

Interim Condensed Consolidated Financial Statements of

**ARTIS REAL ESTATE
INVESTMENT TRUST**

Three months and six months ended June 30, 2012 and 2011
(Unaudited)

(In Canadian dollars)

ARTIS REAL ESTATE INVESTMENT TRUST

Interim Condensed Consolidated Balance Sheets

(In thousands of Canadian dollars)

	June 30, 2012 (Unaudited)	December 31, 2011
ASSETS		
Non-current assets:		
Investment properties (note 4)	\$ 3,736,771	\$ 3,003,604
Investment properties under construction (note 4)	9,031	20,463
Property and equipment (note 5)	2,117	311
Notes receivable	21,358	23,752
	3,769,277	3,048,130
Current assets:		
Deposits on investment properties	10,833	5,614
Prepaid expenses	8,120	5,150
Notes receivable	3,359	1,685
Accounts receivable and other receivables	15,674	11,876
Cash held in trust	2,487	1,039
Cash and cash equivalents	52,301	94,094
	92,774	119,458
	\$ 3,862,051	\$ 3,167,588
LIABILITIES AND UNITHOLDERS' EQUITY		
Non-current liabilities:		
Mortgages and loans payable (note 6)	\$ 1,681,215	\$ 1,428,334
Convertible debentures (note 7)	202,057	235,746
Defined benefit liability (note 8 (a))	431	-
Preferred share liability	78	78
	1,883,781	1,664,158
Current liabilities:		
Mortgages and loans payable (note 6)	194,900	139,065
Security deposits and prepaid rent	22,465	14,160
Accounts payable and other liabilities (note 9)	46,550	42,490
Bank indebtedness (note 10)	25,000	37,900
	288,915	233,615
	2,172,696	1,897,773
Unitholders' equity	1,689,355	1,269,815
Commitments and guarantees (note 18)		
Subsequent events (note 21)		
	\$ 3,862,051	\$ 3,167,588

See accompanying notes to interim condensed consolidated financial statements.

ARTIS REAL ESTATE INVESTMENT TRUST

Interim Condensed Consolidated Statements of Operations
 Three months and six months ended June 30, 2012 and 2011
 (Unaudited)

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

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011
Revenue	\$ 86,835	\$ 65,887	\$ 168,967	\$ 129,145
Property operating expenses	29,454	23,358	58,744	47,604
	57,381	42,529	110,223	81,541
Interest income	684	714	1,560	1,464
	58,065	43,243	111,783	83,005
Expenses:				
Interest	23,104	18,988	44,809	35,663
Corporate	3,057	2,573	6,505	5,086
Foreign currency translation loss (gain)	2,777	(2,025)	2,123	(1,922)
	28,938	19,536	53,437	38,827
Income before other items	29,127	23,707	58,346	44,178
Income tax expense	-	(2,661)	-	(2,538)
Transaction costs	(1,698)	(9,122)	(3,013)	(10,328)
Loss on financial instruments (note 13)	(1,099)	(875)	(10,118)	(4,657)
Gain on disposal of investment property (note 3)	-	-	-	255
Unrealized fair value gain on investment properties (note 4)	51,990	47,975	108,861	164,135
Income for the period	78,320	59,024	154,076	191,045
Other comprehensive income (loss):				
Unrealized foreign currency translation gain (loss)	5,270	(2,278)	2,170	(4,347)
Comprehensive income for the period	\$ 83,590	\$ 56,746	\$ 156,246	\$ 186,698
Basic income per unit (note 11 (c))	\$ 0.74	\$ 0.77	\$ 1.55	\$ 2.52
Diluted income per unit (note 11 (c))	\$ 0.70	\$ 0.69	\$ 1.54	\$ 2.30
Weighted-average number of units outstanding:				
Basic (note 11 (c))	105,468,372	76,172,896	99,562,899	75,898,974
Diluted (note 11 (c))	116,977,556	89,284,033	105,161,567	87,127,814

See accompanying notes to interim condensed consolidated financial statements.

ARTIS REAL ESTATE INVESTMENT TRUST

Interim Condensed Consolidated Statements of Changes in Unitholders' Equity
Six months ended June 30, 2012 and 2011
(Unaudited)

(In thousands of Canadian dollars, except unit amounts)

	Number of units	Capital contributions	Equity (deficit)	Accumulated other comprehensive (loss) income	Total
Unitholders' equity, January 1, 2011	75,477,308	\$ 875,234	\$ (20,694)	\$ (310)	\$ 854,230
Issuance of units, net of issue costs	7,400,093	99,579	-	-	99,579
Conversion of convertible debentures	353,101	4,863	-	-	4,863
Income for the period	-	-	191,045	-	191,045
Other comprehensive loss for the period	-	-	-	(4,347)	(4,347)
Distributions for the period	-	-	(41,594)	-	(41,594)
Unitholders' equity, June 30, 2011	83,230,502	979,676	128,757	(4,657)	1,103,776
Issuance of units, net of issue costs	5,494,346	71,854	-	-	71,854
Conversion of convertible debentures	148,057	2,000	-	-	2,000
Income for the period	-	-	130,244	-	130,244
Other comprehensive income for the period	-	-	-	7,530	7,530
Distributions for the period	-	-	(45,589)	-	(45,589)
Unitholders' equity, December 31, 2011	88,872,905	1,053,530	213,412	2,873	1,269,815
Issuance of units, net of issue costs	19,903,931	304,486	-	-	304,486
Conversion of convertible debentures	975,637	13,864	-	-	13,864
Income for the period	-	-	154,076	-	154,076
Other comprehensive income for the period	-	-	-	2,170	2,170
Distributions for the period	-	-	(55,056)	-	(55,056)
Unitholders' equity, June 30, 2012	109,752,473	\$ 1,371,880	\$ 312,432	\$ 5,043	\$ 1,689,355

See accompanying notes to interim condensed consolidated financial statements.

ARTIS REAL ESTATE INVESTMENT TRUST

Interim Condensed Consolidated Statements of Cash Flows
Three months and six months ended June 30, 2012 and 2011
(Unaudited)

(In thousands of Canadian dollars)

