q1-11, the REIT recorded a gain on the fair value of investment properties of \$116,160 due to capitalization rate compression and higher inflation factors applied to market rent assumptions in the Calgary office properties.

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 installments of principal and interest. The note is transferable at the option of the REIT and matures in May 2023. The REIT has one additional note receivable arising from the disposition of investment properties. The balance outstanding on all notes receivable at March 31, 2011 is \$26,686 compared to \$27,142 at December 31, 2010.

Investment in equity securities:

At March 31, 2011, the REIT had \$13,443 (December 31, 2010 \$11,184) invested in equity securities. Artis invested excess cash in equity securities to achieve a better return on investment on surplus cash. Commencing in March 2011, the REIT has begun liquidating this investment.

ARTIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis - Q1-11
(In thousands of Canadian dollars, unless otherwise noted)

Cash and cash equivalents:

At March 31, 2011, the REIT had \$32,514 of cash and cash equivalents on hand, compared to \$88,324 at December 31, 2010. The balance is anticipated to be invested in investment properties in subsequent periods, or used for working capital purposes. All of the REIT's cash and cash equivalents are held in current accounts and/or bank guaranteed investment certificates.

LIABILITIES

	March 31, 2011	December 31, 2010	Increase (decrease)
Non-current liabilities:			
Mortgages and loans payable	\$ 1,148,621	\$ 1,097,402	\$ 51,219
Convertible debentures	156,626	153,889	2,737
Other non-current liabilities	152	201	(49)
Current liabilities:			
Current portion of mortgages and loans payable	74,482	58,690	15,792
Current portion of convertible debentures	-	-	-
Bank indebtedness	8,000	8,000	-
Other current liabilities	44,329	39,184	5,145
	\$ 1,432,210	\$ 1,357,366	\$ 74,844

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 IFRS, convertible debentures are recorded as a liability at fair value.

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 other assets as disclosed in the balance sheet and notes thereto.

Artis' debt (excluding convertible debentures) to GBV ratio at March 31, 2011 was 51.3%, compared to 52.6% at December 31, 2010.

	March 31, 2011	December 31, 2010
GBV	\$ 2,400,082	\$ 2,211,829
Mortgages, loans and bank indebtedness	1,231,103	1,164,092
Mortgages, loans and bank indebtedness to GBV	51.3 %	52.6 %
Carrying value of convertible debentures	\$ 156,626	\$ 153,889
Total long-term debt and bank indebtedness	1,387,729	1,317,981
Total long-term debt and bank indebtedness to GBV	57.8 %	59.6 %

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 has a policy of maintaining a total debt to GBV ratio of 70% 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 would be included in the debt component of the calculation.

ARTIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis - Q1-11
(In thousands of Canadian dollars, unless otherwise noted)

Mortgages and loans payable:

Artis finances acquisitions in part through the assumption of mortgage financing and consequently, substantially all of the REIT's investment properties are pledged as security under mortgages and other loans. In Q1-11, \$6,308 of principal repayments were made, compared to \$3,235 in Q1-10.

During Q1-11, long-term debt added on acquisition of investment properties was \$74,963. During Q1-11, Artis maintained the balance drawn on the line of credit at \$8,000.

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 Q1-11, 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 variable rate debt less the portion protected by interest rate swaps is \$190,725 or 13.7% of total debt.

The weighted-average term to maturity at March 31, 2011 is 4.5 years, compared to 4.8 years at December 31, 2010.

Convertible debentures:

Artis has four series of convertible debentures outstanding as at March 31, 2011, as follows:

	March 31, 2011				December 31, 2010		
	Issued	Maturity	Face rate	Carrying value	Face value	Carrying value	Face value
Series C	4-May-06	31-May-13	6.25%	30,967	29,920	30,833	29,920
Series D	30-Nov-07	30-Nov-14	5.00%	17,284	17,000	17,156	17,000
Series E	9-July-09	30-June-14	7.50%	18,675	12,454	19,857	13,994
Series F	22-Apr-10	30-June-20	6.00%	89,700	86,250	86,043	86,250
				\$ 156,626	\$ 145,624	\$ 153,889	\$ 147,164

The carrying value of convertible debentures has increased by \$2,737 from December 31, 2010. This increase is due to an increase in the fair value of the debentures offset by the conversion of Series E convertible debentures.

Deferred tax liability:

The REIT believes that it has met the REIT Conditions throughout the three month period ended March 31, 2011 and the year ended December 31, 2010. 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).

