



ARTIS

REIT

**Management's Discussion and Analysis
Q3-12**

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

ARTIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis - Q3-12
(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 nine month periods ended September 30, 2012, and the notes thereto. This MD&A has been prepared taking into account material transactions and events up to and including November 7, 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.

ARTIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis - Q3-12
(In thousands of Canadian dollars, unless otherwise noted)

TABLE OF CONTENTS

OVERVIEW	3
Primary Objectives	3
U.S. Investment Strategy	3
Portfolio Summary	4
2012 - THIRD QUARTER HIGHLIGHTS	7
Portfolio Growth	7
Financing Activities	7
Distributions	8
SELECTED FINANCIAL INFORMATION	8
ANALYSIS OF OPERATING RESULTS	9
Revenue and Property NOI	9
Same Property NOI Growth	9
Property NOI by Asset Class	10
Property NOI by Geographical Region	11
Portfolio Occupancy	12
Portfolio Leasing Activity and Lease Expiries	13
Interest Expense	18
Corporate Expense	18
Foreign Currency Translation (Gain) Loss	18
Income Tax Expense	19
Transaction Costs	19
(Loss) Gain on Financial Instruments	19
Unrealized Fair Value Gain on Investment Properties	19
Other Comprehensive Income (Loss)	20
Distributions	20
Funds from Operations	21
ANALYSIS OF FINANCIAL POSITION	24
Assets	24
Liabilities	27
Unitholders' Equity	29
LIQUIDITY AND CAPITAL RESOURCES	29
Contractual Obligations	29
SUMMARIZED QUARTERLY INFORMATION	30
RELATED PARTY TRANSACTIONS	32
OUTSTANDING UNIT DATA	33
OUTLOOK	34
RISKS AND UNCERTAINTIES	35
Real Estate Ownership	35
Interest Rate and Debt Financing	35
Credit Risk and Tenant Concentration	36
Lease Rollover Risk	37
Tax Risk	37
Foreign Currency Risk	38
Other Risks	38
CRITICAL ACCOUNTING ESTIMATES	38
CHANGES IN ACCOUNTING POLICIES	38
CONTROLS AND PROCEDURES	39
Internal Controls over Financial Reporting	39
Disclosure Controls and Procedures	39

ARTIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis - Q3-12
(In thousands of Canadian dollars, unless otherwise noted)

OVERVIEW

On August 2, 2012, Artis converted to an unincorporated closed-end real estate investment trust, created under, and governed by, the laws of the Province of Manitoba and was created pursuant to the Declaration of Trust dated November 8, 2004, as most recently amended and restated on August 2, 2012 (the "Declaration of 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 symbols AX.PR.A and AX.PR.C 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 November 7, 2012, there were 110,270,257 units, 3,701,625 options, 6,450,000 preferred units and 9,812 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 September 30, 2012, approximately 17.5% 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.

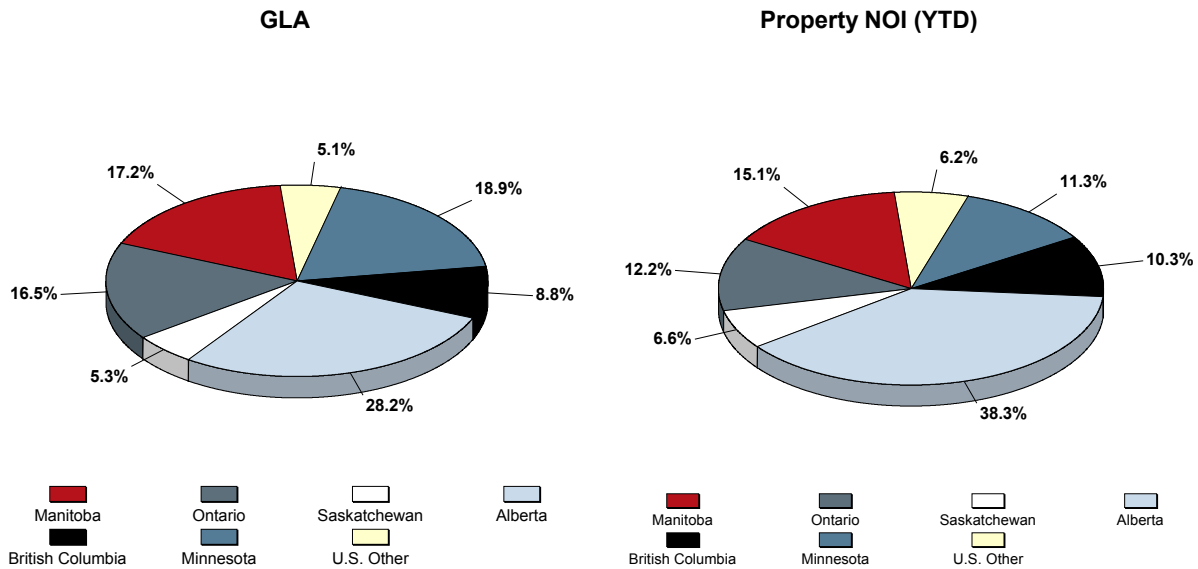
ARTIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis - Q3-12
(In thousands of Canadian dollars, unless otherwise noted)

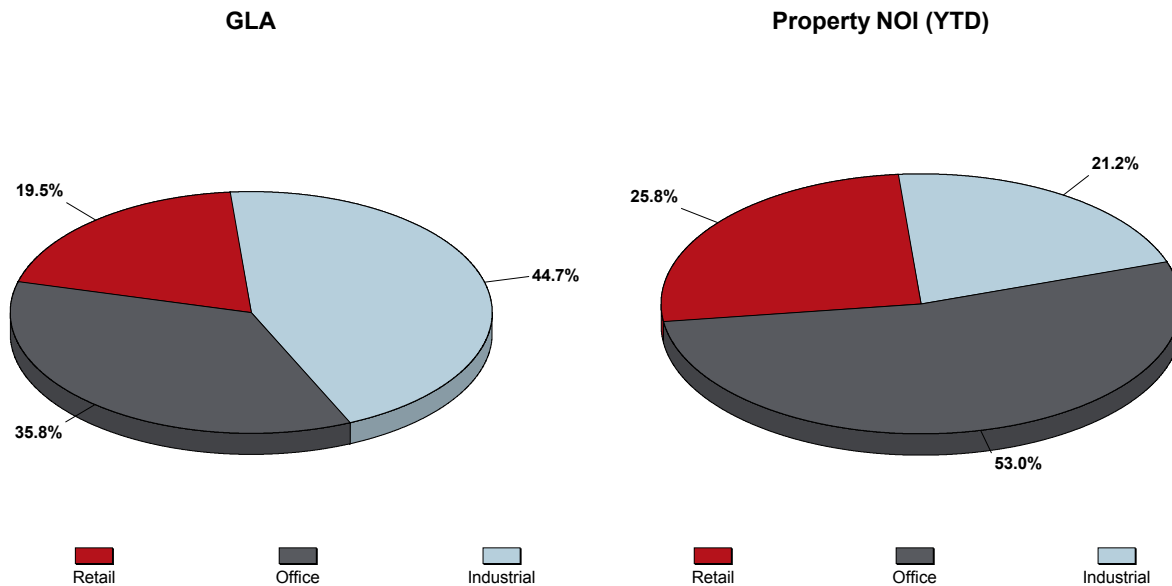
PORTFOLIO SUMMARY

At September 30, 2012, the REIT's portfolio was comprised of 203 commercial properties totaling approximately 20.92 million square feet (S.F.) of gross leasable area ("GLA").

Diversification by Geographical Region:



Diversification by Asset Class:



ARTIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis - Q3-12
(In thousands of Canadian dollars, unless otherwise noted)

Portfolio by Asset Class as at September 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	1.3 %	100.0 %	100.0 %
	Airdrie	AB	1	27	0.1 %	100.0 %	100.0 %
	Brampton	ON	1	301	1.4 %	100.0 %	100.0 %
	Calgary	AB	7	596	2.8 %	100.0 %	100.0 %
	Edmonton	AB	7	799	3.8 %	98.0 %	98.5 %
	Mississauga	ON	1	158	0.8 %	89.6 %	94.6 %
	Nisku	AB	1	23	0.1 %	100.0 %	100.0 %
	Red Deer	AB	1	126	0.6 %	94.0 %	100.0 %
	Saskatoon	SK	2	269	1.3 %	100.0 %	100.0 %
	Toronto	ON	23	1,799	8.6 %	97.5 %	97.8 %
Winnipeg	MB	29	1,761	8.4 %	89.7 %	91.0 %	
Industrial total			75	6,124	29.2 %	95.7 %	96.4 %
Office	Burnaby	BC	3	436	2.1 %	91.8 %	91.8 %
	Calgary	AB	17	2,233	10.7 %	94.3 %	96.2 %
	Edmonton	AB	1	29	0.1 %	100.0 %	100.0 %
	Mississauga	ON	2	244	1.2 %	96.6 %	96.6 %
	Nanaimo	BC	2	68	0.3 %	100.0 %	100.0 %
	Ottawa	ON	1	181	0.9 %	100.0 %	100.0 %
	Red Deer	AB	1	149	0.7 %	99.1 %	99.1 %
	Saskatoon	SK	1	64	0.3 %	100.0 %	100.0 %
	Toronto	ON	2	739	3.5 %	93.5 %	95.5 %
	Vancouver	BC	1	174	0.8 %	96.5 %	96.5 %
	Vaughan	ON	1	50	0.2 %	100.0 %	100.0 %
Winnipeg	MB	7	1,295	6.4 %	97.5 %	97.6 %	
Office total			39	5,662	27.2 %	95.4 %	96.4 %
Retail	Calgary	AB	6	477	2.3 %	99.3 %	99.5 %
	Coquitlam	BC	1	82	0.4 %	92.3 %	92.3 %
	Cranbrook	BC	1	290	1.4 %	93.1 %	95.7 %
	Delta	BC	1	75	0.4 %	98.6 %	98.6 %
	Edmonton	AB	2	165	0.8 %	98.6 %	100.0 %
	Edson	AB	1	20	0.1 %	100.0 %	100.0 %
	Estevan	SK	1	38	0.2 %	100.0 %	100.0 %
	Fort McMurray	AB	8	193	0.9 %	97.4 %	100.0 %
	Grande Prairie	AB	4	378	1.8 %	97.8 %	97.8 %
	Lethbridge	AB	1	53	0.3 %	100.0 %	100.0 %
	Medicine Hat	AB	1	162	0.8 %	97.2 %	97.2 %
	Moose Jaw	SK	1	38	0.2 %	100.0 %	100.0 %
	Nanaimo	BC	2	90	0.4 %	81.3 %	81.3 %
	Regina	SK	8	554	2.6 %	97.0 %	98.7 %
	Saskatoon	SK	2	144	0.7 %	97.4 %	100.0 %
	Spruce Grove	AB	1	112	0.5 %	100.0 %	100.0 %
	St. Albert	AB	1	21	0.1 %	100.0 %	100.0 %
	Vancouver	BC	1	91	0.4 %	97.9 %	99.3 %
	Westbank /						
	West Kelowna	BC	3	427	2.0 %	99.6 %	99.6 %
Whistler	BC	1	32	0.2 %	91.1 %	91.1 %	
Winnipeg	MB	5	534	2.6 %	96.7 %	97.7 %	
Retail total			52	3,976	19.1 %	97.2 %	98.1 %
Total Canadian portfolio			166	15,762	75.5 %	95.9 %	96.9 %

⁽¹⁾ Excluding properties in redevelopment.