	Three months ended		Six months ended	
	June 30,		June 30,	
	2012	2011	2012	2011
Cash provided by (used in):				
Operating activities:				
Income for the period	\$ 78,320	\$ 59,024	\$ 154,076	\$ 191,045
Adjustments for non-cash items:				
Unrealized fair value gain on investment properties	(51,990)	(47,975)	(108,861)	(164,135)
Depreciation of property and equipment	88	28	176	57
Amortization:				
Tenant inducements amortized to revenue	1,425	1,094	2,750	2,114
Above- and below-market mortgages, net	(314)	(193)	(603)	(331)
Straight-line rent adjustment	(1,550)	(1,379)	(2,824)	(2,527)
Unrealized foreign currency translation loss (gain)	3,130	(176)	2,295	(1,261)
Gain on disposal of investment property	-	-	-	(255)
Unrealized fair value loss on financial instruments	1,099	1,924	10,118	6,006
Unit-based compensation expense	931	114	2,443	467
Accretion of financing costs included in interest	616	462	1,235	848
Deferred tax expense	-	1,790	-	1,741
Defined benefit expense	215	-	431	-
	31,970	14,713	61,236	33,769
Additions to tenant inducements	(2,646)	(1,572)	(4,188)	(4,129)
Changes in non-cash operating items (note 14)	(3,412)	(5,135)	(246)	(2,024)
	25,912	8,006	56,802	27,616
Investing activities:				
Acquisition of investment properties, net of related debt	(255,605)	(131,892)	(301,771)	(190,144)
Proceeds from disposition of investment property, net of costs	-	-	-	6,780
Additions to investment properties	(3,312)	(870)	(4,229)	(998)
Additions to investment properties under construction	(2,357)	(3,658)	(7,707)	(8,074)
Purchase of investment in equity securities	-	-	-	(5,683)
Proceeds from sale of equity securities	-	8,612	-	11,542
Advance of notes receivable	-	-	(143)	-
Notes receivable principal repayments	445	433	863	889
Net change to property and equipment	(67)	-	(1,982)	-
Additions to leasing costs	(1,396)	(987)	(2,177)	(2,369)
Change in deposits on investment properties	(299)	(5,425)	(5,249)	4,025
	(262,591)	(133,787)	(322,395)	(184,032)
Financing activities:				
Issuance of units, net of issue costs	115,293	97,911	304,150	99,537
Issuance of convertible debentures	-	83,767	-	83,767
Repayment of convertible debentures	(281)	-	(30,172)	-
Change in bank indebtedness	25,000	29,900	(12,900)	29,900
Distributions paid on REIT units	(28,112)	(21,161)	(53,177)	(41,594)
Mortgages and loans principal repayments	(9,438)	(6,809)	(18,379)	(13,117)
Repayment of mortgages and loans payable	-	(4,828)	(10,919)	(4,828)
Advance of mortgages and loans payable, net of financing costs	31,798	3,875	45,658	3,875
	134,260	182,655	224,261	157,540
Foreign exchange gain (loss) on cash held in foreign currency	200	(289)	(461)	(349)
Increase (decrease) in cash and cash equivalents	(102,219)	56,585	(41,793)	775
Cash and cash equivalents at beginning of period	154,520	32,514	94,094	88,324
Cash and cash equivalents at end of period	\$ 52,301	\$ 89,099	\$ 52,301	\$ 89,099
Supplemental cash flow information:				
Interest paid	\$ 25,272	\$ 20,550	\$ 43,860	\$ 34,710
Interest received	683	714	1,561	1,465
Taxes paid	-	2	-	152

See accompanying notes to interim condensed consolidated financial statements.

ARTIS REAL ESTATE INVESTMENT TRUST

Notes to Interim Condensed Consolidated Financial Statements
Three months and six months ended June 30, 2012 and 2011
(Unaudited)

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

1. Organization:

Artis Real Estate Investment Trust (the "REIT") is an unincorporated open-end real estate investment trust (note 11) created under, and governed by, the laws of the Province of Manitoba and was created pursuant to the Declaration of Trust dated November 8, 2004, subsequently amended and restated on October 31, 2006, May 14, 2010 and May 19, 2011 (the "Declaration of Trust"). The purpose of the REIT is to directly, or indirectly, own, manage, lease and (where appropriate) develop retail, industrial and office properties in Canada and the United States (the "U.S."). The registered office of the REIT is 360 Main Street, Suite 300, Winnipeg, Manitoba, R3C 3Z3.

The Declaration of Trust provides that the REIT may make cash distributions to unitholders of the REIT's units. The amount distributed annually (currently \$1.08 per unit) will be set by the Board of Trustees.

2. Significant accounting policies:

(a) Basis of presentation and measurement:

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 – *Interim Financial Reporting*. Accordingly, certain information and note disclosure normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), have been omitted or condensed.

The interim condensed consolidated financial statements have been prepared using the same accounting policies and methods as those used in the consolidated financial statements for the year ended December 31, 2011. The consolidated financial statements are prepared on a going concern basis and have been presented in Canadian dollars rounded to the nearest thousand unless otherwise indicated.

These interim condensed consolidated financial statements should be read in conjunction with the REIT's consolidated financial statements for the year ended December 31, 2011.

(b) Defined benefit liability:

The cost of the REIT's defined benefit pension plans are accrued based on estimates, using actuarial techniques, of the amount of benefits employees have earned in return for their services in the current and prior periods. The present value of the defined benefit liability and current service cost is determined by discounting the estimated benefits using the projected unit credit method to determine the fair value of the plan assets and total actuarial gains and losses and the proportion thereof which will be recognized. The fair value of the plan assets is based on current market values. The present value of the defined benefit liability is based on the discount rate determined by reference to the yield of high quality corporate bonds of similar currency, having terms of maturity which align closely with the period of maturity of the liability.

(c) Use of estimates and judgments:

The preparation of the consolidated financial statements requires management to make estimates, assumptions and judgments that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. The critical accounting estimates and judgments have been set out in note 2 to the REIT's consolidated financial statements for the year ended December 31, 2011.

ARTIS REAL ESTATE INVESTMENT TRUST

Notes to Interim Condensed Consolidated Financial Statements
Three months and six months ended June 30, 2012 and 2011
(Unaudited)

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

2. Significant accounting policies (continued):

(c) Use of estimates and judgments (continued):

In 2012, the REIT created defined benefit plans providing pension benefits to certain employees. Management estimates the defined benefit liability annually with the assistance of independent actuaries; however, the actual outcome may vary due to estimation uncertainties.

(d) Future changes in accounting policies:

In June 2011, the IASB amended IAS 19 – *Employee Benefits* ("IAS 19"). The amendments eliminate an option to defer the recognition of gains and losses, known as the 'corridor method'; streamline the presentation of changes in assets and liabilities arising from defined benefit plans, including requiring remeasurements to be presented in other comprehensive income; and enhance the disclosure requirements for defined benefit plans, effective for annual periods beginning on or after January 1, 2013.

In December 2011, the IASB amended IAS 32 - *Offsetting Financial Assets and Liabilities*. The amendment clarifies certain aspects of offsetting and net and gross settlement, and is effective for annual periods beginning on or after January 1, 2014.

IFRS 7 - *Financial Instruments: Disclosures*, as amended by the IASB in December 2011 requires entities to provide disclosures related to offsetting financial assets and liabilities. The amendment is effective for annual periods beginning on or after January 1, 2013.

IFRS 9 - *Financial Instruments* ("IFRS 9") 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 as at fair value through profit or 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. IFRS 9 is effective for annual periods beginning on or after January 1, 2015.

In May 2011, the IASB issued IFRS 10 - *Consolidated Financial Statements* ("IFRS 10"), IFRS 11 - *Joint Arrangements* ("IFRS 11") and IFRS 12 - *Disclosure of Interests in Other Entities* ("IFRS 12"). IFRS 10 provides a single consolidation model that identifies control as the basis for consolidation for all types of entities. IFRS 10 replaces IAS 27 - *Consolidated and Separate Financial Statements* and SIC-12 - *Consolidation - Special Purpose Entities*. IFRS 11 establishes principles for the financial reporting by parties to a joint arrangement. IFRS 11 supersedes IAS 31 - *Interests in Joint Ventures* and SIC-13 - *Jointly Controlled Entities - Non-monetary Contributions by Venturers*. IFRS 12 combines, enhances and replaces the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities. As a consequence of these new standards, the IASB also issued amended and retitled IAS 27 - *Separate Financial Statements* and IAS 28 - *Investments in Associates and Joint Ventures*. The new requirements are effective for annual periods beginning on or after January 1, 2013.