Other liabilities and bank indebtedness:

Included in other liabilities are security deposits paid by tenants, rents prepaid by tenants at March 31, 2011, accounts payable and accruals, as well as the March 31, 2011 distribution payable to unitholders of \$6,819, subsequently paid on April 15, 2011. Bank indebtedness relates to the balance drawn on the REIT's revolving term credit facility. At March 31, 2011, 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 \$113,380 between March 31, 2011 and December 31, 2010. The increase was primarily due to the issuance of units for \$1,626, the conversion of convertible debentures for \$2,235 and income for the period of \$132,021. This increase was offset by the other comprehensive loss for the period of \$2,069 and the distributions made to unitholders of \$20,433.

ARTIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis - Q1-11
(In thousands of Canadian dollars, unless otherwise noted)

LIQUIDITY AND CAPITAL RESOURCES

In Q1-11, Artis generated \$20,767 of cash flows from operating activities. Cash flows from operations assisted in funding distributions to unitholders of \$20,433 and for principal repayments on mortgages and loans of \$6,308.

Cash of \$8,483 was used for capital expenditures and for tenant inducements and leasing costs.

At March 31, 2011, Artis had \$32,514 of cash and cash equivalents on hand. Management anticipates that the cash on hand will be invested in investment 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 March 31, 2011, 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 March 31, 2011.

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
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 ⁽¹⁾	145,624	-	29,920	29,454	86,250
Total	\$ 1,413,447	\$ 117,122	\$ 326,372	\$ 483,103	\$ 486,850

⁽¹⁾ It is assumed that none of the convertible debentures are converted or redeemed prior to maturity and that they are paid out in cash on maturity.

At March 31, 2011, obligations due within one year include \$33,862 of accounts payable and other liabilities, \$50,707 of mortgages, \$8,000 drawn on the revolving term credit facility, and principal repayments on mortgages of \$24,553.

ARTIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis - Q1-11
(In thousands of Canadian dollars, unless otherwise noted)

SUMMARIZED QUARTERLY INFORMATION

\$000's, except per unit amounts ⁽¹⁾								
	Q1-11	Q4-10	Q3-10	Q2-10	Q1-10	Q4-09 ⁽²⁾	Q3-09 ⁽²⁾	Q2-09 ⁽²⁾
Revenue	\$ 63,258	\$ 55,924	\$ 46,184	\$ 39,216	\$ 33,751	\$ 35,243	\$ 33,517	\$ 33,487
Property operating expenses	24,246	21,253	16,256	12,885	11,638	11,590	10,487	10,393
Property NOI	39,012	34,671	29,928	26,331	22,113	23,653	23,030	23,094
Interest income	750	914	668	515	452	-	-	-
	39,762	35,585	30,596	26,846	22,565	23,653	23,030	23,094
Expenses (income):								
Interest	16,675	15,617	14,443	17,110	22,271	10,438	10,029	9,766
Corporate	2,513	1,983	2,536	1,422	1,284	1,330	705	1,288
Amortization	-	-	-	-	-	13,286	12,523	12,862
Foreign currency translation (gain) loss	103	2,488	553	(96)	-	-	-	-
	19,291	20,088	17,532	18,436	23,555	25,054	23,257	23,916
Income (loss) before the undernoted	20,471	15,497	13,064	8,410	(990)	(1,401)	(227)	(822)
Loss on termination of Interplex II agreement	-	-	-	-	-	-	-	(7,287)
Non-controlling interest	-	-	-	-	-	-	-	45
Income (loss) before income taxes and discontinued operations	\$ 20,471	\$ 15,497	\$ 13,064	\$ 8,410	\$ (990)	\$ (1,401)	\$ (227)	\$ (8,064)
Income tax recovery (expense)	123	(298)	-	-	-	-	-	-
Gain on disposal of investment property	255	-	-	-	-	-	-	-
Transaction costs	(1,206)	(6,672)	(4,286)	(7,259)	(1,329)	-	-	-
Gain (loss) on financial instruments	(3,782)	4,841	(14,525)	16,155	(25,749)	95	(297)	(60)
Unrealized fair value gain (loss) on investment properties	116,160	11,214	14,434	11,188	(471)	-	-	-
Income from discontinued operations	-	-	-	-	-	5,446	616	8,234
Income (loss) for the period	\$ 132,021	\$ 24,582	\$ 8,687	\$ 28,494	\$ (28,539)	\$ 4,140	\$ 92	\$ 110
Other comprehensive income: Unrealized foreign currency translation loss	\$ (2,069)	\$ (126)	\$ (184)	\$ -	\$ -	\$ -	\$ -	\$ -
Comprehensive income (loss) for the period	\$ 129,952	\$ 24,456	\$ 8,503	\$ 28,494	\$ (28,539)	\$ 4,140	\$ 92	\$ 110
Basic income (loss) per unit	\$ 1.75	\$ 0.33	\$ 0.14	\$ 0.57	\$ (0.66)	\$ 0.11	\$ 0.00	\$ 0.00
Diluted income (loss) per unit	\$ 1.63	\$ 0.30	\$ 0.14	\$ 0.47	\$ (0.66)	\$ 0.11	\$ 0.00	\$ 0.00