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

ARTIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis - Q3-12
(In thousands of Canadian dollars, unless otherwise noted)

Portfolio by Asset Class as at September 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	20	2,978	14.2 %	92.6 %	92.9 %
	Phoenix	AZ	1	99	0.5 %	100.0 %	100.0 %
Industrial total			21	3,077	14.7 %	92.9 %	93.1 %
Office	Minneapolis	MN	4	866	4.1 %	91.2 %	94.2 %
	New Hartford	NY	1	123	0.6 %	100.0 %	100.0 %
	Phoenix	AZ	4	718	3.4 %	95.3 %	95.6 %
	Tampa	FL	1	107	0.5 %	100.0 %	100.0 %
Office total			10	1,814	8.6 %	94.0 %	95.5 %
Retail	Minneapolis	MN	5	110	0.5 %	95.2 %	95.2 %
Total U.S. portfolio			36	5,001	23.8 %	93.3 %	94.0 %
Total Canadian and U.S.			202	20,763	99.3 %	95.3 %	96.2 %

⁽¹⁾ Excluding properties in redevelopment.

⁽²⁾ Percentage committed is based on committed leases at September 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⁾
Industrial	Edmonton	AB	-	64	0.3 %	Fourell Building #2	69.9 %
Office	Edmonton	AB	-	19	0.1 %	North City Office	47.3 %
Industrial	Delta	BC	1	70	0.3 %	Cliveden	0.0 %
Development properties total			1	153	0.7 %		35.2 %

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

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

Asset Class	City	Province / State	Project Name	S.F. under Construction	Pre-leasing
Mixed	Winnipeg	MB	Centrepont	49 ⁽¹⁾	73.0 %

⁽¹⁾ Artis has a 50% ownership interest in the Centrepont development, which is anticipated to comprise 130,375 square feet of leasable area when all phases are complete. Phase I of the construction project, which is currently underway, is expected to comprise 97,936 square feet of leasable area; completion is anticipated in the spring of 2014.

ARTIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis - Q3-12
(In thousands of Canadian dollars, unless otherwise noted)

2012 – THIRD QUARTER HIGHLIGHTS

PORTFOLIO GROWTH

Artis acquired 28 commercial properties during Q3-12.

	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	6,229	53	3,689	69	7,038	163	16,956
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
Q3-12 acquisitions	-	-	1	134	27	2,087	28	2,221
Q3-12 construction	-	-	-	-	-	64	-	64
Total 2012	8	1,266	4	397	28	2,297	40	3,960
Portfolio properties at September 30, 2012	49	7,495	57	4,086	97	9,335	203	20,916

Property acquisitions:

During Q3-12, Artis acquired 24 Canadian properties. These acquisitions include the GTA Industrial Portfolio, Westbank Hub Shopping Centre and the Meadowvale Gateway Portfolio. The GTA Industrial Portfolio is comprised of 17 industrial properties located throughout the Greater Toronto Area, totalling 1,104,080 square feet and is 97.5% leased. Artis acquired 75% of the Westbank Hub Shopping Centre, a 179,087 square foot retail centre located in West Kelowna, British Columbia. This property is 100.0% leased. The Meadowvale Gateway Portfolio is comprised of five industrial properties located in Mississauga, Ontario, totalling 376,736 square feet and is 97.1% leased.

The REIT also acquired a U.S. portfolio, the RER Industrial Portfolio, comprised of four industrial properties located in the Greater Minneapolis Area, totalling 500,524 square feet and is 98.8% leased.

FINANCING ACTIVITIES

Short form base shelf prospectuses:

On July 28, 2010, the REIT issued a short form base shelf prospectus. The prospectus was valid for a period of 25-months, and during this time, the REIT issued common 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 September 30, 2012, the REIT has issued preferred units under two offerings in the amount of \$86,250 and US\$75,000 under this short form base shelf prospectus.

Preferred unit offerings:

On August 2, 2012, under the June 15, 2012 short form base shelf prospectus, Artis issued 3,000,000 Series A Units at a price of \$25 per unit for aggregate gross proceeds to Artis of \$75,000. On August 10, 2012, pursuant to the exercise in full of the underwriters' over-allotment option, Artis issued an additional 450,000 Series A Units at a price of \$25 per unit for aggregate gross proceeds to Artis of \$11,250.

On September 18, 2012, under the June 15, 2012 short form base shelf prospectus, Artis issued 3,000,000 Series C Units at a price of US\$25 per unit for aggregate gross proceeds to Artis of US\$75,000.

ARTIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis - Q3-12
(In thousands of Canadian dollars, unless otherwise noted)

Debt financing:

Artis mortgaged a previously unencumbered property for \$42,742 and repaid three maturing mortgages in the amount of \$10,639.

Series D convertible debentures redemption:

On September 21, 2012, \$10,000 of the 5.00% Series D convertible debentures were redeemed for cash.

Revolving credit facility:

Artis replaced the \$60,000 revolving acquisition line of credit that matured on September 28, 2012, with an \$80,000 revolving credit facility, maturing September 6, 2014.

DISTRIBUTIONS

In Q3-12, Artis distributed a total of \$30,582 (YTD - \$85,638) to unitholders of which \$4,217 (YTD - \$11,792) 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 September 30,		Nine month period ended September 30,	
	2012	2011	2012	2011
Revenue	\$ 98,466	\$ 78,427	\$ 267,433	\$ 207,572
Property NOI	\$ 63,529	\$ 49,111	\$ 173,752	\$ 130,652
Income for the period	\$ 87,538	\$ 63,505	\$ 241,614	\$ 254,550
Basic income per common unit	\$ 0.79	\$ 0.76	\$ 2.34	\$ 3.25
Diluted income per common unit	\$ 0.77	\$ 0.49	\$ 2.32	\$ 2.74
Distributions to common unitholders	\$ 29,715	\$ 22,528	\$ 84,771	\$ 64,122
Distributions per common unit	\$ 0.27	\$ 0.27	\$ 0.81	\$ 0.81
FFO	\$ 37,558	\$ 25,976	\$ 100,435	\$ 65,568
FFO per unit	\$ 0.34	\$ 0.31	\$ 0.97	\$ 0.84
FFO after adjustments ⁽¹⁾	\$ 37,558	\$ 26,910	\$ 100,777	\$ 71,280
FFO per unit after adjustments ⁽¹⁾	\$ 0.34	\$ 0.32	\$ 0.98	\$ 0.91
FFO payout ratio after adjustments ⁽¹⁾	79.4 %	84.4 %	82.7 %	89.0 %
Weighted-average common units outstanding (basic)	109,993	83,380	103,065	78,416

⁽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, Q3-12 revenues increased \$20,039, or 25.6% compared to Q3-11 results (YTD - \$59,861, or 28.8%). Property NOI increased by \$14,418, or 29.4% (YTD - \$43,100, or 33.0%) compared to Q3-11 results.

FFO increased \$11,582, or 44.6% compared to Q3-11, and \$34,867, or 53.2% year-over-year. These increases are primarily attributed to the acquisitions completed in 2011 and 2012. Basic FFO increased \$0.03 or 9.7% compared to Q3-11 results, and \$0.13, or 15.5% year-over-year. Adjusted FFO has increased \$10,648, or 39.6% compared to Q3-11, and \$29,497, or 41.4% year-over-year. Adjusted basic FFO per unit increased \$0.02, or 6.3% (YTD - \$0.07, or 7.7%) compared to Q3-11.

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.

ARTIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis - Q3-12
(In thousands of Canadian dollars, unless otherwise noted)

ANALYSIS OF OPERATING RESULTS

REVENUE AND PROPERTY NOI

Revenue includes all amounts earned from tenants related to lease agreements, including basic rent, parking, operating cost and realty tax recoveries, as well as adjustments for the straight-lining of rents.

Artis accounts for rent step-ups by straight-lining the incremental increases over the entire non-cancelable lease term. In Q3-12, straight-line rent adjustments of \$1,089 (YTD - \$3,913) were recorded compared to \$1,479 (YTD - \$4,006) in Q3-11.

In Q3-12, the REIT recorded amortization of \$1,645 (YTD - \$4,395) as a reduction in revenue from tenant incentives compared to \$1,199 (YTD - \$3,313) in Q3-11.

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 September 30,		Nine month period ended September 30,	
	2012	2011	2012	2011
Revenue	\$ 60,471	\$ 61,376	\$ 181,573	\$ 182,174
Property operating expenses	23,000	23,074	67,737	67,345
Property NOI	37,471	38,302	113,836	114,829
Add (deduct) non-cash and non-recurring revenue adjustments:				
Straight-line rent adjustment	(588)	(943)	(2,206)	(3,141)
Amortization of tenant inducements	1,452	1,082	3,895	3,008
Lease termination fees	(219)	-	(219)	(178)
Property NOI less revenue adjustments	\$ 38,116	\$ 38,441	\$ 115,306	\$ 114,518

In Q3-12, Artis saw a decrease of \$325 (YTD - increase of \$788), or a decrease of 0.8% (YTD - increase of 0.7%) of Property NOI less revenue adjustments over Q3-11.

Same Property NOI less Revenue Adjustments by Asset Class:

	Three month period ended September 30,				Nine month period ended September 30,			
	2012	2011	Change	%	2012	2011	Change	%
Retail	\$ 11,840	\$ 11,663	\$ 177	1.5 %	\$ 35,565	\$ 35,210	\$ 355	1.0 %
Office	18,895	19,726	(831)	(4.2)%	57,693	58,117	(424)	(0.7)%
Industrial	7,381	7,052	329	4.7 %	22,048	21,191	857	4.0 %
Total	\$ 38,116	\$ 38,441	\$ (325)	(0.8)%	\$ 115,306	\$ 114,518	\$ 788	0.7 %

ARTIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis - Q3-12
(In thousands of Canadian dollars, unless otherwise noted)

Same Property NOI less Revenue Adjustments by Geographical Region:

	Three month period ended September 30,				Nine month period ended September 30,			
	2012	2011	Change	% Change	2012	2011	Change	% Change
Alberta	\$ 17,014	\$ 17,595	\$ (581)	(3.3)%	\$ 52,049	\$ 52,263	\$ (214)	(0.4)%
British Columbia	5,266	5,476	(210)	(3.8)%	15,942	16,240	(298)	(1.8)%
Manitoba	7,482	7,318	164	2.2 %	22,392	21,811	581	2.7 %
Ontario	3,257	3,321	(64)	(1.9)%	9,883	10,043	(160)	(1.6)%
Saskatchewan	2,521	2,466	55	2.2 %	7,528	7,439	89	1.2 %
Minnesota	1,497	1,214	283	23.3 %	4,270	3,625	645	17.8 %
U.S. - Other	1,079	1,051	28	2.7 %	3,242	3,097	145	4.7 %
Total	\$ 38,116	\$ 38,441	\$ (325)	(0.8)%	\$ 115,306	\$ 114,518	\$ 788	0.7 %

Positive Property NOI growth in the retail and industrial segments was offset in the current period primarily due to leasing issues in three office properties in Calgary and one in British Columbia.