IFRS 13 - *Fair Value Measurement* ("IFRS 13") defines fair value, sets out in a single standard a framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 applies when other standards require or permit fair value measurements. It does not introduce any new requirements to measure an asset or a liability at fair value, change what is measured at fair value or address how to present changes in fair value. The new requirements are effective for annual periods beginning on or after January 1, 2013.

The REIT is currently evaluating the impact of these new and amended standards on its financial statements.

ARTIS REAL ESTATE INVESTMENT TRUST

Notes to Interim Condensed Consolidated Financial Statements
Three months and six months ended June 30, 2012 and 2011
(Unaudited)

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

3. Acquisitions and dispositions of investment properties:

Acquisitions:

The REIT acquired the following properties during the six months ended June 30, 2012:

Property	Location	Acquisition date	Type
North 48 Commercial Complex	Saskatoon, SK	January 31, 2012	Office
Aluma Systems Building	Edmonton, AB	February 24, 2012	Industrial
GSA Phoenix Professional Office Building	Phoenix, AZ	March 29, 2012	Office
Westbank Hub Centre North ⁽¹⁾	West Kelowna, BC	April 16, 2012	Retail
Linden Ridge Shopping Centre	Winnipeg, MB	April 23, 2012	Retail
Trimac House	Calgary, AB	April 30, 2012	Office
Crowfoot Corner	Calgary, AB	April 30, 2012	Retail
MAX at Kierland	Scottsdale, AZ	May 25, 2012	Office
LaSalle Office Portfolio ⁽²⁾	Calgary, AB	June 11, 2012	Office
Whistler Hilton Retail Plaza ⁽³⁾	Whistler, BC	June 14, 2012	Retail

⁽¹⁾ The REIT acquired an additional 25% interest in this property, excluding a portion under development.

⁽²⁾ The LaSalle Office Portfolio is comprised of 4 office buildings.

⁽³⁾ The REIT acquired an 85% interest in this property.

On March 20, 2012, the REIT entered into a 50% joint venture agreement for the Centrepoint development project located in Winnipeg, Manitoba.

The REIT acquired the following properties during the six months ended June 30, 2011:

Property	Location	Acquisition date	Type
ADT Building	Calgary, AB	January 7, 2011	Industrial
Dominion Construction Building	Calgary, AB	January 7, 2011	Industrial
EMC Building	Edmonton, AB	February 28, 2011	Office
Stinson Office Park	Minneapolis, MN	March 31, 2011	Office
Minneapolis Industrial Portfolio ⁽¹⁾	Minneapolis, MN	March 31, 2011	Industrial
Cara Foods Building ⁽²⁾	Vaughan, ON	April 15, 2011	Office
3M Distribution Facility	Toronto, ON	April 29, 2011	Industrial
1165 Kenaston	Ottawa, ON	May 27, 2011	Office
Victoria Square Shopping Centre	Regina, SK	May 31, 2011	Retail
Ryan Retail Portfolio ⁽³⁾	Minneapolis, MN	May 31, 2011	Retail
605 Waterford Park	Minneapolis, MN	June 1, 2011	Office
McGillivray Cineplex	Winnipeg, MB	June 10, 2011	Retail
415 Yonge Street	Toronto, ON	June 28, 2011	Office
Union Hills Office Plaza	Phoenix, AZ	June 30, 2011	Office
201 Westcreek Boulevard	Toronto, ON	June 30, 2011	Industrial

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

⁽²⁾ The REIT acquired a 50% interest in this property.

⁽³⁾ The Ryan Retail Portfolio is comprised of 5 shopping centres.

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 (Unaudited)

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

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

Acquisitions (continued):

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

The net assets acquired were as follows:

	Three months ended		Six months ended	
	2012	June 30, 2011	2012	June 30, 2011
Investment properties	\$ 478,583	\$ 306,546	\$ 591,652	\$ 439,761
Investment property under construction	-	-	246	-
Long-term debt, including acquired above- and below-market mortgages, net of financing costs	(222,778)	(174,654)	(289,927)	(249,617)
Contingent consideration	(200)	-	(200)	-
Cash consideration	\$ 255,605	\$ 131,892	\$ 301,771	\$ 190,144
Transaction costs expensed	\$ 1,698	\$ 5,489	\$ 2,671	\$ 6,695

In accordance with the purchase and sale agreement for the GSA Phoenix Professional Office Building, the purchase price will be adjusted if the net operating income ("NOI") during the period April 1, 2012 to March 31, 2013 is not equal to US\$5,621. Should the NOI be less than US\$5,621, the vendor will pay the REIT the product of the shortfall and 13.33. Should the NOI exceed US\$5,621, the REIT will pay the vendor the product of the overage and 13.33. The REIT has not recorded an adjustment to the purchase price at June 30, 2012.

In accordance with the purchase and sale agreement for the Linden Ridge Shopping Centre, the REIT is obligated to pay a development fee should the REIT develop certain excess lands acquired.

In accordance with the purchase and sale agreement for the Whistler Hilton Retail Plaza, the purchase price will be adjusted should the REIT develop a commercial building on certain leasehold lands. Should specific conditions be satisfied prior to June 14, 2014, the REIT shall pay to the vendor 50% of the average annual base or minimum rent payable by the tenant occupying the new building for the term to a maximum of 5 years divided by a capitalization rate of 7.0% less specified costs. The REIT has not recorded an adjustment to the purchase price at June 30, 2012.

Dispositions:

The REIT did not dispose of any properties during the six months ended June 30, 2012.

The REIT disposed of the following property during the six months ended June 30, 2011:

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

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Notes to Interim Condensed Consolidated Financial Statements
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 (Unaudited)

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

4. Investment properties and investment properties under construction:

	Six months ended June 30, 2012 (unaudited)		Year ended December 31, 2011	
	Investment properties	Investment properties under construction	Investment properties	Investment properties under construction
Balance, beginning of period	\$ 3,003,604	\$ 20,463	\$ 2,052,780	\$ 5,405
Additions:				
Acquisitions (note 3)	591,652	246	678,716	-
Capital expenditures	4,229	7,707	8,333	19,608
Leasing costs	2,177	-	4,313	-
Dispositions	-	-	(13,002)	-
Reclassification of investment properties under construction	19,867	(19,867)	4,550	(4,550)
Foreign currency translation gain (loss)	2,655	(54)	12,199	-
Straight-line rent adjustment	2,824	-	5,514	-
Net change to tenant inducements	1,438	-	4,107	-
Unrealized fair value gain	108,325	536	246,094	-
Balance, end of period	\$ 3,736,771	\$ 9,031	\$ 3,003,604	\$ 20,463

External valuations are performed quarterly on a rotational basis over a four year cycle. For the second quarter cycle, 12 investment properties with an aggregate fair value of \$373,719 at June 30, 2012 (December 31, 2011, \$145,425) were valued by qualified external valuation professionals.

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

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

The key valuation assumptions for investment properties are as follows:

	June 30, 2012			December 31, 2011		
	Maximum	Minimum	Weighted-average	Maximum	Minimum	Weighted-average
Discount rate	9.50%	7.00%	7.89%	9.50%	7.25%	8.02%
Terminal capitalization rate	8.50%	6.00%	6.97%	9.00%	6.00%	7.04%
Capitalization rate	8.25%	5.50%	6.68%	8.50%	6.25%	7.08%
Investment horizon (years)	20.0	10.0	10.5	20.0	10.0	10.6

Key valuation assumptions at June 30, 2012 reflect rates that represent the REIT's entire portfolio of investment properties.