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

⁽²⁾ Results for 2009 are reported under previous Canadian GAAP.

Artis disposed of several properties in 2009 and has been acquiring properties in Q4-09 and throughout 2010 which has created volatility in quarterly results. Due to the acquisition activity since Q4-09, Artis has steadily increased revenues and Property NOI from continuing operations over the last few quarters. Management anticipates there will be further growth in revenues and Property NOI as acquisitions completed in Q1-11 contribute to operating results.

ARTIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis - Q1-11
(In thousands of Canadian dollars, unless otherwise noted)

Reconciliation of GAAP Income (Loss) to DI:

000's, except per unit amounts	Q1-11	Q4-10	Q3-10	Q2-10	Q1-10	Q4-09 ⁽¹⁾	Q3-09 ⁽¹⁾	Q2-09 ⁽¹⁾
Income (loss) for the period	\$ 132,021	\$ 24,582	\$ 8,687	\$ 28,494	\$ (28,539)	\$ 4,140	\$ 92	\$ 110
Add:								
Amortization (excluding amortized leasing costs)	-	-	-	-	-	12,597	12,175	12,945
Accretion on liability component of debentures	-	-	-	-	-	516	473	373
Unit-based compensation expense	353	(33)	678	(100)	43	8	37	54
Cancellation of options	-	-	-	-	-	-	(484)	-
Unrealized fair value (gain) loss on investment properties	(116,160)	(11,214)	(14,434)	(11,188)	471	-	-	-
Transaction costs	1,206	6,672	4,286	3,505	1,329	-	-	-
Unrealized (gain) loss on financial instruments	3,589	(3,272)	14,525	(16,155)	25,749	(95)	297	60
Loss on termination of Interplex II agreement	-	-	-	-	-	-	-	7,287
Gain on disposal of investment properties	(255)	-	-	-	-	(5,460)	(403)	(7,988)
Distributions paid, included in interest	-	-	-	4,484	12,345	-	-	-
Deferred tax	(49)	201	-	-	-	-	-	-
Other adjustments:								
Unrealized foreign currency translation loss	72	792	(599)	-	-	-	-	-
Non-controlling interest ⁽²⁾	-	-	-	-	-	-	-	58
DI for the period	\$ 20,777	\$ 17,728	\$ 13,143	\$ 9,040	\$ 11,398	\$ 11,706	\$ 12,187	\$ 12,899
Add back:								
Convertible debenture financing costs ⁽³⁾	-	-	-	3,754	-	-	-	-
Realized foreign currency translation (gain) loss ⁽³⁾	31	1,696	1,152	(96)	-	-	-	-
(Gain) loss on equity securities ⁽³⁾	193	(1,569)	-	-	-	-	-	-
DI for the period after adjustments	\$ 21,001	\$ 17,855	\$ 14,295	\$ 12,698	\$ 11,398	\$ 11,706	\$ 12,187	\$ 12,899
DI per unit								
Basic	\$ 0.27	\$ 0.24	\$ 0.22	\$ 0.18	\$ 0.26	\$ 0.32	\$ 0.37	\$ 0.39
Diluted	\$ 0.27	\$ 0.24	\$ 0.22	\$ 0.18	\$ 0.26	\$ 0.30	\$ 0.34	\$ 0.38
DI per unit after adjustments								
Basic	\$ 0.28	\$ 0.24	\$ 0.24	\$ 0.25	\$ 0.26	\$ 0.32	\$ 0.37	\$ 0.39
Diluted	\$ 0.27	\$ 0.24	\$ 0.23	\$ 0.25	\$ 0.26	\$ 0.30	\$ 0.34	\$ 0.38
Weighted-average number of units:								
Basic ⁽⁴⁾	75,613	74,012	60,493	50,097	43,105	37,138	33,364	33,019
Diluted ⁽⁴⁾	85,264	82,077	62,350	52,548	47,668	44,506	40,793	36,101

⁽¹⁾ Results for 2009 are reported under previous Canadian GAAP.

