

ARTIS

REIT

**Management's Discussion and Analysis
Q2-12**

On the TSX: AX.UN AX.PR.A AX.DB.F AX.DB.U

ARTIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis - Q2-12
(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 audited annual consolidated financial statements for the years ended December 31, 2011 and 2010, the unaudited interim condensed consolidated financial statements for the three and six month periods ended June 30, 2012, and the notes thereto. This MD&A has been prepared taking into account material transactions and events up to and including August 8, 2012. 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") 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, measured 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 FFO substantially in accordance with the guidelines set out by the Real Property Association of Canada ("REALpac"), as issued in June 2010. Management considers FFO to be a valuable measure for evaluating the REIT's operating performance in achieving its objectives.

Property NOI and FFO are not measures defined under IFRS. Property NOI 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 and FFO as calculated by Artis may not be comparable to similar measures presented by other issuers.

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OVERVIEW

Prior to August 2, 2012, Artis was an unincorporated open-end real estate investment trust created under, and governed by, the laws of the province of Manitoba. 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. On August 2, 2012, in conjunction with the issuance of the preferred units, the trustees implemented the amendments and Artis converted to a closed-end trust.

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, the REIT's preferred units trade under the symbol AX.PR.A and the REIT's Series F and Series G convertible debentures trade under the symbols AX.DB.F and AX.DB.U respectively. As at August 8, 2012, there were 109,958,243 units, 3,760,375 options, 3,000,000 preferred units and 9,652 restricted units of Artis outstanding (refer to the *Outstanding Unit Data* section for further details).

PRIMARY OBJECTIVES

Artis' 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' units.

Artis' 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) will be set by the Trustees.

U.S. INVESTMENT STRATEGY

At June 30, 2012, approximately 18.1% of Artis' portfolio weighting by pro-forma 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.

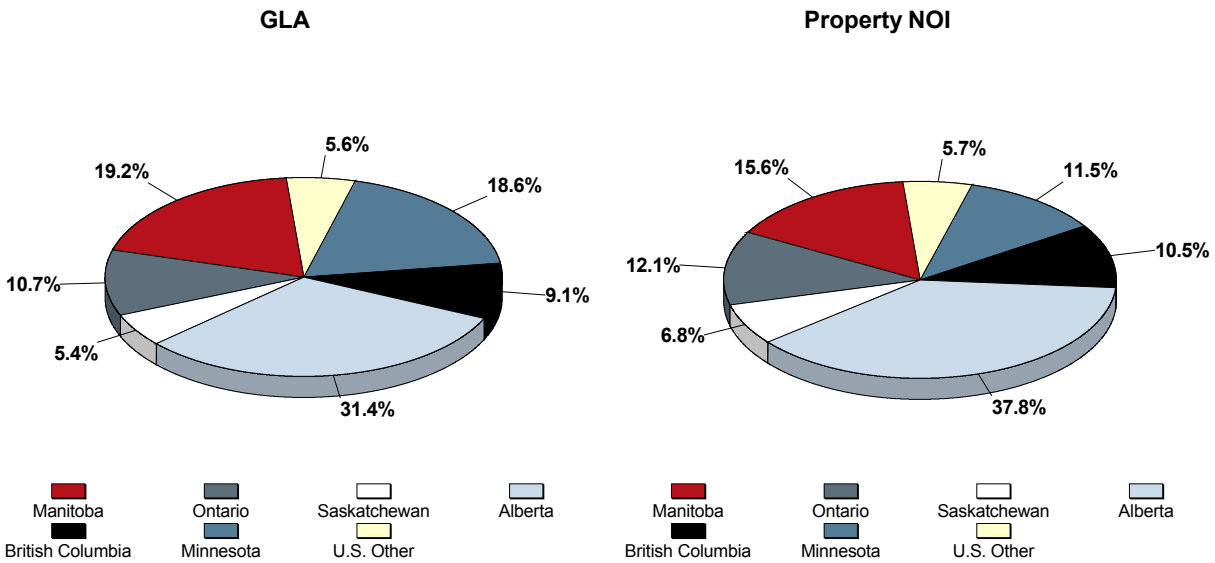
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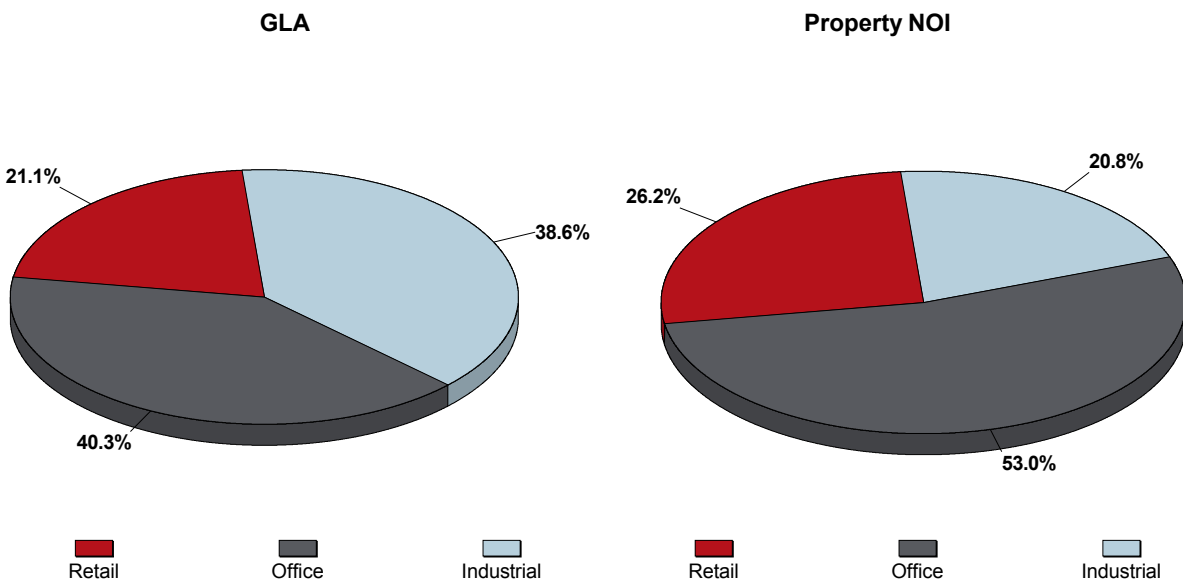
PORTFOLIO SUMMARY

At June 30, 2012, the REIT's portfolio was comprised of 175 commercial properties totaling approximately 18.64 million square feet (S.F.) of gross leasable area ("GLA").

Diversification by Geographical Region:



Diversification by Asset Class:



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Portfolio by Asset Class as at June 30, 2012 (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	1.4 %	100.0 %	100.0 %
	Airdrie	AB	1	27	0.1 %	100.0 %	100.0 %
	Brampton	ON	1	301	1.6 %	100.0 %	100.0 %
	Calgary	AB	7	596	3.2 %	100.0 %	100.0 %
	Edmonton	AB	7	799	4.3 %	98.5 %	98.5 %
	Mississauga	ON	1	158	0.8 %	90.7 %	93.4 %
	Nisku	AB	1	23	0.1 %	100.0 %	100.0 %
	Red Deer	AB	1	126	0.7 %	94.0 %	94.0 %
	Saskatoon	SK	1	163	0.9 %	100.0 %	100.0 %
	Toronto	ON	1	319	1.7 %	100.0 %	100.0 %
Winnipeg	MB	29	1,761	9.6 %	91.8 %	95.4 %	
Industrial total			52	4,538	24.4 %	96.1 %	97.6 %
Office	Burnaby	BC	3	436	2.3 %	91.2 %	91.8 %
	Calgary	AB	17	2,232	11.9 %	92.3 %	96.8 %
	Edmonton	AB	1	29	0.2 %	100.0 %	100.0 %
	Mississauga	ON	2	244	1.3 %	93.9 %	96.6 %
	Nanaimo	BC	2	68	0.4 %	100.0 %	100.0 %
	Ottawa	ON	1	181	1.0 %	100.0 %	100.0 %
	Red Deer	AB	1	149	0.8 %	99.1 %	99.1 %
	Saskatoon	SK	1	64	0.3 %	100.0 %	100.0 %
	Toronto	ON	2	738	4.0 %	93.5 %	93.5 %
	Vancouver	BC	1	174	0.9 %	96.4 %	97.5 %
	Vaughan	ON	1	50	0.3 %	100.0 %	100.0 %
Winnipeg	MB	7	1,296	7.0 %	96.9 %	97.0 %	
Office total			39	5,661	30.4 %	94.3 %	96.3 %
Retail	Calgary	AB	6	478	2.5 %	99.3 %	99.5 %
	Coquitlam	BC	1	82	0.4 %	97.8 %	97.8 %
	Cranbrook	BC	1	290	1.6 %	94.4 %	96.5 %
	Delta	BC	1	75	0.4 %	98.6 %	98.6 %
	Edmonton	AB	2	165	0.9 %	98.6 %	98.6 %
	Edson	AB	1	20	0.1 %	100.0 %	100.0 %
	Estevan	SK	1	38	0.2 %	100.0 %	100.0 %
	Fort McMurray	AB	8	194	1.0 %	100.0 %	100.0 %
	Grande Prairie	AB	4	378	2.0 %	94.1 %	95.2 %
	Lethbridge	AB	1	53	0.3 %	100.0 %	100.0 %
	Medicine Hat	AB	1	162	0.9 %	97.2 %	97.2 %
	Moose Jaw	SK	1	38	0.2 %	100.0 %	100.0 %
	Nanaimo	BC	2	90	0.5 %	64.7 %	64.7 %
	Regina	SK	8	554	2.9 %	97.0 %	98.1 %
	Saskatoon	SK	2	143	0.8 %	100.0 %	100.0 %
	Spruce Grove	AB	1	112	0.6 %	100.0 %	100.0 %
	St. Albert	AB	1	21	0.1 %	93.7 %	100.0 %
	Vancouver	BC	1	91	0.5 %	97.9 %	97.9 %
	Westbank / West Kelowna	BC	2	292	1.6 %	99.4 %	99.4 %
	Whistler	BC	1	32	0.2 %	90.4 %	90.4 %
Winnipeg	MB	5	533	2.8 %	97.1 %	97.6 %	
Retail total			51	3,841	20.5 %	96.8 %	97.3 %
Total Canadian portfolio			142	14,040	75.3 %	95.6 %	97.0 %

⁽¹⁾ Excluding properties in redevelopment.