Key valuation assumptions at December 31, 2011 reflect discount and terminal capitalization rates that represent the investment properties whose recorded values were based on the discounted cash flow method. The assumptions reflect capitalization rates that represent the investment properties whose recorded values were based upon the overall capitalization method.

At June 30, 2012, included in investment properties is \$17,068 (December 31, 2011, \$14,234) of net straight-line rent receivables arising from the recognition of rental income on a straight-line basis over the lease term in accordance with IAS 17 - *Leases*.

Investment properties include properties held under operating leases with an aggregate fair value of \$59,982 at June 30, 2012 (December 31, 2011, \$45,777).

At June 30, 2012, investment properties with a fair value of \$3,532,654 (December 31, 2011, \$2,913,117) are pledged as security under mortgage agreements and the credit facility.

5. Property and equipment:

	June 30, 2012 (Unaudited)	December 31, 2011
Office furniture and fixtures	\$ 1,631	\$ -
Office equipment and software	1,015	664
Accumulated depreciation	(529)	(353)
	\$ 2,117	\$ 311

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Three months and six months ended June 30, 2012 and 2011
(Unaudited)

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6. Mortgages and loans payable:

	June 30, 2012 (Unaudited)	December 31, 2011
Mortgages and loans payable	\$ 1,878,856	\$ 1,569,857
Net above- and below-market mortgage adjustments	6,181	4,620
Financing costs	(8,922)	(7,078)
	1,876,115	1,567,399
Current portion	194,900	139,065
Non-current portion	\$ 1,681,215	\$ 1,428,334

Substantially all of the REIT's assets have been pledged as security under mortgages and other security agreements. The majority of mortgages and loans payable bear interest at fixed rates. The weighted-average effective rate on all mortgages and loans payable is 4.58% and the weighted-average nominal rate is 4.40% at June 30, 2012 (December 31, 2011, 4.79% and 4.61%, respectively). Maturity dates range from July 1, 2012 to February 14, 2032.

7. Convertible debentures:

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

Convertible redeemable debenture issue	Issue date	Maturity date	Interest rate
Series D	November 30, 2007	November 30, 2014	5.00%
Series F	April 22, 2010	June 30, 2020	6.00%
Series G	April 21, 2011	June 30, 2018	5.75%

Convertible redeemable debenture issue	Face value	Fair value adjustment	Carrying value	Current portion	Non-current portion
Series D	\$ 17,000	\$ 388	\$ 17,388	\$ -	\$ 17,388
Series F	86,240	7,762	94,002	-	94,002
Series G	89,681	986	90,667	-	90,667
June 30, 2012 (unaudited)	\$ 192,921	\$ 9,136	\$ 202,057	\$ -	\$ 202,057
December 31, 2011	231,999	3,747	235,746	-	235,746

On March 15, 2012, the REIT redeemed all outstanding Series C convertible redeemable 6.25% debentures pursuant to the trust indenture dated as of May 4, 2006. On the date of redemption, the REIT repaid the \$29,891 face value outstanding.

On June 29, 2012, the REIT redeemed all outstanding Series E convertible redeemable 7.50% debentures pursuant to the trust indenture dated as of July 9, 2009. On the date of redemption, the REIT repaid the \$281 face value outstanding.

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8. Employee benefits:

(a) Defined benefit liability:

In 2012, the REIT created defined benefit plans providing pension benefits to certain employees. The ultimate retirement benefit is defined by a formula that provides a unit of benefit for each year of service. Employer contributions are not specified or defined within the plan text; they are based on the result of actuarial valuations which determine the level of funding required to meet the total obligation as estimated at the time of valuation. The REIT's defined benefit plans are unfunded as at June 30, 2012.

The REIT uses December 31 as a measurement date for accounting purposes for its defined benefit pension plans.

The net expense for the defined benefit plans for the three and six months ended June 30, 2012 is \$215 and \$431, respectively, and is included in corporate expenses.

(b) Short-term employee benefits:

	Three months ended		Six months ended	
	June 30,		June 30,	
	2012	2011	2012	2011
Short-term employee benefits	\$ 3,172	\$ -	\$ 6,077	\$ -
Unit-based compensation	931	114	2,443	467
	<u>\$ 4,103</u>	<u>\$ 114</u>	<u>\$ 8,520</u>	<u>\$ 467</u>

Short-term employee benefits include salaries, bonuses and other short-term benefits.

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9. Accounts payable and other liabilities:

	June 30, 2012 (Unaudited)	December 31, 2011
Accounts payable and accrued liabilities	\$ 33,408	\$ 33,334
Distributions payable (note 12)	9,878	7,999
Cash-settled unit-based payments liability	3,264	1,157
	\$ 46,550	\$ 42,490

Under the REIT's equity incentive plan, there may be grants of unit options, restricted units, deferred units or installment units, which are subject to certain restrictions. Under this incentive plan, the total number of units reserved for issuance may not exceed 7.0% of the units outstanding.

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

	2012		2011	
	Units	Weighted- average exercise price	Units	Weighted- average exercise price
Balance, beginning of period	2,164,250	\$ 13.52	1,070,250	\$ 12.84
Granted	1,849,500	16.36	1,200,000	14.10
Exercised	(88,875)	12.38	(17,250)	11.28
Expired	(42,000)	15.14	-	-
Balance, end of period	3,882,875	\$ 14.88	2,253,000	\$ 13.52
Options exercisable at end of period	577,000		50,563	

The weighted-average unit price at the date of exercise for unit options exercised during the six months ended June 30, 2012 was \$16.17 (2011, \$13.82).

Options outstanding at June 30, 2012 consist of the following:

Exercise price	Number outstanding	Weighted-average remaining contractual life	Options outstanding weighted-average exercise price	Number exercisable
\$ 11.28	195,125	2.75 years	\$ 11.28	63,750
\$ 13.30	371,000	3.25 years	\$ 13.30	82,250
\$ 13.44	371,250	3.50 years	\$ 13.44	81,750
\$ 14.10	1,119,000	4.00 years	\$ 14.10	308,250
\$ 16.36	1,826,500	4.75 years	\$ 16.36	41,000
	3,882,875		\$ 14.88	577,000

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9. Accounts payable and other liabilities (continued):

Unit-based compensation related to unit options granted under the equity incentive plan for the three months and six months ended June 30, 2012 amounted to \$931 and \$2,443 (2011, \$114 and \$467), respectively. These unit options granted vest equally over a four-year period. Unit-based compensation was determined based on the change in fair value of the options, with the following weighted-average assumptions:

	June 30, 2012	December 31, 2011
Expected option life	3.7 years	3.9 years
Risk-free interest rate	1.18 %	1.19 %
Distribution yield	6.59 %	7.72 %
Expected volatility	22.97 %	23.38 %

Expected volatility is estimated by considering the REIT's historic average unit price volatility.

On June 29, 2012, 9,600 restricted units were granted to management. Restricted units vest on and after the third anniversary of the date of grant. The restricted units accrue additional restricted units during the vesting period, and are credited when the restricted units vest. Restricted units are recognized as a liability and are indexed to changes in the fair value of the REIT's units.

At June 30, 2012, no deferred units or installment units have been granted under the REIT's equity incentive plan.