⁽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⁾ Added back to DI is the transaction costs related to the issuance of convertible debentures, realized foreign currency impact specifically attributable to the acquisition of U.S. properties and the (gain) loss on equity securities resulting from the investment of surplus cash.

⁽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.

ARTIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis - Q1-11
(In thousands of Canadian dollars, unless otherwise noted)

Reconciliation of GAAP Income (Loss) to FFO:

000's, except per unit amounts	Q1-11	Q4-10	Q3-10	Q2-10	Q1-10	Q4-09 ⁽¹⁾	Q3-09 ⁽¹⁾	Q2-09 ⁽¹⁾
Income (loss) for the period	\$ 132,021	\$ 24,582	\$ 8,687	\$ 28,494	\$ (28,539)	\$ 4,140	\$ 92	\$ 110
Add amortization on:								
Income-producing properties	-	-	-	-	-	6,523	6,332	6,529
Acquired in-place leases	-	-	-	-	-	6,073	5,841	6,414
Customer relationships	-	-	-	-	-	1	2	2
Tenant inducements and leasing costs	-	-	-	-	-	675	731	612
Tenant inducements amortized into revenue	1,020	950	904	483	447	141	71	63
Unrealized (gain) loss on financial instruments	3,589	(3,272)	14,525	(16,155)	25,749	(95)	297	60
Transaction costs	1,206	6,672	4,286	3,505	1,329	-	-	-
Unrealized fair value (gain) loss on investment properties	(116,160)	(11,214)	(14,434)	(11,188)	471	-	-	-
Distributions paid, included in interest	-	-	-	4,484	12,345	-	-	-
Loss on termination of Interplex II agreement	-	-	-	-	-	-	-	7,287
Gain on disposal of investment properties	(255)	-	-	-	-	(5,460)	(403)	(7,988)
Deferred tax expense (recovery)	(49)	201	-	-	-	-	-	-
Other adjustments:								
Non-controlling interest ⁽²⁾	-	-	-	-	-	-	-	58
Unrealized foreign currency translation loss	72	792	(599)	-	-	-	-	-
FFO for the period	\$ 21,444	\$ 18,711	\$ 13,369	\$ 9,623	\$ 11,802	\$ 11,998	\$ 12,963	\$ 13,147
Add back:								
Convertible debentures financing costs ⁽³⁾	-	-	-	3,754	-	-	-	-
Realized foreign currency translation (gain) loss ⁽³⁾	31	1,696	1,152	(96)	-	-	-	-
(Gain) loss on equity securities ⁽³⁾	193	(1,569)	-	-	-	-	-	-
FFO for the period after adjustments	\$ 21,668	\$ 18,838	\$ 14,521	\$ 13,281	\$ 11,802	\$ 11,998	\$ 12,963	\$ 13,147
FFO per unit								
Basic	\$ 0.28	\$ 0.25	\$ 0.22	\$ 0.19	\$ 0.27	\$ 0.32	\$ 0.39	\$ 0.40
Diluted	\$ 0.28	\$ 0.25	\$ 0.22	\$ 0.19	\$ 0.27	\$ 0.31	\$ 0.36	\$ 0.39
FFO per unit after adjustments								
Basic	\$ 0.29	\$ 0.25	\$ 0.24	\$ 0.27	\$ 0.27	\$ 0.32	\$ 0.39	\$ 0.40
Diluted	\$ 0.28	\$ 0.25	\$ 0.24	\$ 0.26	\$ 0.27	\$ 0.31	\$ 0.36	\$ 0.39
Weighted-average number of units:								
Basic ⁽⁴⁾	75,613	74,012	60,493	50,097	43,105	37,138	33,364	33,019
Diluted ⁽⁴⁾	85,209	82,039	62,286	52,548	49,398	42,551	38,838	34,146

⁽¹⁾ Results for 2009 are reported under previous Canadian GAAP.