Property NOI decreased \$286 in Q3-12 (YTD - decrease of \$474) in Northwest I & II, a suburban Calgary office property, as a result of the planned move-out of the anchor tenant effective April 1, 2012. The space has since been successfully backfilled with the expansion of an existing government tenant, at a higher rate than that in place at expiration of the previous tenant's lease. The lease for the expansion commenced September 18, 2012.

Property NOI decreased \$203 in Q3-12 (YTD - decrease of \$413) in Sierra Place, a downtown Calgary office property. Approximately \$124 of the YTD decrease is attributable to renewals that were completed at lower rates than those in place at expiry. The balance is attributable to higher vacancy being carried in 2012 compared to 2011. Management anticipates that occupancy will remain at the September 30, 2012 levels for Q4-12 and potentially into early 2013.

Property NOI decreased \$181 in Q3-12 (YTD - decrease of \$328) in the Britannia Building, a downtown Calgary office property. Approximately \$228 of the YTD decrease is attributable to renewals that were completed at lower rates than those in place at expiry. The balance is attributable to higher vacancy being carried in 2012 compared to 2011. Leasing efforts have been successful in the Britannia Building, and occupancy is anticipated to improve as new leases and expansion agreements commence over the course of Q4-12.

Property NOI decreased \$156 (YTD - decrease of \$224) in Production Court, a suburban office property in Burnaby, British Columbia. The decline in Property NOI in this property is attributable to the expiration of a vendor headlease on May 25, 2012. Management anticipates that occupancy will remain at the September 30, 2012 level for Q4-12 and potentially into early 2013.

Property NOI, less revenue adjustments for the period, excluding the four above-noted properties, increased of \$501 (YTD - \$2,227) or 1.4% (YTD - 2.1%). Management expects Property NOI growth to be flat during Q4-12 and Q1-13, before increasing to healthy levels during the remainder of 2013.

Same Property Occupancy Comparison:

By Geographical Region

	As at September 30,	
	2012	2011
Alberta	96.7 %	96.9 %
British Columbia	94.7 %	96.3 %
Manitoba	93.2 %	96.6 %
Ontario	92.6 %	96.3 %
Saskatchewan	97.6 %	99.3 %
Minnesota	97.5 %	91.7 %
U.S. - Other	100.0 %	100.0 %
Total	95.4 %	96.5 %

By Asset Class

	As at September 30,	
	2012	2011
Retail	97.2 %	97.3 %
Office	94.8 %	96.5 %
Industrial	94.9 %	95.9 %
	95.4 %	96.5 %

ARTIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis - Q3-12
(In thousands of Canadian dollars, unless otherwise noted)

PROPERTY NOI BY ASSET CLASS

In Q3-12, 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 September 30,					
	2012			2011		
	Retail	Office	Industrial	Retail	Office	Industrial
Revenue	\$ 22,827	\$ 54,823	\$ 20,741	\$ 20,148	\$ 42,125	\$ 16,154
Property operating expenses	6,871	21,201	6,865	6,757	16,892	5,667
Property NOI	\$ 15,956	\$ 33,622	\$ 13,876	\$ 13,391	\$ 25,233	\$ 10,487
Share of Property NOI	25.1 %	53.0 %	21.9 %	27.3 %	51.3 %	21.4 %

	Nine month period ended September 30,					
	2012			2011		
	Retail	Office	Industrial	Retail	Office	Industrial
Revenue	\$ 64,473	\$ 148,269	\$ 54,516	\$ 55,716	\$ 108,760	\$ 43,096
Property operating expenses	19,667	56,273	17,741	18,085	43,700	15,135
Property NOI	\$ 44,806	\$ 91,996	\$ 36,775	\$ 37,631	\$ 65,060	\$ 27,961
Share of Property NOI	25.8 %	53.0 %	21.2 %	28.8 %	49.8 %	21.4 %

PROPERTY NOI BY GEOGRAPHICAL REGION

In Q3-12, revenues and Property NOI increased in all regions in comparison to Q3-11. This growth is primarily attributable to acquisition activity.

	Three month period ended September 30, 2012							
	Canada					U.S.		
	AB	BC	MB	ON	SK	MN	Other	
Revenue	\$ 37,207	\$ 9,483	\$ 15,483	\$ 12,703	\$ 5,650	\$ 11,452	\$ 6,413	
Property operating expenses	12,263	3,197	6,326	4,856	1,742	4,521	2,032	
Property NOI	\$ 24,944	\$ 6,286	\$ 9,157	\$ 7,847	\$ 3,908	\$ 6,931	\$ 4,381	
Share of Property NOI	39.3 %	9.9 %	14.4 %	12.4 %	6.2 %	10.9 %	6.9 %	

	Three month period ended September 30, 2011							
	Canada					U.S.		
	AB	BC	MB	ON	SK	MN	Other	
Revenue	\$ 28,680	\$ 8,905	\$ 13,924	\$ 10,677	\$ 5,123	\$ 8,676	\$ 2,442	
Property operating expenses	10,080	3,030	6,097	4,143	1,697	3,516	753	
Property NOI	\$ 18,600	\$ 5,875	\$ 7,827	\$ 6,534	\$ 3,426	\$ 5,160	\$ 1,689	
Share of Property NOI	37.9 %	12.0 %	15.9 %	13.3 %	7.0 %	10.5 %	3.4 %	

ARTIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis - Q3-12
(In thousands of Canadian dollars, unless otherwise noted)

Nine month period ended September 30, 2012

	Canada					U.S.	
	AB	BC	MB	ON	SK	MN	Other
Revenue	\$ 97,428	\$ 27,416	\$ 45,505	\$ 33,700	\$ 16,473	\$ 31,938	\$ 14,798
Property operating expenses	30,767	9,583	19,194	12,570	5,057	12,395	4,115
Property NOI	\$ 66,661	\$ 17,833	\$ 26,311	\$ 21,130	\$ 11,416	\$ 19,543	\$ 10,683
Share of Property NOI	38.3 %	10.3 %	15.1 %	12.2 %	6.6 %	11.3 %	6.2 %

Nine month period ended September 30, 2011

	Canada					U.S.	
	AB	BC	MB	ON	SK	MN	Other
Revenue	\$ 80,382	\$ 26,652	\$ 39,840	\$ 25,371	\$ 12,608	\$ 17,531	\$ 5,188
Property operating expenses	27,514	9,246	17,549	10,445	3,799	7,036	1,331
Property NOI	\$ 52,868	\$ 17,406	\$ 22,291	\$ 14,926	\$ 8,809	\$ 10,495	\$ 3,857
Share of Property NOI	40.5 %	13.3 %	17.1 %	11.4 %	6.7 %	8.0 %	3.0 %

PORTFOLIO OCCUPANCY

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

Occupancy Report by Asset Class

	Q3-12 % Committed ⁽¹⁾	Q3-12	Q2-12	Q1-12	Q4-11	Q3-11
Retail	98.0 %	97.1 %	96.7 %	96.4 %	96.6 %	97.1 %
Office	96.2 %	95.0 %	94.5 %	96.2 %	94.9 %	96.6 %
Industrial	95.3 %	94.7 %	93.4 %	93.3 %	94.3 %	94.2 %
Total portfolio	96.2 %	95.3 %	94.6 %	95.0 %	95.1 %	95.7 %

Occupancy Report by Geographical Region

	Q3-12 % Committed ⁽¹⁾	Q3-12	Q2-12	Q1-12	Q4-11	Q3-11
Canada:						
Alberta	98.1 %	97.0 %	96.1 %	97.1 %	97.4 %	97.0 %
British Columbia	95.2 %	94.7 %	93.7 %	90.7 %	90.6 %	96.0 %
Manitoba	94.4 %	93.5 %	94.5 %	96.0 %	97.0 %	96.5 %
Ontario	97.4 %	96.6 %	96.1 %	97.5 %	95.8 %	98.2 %
Saskatchewan	99.4 %	98.2 %	98.3 %	98.0 %	97.7 %	98.0 %
U.S.:						
Minnesota	93.2 %	92.4 %	89.8 %	89.8 %	90.0 %	89.7 %
U.S. - Other	97.0 %	96.8 %	96.6 %	99.2 %	98.9 %	98.9 %
Total portfolio	96.2 %	95.3 %	94.6 %	95.0 %	95.1 %	95.7 %

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

ARTIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis - Q3-12
(In thousands of Canadian dollars, unless otherwise noted)

PORTFOLIO LEASING ACTIVITY AND LEASE EXPIRIES

Renewal Summary (in S.F.)

	Three month period ended September 30,		Nine month period ended September 30,	
	2012	2011	2012	2011
Leasable area renewed	318,716	321,498	1,216,818	922,554
% Increase in rent rate	6.1 %	8.0 %	2.1 %	5.7 %

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 S.F.) ^{(1) (2)}

	Current vacancy	Current monthly tenancies	2012	2013	2014	2015	2016 & later	Total
Office - uncommitted	297,622	32,635	125,869	579,550	518,978	681,947	4,594,175	6,830,776
Office - committed	82,590	-	127,496	423,080	4,328	26,469	-	663,963
Total office	380,212	32,635	253,365	1,002,630	523,306	708,416	4,594,175	7,494,739
Retail - uncommitted	81,886	54,910	53,365	338,647	333,787	385,275	2,602,349	3,850,219
Retail - committed	35,670	-	96,019	59,274	45,496	-	-	236,459
Total retail	117,556	54,910	149,384	397,921	379,283	385,275	2,602,349	4,086,678
Industrial - uncommitted	520,620	33,502	157,138	951,482	1,327,759	1,269,441	4,293,650	8,553,592
Industrial - committed	53,969	-	126,194	269,596	225,577	105,600	-	780,936
Total industrial	574,589	33,502	283,332	1,221,078	1,553,336	1,375,041	4,293,650	9,334,528
Total - uncommitted	900,128	121,047	336,372	1,869,679	2,180,524	2,336,663	11,490,174	19,234,587
Total - committed	172,229	-	349,709	751,950	275,401	132,069	-	1,681,358
Total	1,072,357	121,047	686,081	2,621,629	2,455,925	2,468,732	11,490,174	20,915,945

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

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

In-Place Rents

In-place rents reflect the actual rental rate in effect for the leasable area as at September 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.

ARTIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis - Q3-12
(In thousands of Canadian dollars, unless otherwise noted)

Market Rents and Commitments by Asset Class ^{(1) (2)}

	2012	2013	2014 & later	Total
Office				
In-place rents	\$ 14.52	\$ 19.54	\$ 17.92	\$ 18.03
Market rents	\$ 16.76	\$ 19.80	\$ 19.79	\$ 19.68
Change	15.4 %	1.3 %	10.4 %	9.2 %
Revenue impact ⁽³⁾	\$ 565	\$ 262	\$ 10,866	\$ 11,693
Retail				
In-place rents	\$ 16.40	\$ 20.17	\$ 16.98	\$ 17.29
Market rents	\$ 18.31	\$ 22.17	\$ 17.97	\$ 18.41
Change	11.6 %	9.9 %	5.8 %	6.5 %
Revenue impact ⁽³⁾	\$ 285	\$ 795	\$ 3,318	\$ 4,398
Industrial				
In-place rents	\$ 6.86	\$ 5.35	\$ 7.10	\$ 6.84
Market rents	\$ 7.05	\$ 5.46	\$ 7.12	\$ 6.88
Change	2.7 %	2.1 %	0.3 %	0.6 %
Revenue impact ⁽³⁾	\$ 53	\$ 135	\$ 142	\$ 330
Total portfolio				
In-place rents	\$ 11.77	\$ 13.03	\$ 12.98	\$ 12.94
Market rents	\$ 13.08	\$ 13.48	\$ 13.85	\$ 13.78
Change	11.2 %	3.5 %	6.7 %	6.5 %
Revenue impact ⁽³⁾	\$ 903	\$ 1,191	\$ 14,327	\$ 16,421

⁽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.

Market rents at September 30, 2012 are estimated to be 6.5% above in-place rents across the portfolio (compared to 6.6% at June 30, 2012). Today's market rents for the 2012 lease expiries are estimated to be 11.2% above in-place rents, and market rents for the 2013 lease expiries are estimated to be above in-place rents by 3.5%.

ARTIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis - Q3-12
(In thousands of Canadian dollars, unless otherwise noted)

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

	Current Vacancy	Current monthly tenancies	2012	2013	2014	2015	2016 & later	Total
AB - uncommitted	147,170	20,125	80,189	504,089	629,417	503,156	3,561,797	5,445,943
AB - committed	59,203	-	109,703	250,897	19,395	26,469	-	465,667
Total Alberta	206,373	20,125	189,892	754,986	648,812	529,625	3,561,797	5,911,610
BC - uncommitted	153,643	25,452	16,396	122,365	194,142	208,463	943,854	1,664,315
BC - committed	8,814	-	23,503	137,795	-	-	-	170,112
Total British Columbia	162,457	25,452	39,899	260,160	194,142	208,463	943,854	1,834,427
MB - uncommitted	201,524	28,479	72,289	359,170	369,761	535,553	1,399,376	2,966,152
MB - committed	30,680	-	126,071	239,994	226,977	-	-	623,722
Total Manitoba	232,204	28,479	198,360	599,164	596,738	535,553	1,399,376	3,589,874
ON - uncommitted	90,812	13,022	131,303	360,296	430,033	316,653	2,083,507	3,425,626
ON - committed	26,302	-	20,381	-	-	-	-	46,683
Total Ontario	117,114	13,022	151,684	360,296	430,033	316,653	2,083,507	3,472,309
SK - uncommitted	7,161	14,018	7,837	92,163	57,825	67,323	564,121	810,448
SK - committed	13,132	-	49,575	99,220	29,029	105,600	-	296,556
Total Saskatchewan	20,293	14,018	57,412	191,383	86,854	172,923	564,121	1,107,004
MN - uncommitted	268,140	18,451	28,358	420,123	457,871	690,903	1,996,997	3,880,843
MN - committed	32,208	-	17,143	24,044	-	-	-	73,395
Total Minnesota	300,348	18,451	45,501	444,167	457,871	690,903	1,996,997	3,954,238
U.S. - Other - uncommitted	31,678	1,500	-	11,473	41,475	14,612	940,522	1,041,260
U.S. - Other - committed	1,890	-	3,333	-	-	-	-	5,223
Total U.S. - Other	33,568	1,500	3,333	11,473	41,475	14,612	940,522	1,046,483
Total - uncommitted	900,128	121,047	336,372	1,869,679	2,180,524	2,336,663	11,490,174	19,234,587
Total - committed	172,229	-	349,709	751,950	275,401	132,069	-	1,681,358
Total	1,072,357	121,047	686,081	2,621,629	2,455,925	2,468,732	11,490,174	20,915,945

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

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

ARTIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis - Q3-12
(In thousands of Canadian dollars, unless otherwise noted)

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

	2012	2013	2014 & later	Total
Alberta				
In-place rents	\$ 13.40	\$ 20.91	\$ 16.02	\$ 16.59
Market rents	\$ 16.80	\$ 20.89	\$ 17.90	\$ 18.26
Change	25.4 %	(0.1)%	11.7 %	10.1 %
Revenue impact ⁽³⁾	\$ 645	\$ (15)	\$ 8,779	\$ 9,409
British Columbia				
In-place rents	\$ 14.46	\$ 17.54	\$ 15.36	\$ 15.68
Market rents	\$ 15.59	\$ 19.17	\$ 15.89	\$ 16.40
Change	7.8 %	9.3 %	3.5 %	4.6 %
Revenue impact ⁽³⁾	\$ 45	\$ 423	\$ 722	\$ 1,190
Manitoba				
In-place rents	\$ 10.95	\$ 7.54	\$ 12.06	\$ 11.18
Market rents	\$ 11.50	\$ 8.10	\$ 12.68	\$ 11.79
Change	5.1 %	7.4 %	5.2 %	5.4 %
Revenue impact ⁽³⁾	\$ 110	\$ 333	\$ 1,573	\$ 2,016
Ontario				
In-place rents	\$ 10.28	\$ 6.85	\$ 9.34	\$ 9.11
Market rents	\$ 10.88	\$ 7.22	\$ 9.31	\$ 9.16
Change	5.8 %	5.4 %	(0.3)%	0.5 %
Revenue impact ⁽³⁾	\$ 91	\$ 133	\$ (76)	\$ 148
Saskatchewan				
In-place rents	\$ 13.41	\$ 18.90	\$ 13.64	\$ 14.57
Market rents	\$ 14.22	\$ 20.85	\$ 14.40	\$ 15.54
Change	6.1 %	10.3 %	5.6 %	6.7 %
Revenue impact ⁽³⁾	\$ 47	\$ 373	\$ 626	\$ 1,046
Minnesota				
In-place rents	\$ 7.69	\$ 6.47	\$ 8.09	\$ 7.89
Market rents	\$ 6.95	\$ 6.32	\$ 8.21	\$ 7.96
Change	(9.6)%	(2.2)%	1.4 %	0.9 %
Revenue impact ⁽³⁾	\$ (33)	\$ (64)	\$ 365	\$ 268
U.S. - Other				
In-place rents	\$ 30.50	\$ 27.79	\$ 22.99	\$ 23.07
Market rents	\$ 30.00	\$ 28.48	\$ 25.34	\$ 25.39
Change	(1.6)%	2.5 %	10.2 %	10.0 %
Revenue impact ⁽³⁾	(2)	\$ 8	\$ 2,338	\$ 2,344
Total portfolio				
In-place rents	\$ 11.77	\$ 13.03	\$ 12.98	\$ 12.94
Market rents	\$ 13.08	\$ 13.48	\$ 13.85	\$ 13.78
Change	11.2 %	3.5 %	6.7 %	6.5 %
Revenue impact ⁽³⁾	\$ 903	\$ 1,191	\$ 14,327	\$ 16,421

⁽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 September 30, 2012, the four largest segments of the REIT's portfolio (by GLA) are Minneapolis industrial properties, Calgary office properties, GTA industrial properties and Winnipeg industrial properties.

Minneapolis industrial properties represent 14.2% of the overall portfolio by GLA. Direct vacancy in the Minneapolis industrial market, as reported by CBRE, was 7.0% at September 30, 2012, down from 7.2% at June 30, 2012 on positive net absorption over the quarter of 484,873 square feet. As per CBRE, this was the ninth consecutive quarter of positive absorption for this market. Average asking market lease rates increased slightly to \$4.61 per square foot, up from \$4.59 per square foot at June 30, 2012. Occupancy in this segment of the portfolio was 92.6% at September 30, 2012 compared to 88.2% at June 30, 2012. Artis has commitments in place for 2.9% of the unoccupied space. Only 37,745 square feet comes up for renewal in the remainder of 2012, which represents approximately 0.2% of the total portfolio GLA. In 2013, 377,634 square feet comes up for renewal, which represents 1.8% of the portfolio's GLA.

ARTIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis - Q3-12
(In thousands of Canadian dollars, unless otherwise noted)

Calgary office properties represent 10.7% 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 4.3% at September 30, 2012, compared to 4.6% at June 30, 2012. At September 30, 2012, the Calgary office segment of Artis' portfolio was 94.3% occupied, compared to 92.3% occupancy at June 30, 2012. Artis has commitments in place for 30.6% of the unoccupied space. In the remainder of 2012, 71,232 square feet comes up for renewal, which represents 0.3% of the total portfolio GLA; 61.0% has been committed. In 2013, 457,683 square feet comes up for renewal, which represents 2.2% of the portfolio's GLA; 49.4% has been renewed. Approximately 33.9% of the Calgary office GLA expires in 2018 or later.

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

	Current vacancy	Current monthly tenancies	2012	2013	2014	2015	2016 & later	Total
Calgary - uncommitted	89,114	5,843	27,774	231,434	203,241	161,154	1,174,582	1,893,142
Calgary - committed	39,273	-	43,458	226,249	4,328	26,469	-	339,777
Total Calgary	128,387	5,843	71,232	457,683	207,569	187,623	1,174,582	2,232,919
Other - uncommitted	208,508	26,792	98,095	348,116	315,737	520,793	3,419,593	4,937,634
Other - committed	43,317	-	84,038	196,831	-	-	-	324,186
Total other office	251,825	26,792	182,133	544,947	315,737	520,793	3,419,593	5,261,820

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	\$ 13.87	\$ 24.46	\$ 19.33	\$ 20.26
Market rents	\$ 19.47	\$ 23.45	\$ 23.28	\$ 23.19
Change	40.4 %	(4.1)%	20.5 %	14.4 %
Revenue impact ⁽³⁾	\$ 399	\$ (464)	\$ 6,206	\$ 6,141
Other office				
In-place rents	\$ 14.78	\$ 15.40	\$ 17.40	\$ 17.08
Market rents	\$ 15.70	\$ 16.73	\$ 18.50	\$ 18.20
Change	6.2 %	8.6 %	6.3 %	6.5 %
Revenue impact ⁽³⁾	\$ 166	\$ 726	\$ 4,660	\$ 5,552

⁽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.