10. Bank indebtedness:

On September 22, 2010, the REIT entered into an amended and restated loan agreement for a revolving term credit facility in the amount of \$60,000, which may be utilized to fund acquisitions of office, retail and industrial properties. \$5,000 of the credit facility may be used for general corporate purposes. The credit facility was extended for an additional year and matures on September 28, 2012. Amounts drawn on the facility will bear interest at a floating rate equal to Canadian dollar bankers' acceptances with a term to maturity of 30 days, plus 3.30% per annum. The credit facility is secured by a first charge on Delta Centre, Grain Exchange Building, Johnston Terminal and Sears Centre. At June 30, 2012, the REIT had \$25,000 drawn (December 31, 2011, \$37,900) on the facility.

11. Capital contributions:

(a) Authorized:

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

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

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11. Capital contributions (continued):

(b) Issued and outstanding:

	Number of units	Amount
Balance at December 31, 2010	75,477,308	\$ 875,234
Public offerings, net of issue costs of \$7,616	12,119,750	161,515
Conversion of Series E convertible debentures	501,158	6,863
Options exercised	30,500	422
Distribution Reinvestment and Unit Purchase Plan	744,189	9,496
Balance at December 31, 2011	88,872,905	1,053,530
Public offerings, net of issue costs of \$13,558	19,335,000	295,818
Conversion of Series C convertible debentures	1,681	29
Conversion of Series E convertible debentures	973,311	13,824
Conversion of Series F convertible debentures	645	11
Options exercised	88,875	1,349
Distribution Reinvestment and Unit Purchase Plan	480,056	7,319
Balance at June 30, 2012 (unaudited)	109,752,473	\$ 1,371,880

At June 30, 2012, there were no special voting units issued and outstanding.

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

(c) Weighted-average units:

	Three months ended		Six months ended	
	2012	June 30, 2011	2012	June 30, 2011
Income for the period	\$ 78,320	\$ 59,024	\$ 154,076	\$ 191,045
Adjustment for unit options	212	(31)	-	-
Adjustment for convertible debentures	3,856	2,347	7,573	9,497
Diluted income for the period	\$ 82,388	\$ 61,340	\$ 161,649	\$ 200,542

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

Basic units	105,468,372	76,172,896	99,562,899	75,898,974
Effect of dilutive securities:				
Unit options	346,644	81,830	-	-
Convertible debentures	11,162,540	13,029,307	5,598,668	11,228,840
Diluted units	116,977,556	89,284,033	105,161,567	87,127,814
Income per unit:				
Basic	\$ 0.74	\$ 0.77	\$ 1.55	\$ 2.52
Diluted	\$ 0.70	\$ 0.69	\$ 1.54	\$ 2.30

The computation of diluted income per unit only includes unit options when these instruments are dilutive.

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11. Capital contributions (continued):

(d) Normal course issuer bid:

On December 9, 2011, the REIT announced that the Toronto Stock Exchange (the "Exchange") had approved the renewal of its normal course issuer bid. Under the renewed bid, the REIT will have the ability to purchase for cancellation up to a maximum of 8,283,192 units, representing 10% of the REIT's float of 82,831,922 units on November 30, 2011. Purchases will be made at market prices through the facilities of the Exchange. The bid commenced on December 14, 2007, and will remain in effect until the earlier of December 14, 2012, or the date on which the REIT has purchased the maximum number of units permitted under the bid. During the three months and six months ended June 30, 2012 and 2011, the REIT did not acquire units through the normal course issuer bid. Since December 14, 2007, the REIT had acquired 410,200 units for cancellation.

(e) Short form base shelf prospectus:

On July 28, 2010, the REIT issued a short form base shelf prospectus. The REIT may from time to time during the 25-month period that this short form base shelf prospectus is valid, offer and issue the following securities up to a maximum of \$750,000 of initial offering price: (i) trust units of the REIT; (ii) preferred trust units, which may be issuable in series; (iii) debt securities, which may consist of debentures, notes or other types of debt and may be issuable in series; (iv) unit purchase warrants; and (v) subscription receipts to purchase trust securities. As at June 30, 2012, the REIT has issued units under six offerings in the aggregate amount of \$587,002 and a US\$88,000 offering of convertible debentures under the short form base shelf prospectus.

On June 15, 2012, the REIT issued a new short form 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 \$2,000,000 of initial offering price: (i) trust units of the REIT; (ii) preferred trust units, which may be issuable in series; (iii) debt securities, which may consist of debentures, notes or other types of debt and may be issuable in series; (iv) unit purchase warrants; and (v) subscription receipts to purchase trust securities. As at June 30, 2012, the REIT has not issued any securities under this short form base shelf prospectus.

(f) At-the-market equity financing:

The REIT has entered into an Equity Distribution Agreement dated September 17, 2010 with an exclusive agent for the issuance and sale, from time to time, until September 19, 2012 of up to 5,300,000 units of the REIT by way of "at-the-market distributions". The timing of any sale of units and the number of units actually sold during such period are at the discretion of the REIT. Sales of units, if any, pursuant to the Equity Distribution Agreement will be made in transactions that are deemed to be "at-the-market distributions", including sales made directly on the Exchange. As at June 30, 2012, no units have been issued pursuant to this arrangement.

12. Distributions to unitholders:

The REIT declared distributions to REIT unitholders of record in the amount of \$0.27 per unit (2011, \$0.27 per unit) or \$28,842 for the three months ended June 30, 2012 (2011, \$21,161) and \$0.54 per unit (2011, \$0.54 per unit) or \$55,056 for the six months ended June 30, 2012 (2011, \$41,594). Total distributions payable at June 30, 2012 are \$9,878 (December 31, 2011, \$7,999).

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13. Loss on financial instruments:

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

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011
Fair value gain (loss):				
Convertible debentures	\$ 673	\$ 772	\$ (10,032)	\$ (4,201)
Commodity derivatives	-	84	-	209
Interest rate swaps	(1,931)	(1,576)	(323)	(421)
Forward and swap contracts	159	-	237	104
Investment in equity securities	-	(155)	-	(348)
	\$ (1,099)	\$ (875)	\$ (10,118)	\$ (4,657)

14. Changes in non-cash operating items:

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011
Prepaid expenses	\$ (2,800)	\$ (3,061)	\$ (2,813)	\$ (4,370)
Accounts receivable and other receivables	(136)	(2,417)	(3,768)	(2,922)
Cash held in trust	(388)	(187)	(1,428)	(374)
Security deposits and prepaid rent	4,478	2,201	8,232	3,181
Accounts payable and other liabilities	(4,566)	(1,671)	(469)	2,461
	\$ (3,412)	\$ (5,135)	\$ (246)	\$ (2,024)

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15. Related party transactions:

The REIT may issue unit-based awards to trustees, management and consultants (note 9).

Other related party transactions are outlined as follows:

	Three months ended		Six months ended	
	2012	June 30, 2011	2012	June 30, 2011
Advisory fees	\$ -	\$ 1,419	\$ -	\$ 2,724
Acquisition fees	-	1,533	552	2,192
Property management fees	81	2,631	161	4,972
Recoverable property management salaries and wages	-	268	-	1,238
Capitalized office furniture and fixtures	54	-	1,297	-
Capitalized office equipment	-	-	343	-
Capitalized leasing commissions	152	180	188	512
Capitalized building improvements	1,276	3,777	4,671	8,164
Capitalized tenant inducements	51	213	411	655
Property tax assessment consulting fees	6	1	188	4
Consulting fees	-	25	-	50
Legal fees	691	831	1,619	1,083

Effective January 1, 2012, the REIT internalized its asset and property management functions. The asset management agreement with Marwest Realty Advisors Inc. ("Marwest Realty"), a company owned and controlled by certain trustees and officers of the REIT, was terminated effective December 31, 2011. No fees or penalties were paid to Marwest Realty upon termination of this agreement. On December 31, 2011, the omnibus property management agreement was assigned to the REIT from Marwest Management Canada Ltd. ("Marwest Management"), a company owned and controlled by certain trustees and officers of the REIT, which encompasses all investment properties owned by the REIT. No fees or penalties were paid to Marwest Management upon assignment of this agreement.