⁽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⁾ Added back to FFO is the transaction costs related to the issuance of convertible debentures, realized foreign currency impact specifically attributable to the acquisition of U.S. properties and the (gain) loss on equity securities resulting from the investment of surplus cash.

⁽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 REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis - Q1-11
(In thousands of Canadian dollars, unless otherwise noted)

Artis acquired a number of investment properties in Q1-11. Due to the acquisition activity since Q4-09, Artis has steadily increased DI and FFO over the last few quarters. Management anticipates there will be further growth in DI and FFO as acquisitions completed in Q1-11 contribute to operating results.

RELATED PARTY TRANSACTIONS

	Three month period ended	
	March 31,	
	2011	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 the prospectus offerings, the 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.

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, 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).

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 the 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.

ARTIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis - Q1-11
(In thousands of Canadian dollars, unless otherwise noted)

OUTSTANDING UNIT DATA

The balance of units outstanding as of May 18, 2011 is as follows:

Units outstanding at March 31, 2011	75,771,265
Units issued (DRIP)	86,135
Units issued on exercise of options	1,500
Units issued on conversion of debentures	66,016
	<hr/>
Units outstanding at May 18, 2011	75,924,916

The balance of options outstanding as of May 18, 2011 is as follows:

	Options outstanding	Options exercisable
\$11.28 options, issued February 25, 2010	269,500	66,063
\$13.30 options, issued September 10, 2010	399,000	-
\$13.44 options, issued October 15, 2010	400,000	-
	<hr/>	<hr/>
	1,068,500	66,063

2011 OUTLOOK

Artis is a diversified REIT focused on industrial, retail and office asset classes. Artis is also geographically diversified, with properties owned across western Canada, as well as in Ontario and in select markets in the United States.

According to the Scotiabank Global Economic Research report of April 2011, real GDP in Canada is forecast to grow 3.1% in 2011. Forecast GDP growth for the Canadian provinces where Artis owns properties is also positive, as follows: Manitoba, 2.8%; Saskatchewan, 4.6%; Alberta, 4.4%; British Columbia, 3.0% and Ontario, 2.8%. Artis has also selectively diversified into geographical areas where GDP growth is anticipated to be strong. The U.S. appears to be poised for its strongest year of economic growth since the recession began three years ago, according to Moody's which expects 3.9% growth.

Further capitalization rate compression and strong competition for quality product are the main constraints against continued growth through acquisition. However, Artis has a robust deal flow pipeline and continues to see opportunities to acquire accretive and high quality commercial properties in its selected markets.

As at March 31, 2011, Artis had \$32,514 of cash and cash equivalents on hand plus an additional \$13,443 in investments and \$52,000 available on the line of credit. Subsequent to March 31, 2011, the following transactions took place:

- On April 4, 2011, the REIT drew \$7,400 on the line of credit for the EMC Building which was acquired 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 June 30, 2018 and are convertible into units of the REIT by the holder at a price of US \$18.25 per unit (with a fixed foreign exchange rate of 1.0390).

ARTIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis - Q1-11
(In thousands of Canadian dollars, unless otherwise noted)

- 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.

Artis also entered into additional unconditional agreements to acquire properties as follows:

- 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.

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 March 31, 2011 for the portfolio as a whole is 2.8% higher than the rates in place at expiry.

RISKS AND UNCERTAINTIES

REAL ESTATE OWNERSHIP

All real property investments are subject to elements of risk. General economic conditions, local real estate markets, supply and demand for leased premises, competition from other available premises and various other factors affect such investments. The REIT's properties are located in five Canadian provinces and four U.S. states, with a significant majority of its properties, measured by gross leasable area, located in the province of Alberta. As a result, our properties are impacted by factors specifically affecting their respective real estate markets. These factors may differ from those affecting the real estate markets in other regions of Canada and the U.S.

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 limiting the amount of variable rate debt. The REIT has the majority of its mortgage payable and debentures in fixed rate 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 December 31, 2010, 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 REIT's ratio of mortgages, loans and bank indebtedness to GBV is 51.3%, down from 52.6% at December 31, 2010. Approximately 2.6% of Artis' maturing mortgage debt comes up for renewal in the remainder of 2011, and 9.6% in 2012. Management has secured commitments to refinance the remaining 2011 mortgage maturities, and has secured commitments or is in discussion with various lenders with respect to the renewal or refinancing of the 2012 mortgage maturities.

ARTIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis - Q1-11
(In thousands of Canadian dollars, unless otherwise noted)

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 1,896 tenant leases with a weighted-average term to maturity of 5.6 years. Approximately 63.0% 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 2010 annual revenues in excess of £2.9 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 £3.9 billion. As at March 31, 2011, government tenants contribute 6.5% to the REIT's overall gross revenue and occupy 4.6% of total GLA.

Top Twenty Tenants By Gross Revenue

Tenant	% of Total Gross Revenue	GLA (in 000's of s.f.)	% of Total GLA	Weighted-Average Remaining Lease Term
AMEC Americas Ltd	3.2 %	200	1.4 %	2.4
TransAlta Corporation	1.9 %	336	2.3 %	12.2
Sobeys	1.4 %	190	1.3 %	9.9
PMC - Sierra	1.4 %	148	1.0 %	5.2
Fairview Health Services	1.3 %	179	1.3 %	12.4
Birchcliff Energy	1.2 %	59	0.4 %	6.7
Shoppers Drug Mart	1.2 %	118	0.8 %	5.9
Credit Union Central	1.1 %	90	0.6 %	10.8
TD Bank	1.1 %	92	0.7 %	9.0
Home Depot	1.0 %	95	0.7 %	8.5
Bell Canada	1.0 %	76	0.5 %	5.3
Sports Alliance of Ontario	0.9 %	85	0.6 %	13.2
Data Sciences International	0.9 %	116	0.8 %	9.3
Deloitte & Touche	0.9 %	76	0.5 %	8.6
Q9 Networks Inc.	0.9 %	35	0.3 %	5.4
HB Group Insurance Mgmt Ltd.	0.9 %	75	0.5 %	11.9
UCare Minnesota	0.9 %	117	0.8 %	6.2
Kuehne + Nagel Ltd.	0.8 %	300	2.1 %	12.3
Aikins	0.8 %	60	0.4 %	3.6
Humana Pharmacy, Inc.	0.8 %	106	0.7 %	6.8
Total	23.6 %	2,553	17.7 %	8.9

Government Tenants By Gross Revenue

Tenant	% of Total Gross Revenue	GLA (in 000's of s.f.)	% of Total GLA	Weighted-Average Remaining Lease Term
Federal Government	3.3 %	312	2.2 %	4.1
Provincial Government	2.3 %	225	1.6 %	3.4
Civic or Municipal Government	0.9 %	116	0.8 %	5.1
Total	6.5 %	653	4.6 %	4.0

Weighted-average term to maturity (entire portfolio)

5.6

ARTIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis - Q1-11
(In thousands of Canadian dollars, unless otherwise noted)

LEASE ROLLOVER RISK

The value of investment 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 or U.S. economy would negatively impact demand for space in retail, office and industrial properties, 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	Canada					Calgary Office Only	U.S.		Total
	AB	BC	MB	SK	ON		MN	Other	
2011	4.2 %	1.1 %	3.0 %	0.3 %	0.6 %	1.7 %	3.1 %	0.0 %	12.4 %
2012	2.7 %	1.1 %	3.1 %	0.1 %	0.4 %	1.0 %	0.8 %	0.0 %	8.3 %
2013	4.2 %	1.8 %	3.4 %	0.8 %	0.5 %	2.2 %	1.9 %	0.0 %	12.3 %
2014	2.7 %	0.9 %	4.1 %	0.6 %	0.1 %	0.4 %	0.8 %	0.0 %	9.2 %
2015	2.7 %	1.3 %	3.6 %	0.4 %	0.9 %	0.4 %	3.3 %	0.0 %	12.1 %
2016	3.3 %	0.2 %	0.9 %	0.2 %	0.4 %	0.1 %	3.0 %	0.0 %	7.9 %
2017 & later	12.3 %	4.2 %	2.8 %	1.9 %	3.6 %	3.0 %	4.6 %	2.3 %	31.8 %
Month-to-month	0.1 %	0.0 %	0.1 %	0.0 %	0.0 %	8.8 %	0.1 %	0.0 %	0.3 %
Vacant	1.4 %	0.5 %	0.8 %	0.1 %	0.4 %	0.1 %	2.5 %	0.0 %	5.7 %
Total GLA (in 000's of s.f.)	4,834	1,607	3,153	640	947	1,337	2,881	336	14,398

Artis' real estate is diversified across five Canadian provinces and four U.S. states, and across the office, retail and industrial asset classes. At March 31, 2011, 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 Minneapolis industrial properties, Winnipeg industrial properties, and Calgary office properties.

