

ARTIS

REIT

**Management's Discussion and Analysis
2012 Annual**

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 - 2012 Annual
(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, 2012 and 2011, and the notes thereto. This MD&A has been prepared taking into account material transactions and events up to and including February 28, 2013. 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"), Funds from Operations ("FFO") and Adjusted Funds from Operations ("AFFO") 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"), as issued by the International Accounting Standards Board ("IASB").

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 November 2012. Management considers FFO to be a valuable measure for evaluating the REIT's operating performance in achieving its objectives.

Management believes that AFFO is an important measure of performance for Artis and is introducing reporting on AFFO performance in the 2012 Annual Management's Discussion and Analysis. Artis calculates AFFO based on FFO for the period, net of allowances for normalized capital expenditures and leasing costs and excluding straight-line rent adjustments and unit-based compensation expense.

Property NOI, FFO and AFFO are not measures defined under IFRS. Property NOI, FFO and AFFO are not intended to represent operating profits for the year, 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, FFO and AFFO 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 - 2012 Annual
(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 - ANNUAL HIGHLIGHTS	7
Portfolio Growth	7
Financing Activities	8
Internalization of Asset and Property Management	9
Distributions	9
SELECTED FINANCIAL INFORMATION	10
ANALYSIS OF OPERATING RESULTS	11
Revenue and Property NOI	11
Same Property NOI Analysis	11
Property NOI by Asset Class	11
Property NOI by Geographical Region	12
Portfolio Occupancy	14
Portfolio Leasing Activity and Lease Expiries	15
Interest Expense	20
Corporate Expense	20
Foreign Currency Translation (Gain) Loss	20
Income Tax	21
Transaction Costs	21
Loss on Financial Instruments	21
Fair Value Gain on Investment Properties	22
Other Comprehensive (Loss) Income	22
Distributions	22
Funds from Operations	23
Adjusted Funds from Operations	26
ANALYSIS OF FINANCIAL POSITION	27
Assets	27
Liabilities	30
Unitholders' Equity	32
LIQUIDITY AND CAPITAL RESOURCES	32
Contractual Obligations	32
SUMMARIZED QUARTERLY INFORMATION	33
RELATED PARTY TRANSACTIONS	35
OUTSTANDING UNIT DATA	36
OUTLOOK	37
RISKS AND UNCERTAINTIES	38
Real Estate Ownership	38
Interest Rate and Debt Financing	38
Credit Risk and Tenant Concentration	39
Lease Rollover Risk	40
Tax Risk	40
Foreign Currency Risk	41
Other Risks	41
CRITICAL ACCOUNTING ESTIMATES	41
Valuation of Investment Properties	41
Allocation of Convertible Debentures	42
Valuation of Deferred Tax Assets and Liabilities	42
CHANGES IN ACCOUNTING POLICIES	42
CONTROLS AND PROCEDURES	43
Internal Controls over Financial Reporting	43
Disclosure Controls and Procedures	43

ARTIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis - 2012 Annual
(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. The REIT 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 February 28, 2013, there were 115,110,768 units, 3,636,813 options, 6,450,000 preferred units and 45,324 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 December 31, 2012, approximately 20.4% 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.

The weighting of pro-forma Property NOI in the U.S. as at December 31, 2012 increased as a result of the closing of the Minneapolis Industrial Portfolio II during Q4-12.

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 30% by pro-forma Property NOI (increased from 20%).
- 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.