GTA industrial properties represent 8.6% of Artis' portfolio by GLA. Availability in the GTA industrial market, was 5.6% at September 30, 2012, a decrease from 6.1% at June 30, 2012. The average net rental rate in this market increased to \$4.69 per square foot, from \$4.64 per square foot last quarter. Occupancy in this segment of the portfolio was 97.5% at September 30, 2012, compared to 100.0% at June 30, 2012. The occupancy decrease reflects the third quarter acquisition of 22 industrial properties in the GTA and not new vacancy in properties owned previously. In total, Artis has commitments in place for 8.4% of the unoccupied space. In the remainder of 2012, 72,262 square feet comes up for renewal, which represents approximately 0.3% of the total portfolio GLA. In 2013, 294,313 square feet comes up for renewal, which represents 1.4% of the portfolio's GLA.

Winnipeg industrial properties represent 8.4% of Artis' portfolio by GLA. Occupancy in this segment of the portfolio was 89.7% at September 30, 2012, compared to 91.8% at June 30, 2012. In total, Artis has commitments in place for 13.5% of the unoccupied space. In the remainder of 2012, 92,963 square feet comes up for renewal, which represents approximately 0.4% of the total portfolio GLA; 64.0% has been renewed or committed to new leases. In 2013, 390,433 square feet comes up for renewal, which represents 1.9% of the portfolio's GLA.

ARTIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis - Q3-12
(In thousands of Canadian dollars, unless otherwise noted)

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 \$24,711 (YTD - \$69,520) in Q3-12 has increased \$3,375 (YTD - \$12,521) over Q3-11 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 September 30, 2012 on mortgages and other loans secured by properties was 4.49%, compared to 4.79% at December 31, 2011. The weighted-average nominal interest rate at September 30, 2012 was 4.30% compared to 4.61% at December 31, 2011.

On August 2, 2012, the REIT amended its Declaration of Trust to become a closed-end trust thereby removing the redemption right attached to its common units. Prior to August 2, 2012, convertible debentures were recorded as a financial liability at fair value and interest expense was recorded on the face value of debentures outstanding. As a result of this amendment, the REIT's convertible debentures were reclassified from financial liabilities to compound financial instruments and, therefore, a portion of the convertible debentures outstanding was reclassified from liabilities to equity. Interest expense is now recorded on the carrying value of debentures outstanding. Artis recorded interest expense on debentures outstanding in Q3-12 of \$2,719 (YTD - \$8,879), compared to \$3,422 (YTD - \$8,727) in Q3-11.

The REIT's interest coverage ratio, defined as total revenues less property operating expenses and corporate expenses divided by interest expense, is 2.49 times for the three month period ended September 30, 2012 (YTD - 2.40 times).

CORPORATE EXPENSE

	Three month period ended September 30,		Nine month period ended September 30,	
	2012	2011	2012	2011
Accounting, legal and consulting	\$ 210	\$ 298	\$ 1,057	\$ 862
Advisory fees	-	1,624	-	4,348
Public company costs	228	198	837	666
Unit-based compensation	942	(204)	3,385	263
Salaries and benefits	593	-	1,836	-
Amortization	88	31	264	88
General and administrative	543	716	1,730	1,522
Total corporate expenses	\$ 2,604	\$ 2,663	\$ 9,109	\$ 7,749

Corporate expenses in Q3-12 were \$2,604 (YTD - \$9,109), or 2.6% (YTD - 3.4%) of gross revenues compared to \$2,663 (YTD - \$7,749), or 3.4% (YTD - 3.7%) of gross revenues in Q3-11. 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 \$593 (YTD - \$1,836).

The unit-based compensation expense recorded in Q3-12 was \$942 (YTD - \$3,385) compared to \$(204) (YTD - expense of \$263) in Q3-11. Prior to August 2, 2012, a liability for unit-based compensation was recognized and recorded at fair value at each reporting date and settlement date. Any fair value change of the liability was recognized as an expense for the period. On August 2, 2012, due to the amendment to the REIT's Declaration of Trust, the REIT's cash-settled unit-based payments became equity-settled and the cash-settled unit-based compensation liability was reclassified to equity. The fair value of unvested options as at August 2, 2012 will be recognized as an expense over their remaining vesting period. An increase in the value of the REIT's units as well as additional options granted during 2011 and 2012 had 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 gain of \$4,759 (YTD - gain of \$2,636) in Q3-12, compared to a loss of \$5,131 (YTD - loss of \$3,209) in Q3-11.

ARTIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis - Q3-12
(In thousands of Canadian dollars, unless otherwise noted)

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 nine month periods ended September 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 Q3-12, \$4,130 (YTD - \$7,143) of transaction costs were expensed compared to \$1,684 (YTD - \$12,012) in Q3-11. The transaction costs are primarily attributable to the acquisition of investment properties.

(LOSS) GAIN ON FINANCIAL INSTRUMENTS

In Q3-12, the REIT recorded an unrealized loss on convertible debentures of \$3,883 (YTD - loss of \$13,915) compared to an unrealized gain of \$18,887 (YTD - gain of \$14,686) in Q3-11.

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 gain on the fair value adjustment of the interest rate swaps outstanding of \$246 (YTD - loss of \$77) in Q3-12 compared to an unrealized loss of \$3,667 (YTD - loss of \$4,088) in Q3-11. The REIT anticipates holding the mortgages and interest rate swap contracts until maturity.

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 Q3-12, the fair value gain on investment properties is \$53,943 (YTD - \$162,804) compared to \$35,043 (YTD - \$199,178) in Q3-11. 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 capitalization rates and discount rates applied. The size and mix of the Q3-12 portfolio is significantly different than the size and mix of the portfolio in Q3-11. 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.

ARTIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis - Q3-12
(In thousands of Canadian dollars, unless otherwise noted)

OTHER COMPREHENSIVE INCOME (LOSS)

Other comprehensive income (loss) includes the unrealized foreign currency translation loss in Q3-12 of \$9,538 (YTD - loss of \$7,368) compared to a gain of \$10,497 (YTD - gain of \$6,150) in Q3-11. 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 September 30, 2012	Nine month period ended September 30, 2012	Year ended December 31, 2011	Year ended December 31, 2010
Cash flow from operations	\$ 44,772	\$ 101,574	\$ 76,494	\$ 24,187
Net income	\$ 87,538	\$ 241,614	\$ 321,289	\$ 33,224
Distributions declared ⁽¹⁾	\$ 30,582	\$ 85,638	\$ 87,183	\$ 46,503
Excess (shortfall) of cash flow from operations over distributions declared	\$ 14,190	\$ 15,936	\$ (10,689)	\$ (22,316)
Excess (shortfall) of net income over distributions declared	\$ 56,956	\$ 155,976	\$ 234,106	\$ (13,279)

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

ARTIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis - Q3-12
(In thousands of Canadian dollars, unless otherwise noted)

FUNDS FROM OPERATIONS ("FFO")

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

Reconciliation of Cash Flows from Operations to FFO:

000's, except per unit amounts	Three month period ended September 30,		Nine month period ended September 30,	
	2012	2011	2012	2011
Cash flow from operations	\$ 44,772	\$ 27,497	\$ 101,574	\$ 55,113
Add (deduct):				
Depreciation of property and equipment	(88)	(31)	(264)	(88)
Amortization of above- and below-market mortgages, net	469	241	1,072	572
Straight-line rent adjustment	1,089	1,479	3,913	4,006
Unrealized loss on equity securities	-	(299)	-	(1,996)
Realized foreign currency translation (gain) loss	(2,900)	16	(1,599)	(3,400)
Unrealized foreign currency (loss) gain from U.S. operations	(497)	225	(1,970)	2,980
Unit-based compensation expense	(942)	204	(3,385)	(263)
Accretion on liability component of convertible debentures	43	-	43	-
Accretion of financing costs included in interest	(744)	(564)	(1,979)	(1,412)
Defined benefit expense	(216)	-	(647)	-
Transaction costs on acquisitions	4,130	1,677	6,801	8,372
Additions to tenant inducements	6,970	2,568	11,158	6,697
Changes in non-cash operating items	(13,661)	(7,037)	(13,415)	(5,013)
Preferred unit distributions	(867)	-	(867)	-
FFO for the period	\$ 37,558	\$ 25,976	\$ 100,435	\$ 65,568
Add back:				
Transaction costs ⁽¹⁾	-	7	342	3,640
Current tax expense	-	883	-	1,680
Loss on equity securities	-	44	-	392
FFO for the period after adjustments	\$ 37,558	\$ 26,910	\$ 100,777	\$ 71,280
FFO per unit				
Basic	\$ 0.34	\$ 0.31	\$ 0.97	\$ 0.84
Diluted	\$ 0.33	\$ 0.30	\$ 0.95	\$ 0.82
FFO per unit after adjustments				
Basic	\$ 0.34	\$ 0.32	\$ 0.98	\$ 0.91
Diluted	\$ 0.33	\$ 0.31	\$ 0.96	\$ 0.88
Weighted-average number of common units outstanding:				
Basic ⁽²⁾	109,993	83,380	103,065	78,416
Diluted ⁽²⁾	120,588	97,400	113,660	90,578

⁽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.

ARTIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis - Q3-12
(In thousands of Canadian dollars, unless otherwise noted)

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

Diluted common units reconciliation:

	<u>Three month period ended September 30,</u>	
	<u>2012</u>	<u>2011</u>
Basic units	109,993	83,380
Add:		
Options ⁽¹⁾	-	35
Debentures ⁽¹⁾	10,595	13,985
Diluted units	120,588	97,400

Diluted FFO reconciliation:

	<u>Three month period ended September 30,</u>	
	<u>2012</u>	<u>2011</u>
FFO	\$ 37,558	\$ 25,976
Add:		
Options ⁽¹⁾	-	(121)
Debentures ⁽¹⁾	2,610	3,431
Diluted FFO	\$ 40,168	\$ 29,286

⁽¹⁾ All debenture series are dilutive in Q3-12. Options and all debenture series are dilutive in Q3-11.

Diluted common units reconciliation:

	<u>Nine month period ended September 30,</u>	
	<u>2012</u>	<u>2011</u>
Basic units	103,065	78,416
Add:		
Options ⁽¹⁾	-	47
Debentures ⁽¹⁾	10,595	12,115
Diluted units	113,660	90,578

Diluted FFO reconciliation:

	<u>Nine month period ended September 30,</u>	
	<u>2012</u>	<u>2011</u>
FFO	\$ 100,435	\$ 65,568
Add:		
Options ⁽¹⁾	-	(186)
Debentures ⁽¹⁾	7,871	8,687
Diluted FFO	\$ 108,306	\$ 74,069

⁽¹⁾ All debenture series are dilutive in 2012. Options and all debenture series are dilutive in 2011.

ARTIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis - Q3-12
(In thousands of Canadian dollars, unless otherwise noted)

Reconciliation of GAAP Income to FFO:

	Three month period ended September 30,		Nine month period ended September 30,	
	2012	2011	2012	2011
Income for the period	\$ 87,538	\$ 63,505	\$ 241,614	\$ 254,550
Add amortization on:				
Tenant inducements amortized to revenue	1,645	1,199	4,395	3,313
Add (deduct):				
Gain on disposal of investment properties	-	(481)	-	(736)
Deferred tax expense	-	6,817	-	8,558
Fair value gain on investment properties	(54,003)	(35,043)	(162,864)	(199,178)
Foreign currency translation (gain) loss	(4,759)	5,131	(2,636)	3,209
Transaction costs on acquisitions	4,130	1,677	6,801	8,372
Unrealized loss (gain) on financial instruments	3,874	(16,829)	13,992	(12,520)
Preferred unit distributions	(867)	-	(867)	-
FFO for the period	\$ 37,558	\$ 25,976	\$ 100,435	\$ 65,568
Add back:				
Transaction costs ⁽¹⁾	-	7	342	3,640
Current tax expense	-	883	-	1,680
Loss on equity securities	-	44	-	392
FFO for the period after adjustments	\$ 37,558	\$ 26,910	\$ 100,777	\$ 71,280

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

In Q3-12, FFO has increased \$11,582 (YTD - \$34,867), or 44.6% (YTD - 53.2%) over Q3-11. This increase is primarily attributed to acquisitions completed in 2011 and 2012. Basic FFO per unit has increased by \$0.03 (YTD - \$0.13) or 9.7% (YTD - 15.5%) over Q3-11. On a diluted basis, FFO per unit has increased \$0.03 (YTD - \$0.13), or 10.0% (YTD - 15.9%) over Q3-11.

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 Q3-12, adjusted FFO has increased \$10,648 (YTD - \$29,497), or 39.6% (YTD - 41.4%) over Q3-11. Adjusted basic FFO per unit has increased by \$0.02 (YTD - \$0.07) or 6.3% (YTD - 7.7%). Adjusted diluted FFO per unit has increased by \$0.02 (YTD - \$0.08) or 6.5% (YTD - 9.1%).

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.

ARTIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis - Q3-12
(In thousands of Canadian dollars, unless otherwise noted)

ANALYSIS OF FINANCIAL POSITION

ASSETS

	September 30, 2012	December 31, 2011	Increase (decrease)
Non-current assets:			
Investment properties and investment properties under construction	\$ 4,001,053	\$ 3,024,067	\$ 976,986
Other non-current assets	23,239	24,063	(824)
Current assets:			
Cash, cash equivalents and cash held in trust	121,970	95,133	26,837
Other current assets	27,140	24,325	2,815
	\$ 4,173,402	\$ 3,167,588	\$ 1,005,814

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	591,652	246	591,898
Capital expenditures	4,229	7,707	11,936
Leasing costs	2,177	-	2,177
Reclassification of investment property under construction	19,867	(19,867)	-
Foreign currency translation gain (loss)	2,655	(54)	2,601
Straight-line rent adjustment	2,824	-	2,824
Net change to tenant inducements	1,438	-	1,438
Fair value gain	108,325	536	108,861
Balance, June 30, 2012	3,736,771	9,031	3,745,802
Additions:			
Acquisitions	204,901	-	204,901
Capital expenditures	7,768	2,650	10,418
Leasing costs	1,901	-	1,901
Reclassification of investment property under construction	7,343	(7,343)	-
Disposition	(750)	-	(750)
Foreign currency translation loss	(21,634)	(2)	(21,636)
Straight-line rent adjustment	1,089	-	1,089
Net change to tenant inducements	5,325	-	5,325
Fair value gain (loss)	54,204	(201)	54,003
Balance, September 30, 2012	\$ 3,996,918	\$ 4,135	\$ 4,001,053

ARTIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis - Q3-12
(In thousands of Canadian dollars, unless otherwise noted)

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

Property	Location	GLA	Acquisition Date	Type
RER Industrial Portfolio ⁽¹⁾	Minneapolis, MN	500,524	July 6, 2012	Industrial
GTA Industrial Portfolio ⁽²⁾	Toronto, ON	1,104,080	July 17, 2012	Industrial
Westbank Hub Shopping Centre ⁽³⁾	West Kelowna, BC	179,087	August 16, 2012	Retail
201 Edson	Saskatoon, SK	105,600	August 27, 2012	Industrial
Meadowvale Gateway Portfolio ⁽⁴⁾	Mississauga, ON	376,736	September 20, 2012	Industrial

⁽¹⁾ The RER Industrial Portfolio is comprised of 4 industrial buildings located in the Greater Minneapolis Area.

⁽²⁾ The GTA Industrial Portfolio is comprised of 17 industrial buildings located in the Greater Toronto Area.

⁽³⁾ The REIT acquired a 75% interest in this property.

⁽⁴⁾ The Meadowvale Gateway Portfolio is comprised of 5 industrial buildings.

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 September 30,		Nine month period ended September 30,	
	2012	2011	2012	2011
Cash consideration	\$ 110,848	\$ 66,116	\$ 412,619	\$ 256,260
Contingent consideration	-	-	200	-
Long-term debt, including acquired above- and below-market mortgages, net of financing costs	94,053	109,329	383,980	358,946
Investment properties and investment properties under construction	\$ 204,901	\$ 175,445	\$ 796,799	\$ 615,206

Investment properties include certain capital expenditures related to sustaining building improvements not related to a specific lease or tenancy. Capital expenditures, including tenant improvements, totaled \$10,418 in Q3-12 (YTD - \$22,354) compared to \$6,048 (YTD - \$15,120) in Q3-11. Revenue enhancing capital expenditures of \$3,810 in Q3-12 (YTD - \$13,523) primarily relate to construction of Centrepont and Fourell Building #2. The remaining \$6,608 (YTD - \$8,831) capital expenditures primarily relate to elevator modernizations, boiler replacements, parking lot replacements and roof replacements. In Q3-12, approximately \$4,620 (YTD - \$6,560) of these capital expenditures are recoverable from tenants in future periods.

In Q3-12, Artis incurred \$8,871 (YTD - \$15,236) of tenant inducements and leasing costs compared to \$3,513 (YTD - \$10,011) in Q3-11. 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 September 30,		Nine month period ended September 30,	
	2012	2011	2012	2011
Tenant inducements	\$ 6,970	\$ 2,568	\$ 11,158	\$ 6,697
Leasing costs	1,901	945	4,078	3,314
Total	\$ 8,871	\$ 3,513	\$ 15,236	\$ 10,011

The construction of Fourell Building #2 on an existing portfolio industrial property in Edmonton, Alberta was completed in Q3-12 and has been reclassified from investment properties under construction to investment properties in redevelopment.

In Q3-12, the foreign currency translation loss on investment properties was \$21,636 (YTD - \$19,035) due to the change in the period end US dollar to Canadian dollar exchange rate from 1.0191 at June 30, 2012 to 0.9837 at September 30, 2012.

ARTIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis - Q3-12
(In thousands of Canadian dollars, unless otherwise noted)

In Q3-12, the REIT recorded an unrealized gain on the fair value of investment properties of \$53,943 (YTD - \$162,804), with a decrease in the weighted-average capitalization rate to 6.61% at September 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 segments, and Calgary industrial and retail 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.

	September 30, 2012			December 31, 2011		
	Maximum	Minimum	Weighted-average	Maximum	Minimum	Weighted-average
Office:						
U.S.	8.25%	6.75%	7.27%	8.50%	7.00%	7.67%
Canada	8.25%	5.50%	6.35%	9.00%	5.50%	6.71%
Office total	8.25%	5.50%	6.53%	9.00%	5.50%	6.86%
Industrial:						
U.S.	8.00%	6.50%	7.15%	9.00%	7.00%	7.47%
Canada	8.00%	6.00%	6.72%	9.00%	6.00%	7.03%
Industrial total	8.00%	6.00%	6.82%	9.00%	6.00%	7.14%
Retail:						
U.S.	8.00%	6.50%	7.34%	8.50%	6.50%	7.58%
Canada	7.50%	5.75%	6.56%	8.00%	5.50%	6.71%
Retail total	8.00%	5.75%	6.58%	8.50%	5.50%	6.74%
Total:						
U.S. portfolio	8.25%	6.50%	7.23%	9.00%	6.50%	7.59%
Canadian portfolio	8.25%	5.50%	6.49%	9.00%	5.50%	6.77%
Total portfolio	8.25%	5.50%	6.61%	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 September 30, 2012 is \$24,322 compared to \$25,437 at December 31, 2011.

Cash and cash equivalents:

At September 30, 2012, the REIT had \$119,246 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.

ARTIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis - Q3-12
(In thousands of Canadian dollars, unless otherwise noted)

LIABILITIES

	September 30, 2012	December 31, 2011	Increase (decrease)
Non-current liabilities:			
Mortgages and loans payable	\$ 1,771,697	\$ 1,428,334	\$ 343,363
Convertible debentures	181,399	235,746	(54,347)
Other non-current liabilities	722	78	644
Current liabilities:			
Current portion of mortgages and loans payable	207,703	139,065	68,638
Bank indebtedness	25,400	37,900	(12,500)
Other current liabilities	76,924	56,650	20,274
	\$ 2,263,845	\$ 1,897,773	\$ 366,072

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.

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 September 30, 2012 was 48.0%, compared to 50.7% at December 31, 2011.

	September 30, 2012	December 31, 2011
GBV	\$ 4,174,019	\$ 3,167,941
Mortgages, loans and bank indebtedness	2,004,800	1,605,299
Mortgages, loans and bank indebtedness to GBV	48.0 %	50.7 %
Preferred share liabilities	\$ 75	\$ 78
Carrying value of convertible debentures	181,399	235,746
Total long-term debt and bank indebtedness	2,186,274	1,841,123
Total long-term debt and bank indebtedness to GBV	52.4 %	58.1 %

Artis REIT has an internal policy of maintaining a total debt to GBV ratio of 70% or lower. 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. At September 30, 2012, the ratio of total long-term debt, bank indebtedness and preferred units to GBV was 56.0%.

ARTIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis - Q3-12
(In thousands of Canadian dollars, unless otherwise noted)

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 Q3-12, \$11,110 (YTD - \$29,489) of principal repayments were made compared to \$7,828 (YTD - \$20,945) in Q3-11.

During Q3-12, long-term debt including acquired above- and below-market mortgages, net of financing costs, added on acquisition of investment properties was \$94,053 (YTD - \$383,980). Artis also mortgaged a previously unencumbered property for \$42,742 and repaid three maturing mortgages in the amount of \$10,639.

At September 30, 2012, the REIT is a party to \$455,753 of variable rate debt, including the outstanding balance of bank indebtedness (December 31, 2011, \$386,388). At September 30, 2012, the REIT had entered into interest rate swaps to hedge the interest rate risk associated with \$98,144 of variable rate debt (December 31, 2011, \$65,061). The variable rate debt less the portion protected by interest rate swaps is \$357,609 or 16.4% of total debt. The amount of variable rate debt on properties in the U.S. is \$312,028 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 September 30, 2012 is 4.3 years, compared to 4.0 years at December 31, 2011.