⁽²⁾ Percentage committed is based on committed leases at June 30, 2012.

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Portfolio by Asset Class as at June 30, 2012 (in 000's of S.F.) continued ⁽¹⁾

Asset Class	City	Province / State	Number of Properties	Owned Share of Leasable Area	% of Portfolio GLA	Occupancy %	Committed % ⁽²⁾
Industrial	Minneapolis	MN	16	2,477	13.3 %	88.2 %	90.9 %
	Phoenix	AZ	1	99	0.5 %	100.0 %	100.0 %
Industrial total			17	2,576	13.8 %	88.7 %	91.3 %
Office	Minneapolis	MN	4	874	4.7 %	93.6 %	94.1 %
	New Hartford	NY	1	123	0.7 %	100.0 %	100.0 %
	Phoenix	AZ	4	718	3.8 %	95.0 %	95.3 %
	Tampa	FL	1	107	0.6 %	100.0 %	100.0 %
Office total			10	1,822	9.8 %	95.0 %	95.3 %
Retail	Minneapolis	MN	5	110	0.6 %	95.2 %	95.2 %
Total U.S. portfolio			32	4,508	24.2 %	91.4 %	93.0 %
Total Canadian and U.S.			174	18,548	99.5 %	94.6 %	96.0 %

⁽¹⁾ Excluding properties in redevelopment.

⁽²⁾ Percentage committed is based on committed leases at June 30, 2012.

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⁾
Office	Edmonton	AB	-	19	0.1 %	North City Office	47.1 %
Industrial	Delta	BC	1	70	0.4 %	Cliveden	0.0 %
Development properties total			1	89	0.5 %		10.1 %

⁽¹⁾ Percentage committed is based on committed leases at June 30, 2012.

Properties under Construction (in 000's of S.F.)

Asset Class	City	Province / State	Project Name	S.F. under Construction	Pre-leasing
Industrial	Edmonton	AB	Fourell Building #2	64	50.0 %
Mixed	Winnipeg	MB	Centrepont	65 ⁽¹⁾	60.0 %

⁽¹⁾ Artis has a 50% ownership interest in the anticipated 130,375 square feet of leasable area.

Artis is currently constructing a 64,000 square foot industrial building on excess lands at Fourell Business Park, an industrial property site in Edmonton, Alberta. This part of the project is anticipated to be completed in Q3-12. Artis has pre-leased 32,000 square feet of the leasable area, with an expected occupancy date of August 31, 2012.

Artis also has a 50% joint venture agreement for the Centrepont development project located in Winnipeg, Manitoba. Upon completion, Centrepont will be a 130,375 square foot LEED Silver office and retail complex. The building is strategically located in the heart of downtown Winnipeg, across the street from the MTS Centre, Manitoba's largest indoor arena and home of the Winnipeg Jets. Construction is anticipated to be completed in 2013, with 60.0% of the building already pre-leased, primarily by Stantec Engineering, on a long-term lease.

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2012 – SECOND QUARTER HIGHLIGHTS

PORTFOLIO GROWTH

Artis acquired nine commercial properties during Q2-12.

	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, 2011	41	6,236	53	3,688	69	7,038	163	16,962
Q1-12 acquisitions	2	274	-	-	1	65	3	339
Q1-12 construction	-	-	-	-	-	81	-	81
Q2-12 acquisitions	6	992	3	245	-	-	9	1,237
Q2-12 construction	-	-	-	18	-	-	-	18
Total 2012	8	1,266	3	263	1	146	12	1,675
Portfolio properties at June 30, 2012	49	7,502	56	3,951	70	7,184	175	18,637

Property acquisitions:

During Q2-12, Artis acquired eight Canadian properties. These acquisitions include Linden Ridge Shopping Centre, Trimac House, and the LaSalle Office Portfolio. The Linden Ridge Shopping Centre, a 100,875 square foot, seven-building retail centre, is located in Winnipeg, Manitoba and is 96.0% leased. Trimac House is a 238,087 square foot 23-storey Class A office building acquired in downtown Calgary, Alberta and is 98.6% leased. The LaSalle Office Portfolio is comprised of four office properties located in downtown Calgary, Alberta, totalling 495,621 square feet and is 100.0% leased.

The REIT also acquired a U.S. property, MAX at Kierland, which is a 258,312 square foot, six-storey Class A office building and is the first building in Scottsdale, Arizona to obtain LEED Core and Shell certification.

Completed properties under construction:

A new format Shoppers Drug Mart has been constructed on excess lands on the 2190 McGillivray Cineplex property site in Winnipeg, Manitoba. The property comprises 18,000 square feet of leasable area, and is 100.0% occupied by Shoppers Drug Mart for a 20-year term.

FINANCING ACTIVITIES

Short form base shelf prospectuses:

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.

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.

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Equity offering:

On May 16, 2012, under the July 28, 2010 short form base shelf prospectus, Artis issued 7,015,000 units at a price of \$16.50 per unit for aggregate gross proceeds of \$115,748. This includes 915,000 units issued pursuant to the exercise of the underwriters' over-allotment option.

Debt financing:

At June 30, 2012, Artis has a balance drawn on the credit facility of \$25,000. Artis mortgaged two previously unencumbered properties for \$24,115 and received upward financing on a maturing mortgage of \$8,192.

Series E convertible debentures redemption:

On June 29, 2012, Artis 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 remaining \$281 face value outstanding.

DISTRIBUTIONS

In Q2-12, Artis distributed a total of \$28,842 (YTD - \$55,056) to unitholders of which \$3,971 (YTD - \$7,575) 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		Six month period ended	
	June 30,		June 30,	
	2012	2011	2012	2011
Revenue	\$ 86,835	\$ 65,887	\$ 168,967	\$ 129,145
Property NOI	\$ 57,381	\$ 42,529	\$ 110,223	\$ 81,541
Income for the period	\$ 78,320	\$ 59,024	\$ 154,076	\$ 191,045
Basic income per unit	\$ 0.74	\$ 0.77	\$ 1.55	\$ 2.52
Diluted income per unit	\$ 0.70	\$ 0.69	\$ 1.54	\$ 2.30
Distributions	\$ 28,842	\$ 21,161	\$ 55,056	\$ 41,594
Distributions per unit	\$ 0.27	\$ 0.27	\$ 0.54	\$ 0.54
FFO	\$ 33,329	\$ 18,117	\$ 62,877	\$ 39,592
FFO per unit	\$ 0.32	\$ 0.24	\$ 0.63	\$ 0.52
FFO after adjustments ⁽¹⁾	\$ 33,329	\$ 22,775	\$ 63,219	\$ 44,369
FFO per unit after adjustments ⁽¹⁾	\$ 0.32	\$ 0.30	\$ 0.63	\$ 0.58
FFO payout ratio after adjustments ⁽¹⁾	84.4 %	90.0 %	85.7 %	93.1 %
Weighted-average units (basic)	105,468	76,173	99,563	75,899

⁽¹⁾ Calculated after adjustments for transaction costs, current tax expense and the loss on equity securities.

Artis has been actively acquiring properties during 2011 and 2012. Due to this acquisition activity as well as same property revenue growth, Q2-12 revenues increased \$20,948, or 31.8% compared to Q2-11 results (YTD - \$39,822, or 30.8%). Property NOI increased by \$14,852, or 34.9% (YTD - \$28,682, or 35.2%) compared to Q2-11 results.

FFO increased \$15,212, or 84.0% compared to Q2-11, and \$23,285, or 58.8% year-over-year. These increases are primarily attributed to the acquisitions completed in 2011 and 2012. Basic FFO increased \$0.08 or 33.3% compared to Q2-11 results, and \$0.11, or 21.2% year-over-year. Adjusted FFO has increased \$10,554, or 46.3% compared to Q2-11, and \$18,850, or 42.5% year-over-year. Adjusted basic FFO per unit increased \$0.02, or 6.7% (YTD - \$0.05, or 8.6%) compared to Q2-11. In Q2-12, there were no adjustments to FFO.

As a result of units issued from public offerings, units issued under the DRIP 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 revenues, Property NOI and FFO on per unit results. Management anticipates there will be further growth in revenues, Property NOI and FFO as acquisitions completed in 2012 contribute to operating results.

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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.

Artis accounts for rent step-ups by straight-lining the incremental increases over the entire non-cancelable lease term. In Q2-12, straight-line rent adjustments of \$1,550 (YTD - \$2,824) were recorded compared to \$1,379 (YTD - \$2,527) in Q2-11.

In Q2-12, the REIT recorded amortization of \$1,425 (YTD - \$2,750) as a reduction in revenue from tenant incentives compared to \$1,094 (YTD - \$2,114) in Q2-11.

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, 2011, and excludes properties considered to be in redevelopment and properties disposed of subsequent to January 1, 2011.

	Three month period ended June 30,		Six month period ended June 30,	
	2012	2011	2012	2011
Revenue ⁽¹⁾	\$ 59,545	\$ 58,741	\$ 121,184	\$ 120,619
Property operating expenses	21,601	20,531	44,738	44,271
Property NOI	37,944	38,210	76,446	76,348
Add (deduct) non-cash revenue adjustments:				
Straight-line rent adjustment	(820)	(1,079)	(1,617)	(2,198)
Amortization of tenant inducements	1,269	984	2,443	1,926
Property NOI less non-cash revenue adjustments	\$ 38,393	\$ 38,115	\$ 77,272	\$ 76,076

⁽¹⁾ Revenue in Q1-11 was adjusted by \$178 for a lease termination fee received for an Ontario office property.

In Q2-12, Artis achieved an increase of \$278 (YTD - \$1,196), or 0.7% (YTD - 1.6%) of Property NOI less non-cash revenue adjustments over Q2-11.