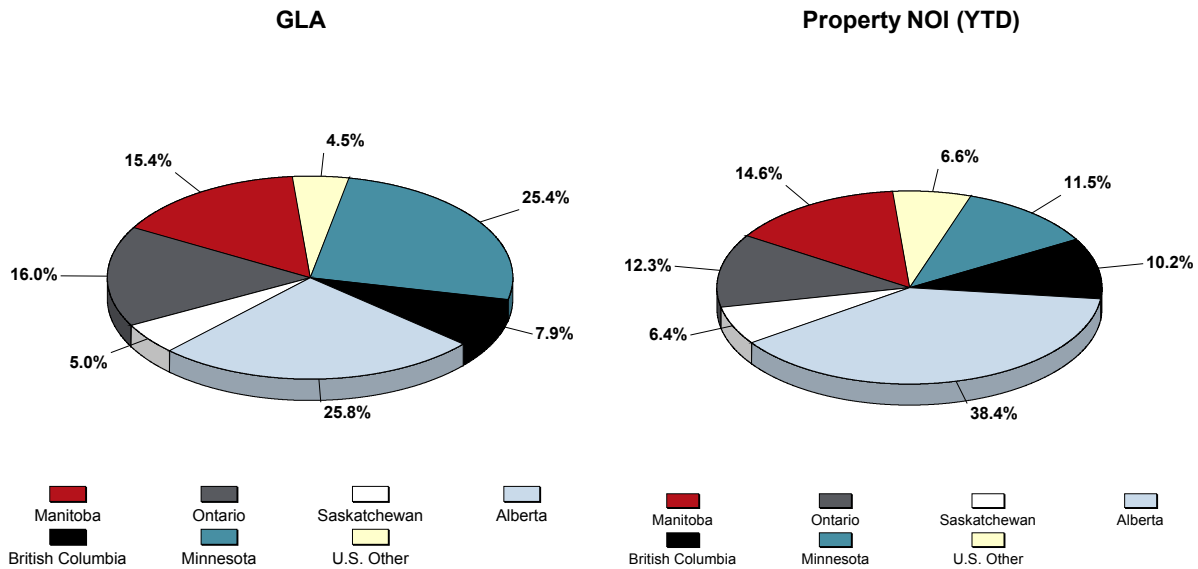
ARTIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis - 2012 Annual
(In thousands of Canadian dollars, unless otherwise noted)

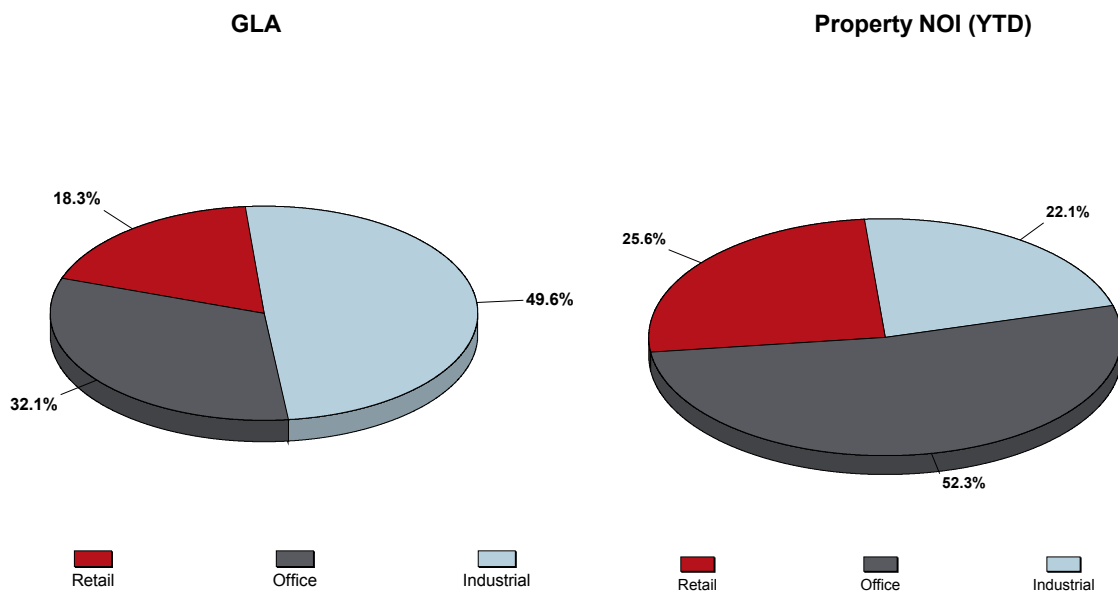
PORTFOLIO SUMMARY

At December 31, 2012, the REIT's portfolio was comprised of 220 commercial properties totaling approximately 23.38 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 - 2012 Annual
(In thousands of Canadian dollars, unless otherwise noted)