Convertible debentures:

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

	Issued	Maturity	Face rate	September 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%	6,929	7,000	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%	84,863	86,170	87,932	86,250
Series G	21-Apr-11	30-June-18	5.75%	89,607	86,566	85,898	89,496
				\$ 181,399	\$ 179,736	\$ 235,746	\$ 231,999

The carrying value of convertible debentures has decreased by \$54,347 from December 31, 2011. This decrease is primarily due to the conversion of Series E convertible debentures, the early redemption of the Series C and the Series E convertible debentures and the redemption of \$10,000 of the Series D convertible debentures. On August 2, 2012, the REIT amended its Declaration of Trust to become a closed-end trust thereby removing the redemption right attached to its common units. As a result of this amendment, the REIT's convertible debentures were reclassified from financial liabilities to compound financial instruments. Accordingly, at August 2, 2012, \$11,587 was reclassified from liabilities to equity.

Other liabilities and bank indebtedness:

Included in other liabilities are security deposits paid by tenants, rents prepaid by tenants at September 30, 2012, accounts payable and accruals, as well as the September 30, 2012 distribution payable to unitholders of \$10,050, subsequently paid on October 15, 2012. On September 6, 2012, the REIT replaced the \$60,000 revolving acquisition line of credit that matured on September 28, 2012, with an \$80,000 revolving credit facility, maturing September 6, 2014. This credit facility can be used for general corporate operating purposes, including the acquisition of commercial properties and the issuance of letters of credit. Amounts drawn on the facility bear interest at prime plus 1.00% or at the bankers' acceptance rate plus 2.00%. The credit facility is secured by a first charge on certain investment properties with a carrying value of \$148,142 at September 30, 2012. At September 30, 2012, bank indebtedness of \$25,400 relates to the balance drawn on the REIT's revolving term credit facility.

ARTIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis - Q3-12
(In thousands of Canadian dollars, unless otherwise noted)

UNITHOLDERS' EQUITY

Unitholders' equity increased overall by \$639,742 between December 31, 2011 and September 30, 2012. The increase was due to the issuance of units for \$462,959, the conversion of convertible debentures for \$13,936, income for the period of \$241,614, unit based compensation of \$375, reclassification of convertible debentures to equity of \$11,587, and reclassification of unit-based payments from liability to equity of \$3,544. This increase was offset by other comprehensive loss for the period of \$7,368, distributions made to unitholders of \$86,578 and by the redemption of convertible debentures of \$328.

LIQUIDITY AND CAPITAL RESOURCES

In Q3-12, Artis generated \$44,772 (YTD - \$101,574) of cash flows from operating activities. Cash flows from operations assisted in funding distributions to unitholders of \$31,350 (YTD - \$84,527) and for principal repayments on mortgages and loans of \$11,110 (YTD - \$29,489).

Cash of \$19,289 (YTD - \$37,590) was used for capital building improvements and for tenant inducements and leasing costs in Q3-12.

At September 30, 2012, Artis had \$119,246 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.

The REIT has a revolving term credit facility in the amount of \$80,000 which may be utilized for general corporate operating purposes, including the acquisition of commercial properties and the issuance of letters of credit. As at September 30, 2012, the REIT has \$25,400 drawn on the 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 September 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	\$ 53,643	\$ 53,643	\$ -	\$ -	\$ -
Mortgages, loans and bank indebtedness	2,007,490	234,113	617,306	912,383	243,688
Convertible debentures ⁽¹⁾	179,736	-	7,000	-	172,736
Total	\$ 2,240,869	\$ 287,756	\$ 624,306	\$ 912,383	\$ 416,424

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

At September 30, 2012, obligations due within one year include \$53,643 of accounts payable and other liabilities, bank indebtedness of \$25,400, \$160,958 of mortgages, and principal repayments on mortgages of \$47,755.

ARTIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis - Q3-12
(In thousands of Canadian dollars, unless otherwise noted)

SUMMARIZED QUARTERLY INFORMATION

\$000's, except per unit amounts								
	Q3-12	Q2-12	Q1-12	Q4-11	Q3-11	Q2-11	Q1-11	Q4-10
Revenue	\$ 98,466	\$ 86,835	\$ 82,132	\$ 82,940	\$ 78,427	\$ 65,887	\$ 63,258	\$ 55,924
Property operating expenses	34,937	29,454	29,290	30,779	29,316	23,358	24,246	21,253
Property NOI	63,529	57,381	52,842	52,161	49,111	42,529	39,012	34,671
Interest income	566	684	876	517	599	714	750	914
	64,095	58,065	53,718	52,678	49,710	43,243	39,762	35,585
Expenses (income):								
Interest	24,711	23,104	21,705	21,943	21,336	18,988	16,675	15,617
Corporate	2,604	3,057	3,448	3,306	2,663	2,573	2,513	1,983
Foreign currency translation (gain) loss	(4,759)	2,777	(654)	(1,941)	5,131	(2,025)	103	2,488
	22,556	28,938	24,499	23,308	29,130	19,536	19,291	20,088
Income before other items	\$ 41,539	\$ 29,127	\$ 29,219	\$ 29,370	\$ 20,580	\$ 23,707	\$ 20,471	\$ 15,497
Income tax recovery (expense)	-	-	-	10,707	(7,700)	(2,661)	123	(298)
Gain on disposal of investment properties	-	-	-	-	481	-	255	-
Transaction costs	(4,130)	(1,698)	(1,315)	(4,439)	(1,684)	(9,122)	(1,206)	(6,672)
(Loss) gain on financial instruments	(3,874)	(1,099)	(9,019)	(15,815)	16,785	(875)	(3,782)	4,841
Realized fair value gain on investment property	60	-	-	-	-	-	-	-
Unrealized fair value gain on investment properties	53,943	51,990	56,871	46,916	35,043	47,975	116,160	11,214
Income for the period	\$ 87,538	\$ 78,320	\$ 75,756	\$ 66,739	\$ 63,505	\$ 59,024	\$ 132,021	\$ 24,582
Other comprehensive (loss) income:								
Unrealized foreign currency translation (loss) gain	\$ (9,538)	\$ 5,270	\$ (3,100)	\$ (2,967)	\$ 10,497	\$ (2,278)	\$ (2,069)	\$ (126)
Comprehensive income for the period	\$ 78,000	\$ 83,590	\$ 72,656	\$ 63,772	\$ 74,002	\$ 56,746	\$ 129,952	\$ 24,456
Income per unit attributable to common unitholders:								
Basic	\$ 0.79	\$ 0.74	\$ 0.81	\$ 0.79	\$ 0.76	\$ 0.77	\$ 1.75	\$ 0.33
Diluted	\$ 0.77	\$ 0.70	\$ 0.80	\$ 0.79	\$ 0.49	\$ 0.69	\$ 1.63	\$ 0.30

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.

ARTIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis - Q3-12
(In thousands of Canadian dollars, unless otherwise noted)

Reconciliation of GAAP Income to FFO:

000's, except per unit amounts	Q3-12	Q2-12	Q1-12	Q4-11	Q3-11	Q2-11	Q1-11	Q4-10
Income for the period	\$ 87,538	\$ 78,320	\$ 75,756	\$ 66,739	\$ 63,505	\$ 59,024	\$132,021	\$ 24,582
Add amortization on:								
Tenant inducements amortized into revenue	1,645	1,425	1,325	1,246	1,199	1,094	1,020	950
Unrealized loss (gain) on financial instruments	3,874	1,099	9,019	15,917	(16,829)	720	3,589	(3,272)
Transaction costs on acquisitions	4,130	1,698	973	449	1,677	5,489	1,206	6,672
Fair value gain on investment properties	(54,003)	(51,990)	(56,871)	(46,916)	(35,043)	(47,975)	(116,160)	(11,214)
Gain on disposal of investment properties	-	-	-	-	(481)	-	(255)	-
Deferred tax (recovery) expense	-	-	-	(8,997)	6,817	1,790	(49)	201
Foreign currency translation (gain) loss	(4,759)	2,777	(654)	(1,941)	5,131	(2,025)	103	2,488
Preferred distributions	(867)	-	-	-	-	-	-	-
FFO for the period	\$ 37,558	\$ 33,329	\$ 29,548	\$ 26,497	\$ 25,976	\$ 18,117	\$ 21,475	\$ 20,407
Add back:								
Transaction costs ⁽¹⁾	-	-	342	3,990	7	3,633	-	-
Current tax (recovery) expense	-	-	-	(1,710)	883	871	(74)	97
(Gain) loss on equity securities	-	-	-	(102)	44	154	193	(1,569)
FFO for the period after adjustments	\$ 37,558	\$ 33,329	\$ 29,890	\$ 28,675	\$ 26,910	\$ 22,775	\$ 21,594	\$ 18,935
FFO per unit								
Basic	\$ 0.34	\$ 0.32	\$ 0.32	\$ 0.31	\$ 0.31	\$ 0.24	\$ 0.28	\$ 0.28
Diluted	\$ 0.33	\$ 0.31	\$ 0.31	\$ 0.31	\$ 0.30	\$ 0.24	\$ 0.28	\$ 0.27
FFO per unit after adjustments								
Basic	\$ 0.34	\$ 0.32	\$ 0.32	\$ 0.34	\$ 0.32	\$ 0.30	\$ 0.29	\$ 0.26
Diluted	\$ 0.33	\$ 0.31	\$ 0.31	\$ 0.33	\$ 0.31	\$ 0.29	\$ 0.28	\$ 0.25
Weighted-average number of common units outstanding:								
Basic ⁽²⁾	109,993	105,468	93,657	84,172	83,380	76,173	75,613	74,012
Diluted ⁽²⁾	120,588	116,631	105,632	98,073	97,400	83,929	85,209	82,039

⁽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.

ARTIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis - Q3-12
(In thousands of Canadian dollars, unless otherwise noted)

RELATED PARTY TRANSACTIONS

	Three month period ended September 30,		Nine month period ended September 30,	
	2012	2011	2012	2011
Advisory fees	\$ -	\$ 1,623	\$ -	\$ 4,347
Acquisition fees	-	864	552	3,056
Property management fees	77	3,045	238	8,017
Recoverable property management salaries and wages	-	363	-	1,601
Capitalized office furniture and fixtures	94	-	1,391	-
Capitalized office equipment	-	-	343	-
Capitalized leasing commissions	671	123	859	635
Capitalized building improvements	4,022	3,253	8,693	11,417
Capitalized tenant inducements	412	1,602	823	2,257
Disposition of investment property	(750)	-	(750)	-
Property tax assessment consulting fees	-	60	188	64
Consulting fees	-	25	-	75
Legal fees	642	186	2,261	1,269
Rental revenues	(563)	(666)	(1,684)	(1,961)

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 nine months ended September 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 September 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 September 30, 2012 is \$27.