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

	Three month period ended June 30,				Six month period ended June 30,			
	2012	2011	Change	%	2012	2011	Change	%
Retail	\$ 11,912	\$ 11,824	\$ 88	0.7 %	\$ 23,740	\$ 23,547	\$ 193	0.8 %
Office	19,257	19,173	84	0.4 %	38,865	38,391	474	1.2 %
Industrial	7,224	7,118	106	1.5 %	14,667	14,138	529	3.7 %
Total	\$ 38,393	\$ 38,115	\$ 278	0.7 %	\$ 77,272	\$ 76,076	\$ 1,196	1.6 %

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

	Three month period ended June 30,					Six month period ended June 30,						
	2012		2011		Change	%	2012		2011		Change	%
	\$	\$	\$	\$			\$	\$	\$	\$		
Alberta	\$ 17,207	\$ 17,404	\$ (197)	(1.1)%	\$ 35,102	\$ 34,668	\$ 434	1.3 %				
British Columbia	5,351	5,402	(51)	(0.9)%	10,691	10,763	(72)	(0.7)%				
Manitoba	7,518	7,300	218	3.0 %	14,910	14,493	417	2.9 %				
Ontario	3,319	3,344	(25)	(0.7)%	6,626	6,722	(96)	(1.4)%				
Saskatchewan	2,494	2,472	22	0.9 %	5,007	4,973	34	0.7 %				
Minnesota	1,417	1,201	216	18.0 %	2,773	2,411	362	15.0 %				
U.S. - Other	1,087	992	95	9.6 %	2,163	2,046	117	5.7 %				
Total	\$ 38,393	\$ 38,115	\$ 278	0.7 %	\$ 77,272	\$ 76,076	\$ 1,196	1.6 %				

Same Property Occupancy Comparison:

By Geographical Region

	As at June 30,	
	2012	2011
Alberta	95.6 %	96.3 %
British Columbia	94.0 %	96.4 %
Manitoba	94.2 %	97.3 %
Ontario	92.1 %	95.7 %
Saskatchewan	98.1 %	97.8 %
Minnesota	91.7 %	92.2 %
U.S. - Other	100.0 %	100.0 %
Total	94.7 %	96.4 %

By Asset Class

	As at June 30,	
	2012	2011
Retail	96.7 %	96.8 %
Office	93.4 %	95.8 %
Industrial	94.7 %	96.7 %
	94.7 %	96.4 %

Artis currently has new lease commitments in place for 225,323 square feet of leasable area, most of which are commencing in Q3-12.

PROPERTY NOI BY ASSET CLASS

In Q2-12, 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 June 30,					
	2012			2011		
	Retail	Office	Industrial	Retail	Office	Industrial
Revenue	\$ 21,324	\$ 48,568	\$ 16,887	\$ 17,680	\$ 33,734	\$ 14,473
Property operating expenses	6,259	17,843	5,352	5,356	13,209	4,793
Property NOI	\$ 15,065	\$ 30,725	\$ 11,535	\$ 12,324	\$ 20,525	\$ 9,680
<i>Share of Property NOI</i>	26.3 %	53.6 %	20.1 %	29.0 %	48.2 %	22.8 %

	Six month period ended June 30,					
	2012			2011		
	Retail	Office	Industrial	Retail	Office	Industrial
Revenue	\$ 41,646	\$ 93,446	\$ 33,775	\$ 35,568	\$ 66,635	\$ 26,942
Property operating expenses	12,796	35,072	10,876	11,328	26,808	9,468
Property NOI	\$ 28,850	\$ 58,374	\$ 22,899	\$ 24,240	\$ 39,827	\$ 17,474
<i>Share of Property NOI</i>	26.2 %	53.0 %	20.8 %	29.7 %	48.9 %	21.4 %

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PROPERTY NOI BY GEOGRAPHICAL REGION

In Q2-12, revenues and Property NOI increased in all regions in comparison to Q2-11. This growth is primarily attributable to acquisition activity.

Three month period ended June 30, 2012

	Canada					U.S.	
	AB	BC	MB	ON	SK	MN	Other
Revenue	\$ 30,855	\$ 9,195	\$ 15,162	\$ 10,353	\$ 5,502	\$ 10,211	\$ 5,501
Property operating expenses	9,130	3,231	6,339	3,757	1,691	3,932	1,374
Property NOI	\$ 21,725	\$ 5,964	\$ 8,823	\$ 6,596	\$ 3,811	\$ 6,279	\$ 4,127
Share of Property NOI	37.9 %	10.4 %	15.4 %	11.5 %	6.6 %	11.0 %	7.2 %

Three month period ended June 30, 2011

	Canada					U.S.	
	AB	BC	MB	ON	SK	MN	Other
Revenue	\$ 24,746	\$ 8,865	\$ 12,756	\$ 7,717	\$ 3,881	\$ 6,566	\$ 1,356
Property operating expenses	7,702	3,062	5,547	3,141	1,059	2,546	301
Property NOI	\$ 17,044	\$ 5,803	\$ 7,209	\$ 4,576	\$ 2,822	\$ 4,020	\$ 1,055
Share of Property NOI	40.1 %	13.6 %	16.9 %	10.8 %	6.6 %	9.5 %	2.5 %

Six month period ended June 30, 2012

	Canada					U.S.	
	AB	BC	MB	ON	SK	MN	Other
Revenue	\$ 60,221	\$ 17,933	\$ 30,022	\$ 20,997	\$ 10,823	\$ 20,486	\$ 8,385
Property operating expenses	18,504	6,386	12,868	7,714	3,315	7,874	2,083
Property NOI	\$ 41,717	\$ 11,547	\$ 17,154	\$ 13,283	\$ 7,508	\$ 12,612	\$ 6,302
Share of Property NOI	37.8 %	10.5 %	15.6 %	12.1 %	6.8 %	11.5 %	5.7 %

Six month period ended June 30, 2011

	Canada					U.S.	
	AB	BC	MB	ON	SK	MN	Other
Revenue	\$ 51,702	\$ 17,747	\$ 25,916	\$ 14,694	\$ 7,485	\$ 8,855	\$ 2,746
Property operating expenses	17,434	6,216	11,452	6,302	2,102	3,520	578
Property NOI	\$ 34,268	\$ 11,531	\$ 14,464	\$ 8,392	\$ 5,383	\$ 5,335	\$ 2,168
Share of Property NOI	42.0 %	14.1 %	17.8 %	10.3 %	6.6 %	6.5 %	2.7 %

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PORTFOLIO OCCUPANCY

Occupancy levels impact the REIT's revenues and Property NOI. Occupancy and commitments at June 30, 2012 (excluding properties currently in redevelopment or under construction), and the previous four periods, are as follows.

Occupancy Report by Asset Class

	Q2-12 % Committed ⁽¹⁾	Q2-12	Q1-12	Q4-11	Q3-11	Q2-11
Retail	97.3 %	96.7 %	96.4 %	96.6 %	97.1 %	96.6 %
Office	96.1 %	94.5 %	96.2 %	94.9 %	96.6 %	95.7 %
Industrial	95.3 %	93.4 %	93.3 %	94.3 %	94.2 %	94.9 %
Total portfolio	96.0 %	94.6 %	95.0 %	95.1 %	95.7 %	95.6 %

Occupancy Report by Geographical Region

	Q2-12 % Committed ⁽¹⁾	Q2-12	Q1-12	Q4-11	Q3-11	Q2-11
Canada:						
Alberta	98.0 %	96.1 %	97.1 %	97.4 %	97.0 %	96.3 %
British Columbia	94.4 %	93.7 %	90.7 %	90.6 %	96.0 %	96.0 %
Manitoba	96.3 %	94.5 %	96.0 %	97.0 %	96.5 %	97.3 %
Ontario	96.6 %	96.1 %	97.5 %	95.8 %	98.2 %	97.9 %
Saskatchewan	98.9 %	98.3 %	98.0 %	97.7 %	98.0 %	97.1 %
U.S.:						
Minnesota	91.9 %	89.8 %	89.8 %	90.0 %	89.7 %	90.0 %
U.S. - Other	96.8 %	96.6 %	99.2 %	98.9 %	98.9 %	98.7 %
Total portfolio	96.0 %	94.6 %	95.0 %	95.1 %	95.7 %	95.6 %

⁽¹⁾ % Committed is based on occupancy and executed leases on vacant units.

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PORTFOLIO LEASING ACTIVITY AND LEASE EXPIRIES

Renewal Summary (in 000's of S.F.)

	Three month period ended June 30,		Six month period ended June 30,	
	2012	2011	2012	2011
Leasable area renewed	247	277	898	601
% Increase in rent rate	3.5 %	5.0 %	0.6 %	4.8 %

The percentage change on renewal activity is calculated by comparing the rental rate in place at the end of the expiring term to the rental rate in place at the commencement of the new term. In many cases, leases are negotiated or renewed such that there are contractual rent escalations over the course of the new lease term. In these cases, the average rent over the new term will be higher than the rate at commencement, which is not reflected in the above table results.

Lease Expiries by Asset Class (in 000's of S.F.) ⁽¹⁾ ⁽²⁾

	2012	2013	2014	2015	2016	2017	2018 & later	Total
Office								
Commitments %	39.1 %	22.3 %	0.8 %	2.5 %	0.2 %	11.5 %	2.8 %	16.8 %
GLA	399	995	512	710	492	694	3,232	7,502
%	5.3 %	13.3 %	6.8 %	9.5 %	6.6 %	9.3 %	43.1 %	40.3 %
Retail								
Commitments %	61.3 %	7.0 %	4.3 %	0.0 %	0.0 %	34.7 %	0.1 %	13.8 %
GLA	180	400	379	379	441	289	1,708	3,951
%	4.6 %	10.1 %	9.6 %	9.6 %	11.2 %	7.3 %	43.2 %	21.2 %
Industrial								
Commitments %	32.0 %	30.2 %	16.1 %	0.0 %	0.0 %	1.7 %	0.0 %	18.1 %
GLA	368	776	1,401	1,014	1,084	399	1,586	7,184
%	5.1 %	10.8 %	19.5 %	14.1 %	15.1 %	5.5 %	22.1 %	38.5 %
Total portfolio								
Commitments %	40.5 %	22.3 %	10.7 %	0.9 %	0.1 %	13.5 %	1.4 %	16.7 %
GLA	947	2,171	2,292	2,103	2,018	1,382	6,526	18,637
%	5.1 %	11.6 %	12.3 %	11.3 %	10.8 %	7.4 %	35.1 %	100.0 %

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

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

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In-Place Rents

In-place rents reflect the actual rental rate in effect for the leasable area as at June 30, 2012. In-place rents do not reflect either the average rate over the term of the lease or the rate in place in the year of expiry.