Portfolio by Asset Class as at December 31, 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	1.1 %	100.0 %	100.0 %
	Airdrie	AB	1	27	0.1 %	100.0 %	100.0 %
	Brampton	ON	1	301	1.3 %	100.0 %	100.0 %
	Calgary	AB	7	596	2.5 %	100.0 %	100.0 %
	Edmonton	AB	7	863	3.7 %	98.4 %	98.4 %
	Mississauga	ON	1	158	0.7 %	94.6 %	94.6 %
	Nisku	AB	1	23	0.1 %	100.0 %	100.0 %
	Red Deer	AB	1	126	0.5 %	100.0 %	100.0 %
	Saskatoon	SK	2	269	1.2 %	100.0 %	100.0 %
	Toronto	ON	27	2,072	8.9 %	98.1 %	98.8 %
	Winnipeg	MB	26	1,559	6.7 %	95.9 %	96.7 %
Industrial total			76	6,259	26.8 %	98.0 %	98.4 %
Office	Burnaby	BC	3	437	1.9 %	97.6 %	97.6 %
	Calgary	AB	17	2,234	9.6 %	95.0 %	95.7 %
	Edmonton	AB	1	29	0.1 %	100.0 %	100.0 %
	Mississauga	ON	2	244	1.0 %	78.2 %	86.8 %
	Nanaimo	BC	2	68	0.3 %	100.0 %	100.0 %
	Ottawa	ON	1	181	0.8 %	100.0 %	100.0 %
	Red Deer	AB	1	149	0.6 %	96.6 %	97.6 %
	Saskatoon	SK	1	64	0.3 %	100.0 %	100.0 %
	Toronto	ON	2	739	3.2 %	95.3 %	95.5 %
	Vancouver	BC	1	174	0.7 %	96.1 %	96.1 %
	Vaughan	ON	1	50	0.2 %	100.0 %	100.0 %
	Winnipeg	MB	7	1,295	5.4 %	97.5 %	97.6 %
	Office total			39	5,664	24.1 %	95.5 %
Retail	Calgary	AB	6	477	2.0 %	98.2 %	98.7 %
	Coquitlam	BC	1	82	0.4 %	92.3 %	92.3 %
	Cranbrook	BC	1	290	1.2 %	94.3 %	97.7 %
	Delta	BC	1	75	0.3 %	96.9 %	96.9 %
	Edmonton	AB	3	281	1.2 %	95.8 %	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	0.8 %	98.1 %	100.0 %
	Grande Prairie	AB	4	378	1.6 %	93.4 %	93.4 %
	Lethbridge	AB	1	53	0.2 %	100.0 %	100.0 %
	Medicine Hat	AB	1	162	0.7 %	97.2 %	97.2 %
	Moose Jaw	SK	1	38	0.2 %	100.0 %	100.0 %
	Nanaimo	BC	2	90	0.4 %	64.7 %	64.7 %
	Regina	SK	8	554	2.4 %	98.6 %	99.3 %
	Saskatoon	SK	3	218	0.9 %	98.3 %	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 %	99.3 %	99.3 %
	Westbank / West						
	Kelowna	BC	3	433	1.9 %	98.6 %	99.8 %
	Whistler	BC	1	32	0.1 %	91.1 %	91.1 %
	Winnipeg	MB	5	534	2.3 %	96.4 %	96.6 %
Retail total			54	4,172	17.9 %	96.4 %	97.4 %
Total Canadian portfolio			169	16,095	68.8 %	96.7 %	97.4 %

⁽¹⁾ Excluding properties in redevelopment.

⁽²⁾ Percentage committed is based on occupancy plus commitments on vacant space as at December 31, 2012.

ARTIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis - 2012 Annual
(In thousands of Canadian dollars, unless otherwise noted)

Portfolio by Asset Class as at December 31, 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	31	4,968	21.2 %	92.3 %	93.0 %
	Phoenix	AZ	1	98	0.4 %	100.0 %	100.0 %
Industrial total			32	5,066	21.6 %	92.4 %	93.1 %
Office	Minneapolis	MN	4	866	3.7 %	91.8 %	94.2 %
	New Hartford	NY	1	123	0.5 %	100.0 %	100.0 %
	Phoenix	AZ	4	718	3.1 %	95.6 %	95.8 %
	Tampa	FL	1	107	0.5 %	100.0 %	100.0 %
Office total			10	1,814	7.8 %	94.3 %	95.6 %
Retail	Minneapolis	MN	5	110	0.5 %	95.2 %	95.2 %
Total U.S. portfolio			47	6,990	29.9 %	93.0 %	93.8 %
Total Canadian and U.S.			216	23,085	98.7 %	95.6 %	96.3 %

⁽¹⁾ Excluding properties in redevelopment.

⁽²⁾ Percentage committed is based on occupancy plus commitments on vacant space as at December 31, 2012.

Properties in Redevelopment (in 000's of S.F.)

Asset Class	City	Province / State	Number of Properties	Owned Share of Leasable Area	% of Portfolio GLA	Property	Committed % ⁽¹⁾
Office	Edmonton	AB	-	19	0.1 %	North City Office	47.3 %
Industrial	Delta	BC	1	70	0.3 %	Cliveden	0.0 %
Industrial	Winnipeg	MB	1	73	0.3 %	1595 Buffalo Place	42.8 %
Industrial	Winnipeg	MB	1	91	0.4 %	27-81 Plymouth Street	58.0 %
Industrial	Winnipeg	MB	1	37	0.2 %	8-30 Plymouth Street	43.8 %
Development properties total			4	290	1.3 %		37.7 %

⁽¹⁾ Percentage committed is based on occupancy plus commitments on vacant space as at December 31, 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	Centrepoint	49 ⁽¹⁾	73.0 %

⁽¹⁾ Artis has a 50% ownership interest in the Centrepoint 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 September of 2014.

ARTIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis - 2012 Annual
(In thousands of Canadian dollars, unless otherwise noted)

2012 – ANNUAL HIGHLIGHTS

PORTFOLIO GROWTH

Artis acquired 58 commercial properties, completed construction of over 176,000 square feet of new leasable area, and sold one industrial building during the course of 2012.

	Office		Retail		Industrial		Total	
	Number of Properties	S.F. (000's) ⁽¹⁾	Number of Properties	S.F. (000's) ⁽¹⁾	Number of Properties	S.F. (000's) ⁽¹⁾	Number of Properties	S.F. (000's) ⁽¹⁾
Portfolio properties at December 31, 2011	41	6,231	53	3,689	69	7,037	163	16,957
Acquisitions	8	1,266	6	561	44	4,439	58	6,266
New construction	-	-	-	32	-	144	-	176
Disposition	-	-	-	-	(1)	(24)	(1)	(24)
Portfolio properties at December 31, 2012	49	7,497	59	4,282	112	11,596	220	23,375

⁽¹⁾ Based on owned share of total leasable area.

Property acquisitions:

Property	Property Count	Acquisition Date	Location	Property Type	GLA ⁽¹⁾	Purchase Price
North 48 Commercial Complex	1	January 31, 2012	Saskatoon, SK	Office	63,571	\$ 18,400
Aluma Systems Building	1	February 24, 2012	Edmonton, AB	Industrial	65,000	17,495
GSA Phoenix Professional Building	1	March 29, 2012	Phoenix, AZ	Office	210,202	US\$75,000
Westbank Hub Centre North ⁽²⁾	-	April 16, 2012	West Kelowna, BC	Retail	256,821	14,200
Linden Ridge Shopping Centre	1	April 23, 2012	Winnipeg, MB	Retail	100,875	32,000
Trimac House	1	April 30, 2012	Calgary, AB	Office	238,087	100,907
Crowfoot Corner	1	April 30, 2012	Calgary, AB	Retail	51,048	35,500
MAX At Kierland	1	May 25, 2012	Scottsdale, AZ	Office	258,312	US\$79,000
LaSalle Office Portfolio	4	June 11, 2012	Calgary, AB	Office	495,621	185,000
Whistler Hilton Retail Plaza ⁽³⁾	1	June 14, 2012	Whistler, BC	Retail	32,130	26,775
RER Industrial Portfolio	4	July 6, 2012	Minneapolis, MN	Industrial	500,524	US\$38,000
GTA Industrial Portfolio	17	July 17, 2012	Toronto, ON	Industrial	1,104,080	95,483
Westbank Hub Shopping Centre ⁽⁴⁾	1	August 16, 2012	West Kelowna, BC	Retail	179,087	29,288
201 Edson	1	August 27, 2012	Saskatoon, SK	Industrial	105,600	9,600
Meadowvale Gateway Portfolio	5	September 20, 2012	Mississauga, ON	Industrial	376,736	33,500
Minneapolis Industrial Portfolio II	11	October 26, 2012	Minneapolis, MN	Industrial	1,989,746	US\$96,550
Namoo South	1	October 31, 2012	Edmonton, AB	Retail	108,018	51,000
GTA West Portfolio	5	November 22, 2012	Toronto, ON	Industrial	296,795	26,500
Circle West	1	November 30, 2012	Saskatoon, SK	Retail	74,157	18,350

⁽¹⁾ S.F. of the property at the time of acquisition, before adjusting for owned share of total leasable area.

⁽²⁾ The REIT acquired an additional 25% interest in this property, in a two-phased closing that occurred on April 16, 2012 and October 11, 2012, increasing the owned share of GLA to 192,617 post-closing.

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

⁽⁴⁾ The REIT acquired a 75% interest in this property.

Significant acquisitions in 2012 included two Arizona properties: the newly constructed Class A LEED certified building known as GSA Phoenix Professional Office Building, as well as MAX at Kierland, a newly constructed LEED certified Class A office tower located in North Scottsdale. The purchases of Trimac House, a Class A downtown Calgary office tower and the LaSalle Office Portfolio, a portfolio of four downtown Calgary office towers, were also significant acquisitions in 2012. Artis increased the size of its industrial portfolio significantly in 2012, through the acquisition of two large industrial portfolios: the 17-building GTA Industrial Portfolio in Ontario and the 11-building Minnesota Industrial Portfolio II, which together added nearly 3.1 million square feet of high-quality industrial property to the portfolio.

ARTIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis - 2012 Annual
(In thousands of Canadian dollars, unless otherwise noted)

In Q4-12, Artis completed four acquisitions. On October 26, 2012, Artis acquired the Minnesota Industrial Portfolio II, a portfolio of 11 institutional quality buildings located in various sub-markets of Minneapolis and St. Paul, with occupancy at time of acquisition of 93.6%. On October 31, 2012, Artis acquired Namao South, a Class A retail development that is 100.0% leased to a diversified tenant roster with a weighted-average lease term to maturity of 9.1 years. On November 22, 2012, Artis acquired the GTA West Portfolio, a 100.0% occupied portfolio of 5 industrial buildings. On November 30, 2012, Artis acquired Circle West, a retail development that is 100.0% leased to high quality national tenants, such as CIBC and SportChek, with a weighted-average lease term to maturity of 9.8 years.

Property disposition:

On October 12, 2012, Artis sold an industrial property located in the Greater Toronto Area. The proceeds from the sale of the property, net of costs and related debt was \$1,604. The gain recorded on the sale was \$637.

Completed properties under construction:

In 2012, Artis completed construction of two new industrial buildings, adding 144,357 square feet of leasable area to the portfolio. Both buildings were constructed on excess lands in the portfolio, one on the site of the Caterpillar Building property in Minneapolis, Minnesota and the other on the site of the Fourell Building, in Edmonton, Alberta. Both projects were built to suit for new tenants, and are currently 100.0% occupied with long-term leases in place. Artis also completed the construction of a new format Shoppers Drug Mart on excess lands at 2190 McGillivray Boulevard in Winnipeg, Manitoba. The property comprises 18,568 square feet of leasable area, and is 100.0% occupied by Shoppers Drug Mart for a 20-year term. Also in 2012, Artis completed the construction of a new 269-stall parkade ancillary to an existing portfolio office property in Winnipeg, Manitoba.