On January 1, 2012, the REIT entered into a one-year leasing services agreement with Marwest Management. The amount payable at September 30, 2012 is \$318.

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 September 30, 2012 is \$1,090 (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 September 30, 2012 is \$nil.

ARTIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis - Q3-12
(In thousands of Canadian dollars, unless otherwise noted)

The REIT sold surplus land at an investment property to a company controlled by a trustee of the REIT. The amount receivable at September 30, 2012 is \$750.

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 September 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 September 30, 2012 is \$517 (December 31, 2011, \$200).

The REIT collects office rents from Marwest Management and a law firm associated with a trustee of the REIT.

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

OUTSTANDING UNIT DATA

The balance of units outstanding as of November 7, 2012 is as follows:

Units outstanding at September 30, 2012	110,160,254
Units issued (DRIP)	91,468
Units issued on exercise of options	18,535
Units issued on conversion of debentures	-
	<hr/>
Units outstanding at November 7, 2012	<u>110,270,257</u>

The balance of options outstanding as of November 7, 2012 is as follows:

	Options outstanding	Options exercisable
\$11.28 options, issued February 25, 2010	176,125	45,500
\$13.30 options, issued September 10, 2010	334,500	143,500
\$13.44 options, issued October 15, 2010	352,000	160,500
\$14.10 options, issued June 17, 2011	1,063,500	259,500
\$16.36 options, issued April 13, 2012	1,775,500	-
	<hr/>	<hr/>
	3,701,625	609,000

As of November 7, 2012, the balance of Series A preferred units outstanding is 3,450,000 and the balance of Series C preferred units outstanding is 3,000,000.

The balance of restricted units outstanding as of November 7, 2012 is 9,812. None of these restricted units are vested at this time.

ARTIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis - Q3-12
(In thousands of Canadian dollars, unless otherwise noted)

OUTLOOK

According to the Scotiabank Global Economic Research report of November 1, 2012, real GDP in Canada is forecast to grow 2.1% in 2012. Forecast GDP growth for the Canadian provinces where Artis owns properties is also positive, as follows: Manitoba, 2.2%; Saskatchewan, 3.0%; Alberta, 3.4%; British Columbia, 2.1% and Ontario, 2.0%. Artis has also selectively diversified into geographical areas where GDP growth is anticipated to be strong.

Artis continues 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. As we move into 2013, Artis anticipates that access to capital will remain stable, as investors continue to seek investment products with a stable distribution yield, such as REIT units. Access to debt is also expected to be healthy with interest rates continuing to moderately fluctuate in a low trading range. Artis expects real estate fundamentals in Canada and the US will remain healthy, but we expect to see relatively more "catch-up" improvements in the U.S. in 2013. Capitalization rates for real estate are likely to remain stable, but may be subject to downward pressure, which would put upward pressure on real estate valuations.

Barring unforeseen volatility in the economy and/or capital markets, Artis expects to grow externally during 2013, targeting an additional \$400 to \$600 million in new accretive acquisitions. In addition, we expect that Property NOI growth will trend up in 2013, and same Property NOI growth will, on balance, return to healthy levels over the course of 2013.

As at September 30, 2012, Artis had \$119,246 of cash and cash equivalents on hand and \$54,600 available on the line of credit. Subsequent to September 30, 2012, the following transactions took place:

- On October 1, 2012, the REIT repaid a maturing vendor-take back mortgage on an office property in the amount of \$3,421.
- On October 4, 2012, the REIT refinanced a mortgage on a retail property in West Kelowna, British Columbia, obtaining additional proceeds of \$325.
- On October 11, 2012, the REIT acquired an additional 25% in the portion of Westbank Hub Centre North that was previously under development to bring its total ownership interest in this investment property to 75%. The additional ownership interest was acquired for \$1,760 and the purchase price was satisfied with a combination of cash and an additional 25% interest in the existing mortgage financing.
- On October 11, 2012, the REIT obtained additional financing of \$2,459 for a retail property in Winnipeg, Manitoba.
- On October 12, 2012, the REIT disposed of 112 Pennsylvania Avenue, an industrial property located in the Greater Toronto Area, Ontario. The property was sold for \$2,900 and was satisfied with cash. The REIT repaid the mortgage balance owing on this property of \$1,073.
- On October 24, 2012, the REIT obtained new 10-year mortgage financing in the amount of \$20,000 for the Meadowvale Gateway Portfolio, which bears interest at 4.01% per annum.
- On October 26, 2012, the REIT acquired the Minneapolis Industrial Portfolio II which is comprised of 11 industrial buildings located in Minneapolis, Minnesota. The industrial portfolio was acquired for US\$96,550 and the purchase price was satisfied through a combination of cash and new seven-year mortgage financing, which bears interest at LIBOR plus 2.25% per annum. The loan provides for a three-year renewal period at the option of the REIT. The REIT entered into an interest rate swap concurrently for US\$30,000 of the mortgage for a 10-year term effectively locking the interest rate on this portion of the mortgage at 4.13% per annum.
- On October 31, 2012, the REIT acquired Namao South which is located in Edmonton, Alberta. The property was acquired for \$51,000 and the purchase price was satisfied through a combination of cash and new seven-year mortgage financing which bears interest at 3.52% per annum.
- On November 1, 2012, the REIT entered into a swap contract to exchange US\$20,000 into Canadian funds.
- The REIT entered into agreements with respect to the acquisition of properties located in Alberta, Saskatchewan and Ontario. The total purchase price of the properties is \$65,783. The REIT anticipates that the acquisitions will close in November 2012 and April 2013, 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 October 2012 were declared subsequent to September 30, 2012.

ARTIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis - Q3-12
(In thousands of Canadian dollars, unless otherwise noted)

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 September 30, 2012, the REIT is a party to \$455,753 of variable rate debt, including the outstanding balance of bank indebtedness (December 31, 2011, \$386,388). At September 30, 2012, the REIT had entered into interest rate swaps to hedge the interest rate risk associated with \$98,144 of variable rate debt (December 31, 2011, \$65,061).

The REIT's ratio of mortgages, loans and bank indebtedness to GBV is 48.0%, down from 50.7% at December 31, 2011. Approximately 0.3% of Artis' maturing mortgage debt comes up for renewal in 2012, and 10.7% in 2013. The remaining 2012 mortgage maturities have been repaid or refinanced. Management is in discussion with various lenders with respect to the renewal or refinancing of the 2013 mortgage maturities.

ARTIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis - Q3-12
(In thousands of Canadian dollars, unless otherwise noted)

CREDIT RISK AND TENANT CONCENTRATION

Artis is exposed to risk as tenants may be unable to pay their contracted rents. Management mitigates this risk by seeking to acquire properties across several asset classes. As well, management seeks to acquire properties with strong tenant covenants in place. Artis' portfolio includes over 1,900 tenant leases with a weighted-average term to maturity of 5.0 years. Approximately 66.1% 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 £3.3 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	2.3 %	322	1.6 %	10.4
AMEC Americas Ltd.	2.2 %	200	1.0 %	0.9
TransAlta Corporation	1.3 %	336	1.6 %	10.7
Shoppers Drug Mart	1.1 %	155	0.7 %	6.2
Home Depot	1.0 %	158	0.8 %	9.8
TD Bank	1.0 %	123	0.6 %	7.7
Sobeys	0.9 %	191	0.9 %	8.4
IHS Energy (Canada) Ltd.	0.9 %	78	0.4 %	5.1
Fairview Health Services	0.9 %	179	0.9 %	10.9
CB Richard Ellis, Inc.	0.9 %	103	0.5 %	6.0
PMC - Sierra, Inc	0.9 %	148	0.7 %	1.0
CGI Sys & Mgmt Consultants Inc.	0.9 %	64	0.3 %	3.2
Cara Operations Limited	0.9 %	50	0.2 %	16.2
3M Canada Company	0.9 %	319	1.5 %	7.5
ABB Inc.	0.8 %	318	1.5 %	2.1
Birchcliff Energy	0.8 %	59	0.3 %	5.2
Bell Canada	0.7 %	76	0.4 %	3.8
Credit Union Central	0.7 %	86	0.4 %	9.3
Cineplex Entertainment LP	0.7 %	108	0.5 %	10.2
Sport Alliance of Ontario	0.7 %	85	0.4 %	11.7
Total	20.5 %	3,158	15.2 %	7.2

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	4.1 %	517	2.5 %	9.7
Provincial Government	2.6 %	368	1.8 %	2.4
Civic or Municipal Government	0.6 %	122	0.6 %	14.6
Total	7.3 %	1,007	4.9 %	7.6

Weighted-average term to maturity (entire portfolio) 5.0

ARTIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis - Q3-12
(In thousands of Canadian dollars, unless otherwise noted)

LEASE ROLLOVER RISK

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

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

Expiry Year	Canada					Calgary Office Only	U.S.		Total
	AB	BC	MB	SK	ON		MN	Other	
2012	0.9 %	0.2 %	1.0 %	0.3 %	0.7 %	0.3 %	0.2 %	0.0 %	3.3 %
2013	3.6 %	1.2 %	2.9 %	0.9 %	1.7 %	2.2 %	2.1 %	0.1 %	12.5 %
2014	3.1 %	0.9 %	2.9 %	0.4 %	2.1 %	1.0 %	2.2 %	0.2 %	11.8 %
2015	2.5 %	1.0 %	2.6 %	0.8 %	1.4 %	0.9 %	3.3 %	0.1 %	11.7 %
2016	4.4 %	0.4 %	1.7 %	0.4 %	2.4 %	1.2 %	2.2 %	0.0 %	11.5 %
2017	1.8 %	0.8 %	1.1 %	0.1 %	2.0 %	0.8 %	1.9 %	1.3 %	9.0 %
2018 & later	10.6 %	3.3 %	3.8 %	2.2 %	5.6 %	3.7 %	5.5 %	3.2 %	34.2 %
Month-to-month	0.1 %	0.1 %	0.1 %	0.1 %	0.1 %	0.0 %	0.1 %	0.0 %	0.6 %
Vacant	0.8 %	0.6 %	1.1 %	0.1 %	0.5 %	0.6 %	1.4 %	0.2 %	4.7 %
Properties in Redevelopment	0.4 %	0.3 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.7 %
Total	28.2 %	8.8 %	17.2 %	5.3 %	16.5 %	10.7 %	18.9 %	5.1 %	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 GTA industrial properties.

The 2012 leasing program is substantially complete. As at September 30, 2012, approximately 36.7% of the 2013 leasing program is 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 nine month periods ended September 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 September 30, 2012, Artis US Holdings Inc. owes \$72.8 million to the REIT which is eliminated on consolidation of the financial statements.

ARTIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis - Q3-12
(In thousands of Canadian dollars, unless otherwise noted)

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. The REIT's Series C preferred units are also denominated in US dollars.

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. 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.

ARTIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis - Q3-12
(In thousands of Canadian dollars, unless otherwise noted)

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 September 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 September 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 September 30, 2012.