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 publicly 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 ^{(1) (2)}

	2012	2013	2014 & later	Total
Office				
In-place rents	\$ 16.50	\$ 19.55	\$ 17.51	\$ 17.74
Market rents	\$ 17.14	\$ 19.85	\$ 19.45	\$ 19.38
Change	3.9 %	1.5 %	11.1 %	9.2 %
Revenue impact ⁽³⁾	\$ 255	\$ 299	\$ 10,961	\$ 11,515
Retail				
In-place rents	\$ 17.45	\$ 20.23	\$ 16.91	\$ 17.29
Market rents	\$ 18.89	\$ 22.11	\$ 17.83	\$ 18.33
Change	8.3 %	9.3 %	5.4 %	6.1 %
Revenue impact ⁽³⁾	\$ 260	\$ 754	\$ 2,921	\$ 3,935
Industrial				
In-place rents	\$ 6.45	\$ 5.35	\$ 7.37	\$ 7.08
Market rents	\$ 6.80	\$ 5.39	\$ 7.39	\$ 7.12
Change	5.4 %	0.7 %	0.3 %	0.6 %
Revenue impact ⁽³⁾	\$ 129	\$ 28	\$ 122	\$ 279
Total portfolio				
In-place rents	\$ 12.78	\$ 14.60	\$ 13.49	\$ 13.59
Market rents	\$ 13.46	\$ 15.09	\$ 14.46	\$ 14.49
Change	5.3 %	3.4 %	7.3 %	6.6 %
Revenue impact ⁽³⁾	\$ 644	\$ 1,081	\$ 14,004	\$ 15,729

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

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

⁽³⁾ This impact is based on the difference between the in-place rents and the market rents for the period. This excludes the impact of any straight-line rent adjustments on revenues.

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Market rents at June 30, 2012 are estimated to be 6.6% above in-place rents across the portfolio (compared to 5.1% at March 31, 2012). Today's market rents for the 2012 lease expiries are estimated to be 5.3% above in-place rents, and market rents for the 2013 lease expiries are estimated to be above in-place rents by 3.4%.

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

	2012	2013	2014	2015	2016	2017	2018 & later	Total
Alberta								
Commitments %	34.0 %	4.5 %	3.0 %	0.0 %	0.1 %	0.5 %	0.0 %	7.1 %
GLA	285	758	648	516	908	328	2,145	5,847
%	4.9 %	13.0 %	11.1 %	8.8 %	15.5 %	5.6 %	36.7 %	31.4 %
British Columbia								
Commitments %	51.9 %	51.8 %	0.0 %	0.0 %	0.0 %	61.1 %	0.0 %	32.0 %
GLA	47	259	194	206	71	167	563	1,700
%	2.8 %	15.2 %	11.4 %	12.1 %	4.2 %	9.8 %	33.1 %	9.1 %
Manitoba								
Commitments %	47.0 %	42.4 %	36.4 %	0.0 %	0.0 %	0.0 %	0.1 %	37.5 %
GLA	371	562	624	525	360	195	726	3,589
%	10.3 %	15.6 %	17.4 %	14.6 %	10.0 %	5.4 %	20.2 %	19.2 %
Ontario								
Commitments %	15.5 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	2.1 %
GLA	101	65	348	125	145	63	1,064	1,991
%	5.1 %	3.3 %	17.5 %	6.3 %	7.3 %	3.2 %	53.4 %	10.7 %
Saskatchewan								
Commitments %	82.9 %	39.6 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	27.2 %
GLA	70	191	87	67	74	20	459	1,001
%	6.9 %	19.1 %	8.7 %	6.7 %	7.4 %	2.0 %	45.9 %	5.4 %
Minnesota								
Commitments %	20.8 %	0.0 %	0.0 %	0.0 %	0.0 %	1.9 %	0.0 %	3.3 %
GLA	71	325	350	645	460	341	898	3,462
%	2.1 %	9.4 %	10.1 %	18.6 %	13.3 %	9.8 %	26.0 %	18.6 %
U.S. - Other								
Commitments %	0.0 %	13.1 %	0.0 %	100.0 %	0.0 %	28.5 %	13.4 %	35.7 %
GLA	2	11	41	19	-	268	671	1,047
%	0.1 %	1.1 %	4.0 %	1.7 %	0.0 %	25.6 %	64.1 %	5.6 %
Total portfolio								
Commitments %	40.5 %	22.3 %	10.7 %	0.9 %	0.1 %	13.5 %	1.4 %	16.7 %
GLA	947	2,171	2,292	2,103	2,018	1,382	6,526	18,637
%	5.1 %	11.6 %	12.3 %	11.3 %	10.8 %	7.4 %	35.1 %	100.0 %

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

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

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Market Rents and Commitments by Geographical Region ^{(1) (2)}

	2012	2013	2014 & later	Total
Alberta				
In-place rents	\$ 16.28	\$ 20.96	\$ 15.89	\$ 16.60
Market rents	\$ 17.13	\$ 20.88	\$ 17.77	\$ 18.16
Change	5.2 %	(0.4)%	11.9 %	9.4 %
Revenue impact ⁽³⁾	\$ 241	\$ (65)	\$ 8,556	\$ 8,732
British Columbia				
In-place rents	\$ 14.85	\$ 17.51	\$ 15.54	\$ 15.86
Market rents	\$ 16.39	\$ 19.14	\$ 16.10	\$ 16.63
Change	10.4 %	9.3 %	3.5 %	4.8 %
Revenue impact ⁽³⁾	\$ 73	\$ 423	\$ 662	\$ 1,158
Manitoba				
In-place rents	\$ 10.46	\$ 7.48	\$ 11.81	\$ 10.93
Market rents	\$ 10.94	\$ 8.12	\$ 12.47	\$ 11.57
Change	4.6 %	8.6 %	5.6 %	5.9 %
Revenue impact ⁽³⁾	\$ 178	\$ 360	\$ 1,606	\$ 2,144
Ontario				
In-place rents	\$ 12.80	\$ 12.92	\$ 11.10	\$ 11.26
Market rents	\$ 14.05	\$ 13.42	\$ 11.02	\$ 11.26
Change	9.7 %	3.9 %	(0.8)%	0.0 %
Revenue impact ⁽³⁾	\$ 126	\$ 32	\$ (155)	\$ 3
Saskatchewan				
In-place rents	\$ 14.24	\$ 18.74	\$ 14.44	\$ 15.27
Market rents	\$ 15.25	\$ 20.83	\$ 15.22	\$ 16.33
Change	7.2 %	11.1 %	5.5 %	7.0 %
Revenue impact ⁽³⁾	\$ 71	\$ 400	\$ 558	\$ 1,029
Minnesota				
In-place rents	\$ 7.50	\$ 7.14	\$ 8.45	\$ 8.29
Market rents	\$ 6.93	\$ 6.93	\$ 8.57	\$ 8.36
Change	(7.7)%	(3.0)%	1.4 %	0.8 %
Revenue impact ⁽³⁾	\$ (41)	\$ (69)	\$ 315	\$ 205
U.S. - Other				
In-place rents	\$ 33.00	\$ 27.79	\$ 21.20	\$ 21.29
Market rents	\$ 30.00	\$ 27.83	\$ 23.67	\$ 23.72
Change	(9.1)%	0.1 %	11.6 %	11.4 %
Revenue impact ⁽³⁾	(4)	\$ -	\$ 2,462	\$ 2,458
Total portfolio				
In-place rents	\$ 12.78	\$ 14.60	\$ 13.49	\$ 13.59
Market rents	\$ 13.46	\$ 15.09	\$ 14.46	\$ 14.49
Change	5.3 %	3.4 %	7.3 %	6.6 %
Revenue impact ⁽³⁾	\$ 644	\$ 1,081	\$ 14,004	\$ 15,729

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

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

⁽³⁾ This impact is based on the difference between the in-place 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 June 30, 2012, the three largest segments of the REIT's portfolio (by GLA) are Minneapolis industrial properties, Calgary office properties and Winnipeg industrial properties.

Minneapolis industrial properties represent 13.3% of the overall portfolio by GLA. Direct vacancy in the Minneapolis industrial market, as reported by CBRE, was 7.2% at June 30, 2012, down from 7.4% at March 31, 2012 on positive net absorption of 556,458 square feet. As per CBRE, this was the eighth consecutive quarter of positive absorption for this market. Lease rates increased slightly to \$4.59 per square foot, up from \$4.54 per square foot at March 31, 2012. Occupancy in this segment of the portfolio was 88.2% at June 30, 2012 compared to 88.3% at March 31, 2012. Artis has commitments in place for 22.8% of the portfolio's GLA; 21.7% has been renewed or committed to new leases. In 2013, 257,880 square feet comes up for renewal, which represents 1.4% of the portfolio's GLA.

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Calgary office properties represent 11.9% of the overall portfolio by GLA. Artis' office properties are Class A, B and C buildings, in downtown, beltline and suburban locations. Overall vacancy in the Calgary office market, as reported by Avison Young, was 4.6% at June 30, 2012, compared to 4.9% at March 31, 2012. In particular, the downtown leasing activity is expected to remain tight in the short term, which continues to drive demand in the beltline and certain suburban regions, where rates are appreciably lower than in the downtown. At June 30, 2012, the Calgary office segment of Artis' portfolio was 92.3% occupied, compared to 94.4% occupancy at March 31, 2012. Artis has commitments in place for 58.7% of the unoccupied space. In the remainder of 2012, 134,566 square feet comes up for renewal, which represents 0.7% of the portfolio's GLA; 41.0% has been committed. In 2013, 457,683 square feet comes up for renewal, which represents 2.5% of the portfolio's GLA; 5.8% has been renewed. Approximately 31.0% of the Calgary office GLA expires in 2018 or later.

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

	2012	2013	2014	2015	2016	2017	2018 & later	Total ⁽³⁾
Calgary office								
Commitments %	41.0 %	5.8 %	2.1 %	0.0 %	0.5 %	1.2 %	0.0 %	12.5 %
GLA	134	458	207	180	238	144	693	2,232
Other office								
Commitments %	38.1 %	36.3 %	0.0 %	3.4 %	0.0 %	14.3 %	3.5 %	18.7 %
GLA	265	537	305	530	254	550	2,539	5,270

As per recent research from Avison Young, the state of the office leasing market in Calgary has changed rapidly over the past two years. This trend has continued through Q2-12 with the result that Calgary office vacancy dropped again last quarter. Vacancy has declined for two years (to 4.6% city-wide and 3.2% in the downtown core) and record leasing activity has been recorded in this market. The market rents reported in the below table are reflective of management's estimates for today's market rent rates and they 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 for Calgary Office Segment ^{(1) (2)}

	2012	2013	2014 & later	Total
Calgary office				
In-place rents	\$ 19.54	\$ 24.45	\$ 19.44	\$ 20.56
Market rents	\$ 19.66	\$ 23.45	\$ 23.57	\$ 23.29
Change	0.6 %	(4.1)%	21.3 %	13.3 %
Revenue impact ⁽⁴⁾	\$ 17	\$ (459)	\$ 6,040	\$ 5,598
Other office				
In-place rents	\$ 14.96	\$ 15.36	\$ 16.83	\$ 16.57
Market rents	\$ 15.86	\$ 16.78	\$ 18.01	\$ 17.76
Change	6.0 %	9.2 %	7.0 %	7.2 %
Revenue impact ⁽⁴⁾	\$ 238	\$ 758	\$ 4,921	\$ 5,917

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

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

⁽³⁾ Total includes vacancies and month-to-month leases.