In Q4-12, Artis completed construction of a new 7,842 square foot building on excess lands at Clareview Town Centre in Edmonton, Alberta. The building is 100.0% occupied by Kal-Tire Distributors Ltd., who entered into a new 15-year lease, with escalations. Artis also added 5,967 square feet of owned leasable area at Westbank Hub Shopping Centre in West Kelowna, BC. Construction of a new Swiss Chalet location was completed in Q4-12; the tenant is occupying the premises and has entered into a long-term lease, with escalations, until May 2022.

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 December 31, 2012, the REIT has issued common units under one offering of \$69,080 and preferred units under two offerings in the amount of \$86,250 and US\$75,000 under this short form base shelf prospectus.

All offerings during 2012 were made under the supplement to the base shelf in effect at that time.

Common unit equity offerings:

Date	Number of Units Issued ⁽¹⁾	Price per Unit	Gross Proceeds
January 26, 2012	5,750,000	\$ 15.05	\$ 86,538
March 26, 2012	6,570,000	16.30	107,091
May 16, 2012	7,015,000	16.50	115,748
December 19, 2012	4,400,000	15.70	69,080
	23,735,000		378,457

⁽¹⁾ Includes units issued pursuant to the exercise of the underwriters' over-allotment option, if applicable.

ARTIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis - 2012 Annual
(In thousands of Canadian dollars, unless otherwise noted)

Preferred unit equity offerings:

Date	Unit Series	Number of Units Issued ⁽¹⁾	Price per Unit	Gross Proceeds
August 2, 2012	Series A units	3,450,000	\$ 25.00	\$ 86,250
September 18, 2012	Series C units	3,000,000	US25.00	US75,000

⁽¹⁾ Includes units issued pursuant to the exercise of the underwriters' over-allotment option, if applicable.

Convertible debenture redemptions:

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

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

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

Debt financing and repayments:

In 2012, Artis obtained new or additional financing, net of financing costs, on seven properties in the amount of \$104,572, repaid 11 maturing mortgages in the amount of \$40,445 and received upward financing on a maturing mortgage of \$8,192.

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. During 2012, Artis repaid the balance of \$37,900 that was drawn on the previous credit facility.

INTERNALIZATION OF ASSET AND PROPERTY MANAGEMENT

On December 31, 2011, the REIT and Marwest Realty Advisors Inc. ("Marwest Realty") terminated the asset management agreement. On January 1, 2012, the REIT fully internalized the asset management function. 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") which encompasses all investment properties owned by the REIT. On January 1, 2012, the REIT internalized the property management operations for 78 properties that were previously directly managed by Marwest Management. No fees or penalties were paid to Marwest Management upon assignment of this agreement. The internalization of the asset and property management functions has had a beneficial impact on both property operating and corporate expenses.

DISTRIBUTIONS

Artis distributed a total of \$117,948 to unitholders in 2012, of which \$16,393 was paid by way of distribution reinvestment, pursuant to Artis' Distribution Reinvestment and Unit Purchase Plan ("DRIP").

ARTIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis - 2012 Annual
(In thousands of Canadian dollars, unless otherwise noted)

SELECTED FINANCIAL INFORMATION

000's, except per unit amounts

	Year ended December 31,	
	2012	2011
Revenue	\$ 372,469	\$ 290,512
Property NOI	\$ 240,409	\$ 182,813
Income for the period	\$ 340,339	\$ 321,289
Basic income per common unit	\$ 3.21	\$ 4.02
Diluted income per common unit	\$ 3.14	\$ 3.60
Distributions to common unitholders	\$ 114,968	\$ 87,183
Distributions per common unit	\$ 1.08	\$ 1.08
FFO	\$ 139,804	\$ 92,065
FFO per unit	\$ 1.30	\$ 1.13
FFO after adjustments ⁽¹⁾	\$ 140,146	\$ 99,955
FFO per unit after adjustments ⁽¹⁾	\$ 1.30	\$ 1.21
FFO payout ratio after adjustments ⁽¹⁾	83.1 %	89.3 %
AFFO ⁽²⁾	\$ 122,702	\$ -
AFFO per unit ⁽²⁾	\$ 1.15	\$ -

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

⁽²⁾ AFFO and AFFO per unit are calculated on a go-forward basis beginning in 2012.