In total, 72.5% of the 2011 and 23.2% of the 2012 leasing programs are complete, and the retention ratio thus far in 2011 is 81.4%.

TAX RISK

On June 22, 2007, the SIFT Rules (discussed in more detail above under the heading "Income Tax Recovery") were enacted. Under the 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 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 SIFT Rules will not apply to the REIT in 2009 and subsequent years. The REIT believes that it has met the REIT Conditions throughout the three month period ended March 31, 2011 and the year ended December 31, 2010. There can be no assurances, however, that the REIT will continue to be able to satisfy the REIT Conditions in the future such that the REIT will not be subject to the tax imposed by the SIFT Rules.

Under the 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.

ARTIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis - Q1-11
(In thousands of Canadian dollars, unless otherwise noted)

The REIT operates in the United States through a U.S. holding company (Artis US Holdings Inc.) which is capitalized with equity provided by the REIT and debt in the form of notes owed to the REIT. As at March 31, 2011, Artis US Holdings Inc. owes \$20.1 million to the REIT which is eliminated on consolidation of the financial statements.

The notes have been recorded as a liability for U.S. federal income tax purposes. If the Internal Revenue Service ("IRS") or a court were to determine that the notes should be treated as equity rather than debt for tax purposes, the interest on the notes would become taxable as a dividend, and therefore would not be deductible for U.S. federal income tax purposes. In addition, if the IRS were to determine that the interest rate on the notes did not represent an arm's length rate, any excess amount over arm's length would not be deductible and would be taxed as a dividend payment instead of an interest payment. This would increase the U.S. federal income tax liability of the REIT. In addition, the REIT could be subject to penalties. The increase in the tax liability could adversely affect Artis US Holdings Inc.'s ability to make payments on the notes or the REIT's ability to make distribution on its units.

FOREIGN CURRENCY RISK

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

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, 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.

VALUATION OF 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. Artis determines the fair value of investment properties based upon a combination of generally accepted appraisal methodologies: the discounted cash flow method and the overall capitalization method. Under the discounted cash flow method, expected future cash flows for each investment property were discounted, generally over a term of 10 years, using weighted-average rates of approximately 8.79% at January 1, 2010, 8.60% at December 31, 2010 and 8.39% at March 31, 2011. Expected future cash flows for each investment property have been based upon, but not limited to, rental income from current leases, budgeted and actual expenses, and assumptions about rental income from future leases. Under the overall capitalization method, year one income was stabilized and capped at weighted-average capitalization rates of approximately 7.69% at January 1, 2010, 7.74% at December 31, 2010 and 7.56% at March 31, 2011.

Investment properties under construction include initial acquisition costs, other direct costs and borrowing 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.

VALUATION OF CONVERTIBLE DEBENTURES

Under IFRS, the REIT records convertible debentures as a liability at fair value. 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. The discount rate applied to the cash flows is determined by management.

ARTIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis - Q1-11
(In thousands of Canadian dollars, unless otherwise noted)

VALUATION OF DEFERRED TAX ASSETS AND LIABILITIES

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 "SIFT Rules"). 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 month period ended March 31, 2011 and the year ended December 31, 2010.

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.

CONTROLS AND PROCEDURES

On October 1, 2010, the Canadian Securities Administrators implemented amendments to National Instrument 52-109, *Certification of Disclosure in Issuers' Annual and Interim Filings* ("NI 52-109") effective January 1, 2011, with the primary purpose of accommodating the transition to IFRS. The amendments replaced previous GAAP terms and phrases with IFRS terms and phrases.

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 IFRS. 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 NI 52-109) as at March 31, 2011.

The conversion to IFRS from previous GAAP impacts the REIT's presentation of financial results and the accompanying disclosure. Artis has assessed its internal controls over financial reporting, and has determined that the most significant change to the REIT's internal control environment relates to its IFRS accounting policy election to measure investment properties at fair value. This change required Artis to design and implement new processes and internal controls surrounding the development of fair values for investment properties.

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.

ARTIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis - Q1-11
(In thousands of Canadian dollars, unless otherwise noted)

DISCLOSURE CONTROLS AND PROCEDURES

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

As of March 31, 2011, 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 NI 52-109). Based on the evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the design and operation of the REIT's disclosure controls and procedures were effective as at March 31, 2011.