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

Winnipeg industrial properties represent 9.6% of Artis' portfolio by GLA. Availability in the Winnipeg industrial market, as reported by CBRE, was approximately 3.5% at June 30, 2012, unchanged from March 31, 2012, and once again the lowest reported industrial vacancy rate in the country. The average net rental rate increased to \$6.38 per square foot, from \$6.32 per square foot last quarter. Occupancy in this segment of the portfolio was 91.8% at June 30, 2012, compared to 95.0% at March 31, 2012. In total, Artis has commitments in place for 43.6% of the unoccupied space. In 2012, 192,112 square feet comes up for renewal, which represents approximately 1.0% of the portfolio's GLA; 42.3% has been renewed or committed to new leases. In 2013, 360,811 square feet comes up for renewal, which represents 1.9% of the portfolio's GLA.

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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. Interest expense of \$23,104 (YTD - \$44,809) in Q2-12 has increased \$4,116 (YTD - \$9,146) over Q2-11 primarily due to additional mortgage financing obtained in connection with acquisitions completed in 2011 and 2012. 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 June 30, 2012 on mortgages and other loans secured by properties was 4.58%, compared to 4.79% at December 31, 2011. The weighted-average nominal interest rate at June 30, 2012 was 4.40% compared to 4.61% at December 31, 2011.

Convertible debentures are recorded as a financial liability at fair value. Artis recorded interest expense of \$2,876 (YTD - \$6,160) on the face value of debentures outstanding in Q2-12, compared to \$3,119 (YTD - \$5,305) in Q2-11.

The REIT's interest coverage ratio, defined as total revenues less property operating expenses and corporate expenses divided by interest expense, is 2.38 times for the three month period ended June 30, 2012 (YTD - 2.35 times).

CORPORATE EXPENSE

	Three month period ended June 30,		Six month period ended June 30,	
	2012	2011	2012	2011
Accounting, legal and consulting	\$ 442	\$ 288	\$ 847	\$ 564
Advisory fees	-	1,419	-	2,724
Public company costs	304	267	609	468
Unit-based compensation	931	114	2,443	467
Salaries and benefits	589	-	1,243	-
Amortization	88	28	176	57
General and administrative	703	457	1,187	806
Total corporate expenses	\$ 3,057	\$ 2,573	\$ 6,505	\$ 5,086

Corporate expenses in Q2-12 were \$3,057 (YTD - \$6,505), or 3.5% (YTD - 3.8%) of gross revenues compared to \$2,573 (YTD - \$5,086), or 3.9% (YTD - 3.9%) of gross revenues in Q2-11. There are no advisory fees in 2012 due to the termination of the asset management agreement with Marwest Realty. As the asset management function has now been internalized, the REIT has expensed corporate salaries and benefits of \$589 (YTD - \$1,243).

The unit-based compensation expense recorded in Q2-12 was \$931 (YTD - \$2,443) compared to \$114 (YTD - \$467) in Q2-11. A liability for unit-based compensation 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 an expense for the period. An increase in the value of the REIT's units as well as additional options granted during 2011 and 2012 has caused an increase in the unit-based compensation expense for the period.

FOREIGN CURRENCY TRANSLATION (GAIN) LOSS

In 2012, the REIT held cash, deposits and the Series G debentures in US dollars. These assets and liabilities are translated into Canadian dollars at the exchange rate in effect at the balance sheet date. This resulted in a foreign currency translation loss of \$2,777 (YTD - \$2,123) in Q2-12, compared to a gain of \$2,025 (YTD - \$1,922) in Q2-11.

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INCOME TAX EXPENSE

The REIT converted its U.S. subsidiary into a REIT for U.S. income tax purposes during 2011. The subsidiary intends to distribute all of its U.S. taxable income to Canada and is entitled to deduct such distributions for U.S. income tax purposes. As a result, the REIT does not record a provision for current U.S. income taxes. The current taxes of \$1,680 recorded in the first three quarters of 2011 were reversed in Q4-11. The U.S. subsidiary is subject to a 30% to 35% withholding tax on distributions to Canada. Any withholding taxes paid are recorded with the related distributions.

The REIT currently qualifies as a mutual fund trust and a real estate investment trust ("REIT") for Canadian income tax purposes. Under current tax legislation, income distributed annually by the REIT to unitholders is a deduction in the calculation of its taxable income. As the REIT intends to distribute all of its taxable income to its unitholders, the REIT does not record a provision for current Canadian income taxes.

The Income Tax Act (Canada) contains legislations affecting the tax treatment of a specified investment flow-through ("SIFT") trust or partnership (the "SIFT Rules"). A SIFT includes a publicly-listed or traded partnership or trust, such as an income trust.

Under the SIFT Rules, certain distributions from a SIFT are not deductible in computing a SIFT's taxable income, and a SIFT is 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 tax.

The SIFT Rules do not apply to a REIT 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 and six month periods ended June 30, 2012 and the year ended December 31, 2011. As a result, the REIT does not recognize any deferred income tax assets or liabilities for income tax purposes.

TRANSACTION COSTS

During Q2-12, \$1,698 (YTD - \$3,013) of transaction costs were expensed compared to \$9,122 (YTD - \$10,328) in Q2-11. During Q2-11, the REIT issued new Series G debentures and expensed \$3,633 of transaction costs related to the issuance. The remainder of the transaction costs are primarily attributable to the acquisition of investment properties.

LOSS ON FINANCIAL INSTRUMENTS

In Q2-12, the REIT recorded an unrealized gain on convertible debentures of \$673 (YTD - loss of \$10,032) compared to an unrealized gain of \$772 (YTD - loss of \$4,201) in Q2-11.

The REIT holds a number of interest rate swaps to effectively lock the interest rate on a portion of floating rate debt. The REIT recorded an unrealized loss on the fair value adjustment of the interest rate swaps outstanding of \$1,931 (YTD - \$323) in Q2-12 compared to an unrealized loss of \$1,576 (YTD - \$421) in Q2-11. The REIT anticipates holding the mortgages and interest rate swap contracts until maturity.

In Q2-12, the REIT entered into a swap contract to exchange \$50,000 into US funds and recorded an unrealized gain on the fair value adjustment of this contract of \$237.

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UNREALIZED FAIR VALUE GAIN 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. External valuations are performed quarterly on a rotational basis over a four year cycle. In Q2-12, the fair value gain on investment properties is \$51,990 (YTD - \$108,861) compared to \$47,975 (YTD - \$164,135) in Q2-11. Fair value changes in individual properties result from changes in the projected income and cash flow projections of those properties, as well as from changes in cap rates and discount rates applied. The size and mix of the Q2-12 portfolio is significantly different than the size and mix of the portfolio in Q2-11. Capitalization rate compression and increases to expected market rents in several portfolio segments have occurred over the course of 2011 and 2012 and have contributed to the fair value gain.

OTHER COMPREHENSIVE INCOME (LOSS)

Other comprehensive income (loss) includes the unrealized foreign currency translation gain in Q2-12 of \$5,270 (YTD - gain of \$2,170) compared to a loss of \$2,278 (YTD - loss of \$4,347) in Q2-11. Foreign currency translation gains and losses relate to the REIT's net investment in foreign operations in the U.S.

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 June 30, 2012	Six month period ended June 30, 2012	Year ended December 31, 2011	Year ended December 31, 2010
Cash flow from operations	\$ 25,912	\$ 56,802	\$ 76,494	\$ 24,187
Net income	\$ 78,320	\$ 154,076	\$ 321,289	\$ 33,224
Distributions declared ⁽¹⁾	\$ 28,842	\$ 55,056	\$ 87,183	\$ 46,503
Excess (shortfall) of cash flow from operations over distributions declared	\$ (2,930)	\$ 1,746	\$ (10,689)	\$ (22,316)
Excess (shortfall) of net income over distributions declared	\$ 49,478	\$ 99,020	\$ 234,106	\$ (13,279)

⁽¹⁾ Excludes distributions recorded in interest expense in 2010.

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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 for the period.

Reconciliation of Cash Flows from Operations to FFO:

000's, except per unit amounts	Three month period ended		Six month period ended	
	June 30,		June 30,	
	2012	2011	2012	2011
Cash flow from operations	\$ 25,912	\$ 8,006	\$ 56,802	\$ 27,616
Add (deduct):				
Depreciation of property and equipment	(88)	(28)	(176)	(57)
Amortization of above- and below-market mortgages, net	314	193	603	331
Straight-line rent adjustment	1,550	1,379	2,824	2,527
Unrealized loss on equity securities	-	(1,204)	-	(1,697)
Realized foreign currency translation loss	1,134	792	1,301	823
Unrealized foreign currency loss from U.S. operations	(1,487)	(2,641)	(1,473)	(1,484)
Unit-based compensation expense	(931)	(114)	(2,443)	(467)
Accretion of financing costs included in interest	(616)	(462)	(1,235)	(848)
Defined benefit expense	(215)	-	(431)	-
Transaction costs on acquisitions	1,698	5,489	2,671	6,695
Additions to tenant inducements	2,646	1,572	4,188	4,129
Changes in non-cash operating items	3,412	5,135	246	2,024
FFO for the period	\$ 33,329	\$ 18,117	\$ 62,877	\$ 39,592
Add back:				
Transaction costs ⁽¹⁾	-	3,633	342	3,633
Current tax expense	-	871	-	797
Loss on equity securities	-	154	-	347
FFO for the period after adjustments	\$ 33,329	\$ 22,775	\$ 63,219	\$ 44,369
FFO per unit				
Basic	\$ 0.32	\$ 0.24	\$ 0.63	\$ 0.52
Diluted	\$ 0.31	\$ 0.24	\$ 0.62	\$ 0.51
FFO per unit after adjustments				
Basic	\$ 0.32	\$ 0.30	\$ 0.63	\$ 0.58
Diluted	\$ 0.31	\$ 0.29	\$ 0.62	\$ 0.57
Weighted-average number of units:				
Basic ⁽²⁾	105,468	76,173	99,563	75,899
Diluted ⁽²⁾	116,631	83,929	110,726	83,573

⁽¹⁾ Transaction costs added back are one time professional fees related to internalization and corporate matters and convertible debenture financing costs.