Prior to the termination of the asset management agreement, Marwest Realty was 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. Acquisition fees incurred during the six months ended June 30, 2012 relate to acquisitions which were unconditional prior to the termination of the agreement. The REIT was obligated to pay Marwest Realty for services provided in respect to these acquisitions. The amount payable at June 30, 2012 is \$nil (December 31, 2011, \$567). There are no further outstanding obligations related to this agreement.

The REIT incurred property management fees, leasing commission fees and tenant improvement fees under property management agreements with Marwest Management for three properties owned by the REIT. The amount payable at June 30, 2012 is \$24.

On January 1, 2012, the REIT entered into a one-year leasing services agreement with Marwest Management. The amount payable at June 30, 2012 is \$113.

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15. Related party transactions (continued):

Prior to the assignment of the property management agreement, the agreement entitled Marwest Management to property management fees, recoverable property management salaries and wages, leasing commission fees, and tenant improvement fees. The amount payable at December 31, 2011 was \$1,949.

The REIT incurred costs for building improvements and tenant inducements paid to Marwest Construction Ltd., Marwest Development Corporation, and Nova 3 Engineering, companies related to certain trustees and officers of the REIT. The amount payable at June 30, 2012 is \$73 (December 31, 2011, \$354).

The REIT purchased \$1,297 of office furniture and fixtures and \$343 of office equipment from Marwest Management as a result of the internalization of the asset and property management functions. The REIT also incurred costs for office furniture and fixtures paid to Marwest Construction Ltd. The amount payable at June 30, 2012 is \$nil.

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 June 30, 2012 is \$nil (December 31, 2011, \$13).

The consulting fees represent work performed by Marwest Realty on IFRS accounting work.

The REIT incurred legal fees with a law firm associated with a trustee of the REIT in connection with prospectus offerings, property acquisitions and general business matters. The amount payable at June 30, 2012 is \$590 (December 31, 2011, \$200).

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.

Subsidiaries of the REIT, excluding bare trustees, are outlined as follows:

Name of entity	Ownership interest	
	June 30, 2012	December 31, 2011
Artis General Partner Ltd.	100%	100%
AX L.P.	100%	100%
Artis US Holdings, Inc.	100%	100%
Osborne Street Call Centre Partnership	-	100%
Winnipeg Square Leaseco Inc.	100%	100%
AX Property Management L.P.	100%	100%
Artis Property Management General Partner Ltd.	100%	100%
AX Longboat G.P. Inc.	50%	-
AX Longboat L.P.	50%	-

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16. Jointly controlled assets:

These consolidated financial statements include the REIT's share of assets, liabilities, revenues, expenses and cash flows of jointly controlled assets as at June 30, 2012. The REIT is contingently liable for the obligations of its joint venturers in certain jointly controlled assets. Management believes that the jointly controlled assets available are sufficient for the purpose of satisfying such obligations. The REIT has interests in the following jointly controlled assets:

Name of entity	Principal purpose	Ownership interest	
		June 30, 2012	December 31, 2011
Centre 70 Building	Investment property	85%	85%
Kincaid Building	Investment property	50%	50%
Cliveden Building	Investment property	50%	50%
Westbank Hub Centre North ⁽¹⁾	Investment property	75%	50%
Cara Foods Building	Investment property	50%	50%
Centrepoint	Investment property	50%	-
Whistler Hilton Retail Plaza	Investment property	85%	-

⁽¹⁾ The REIT acquired an additional 25% interest in this property, excluding a portion under development.

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

	June 30, 2012 (Unaudited)	December 31, 2011
Non-current assets	\$ 146,105	\$ 98,816
Current assets	4,444	1,223
	150,549	100,039
Non-current liabilities	59,694	50,637
Current liabilities	18,266	2,145
	\$ 77,960	\$ 52,782

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16. Jointly controlled assets (continued):

	Three months ended		Six months ended	
	2012	June 30, 2011	June 30, 2012	June 30, 2011
Revenue	\$ 2,699	\$ 2,468	\$ 4,962	\$ 4,449
Expenses	1,869	1,842	3,472	3,036
Unrealized fair value gain on investment properties	830	626	1,490	1,413
Operating income from properties	\$ 845	\$ 2,943	\$ 3,389	\$ 8,104
Cash flows provided by (used in) operating activities	\$ (489)	\$ 519	\$ 684	\$ 1,478
Cash flows used in investing activities	(17,344)	(8,943)	(20,717)	(8,959)
Cash flows provided by financing activities	16,129	8,689	21,509	8,018

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17. Segmented information:

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

Three months ended June 30, 2012						
	Western Canada	Central Canada	Eastern Canada	U.S.	REIT	Total
Revenue	\$ 40,052	\$ 20,662	\$ 10,353	\$ 15,712	\$ 56	\$ 86,835
Property operating expenses	12,360	8,031	3,757	5,306	-	29,454
Interest income	27,692 360	12,631 9	6,596 10	10,406 11	56 294	57,381 684
	28,052	12,640	6,606	10,417	350	58,065
Interest expense	10,107	4,667	2,244	3,006	3,080	23,104
Corporate expenses	-	-	-	-	3,057	3,057
Foreign currency translation loss	-	-	-	-	2,777	2,777
	10,107	4,667	2,244	3,006	8,914	28,938
	17,945	7,973	4,362	7,411	(8,564)	29,127
Transaction costs	(1,315)	(142)	-	(241)	-	(1,698)
Loss on financial instruments	-	-	-	-	(1,099)	(1,099)
Unrealized fair value gain on investment properties	39,061	3,151	784	8,994	-	51,990
Income (loss) for the period	\$ 55,691	\$ 10,982	\$ 5,146	\$ 16,164	\$ (9,663)	\$ 78,320
Acquisitions of investment properties	\$ 365,874	\$ 32,201	\$ -	\$ 80,508	\$ -	\$ 478,583
Additions to investment properties and investment properties under construction	1,803	3,442	55	369	-	5,669
Additions to leasing costs	642	377	37	340	-	1,396
Additions to tenant inducements	974	659	460	553	-	2,646

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17. Segmented information (continued):

	Three months ended June 30, 2011					
	Western Canada	Central Canada	Eastern Canada	U.S.	REIT	Total
Revenue	\$ 33,611	\$ 16,638	\$ 7,716	\$ 7,922	\$ -	\$ 65,887
Property operating expenses	10,764	6,606	3,141	2,847	-	23,358
	22,847	10,032	4,575	5,075	-	42,529
Interest income	369	5	4	-	336	714
	23,216	10,037	4,579	5,075	336	43,243
Interest expense	8,718	3,826	1,483	1,332	3,629	18,988
Corporate expenses	-	-	-	-	2,573	2,573
Foreign currency translation gain	-	-	-	-	(2,025)	(2,025)
	8,718	3,826	1,483	1,332	4,177	19,536
	14,498	6,211	3,096	3,743	(3,841)	23,707
Income tax expense	-	-	-	(2,661)	-	(2,661)
Transaction costs	(8)	(408)	(4,306)	(767)	(3,633)	(9,122)
Loss on financial instruments	-	-	-	-	(875)	(875)
Unrealized fair value gain on investment properties	39,340	2,884	1,325	4,426	-	47,975
Income (loss) for the period	\$ 53,830	\$ 8,687	\$ 115	\$ 4,741	\$ (8,349)	\$ 59,024
Acquisitions of investment properties	\$ 610	\$ 62,440	\$ 165,920	\$ 77,576	\$ -	\$ 306,546
Additions to investment properties and investment properties under construction	128	4,367	26	7	-	4,528
Additions to leasing costs	647	203	12	125	-	987
Additions to tenant inducements	614	471	60	427	-	1,572