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

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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 June 30,	
	2012	2011
Basic units	105,468	76,173
Add:		
Options ⁽¹⁾	-	82
Debentures ⁽¹⁾	11,163	7,674
Diluted units	116,631	83,929

⁽¹⁾ All debenture series are dilutive in Q2-12 and options and Series D, E and F are dilutive in Q2-11.

Diluted FFO reconciliation

	Three month period ended June 30,	
	2012	2011
FFO	\$ 33,329	\$ 18,117
Add:		
Options ⁽¹⁾	-	(31)
Debentures ⁽¹⁾	2,776	1,702
Diluted FFO	\$ 36,105	\$ 19,788

Diluted units reconciliation

	Six month period ended June 30,	
	2012	2011
Basic units	99,563	75,899
Add:		
Options ⁽¹⁾	-	-
Debentures ⁽¹⁾	11,163	7,674
Diluted units	110,726	83,573

⁽¹⁾ All debenture series are dilutive in 2012 and Series D, E and F are dilutive in 2011.

Diluted FFO reconciliation

	Six month period ended June 30,	
	2012	2011
FFO	\$ 62,877	\$ 39,592
Add:		
Options ⁽¹⁾	-	-
Debentures ⁽¹⁾	5,541	3,386
Diluted FFO	\$ 68,418	\$ 42,978

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Reconciliation of GAAP Income to FFO:

	Three month period ended June 30,		Six month period ended June 30,	
	2012	2011	2012	2011
Income for the period	\$ 78,320	\$ 59,024	\$ 154,076	\$ 191,045
Add amortization on:				
Tenant inducements amortized to revenue	1,425	1,094	2,750	2,114
Add (deduct):				
Gain on disposal of investment properties	-	-	-	(255)
Deferred tax expense	-	1,790	-	1,741
Unrealized fair value gain on investment properties	(51,990)	(47,975)	(108,861)	(164,135)
Foreign currency translation (gain) loss	2,777	(2,025)	2,123	(1,922)
Transaction costs on acquisitions	1,698	5,489	2,671	6,695
Unrealized loss on financial instruments	1,099	720	10,118	4,309
FFO for the period	\$ 33,329	\$ 18,117	\$ 62,877	\$ 39,592
Add back:				
Transaction costs ⁽¹⁾	-	3,633	342	3,633
Current tax expense	-	871	-	797
Loss on equity securities	-	154	-	347
FFO for the period after adjustments	\$ 33,329	\$ 22,775	\$ 63,219	\$ 44,369

⁽¹⁾ Transaction costs added back are one time professional fees related to internalization and corporate matters and convertible debenture financing costs.

In Q2-12, FFO has increased \$15,212 (YTD - \$23,285), or 84.0% (YTD - 58.8%) over Q2-11. This increase is primarily attributed to acquisitions completed in 2011 and 2012. Basic FFO per unit has increased by \$0.08 (YTD - \$0.11) or 33.3% (YTD - 21.2%) over Q2-11. On a diluted basis, FFO per unit has increased \$0.07 (YTD - \$0.11), or 29.2% (YTD - 21.6%) over Q2-11.

During 2011, the REIT converted its U.S. subsidiary into a REIT for U.S. income tax purposes. The current tax expense recorded in the first three quarters of 2011 was reversed in Q4-11. The current tax expense has been excluded from the calculation of adjusted FFO. In Q2-12, adjusted FFO has increased \$10,554 (YTD - \$18,850), or 46.3% (YTD - 42.5%) over Q2-11. Adjusted basic FFO per unit has increased by \$0.02 (YTD - \$0.05) or 6.7% (YTD - 8.6%). Adjusted diluted FFO per unit has increased by \$0.02 (YTD - \$0.05) or 6.9% (YTD - 8.8%).

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 2012 contribute to operating results.

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ANALYSIS OF FINANCIAL POSITION

ASSETS

	June 30, 2012	December 31, 2011	Increase (decrease)
Non-current assets:			
Investment properties and investment properties under construction	\$ 3,745,802	\$ 3,024,067	\$ 721,735
Other non-current assets	23,475	24,063	(588)
Current assets:			
Cash, cash equivalents and cash held in trust	54,788	95,133	(40,345)
Other current assets	37,986	24,325	13,661
	\$ 3,862,051	\$ 3,167,588	\$ 694,463

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, 2011	\$ 3,003,604	\$ 20,463	\$ 3,024,067
Additions:			
Acquisitions	113,069	246	113,315
Capital expenditures	917	5,350	6,267
Leasing costs	781	-	781
Reclassification of investment property under construction	15,641	(15,641)	-
Foreign currency translation loss	(7,705)	(56)	(7,761)
Straight-line rent adjustment	1,274	-	1,274
Net change to tenant inducements	217	-	217
Unrealized fair value gain	56,405	466	56,871
Balance, March 31, 2012	3,184,203	10,828	3,195,031
Additions:			
Acquisitions	478,583	-	478,583
Capital expenditures	3,312	2,357	5,669
Leasing costs	1,396	-	1,396
Reclassification of investment property under construction	4,226	(4,226)	-
Foreign currency translation gain	10,360	2	10,362
Straight-line rent adjustment	1,550	-	1,550
Net change to tenant inducements	1,221	-	1,221
Unrealized fair value gain	51,920	70	51,990
Balance, June 30, 2012	\$ 3,736,771	\$ 9,031	\$ 3,745,802

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During the three month period ended June 30, 2012, the following commercial properties were acquired:

Property	Location	GLA	Acquisition Date	Type
Westbank Hub Centre North ⁽¹⁾	West Kelowna, BC	251,100	April 16, 2012	Retail
Linden Ridge Shopping Centre	Winnipeg, MB	100,875	April 23, 2012	Retail
Trimac House	Calgary, AB	238,087	April 30, 2012	Office
Crowfoot Corner	Calgary, AB	51,048	April 30, 2012	Retail
MAX At Kierland	Scottsdale, AZ	258,312	May 25, 2012	Office
LaSalle Office Portfolio ⁽²⁾	Calgary, AB	495,621	June 11, 2012	Office
Whistler Hilton Retail Plaza ⁽³⁾	Whistler, BC	32,130	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 properties.

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

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.

	Three month period ended		Six month period ended	
	June 30,		June 30,	
	2012	2011	2012	2011
Cash consideration	\$ 255,605	\$ 131,892	\$ 301,771	\$ 190,144
Contingent consideration	200	-	200	-
Long-term debt, including acquired above- and below-market mortgages, net of financing costs	222,778	174,654	289,927	249,617
Investment properties and investment properties under construction	\$ 478,583	\$ 306,546	\$ 591,898	\$ 439,761

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 Q2-12 totaled \$5,669 (YTD - \$11,936) compared to \$4,528 (YTD - \$9,072) in Q2-11. Revenue enhancing capital expenditures of \$4,272 were incurred in Q2-12 primarily relating to construction of new buildings on retail and office properties in Winnipeg, Manitoba, and an industrial property in Edmonton, Alberta. The remaining \$1,397 of capital expenditures primarily relate to elevator modernizations, boiler replacements and roof replacements. Approximately \$1,157 of these capital expenditures are recoverable from tenants in future periods.

In Q2-12, Artis incurred \$4,042 (YTD - \$6,365) of tenant inducements and leasing costs compared to \$2,559 (YTD - \$6,498) in Q2-11. 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		Six month period ended	
	June 30,		June 30,	
	2012	2011	2012	2011
Tenant inducements	\$ 2,646	\$ 1,572	\$ 4,188	\$ 4,129
Leasing commissions	1,396	987	2,177	2,369
Total	\$ 4,042	\$ 2,559	\$ 6,365	\$ 6,498

The construction of a new format Shoppers Drug Mart on an existing portfolio retail property in Winnipeg, Manitoba was completed in Q2-12 and has been reclassified from investment properties under construction to investment properties.

In Q2-12, the foreign currency translation gain on investment properties was \$10,362 (YTD - \$2,601) due to the change in the period end US dollar to Canadian dollar exchange rate from 0.9991 at March 31, 2012 to 1.0191 at June 30, 2012.

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In Q2-12, the REIT recorded a gain on the fair value of investment properties \$51,990 (YTD - \$108,861), with a decrease in the weighted-average capitalization rate to 6.68% at June 30, 2012 from 6.89% at December 31, 2011. The increase in the fair value is primarily attributed to increases to expected market rents in several portfolio segments, most notably the Calgary office and Fort McMurray retail segments, as well as capitalization rate compression in the Toronto, Calgary and Winnipeg office, and Calgary industrial segments.

Artis determines 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. Capitalization rates are estimated using market surveys, available appraisals and market comparables. Under the overall capitalization method, year one income is stabilized and capitalized at a rate deemed appropriate for each investment property. Individual properties were valued using capitalization rates in the range of 5.50% to 8.25%. Additional information on the average capitalization rates and ranges used for the portfolio properties, assuming all properties were valued using an overall capitalization method, broken out by asset class and country are set out in the table below.

	June 30, 2012			December 31, 2011		
	Maximum	Minimum	Weighted-average	Maximum	Minimum	Weighted-average
Office:						
U.S.	8.25%	6.75%	7.29%	8.50%	7.00%	7.67%
Canada	8.00%	5.50%	6.41%	9.00%	5.50%	6.71%
Office total	8.25%	5.50%	6.58%	9.00%	5.50%	6.86%
Industrial:						
U.S.	8.00%	6.75%	7.14%	9.00%	7.00%	7.47%
Canada	8.00%	6.25%	6.87%	9.00%	6.00%	7.03%
Industrial total	8.00%	6.25%	6.94%	9.00%	6.00%	7.14%
Retail:						
U.S.	8.00%	6.50%	7.34%	8.50%	6.50%	7.58%
Canada	7.50%	6.00%	6.68%	8.00%	5.50%	6.71%
Retail total	8.00%	6.00%	6.71%	8.50%	5.50%	6.74%
Total:						
U.S. portfolio	8.25%	6.50%	7.25%	9.00%	6.50%	7.59%
Canadian portfolio	8.00%	5.50%	6.57%	9.00%	5.50%	6.77%
Total portfolio	8.25%	5.50%	6.68%	9.00%	5.50%	6.89%

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 also has a note receivable arising from the disposition of investment properties. The balance outstanding on all notes receivable at June 30, 2012 is \$24,717 compared to \$25,437 at December 31, 2011.

Cash and cash equivalents:

At June 30, 2012, the REIT had \$52,301 of cash and cash equivalents on hand, compared to \$94,094 at December 31, 2011. The balance is anticipated to be invested in investment properties in subsequent periods, used for working capital purposes or for debt repayment. All of the REIT's cash and cash equivalents are held in current accounts and/or bank guaranteed investment certificates.

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LIABILITIES

	June 30, 2012	December 31, 2011	Increase (decrease)
Non-current liabilities:			
Mortgages and loans payable	\$ 1,681,215	\$ 1,428,334	\$ 252,881
Convertible debentures	202,057	235,746	(33,689)
Other non-current liabilities	509	78	431
Current liabilities:			
Current portion of mortgages and loans payable	194,900	139,065	55,835
Bank indebtedness	25,000	37,900	(12,900)
Other current liabilities	69,015	56,650	12,365
	\$ 2,172,696	\$ 1,897,773	\$ 274,923

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. 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 property and equipment as disclosed in the balance sheet and notes thereto.

In connection with the U.S. restructuring, a subsidiary of the REIT issued US\$77 of preferred shares. The REIT has included these in the calculation of GBV as a liability.

Artis' mortgages, loans and bank indebtedness to GBV ratio at June 30, 2012 was 49.2%, compared to 50.7% at December 31, 2011.

	June 30, 2012	December 31, 2011
GBV	\$ 3,862,580	\$ 3,167,941
Mortgages, loans and bank indebtedness	1,901,115	1,605,299
Mortgages, loans and bank indebtedness to GBV	49.2 %	50.7 %
Preferred share liabilities	\$ 78	\$ 78
Carrying value of convertible debentures	202,057	235,746
Total long-term debt and bank indebtedness	2,103,250	1,841,123
Total long-term debt and bank indebtedness to GBV	54.5 %	58.1 %

Artis REIT has an internal policy of maintaining a total debt to GBV ratio of 70% or lower. Subsequent to June 30, 2012, the REIT issued preferred units. The Trustees have approved a guideline stipulating that for purposes of compliance with this policy, preferred units would be added to the debt component of the calculation.

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Mortgages and loans payable:

Artis finances acquisitions in part through the arrangement or assumption of mortgage financing and consequently, substantially all of the REIT's investment properties are pledged as security under mortgages and other loans. In Q2-12, \$9,438 (YTD - \$18,379) of principal repayments were made compared to \$6,809 (YTD - \$13,117) in Q2-11.

During Q2-12, long-term debt including acquired above- and below-market mortgages, net of financing costs, added on acquisition of investment properties was \$222,778 (YTD - \$289,927). Artis also obtained two mortgages on previously unencumbered properties for \$24,115 and refinanced an office property, receiving upward financing of \$8,192.

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 variable rate debt less the portion protected by interest rate swaps is \$306,296 or 14.6% of total debt. The amount of variable rate debt on properties in the U.S. is \$253,202, which is not protected by interest rate swaps. Management is of the view that the interest rates in the U.S. are less likely to increase in the near term and interest rate swaps can be placed on top of these loans at any time.

The weighted-average term to maturity at June 30, 2012 is 4.6 years, compared to 4.0 years at December 31, 2011.

Convertible debentures:

Artis has three series of convertible debentures outstanding as at June 30, 2012, as follows:

	Issued	Maturity	Face rate	June 30, 2012		December 31, 2011	
				Carrying value	Face value	Carrying value	Face value
Series C	4-May-06	31-May-13	6.25%	\$ -	\$ -	\$ 30,593	\$ 29,920
Series D	30-Nov-07	30-Nov-14	5.00%	17,388	17,000	17,230	17,000
Series E	9-July-09	30-June-14	7.50%	-	-	14,093	9,333
Series F	22-Apr-10	30-June-20	6.00%	94,002	86,240	87,932	86,250
Series G	21-Apr-11	30-June-18	5.75%	90,667	89,681	85,898	89,496
				\$ 202,057	\$ 192,921	\$ 235,746	\$ 231,999

The carrying value of convertible debentures has decreased by \$33,689 from December 31, 2011. This decrease is primarily due to the conversion of Series E convertible debentures and the early redemption of the Series C and the Series E convertible debentures, offset by a net increase in the fair value of the debentures.

Other liabilities and bank indebtedness:

Included in other liabilities are security deposits paid by tenants, rents prepaid by tenants at June 30, 2012, accounts payable and accruals, as well as the June 30, 2012 distribution payable to unitholders of \$9,878, subsequently paid on July 13, 2012. At June 30, 2012, bank indebtedness of \$25,000 relates to the balance drawn on the REIT's revolving term credit facility. 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.

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UNITHOLDERS' EQUITY

Unitholders' equity increased overall by \$419,540 between June 30, 2012 and December 31, 2011. The increase was due to the issuance of units for \$304,486, the conversion of convertible debentures for \$13,864, income for the period of \$154,076 and other comprehensive income for the period of \$2,170. This increase was offset by the distributions made to unitholders of \$55,056.

LIQUIDITY AND CAPITAL RESOURCES

In Q2-12, Artis generated \$25,912 (YTD - \$56,802) of cash flows from operating activities. Cash flows from operations assisted in funding distributions to unitholders of \$28,112 (YTD - \$53,177) and for principal repayments on mortgages and loans of \$9,438 (YTD - \$18,379).

Cash of \$9,711 (YTD - \$18,301) was used for capital building improvements and for tenant inducements and leasing costs in Q2-12.

At June 30, 2012, Artis had \$52,301 of cash and cash equivalents on hand. Management anticipates that the cash on hand will be invested in investment properties in subsequent periods, used for working capital purposes or for debt repayment.

Artis has 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 matures on September 28, 2012. As at June 30, 2012, the REIT has \$25,000 drawn on its credit facility.

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 June 30, 2012.

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	\$ 46,550	\$ 46,550	\$ -	\$ -	\$ -
Mortgages, loans and bank indebtedness	1,903,856	220,898	565,052	609,355	508,551
Convertible debentures ⁽¹⁾	192,921	-	17,000	-	175,921
Total	\$ 2,143,327	\$ 267,448	\$ 582,052	\$ 609,355	\$ 684,472

⁽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 June 30, 2012, obligations due within one year include \$46,550 of accounts payable and other liabilities, bank indebtedness of \$25,000, \$150,658 of mortgages, and principal repayments on mortgages of \$45,240.

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SUMMARIZED QUARTERLY INFORMATION

\$000's, except per unit amounts								
	Q2-12	Q1-12	Q4-11	Q3-11	Q2-11	Q1-11	Q4-10	Q3-10
Revenue	\$ 86,835	\$ 82,132	\$ 82,940	\$ 78,427	\$ 65,887	\$ 63,258	\$ 55,924	\$ 46,184
Property operating expenses	29,454	29,290	30,779	29,316	23,358	24,246	21,253	16,256
Property NOI	57,381	52,842	52,161	49,111	42,529	39,012	34,671	29,928
Interest income	684	876	517	599	714	750	914	668
	58,065	53,718	52,678	49,710	43,243	39,762	35,585	30,596
Expenses (income):								
Interest	23,104	21,705	21,943	21,336	18,988	16,675	15,617	14,443
Corporate	3,057	3,448	3,306	2,663	2,573	2,513	1,983	2,536
Foreign currency translation (gain) loss	2,777	(654)	(1,941)	5,131	(2,025)	103	2,488	553
	28,938	24,499	23,308	29,130	19,536	19,291	20,088	17,532
Income before other items	\$ 29,127	\$ 29,219	\$ 29,370	\$ 20,580	\$ 23,707	\$ 20,471	\$ 15,497	\$ 13,064
Income tax recovery (expense)	-	-	10,707	(7,700)	(2,661)	123	(298)	-
Gain on disposal of investment properties	-	-	-	481	-	255	-	-
Transaction costs	(1,698)	(1,315)	(4,439)	(1,684)	(9,122)	(1,206)	(6,672)	(4,286)
Gain (loss) on financial instruments	(1,099)	(9,019)	(15,815)	16,785	(875)	(3,782)	4,841	(14,525)
Unrealized fair value gain on investment properties	51,990	56,871	46,916	35,043	47,975	116,160	11,214	14,434
Income for the period	\$ 78,320	\$ 75,756	\$ 66,739	\$ 63,505	\$ 59,024	\$132,021	\$ 24,582	\$ 8,687
Other comprehensive income (loss):								
Unrealized foreign currency translation gain (loss)	\$ 5,270	\$ (3,100)	\$ (2,967)	\$ 10,497	\$ (2,278)	\$ (2,069)	\$ (126)	\$ (184)
Comprehensive income for the period	\$ 83,590	\$ 72,656	\$ 63,772	\$ 74,002	\$ 56,746	\$129,952	\$ 24,456	\$ 8,503
Basic income per unit	\$ 0.74	\$ 0.81	\$ 0.79	\$ 0.76	\$ 0.77	\$ 1.75	\$ 0.33	\$ 0.14
Diluted income per unit	\$ 0.70	\$ 0.80	\$ 0.79	\$ 0.49	\$ 0.69	\$ 1.63	\$ 0.30	\$ 0.14

The quarterly trend has been impacted by acquisition and disposition activity. Management anticipates there will be further growth in revenues and Property NOI as acquisitions completed in 2012 contribute to operating results.