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17. Segmented information (continued):

Six months ended June 30, 2012						
	Western Canada	Central Canada	Eastern Canada	U.S.	REIT	Total
Revenue	\$ 78,154	\$ 40,845	\$ 20,997	\$ 28,871	\$ 100	\$ 168,967
Property operating expenses	24,890	16,183	7,714	9,957	-	58,744
Interest income	53,264 763	24,662 23	13,283 17	18,914 281	100 476	110,223 1,560
Interest expense	19,348	9,104	4,499	5,262	6,596	44,809
Corporate expenses	-	-	-	-	6,505	6,505
Foreign currency translation loss	-	-	-	-	2,123	2,123
Transaction costs	(1,446)	(503)	-	(722)	(342)	(3,013)
Loss on financial instruments	-	-	-	-	(10,118)	(10,118)
Unrealized fair value gain on investment properties	63,712	11,652	15,757	17,740	-	108,861
Income (loss) for the period	\$ 96,945	\$ 26,730	\$ 24,558	\$ 30,951	\$ (25,108)	\$ 154,076
Acquisitions of investment properties	\$ 383,369	\$ 53,088	\$ -	\$ 155,441	\$ -	\$ 591,898
Additions to investment properties and investment properties under construction	4,073	6,017	55	1,791	-	11,936
Additions to leasing costs	835	744	126	472	-	2,177
Additions to tenant inducements	1,615	1,191	474	908	-	4,188
June 30, 2012						
	Western Canada	Central Canada	Eastern Canada	U.S.	REIT	Total
Total assets	\$ 2,031,579	\$ 769,138	\$ 383,154	\$ 631,019	\$ 47,161	\$ 3,862,051
Total liabilities	985,142	389,305	210,007	342,340	245,902	2,172,696

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17. Segmented information (continued):

Six months ended June 30, 2011						
	Western Canada	Central Canada	Eastern Canada	U.S.	REIT	Total
Revenue	\$ 69,449	\$ 33,402	\$ 14,693	\$ 11,601	\$ -	\$ 129,145
Property operating expenses	23,651	13,553	6,302	4,098	-	47,604
	45,798	19,849	8,391	7,503	-	81,541
Interest income	745	18	10	1	690	1,464
	46,543	19,867	8,401	7,504	690	83,005
Interest expense	17,432	7,578	2,595	2,058	6,000	35,663
Corporate expenses	-	-	-	-	5,086	5,086
Foreign currency translation gain	-	-	-	-	(1,922)	(1,922)
	17,432	7,578	2,595	2,058	9,164	38,827
	29,111	12,289	5,806	5,446	(8,474)	44,178
Income tax expense	-	-	-	(2,538)	-	(2,538)
Transaction costs	(185)	(408)	(4,342)	(1,760)	(3,633)	(10,328)
Loss on financial instruments	-	-	-	-	(4,657)	(4,657)
Gain on disposal of investment property	-	255	-	-	-	255
Unrealized fair value gain on investment properties	121,981	22,391	16,161	3,602	-	164,135
Income (loss) for the period	\$ 150,907	\$ 34,527	\$ 17,625	\$ 4,750	\$ (16,764)	\$ 191,045
Acquisitions of investment properties	\$ 19,983	\$ 62,440	\$ 165,920	\$ 191,418	\$ -	\$ 439,761
Additions to investment properties and investment properties under construction	2,585	6,454	26	7	-	9,072
Additions to leasing costs	1,346	425	219	379	-	2,369
Additions to tenant inducements	1,341	1,976	70	742	-	4,129
December 31, 2011						
	Western Canada	Central Canada	Eastern Canada	U.S.	REIT	Total
Total assets	\$ 1,578,327	\$ 691,319	\$ 367,215	\$ 448,835	\$ 81,892	\$ 3,167,588
Total liabilities	765,084	360,868	212,832	271,036	287,953	1,897,773

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18. Commitments and guarantees:

(a) Letters of credit:

As of June 30, 2012, the REIT had issued letters of credit in the amount of \$1,622 (December 31, 2011, \$1,728).

(b) Guarantees:

AX L.P. has guaranteed certain debt assumed by a purchaser in connection with the disposition of a property. This guarantee will remain until the debt is modified, refinanced or extinguished. Credit risk arises in the event that the purchaser defaults on repayment of their debt since it is guaranteed by the REIT. This credit risk is mitigated as the REIT has recourse under this guarantee in the event of default by the purchaser, in which case the REIT would have a claim against the underlying property. The estimated amount of debt subject to the guarantee at June 30, 2012 is \$5,659 (December 31, 2011, \$5,733), with an estimated weighted-average remaining term of 5.4 years (December 31, 2011, 5.9 years). No liability in excess of the fair value of the guarantee has been recognized in these consolidated financial statements as the estimated fair value of the borrower's interests in the underlying property is greater than the mortgage payable for which the REIT provided the guarantee.

19. Capital management:

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

The REIT's Declaration of Trust permits the REIT to incur indebtedness, provided that after giving effect to incurring or assuming any indebtedness (as defined in the Declaration of Trust), the amount of such indebtedness of the REIT is not more than 70% of the gross book value of the REIT's total assets. Gross book value is defined in the Declaration of Trust as "the consolidated book value of the assets of the REIT, plus the amount of accumulated depreciation and amortization recorded in the books and records of the REIT, plus the amount of any deferred tax liability arising out of any indirect acquisitions, calculated in accordance with generally accepted accounting principles". As at June 30, 2012, the ratio of such indebtedness to gross book value was 49.2% (December 31, 2011, 50.7%), which complies with the requirement in the Declaration of Trust and is consistent with the REIT's objectives.

In addition to the covenant outlined in the Declaration of Trust, the REIT must maintain a debt to gross book value ratio of 70%, a debt service coverage ratio of 1.4, and minimum unitholders' equity of \$275,000 for the purposes of the credit facility (note 10). As at June 30, 2012, the REIT was in compliance with these requirements.

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19. Capital management (continued):

The REIT's mortgage providers also have various financial covenants. The REIT monitors these covenants and is in compliance with these requirements.

The total managed capital for the REIT is summarized below:

		June 30, 2012 (Unaudited)		December 31, 2011
Mortgages and loans payable	\$	1,876,115	\$	1,567,399
Convertible debentures		202,057		235,746
Bank indebtedness		25,000		37,900
Total debt		2,103,172		1,841,045
Unitholders' equity		1,689,355		1,269,815
	\$	3,792,527	\$	3,110,860

20. Risk management and fair values:

(a) Risk management:

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

(i) Market risk:

(a) Interest rate risk:

The REIT is exposed to interest rate risk on its borrowings. It minimizes the risk by restricting debt to 70% of the gross book value of the REIT's total assets and by limiting the amount of variable rate debt. The REIT has the majority of its mortgage payable and debentures in fixed rate terms. In addition, management considers the weighted-average term to maturity of long-term debt relative to the remaining average lease terms. At June 30, 2012, the REIT is a party to \$405,050 of variable rate debt, including the outstanding balance of bank indebtedness (December 31, 2011, \$386,388). At June 30, 2012, the REIT had entered into interest rate swaps to hedge the interest rate risk associated with \$98,754 of variable rate debt (December 31, 2011, \$65,061).