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Reconciliation of GAAP Income to FFO:

000's, except per unit amounts	Q2-12	Q1-12	Q4-11	Q3-11	Q2-11	Q1-11	Q4-10	Q3-10
Income for the period	\$ 78,320	\$ 75,756	\$ 66,739	\$ 63,505	\$ 59,024	\$ 132,021	\$ 24,582	\$ 8,687
Add amortization on:								
Tenant inducements amortized into revenue	1,425	1,325	1,246	1,199	1,094	1,020	950	904
Unrealized (gain) loss on financial instruments	1,099	9,019	15,917	(16,829)	720	3,589	(3,272)	14,525
Transaction costs on acquisitions	1,698	973	449	1,677	5,489	1,206	6,672	4,286
Unrealized fair value gain on investment properties	(51,990)	(56,871)	(46,916)	(35,043)	(47,975)	(116,160)	(11,214)	(14,434)
Gain on disposal of investment properties	-	-	-	(481)	-	(255)	-	-
Deferred tax expense (recovery)	-	-	(8,997)	6,817	1,790	(49)	201	-
Foreign currency translation (gain) loss	2,777	(654)	(1,941)	5,131	(2,025)	103	2,488	553
FFO for the period	\$ 33,329	\$ 29,548	\$ 26,497	\$ 25,976	\$ 18,117	\$ 21,475	\$ 20,407	\$ 14,521
Add back:								
Transaction costs ⁽¹⁾	-	342	3,990	7	3,633	-	-	-
Current tax expense (recovery)	-	-	(1,710)	883	871	(74)	97	-
(Gain) loss on equity securities	-	-	(102)	44	154	193	(1,569)	-
FFO for the period after adjustments	\$ 33,329	\$ 29,890	\$ 28,675	\$ 26,910	\$ 22,775	\$ 21,594	\$ 18,935	\$ 14,521
FFO per unit								
Basic	\$ 0.32	\$ 0.32	\$ 0.31	\$ 0.31	\$ 0.24	\$ 0.28	\$ 0.28	\$ 0.24
Diluted	\$ 0.31	\$ 0.31	\$ 0.31	\$ 0.30	\$ 0.24	\$ 0.28	\$ 0.27	\$ 0.24
FFO per unit after adjustments								
Basic	\$ 0.32	\$ 0.32	\$ 0.34	\$ 0.32	\$ 0.30	\$ 0.29	\$ 0.26	\$ 0.24
Diluted	\$ 0.31	\$ 0.31	\$ 0.33	\$ 0.31	\$ 0.29	\$ 0.28	\$ 0.25	\$ 0.24
Weighted-average number of units:								
Basic ⁽²⁾	105,468	93,657	84,172	83,380	76,173	75,613	74,012	60,493
Diluted ⁽²⁾	116,631	105,632	98,073	97,400	83,929	85,209	82,039	68,808

⁽¹⁾ Transaction costs added back in Q1-12 are one time professional fees related to internalization and corporate matters. In 2011, transaction costs include a termination fee paid to a prior third party property management company upon the REIT taking over property management operations for several of its properties in Winnipeg, Manitoba and convertible debenture financing costs.

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

The quarterly trend has been impacted by acquisition and disposition activity. Management anticipates there will be further growth in FFO as acquisitions completed in 2012 contribute to operating results.

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RELATED PARTY TRANSACTIONS

	Three month period ended June 30,		Six month period ended June 30,	
	2012	2011	2012	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.

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.

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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.

OUTSTANDING UNIT DATA

The balance of units outstanding as of August 8, 2012 is as follows:

Units outstanding at June 30, 2012	109,752,473
Units issued (DRIP)	86,658
Units issued on exercise of options	117,500
Units issued on conversion of debentures	<u>1,612</u>
Units outstanding at August 8, 2012	<u>109,958,243</u>

The balance of options outstanding as of August 8, 2012 is as follows:

	<u>Options outstanding</u>	<u>Options exercisable</u>
\$11.28 options, issued February 25, 2010	185,375	54,000
\$13.30 options, issued September 10, 2010	356,750	68,750
\$13.44 options, issued October 15, 2010	358,500	69,750
\$14.10 options, issued June 17, 2011	1,076,250	265,500
\$16.36 options, issued April 13, 2012	<u>1,783,500</u>	-
	<u>3,760,375</u>	<u>458,000</u>

The balance of preferred units outstanding as of August 8, 2012 is 3,000,000.

The balance of restricted units outstanding as of August 8, 2012 is 9,652. None of these restricted units are vested at this time.

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2012 OUTLOOK

According to the Scotiabank Global Economic Research report of August 2012, real GDP in Canada is forecast to grow 1.9% in 2012. Forecast GDP growth for the Canadian provinces where Artis owns properties is also positive, as follows: Manitoba, 2.0%; Saskatchewan, 2.7%; Alberta, 3.0%; British Columbia, 2.1% and Ontario, 1.8%. Artis has also selectively diversified into geographical areas where GDP growth is anticipated to be strong.

Artis anticipates that 2012 will be another year of significant portfolio growth. We continue to target high quality retail, office and industrial assets primarily in western Canada, as well as in Ontario and select markets in the U.S. Access to capital is expected to remain strong as investors continue to seek investment products with a stable distribution yield, such as REIT units. We also expect to continue enjoying the benefits of a stable, low interest-rate environment. In this environment, Artis expects that a minimum of \$800,000 of accretive acquisitions in our established markets will be completed in 2012. We remain committed to growing our portfolio while slowly reducing our overall debt to gross book value ratio over the course of the year. Economic fundamentals remain strong, which we anticipate will translate into solid same property growth and stable or improving occupancy across the portfolio. Management anticipates that internal growth may be realized as leases expire and are renewed or re-leased at higher market rates. Management estimates that markets rents at June 30, 2012, are 6.6% above the expiring in-place rents across the portfolio, compared to 5.1% at March 31, 2012. Market rents for the remaining lease expiries in 2012, 2013, and 2014 are 5.3%, 3.4% and 7.3% above the expiring in-place rents.

As at June 30, 2012, Artis had \$52,301 of cash and cash equivalents on hand and \$35,000 available on the line of credit. Subsequent to June 30, 2012, the following transactions took place:

- 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.
- 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.

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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 GLA, 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 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 REIT's ratio of mortgages, loans and bank indebtedness to GBV is 49.2%, down from 50.7% at December 31, 2011. Approximately 1.0% of Artis' maturing mortgage debt comes up for renewal in 2012, and 11.5% in 2013. Management is in discussion with various lenders with respect to the renewal or refinancing of the 2012 mortgage maturities.

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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 1,783 tenant leases with a weighted-average term to maturity of 5.3 years. Approximately 63.7% of the REIT's portfolio was occupied by national or government tenants. As indicated below, the largest tenant by gross revenue is MTS Allstream, one of Canada's leading national communication companies providing voice services, internet and data services, and television. MTS Allstream is a TSX listed entity with 2011 annual revenues in excess of \$1.7 billion. The second largest tenant by gross revenue is AMEC Americas Ltd, a global supplier of consultancy, engineering and project management services to energy, power and process industries with a market capitalization of over £3.5 billion.

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
MTS Allstream	2.4 %	322	1.7 %	10.7
AMEC Americas Ltd.	2.3 %	200	1.1 %	1.2
TransAlta Corporation	1.3 %	336	1.8 %	10.9
Shoppers Drug Mart	1.0 %	136	0.7 %	4.6
TD Bank	1.0 %	123	0.7 %	7.9
Sobeys	1.0 %	191	1.0 %	8.7
IHS Energy (Canada) Ltd.	1.0 %	78	0.4 %	5.3
Fairview Health Services	1.0 %	179	1.0 %	11.2
CB Richard Ellis, Inc.	1.0 %	106	0.6 %	6.3
PMC - Sierra, Inc	1.0 %	148	0.8 %	1.3
CGI Sys & Mgmt Consultants Inc.	0.9 %	64	0.4 %	3.4
Home Depot	0.9 %	95	0.5 %	7.3
Cara Operations Limited	0.9 %	50	0.3 %	16.4
3M Canada Company	0.9 %	319	1.7 %	7.7
Birchcliff Energy	0.9 %	59	0.3 %	5.4
ABB Inc.	0.9 %	318	1.7 %	2.2
Bell Canada	0.8 %	76	0.4 %	4.0
Credit Union Central	0.7 %	86	0.5 %	9.5
Cineplex Entertainment LP	0.7 %	108	0.6 %	10.4
Sport Alliance of Ontario	0.7 %	85	0.5 %	12.0
Total	21.3 %	3,079	16.7 %	7.3

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	4.4 %	517	3.0 %	9.9
Provincial Government	2.7 %	332	1.9 %	2.8
Civic or Municipal Government	0.6 %	122	0.7 %	14.9
Total	7.7 %	971	5.6 %	8.1

Weighted-average term to maturity (entire portfolio)

5.3

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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	
2012	1.5 %	0.3 %	2.0 %	0.4 %	0.5 %	0.7 %	0.4 %	0.0 %	5.1 %
2013	4.1 %	1.4 %	3.0 %	1.0 %	0.3 %	2.5 %	1.7 %	0.1 %	11.6 %
2014	3.5 %	1.0 %	3.3 %	0.5 %	1.9 %	1.1 %	1.9 %	0.2 %	12.3 %
2015	2.8 %	1.1 %	2.8 %	0.3 %	0.7 %	1.0 %	3.5 %	0.1 %	11.3 %
2016	4.8 %	0.4 %	1.9 %	0.4 %	0.8 %	1.3 %	2.5 %	0.0 %	10.8 %
2017	1.8 %	0.9 %	1.0 %	0.1 %	0.4 %	0.8 %	1.8 %	1.4 %	7.4 %
2018 & later	11.5 %	3.1 %	3.9 %	2.5 %	5.7 %	3.7 %	4.8 %	3.6 %	35.1 %
Month-to-month	0.1 %	0.0 %	0.2 %	0.1 %	0.0 %	0.0 %	0.1 %	0.0 %	0.5 %
Vacant	1.2 %	0.5 %	1.1 %	0.1 %	0.4 %	0.9 %	1.9 %	0.2 %	5.4 %
Properties in Redevelopment	0.1 %	0.4 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.5 %
Total	31.4 %	9.1 %	19.2 %	5.4 %	10.7 %		18.6 %	5.6 %	100.0 %

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

In total, 80.9% of the 2012 and 30.6% of the 2013 leasing programs are complete.

TAX RISK

On June 22, 2007, the SIFT Rules (discussed in more detail above under the heading "Income Tax Expense") 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 and six month periods ended June 30, 2012 and the year ended December 31, 2011. 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.

The REIT operates in the United States through a U.S. REIT (Artis US Holdings Inc.) which is primarily capitalized by the REIT by way of equity, debt in the form of notes owed to the REIT and preferred shares. As at June 30, 2012, Artis US Holdings Inc. owes \$69.0 million to the REIT which is eliminated on consolidation of the financial statements.

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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 as well as the Series G debentures are 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.

CRITICAL ACCOUNTING ESTIMATES

The policies that the REIT's management believes are the most subject to estimation and judgment are set out in the REIT's Management Discussion and Analysis for the year ended December 31, 2011.

CHANGES IN ACCOUNTING POLICIES

In June 2011, the IASB amended IAS 19 – Employee Benefits ("IAS 19"). The amendment eliminates 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. The amendment is effective for 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, 2014.

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.

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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.

CONTROLS AND PROCEDURES

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) for the period ended June 30, 2012.

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.

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 June 30, 2012, 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 for the period ended June 30, 2012.