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

	Impact on interest expense	
Variable rate debt	\$	2,849
Fixed rate debt due within one year		1,429
	\$	4,278

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20. Risk management and fair values (continued):

(a) Risk management (continued):

(i) Market risk (continued):

(b) Foreign currency risk:

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

A \$0.10 weakening in the US dollar against the average Canadian dollar exchange rate of 1.0159 and 1.0081 for the three and six months ended June 30, 2012, respectively, and the period end exchange rate of 1.0191 at June 30, 2012 would have increased net income by approximately \$9,752 and \$11,192, and increased other comprehensive loss by approximately \$21,562 and \$20,123 for the three and six months ended June 30, 2012, respectively. Conversely, a \$0.10 strengthening in the US dollar against the Canadian dollar would have had an equal but opposite effect. This analysis assumes that all variables, in particular interest rates, remain constant.

(c) Other price risk:

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

(ii) Credit risk:

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

The REIT is exposed to credit risk as an owner of real estate in that tenants may become unable to pay the contracted rents. Management mitigates this risk by carrying out appropriate credit checks and related due diligence on the significant tenants. The REIT's properties are diversified across the industrial, retail and office asset classes, and geographically diversified with properties owned across five Canadian provinces and four U.S. states. Included in property operating expenses is an impairment loss on accounts receivable and other receivables of \$125 and \$174 during the three months and six months ended June 30, 2012 (2011, \$47 and \$142, respectively). The credit quality of the accounts receivable and other receivables amount is considered adequate.

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20. Risk management and fair values (continued):

(a) Risk management (continued):

(ii) Credit risk (continued):

The aging of accounts receivable is summarized as follows:

	June 30, 2012 (Unaudited)	December 31, 2011
Past due 0 - 30 days	\$ 3,147	\$ 1,516
Past due 31 - 90 days	1,449	301
Past due more than 91 days	661	612
	5,257	2,429
Allowance for doubtful accounts	(222)	(157)
	\$ 5,035	\$ 2,272

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

(iii) Liquidity risk:

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

The following are the estimated maturities of the REIT's non-derivative financial liabilities at June 30, 2012 including accounts payable and other liabilities, mortgages and loans payable, bank indebtedness and convertible debentures, with convertible debentures disclosed at their face value:

	Total	Less than 1 year	1 - 3 years	4 - 5 years	After 5 years
Accounts payable and other liabilities	\$ 46,550	\$ 46,550	\$ -	\$ -	\$ -
Mortgages, loans and bank indebtedness	1,903,856	220,898	565,052	609,355	508,551
Convertible debentures	192,921	-	17,000	-	175,921
	\$ 2,143,327	\$ 267,448	\$ 582,052	\$ 609,355	\$ 684,472

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20. Risk management and fair values (continued):

(b) Fair values:

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

The fair value of notes receivable has been determined by discounting the cash flows of these financial assets using period end market rates for assets of similar terms and credit risks. Based on these assumptions, the fair value of notes receivable at June 30, 2012 has been estimated at \$22,750 (December 31, 2011, \$23,974), compared with the carrying value of \$24,717 (December 31, 2011, \$25,437).

The fair value of mortgages and loans payable has been determined by discounting the cash flows of these financial obligations using period end market rates for debt of similar terms and credit risks. Based on these assumptions, the fair value of mortgages and loans payable at June 30, 2012 has been estimated at \$1,930,144 (December 31, 2011, \$1,629,144) compared with the carrying value of \$1,876,115 (December 31, 2011, \$1,567,399).

The fair value of the REIT's convertible debentures is \$202,057 (December 31, 2011, \$235,746) compared to its face value of \$192,921 (December 31, 2011, \$231,999) at June 30, 2012. 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 REIT entered into interest rate swaps on six mortgages. The swaps are not designated in a hedge relationship. An unrealized loss of \$1,931 was recorded for the three months ended June 30, 2012 (2011, \$1,576) and an unrealized loss of \$323 for the six months ended June 30, 2012 (2011, \$421) in relation to the fair value of these interest rate swaps, resulting in a fair value liability at June 30, 2012 of \$4,176 (December 31, 2011, \$3,853).

On May 24, 2012, the REIT entered into a swap contract to exchange \$50,000 into US funds. An unrealized gain of \$237 was recorded for the three months ended June 30, 2012 in relation to this contract.

Under the fair value hierarchy of financial instruments measured at fair value on the consolidated balance sheet, convertible debentures excluding Series D are measured using a Level 1 methodology and interest rate swaps and Series D convertible debentures are valued using a Level 2 methodology. There are no financial instruments valued using a Level 3 methodology.

21. Subsequent events:

On July 6, 2012, the REIT acquired the RER Industrial Portfolio which is comprised of four industrial buildings located in Minnesota. The industrial portfolio was acquired for US\$38,000 and the purchase price was satisfied through a combination of cash and new mortgage financing, which bears interest at LIBOR plus 2.25% per annum. The loan matures in 2015 and provides for a two-year renewal period at the option of the REIT.

On July 9, 2012, the REIT repaid two maturing mortgages on two retail properties in Fort McMurray, Alberta in the amount of \$2,898.

On July 10, 2012, the REIT obtained mortgage financing in the amount of US\$43,450 for the MAX at Kierland building, which bears interest at LIBOR plus 2.25% per annum. The loan matures in 2015 and provides for two one-year renewal periods at the option of the REIT.

On July 16, 2012, the REIT settled \$43,000 of the \$50,000 swap contract outstanding at June 30, 2012. The remaining \$7,000 was extended to September 17, 2012.

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21. Subsequent events (continued):

On July 17, 2012, the REIT acquired the GTA Industrial Portfolio which is comprised of 17 industrial buildings located throughout the Greater Toronto Area. The industrial portfolio was acquired for \$95,483 and the purchase price was satisfied through a combination of cash and new 5-year mortgage financing, which bears interest at a rate of 3.02%.

On August 2, 2012, the REIT restructured to a closed-end trust.

On August 2, 2012, the REIT issued 3,000,000 cumulative 5-year Series A rate reset preferred trust units at a price of \$25 per unit for gross proceeds of \$75,000. The Series A units will pay fixed cumulative preferential distributions of \$1.3125 per unit per annum, at the discretion of the Board of Trustees.

On August 8, 2012, the underwriters exercised their over-allotment option to purchase an additional 450,000 of the Series A units for gross proceeds of \$11,250.

The REIT entered into agreements with respect to the acquisition of properties located in Saskatchewan and British Columbia. The total purchase price of the properties is \$40,648. The REIT anticipates that the acquisitions will close in August of 2012, and will be financed through a combination of cash consideration and either existing or new mortgage financing.

Distributions in the amount of \$0.09 per unit for July 2012 were declared subsequent to June 30, 2012.

22. Approval of financial statements:

The interim condensed consolidated financial statements were approved by the Board of Trustees and authorized for issue on August 8, 2012.