Artis has been actively acquiring properties during 2011 and 2012. Due to this acquisition activity as well as same property revenue growth, 2012 revenues increased \$81,957, or 28.2%, compared to 2011. Property NOI increased by \$57,596, or 31.5% year-over-year.

FFO increased \$47,739, or 51.9% compared to 2011. This increase is primarily attributed to the acquisitions completed in 2011 and 2012. Diluted FFO per unit increased \$0.17 or 15.0% year-over-year. Adjusted FFO has increased \$40,191, or 40.2% year-over-year. Diluted FFO per unit after adjustments has increased \$0.09, or 7.4% compared to 2011.

Management believes that AFFO is an important measure of performance for Artis and is introducing reporting on AFFO performance for the first time in the 2012 Annual Management's Discussion and Analysis.

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 have 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, FFO and AFFO as acquisitions completed in 2012 contribute to operating results.

ARTIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis - 2012 Annual
(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 2012, straight-line rent adjustments of \$5,473 (Q4-12 - \$1,560) were recorded compared to \$5,514 in 2011 (Q4-11 - \$1,508).

In 2012, the REIT recorded amortization of \$6,349 (Q4-12 - \$1,954) as a reduction in revenue from tenant incentives compared to \$4,559 (Q4-11 - \$1,246) in 2011.

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 ANALYSIS

Same property comparison includes only stabilized investment properties owned on January 1, 2011, and excludes properties disposed of and properties held for sale subsequent to January 1, 2011.

	Three month period ended December 31,		Year ended December 31,	
	2012	2011	2012	2011
Revenue	\$ 60,139	\$ 60,802	\$ 238,138	\$ 238,301
Property operating expenses	23,742	23,001	89,765	88,284
Property NOI	36,397	37,801	148,373	150,017
Add (deduct) non-cash and non-recurring revenue adjustments:				
Straight-line rent adjustment	(605)	(914)	(2,878)	(4,178)
Amortization of tenant inducements	1,576	1,077	5,325	4,007
Lease termination fees	(31)	(450)	(250)	(628)
Property NOI less revenue adjustments	\$ 37,337	\$ 37,514	\$ 150,570	\$ 149,218

Same Property NOI less Revenue Adjustments by Asset Class:

	Three month period ended December 31,				Year ended December 31,			
	2012	2011	Change	% Change	2012	2011	Change	% Change
Retail	\$ 11,837	\$ 11,349	\$ 488	4.3 %	\$ 47,402	\$ 46,559	\$ 843	1.8 %
Office	17,886	18,941	(1,055)	(5.6)%	73,506	74,244	(738)	(1.0)%
Industrial	7,614	7,224	390	5.4 %	29,662	28,415	1,247	4.4 %
Total	\$ 37,337	\$ 37,514	\$ (177)	(0.5)%	\$ 150,570	\$ 149,218	\$ 1,352	0.9 %

In 2012, Artis achieved an increase of \$1,352, or 0.9% in Property NOI less non-cash revenue adjustments over 2011. For Q4-12, Property NOI less non-cash revenue adjustments decreased \$177 or 0.5% quarter-over-quarter.

Property NOI growth for the year was positive in both the retail and industrial segments. Property NOI growth for the office segment was offset by results in the Calgary office segment. Property NOI decreased \$968 in 2012 (Q4-12 - decrease of \$221) in the Calgary office segment. As anticipated, this decrease is primarily attributable to lease renewals that were completed at lower rates than those in place at expiry. Also contributing to the decrease is higher vacancy being carried in 2012 compared to 2011. Occupancy is anticipated to improve as new leases and expansion agreements commence over the course of early 2013.

ARTIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis - 2012 Annual
(In thousands of Canadian dollars, unless otherwise noted)

Same Property NOI less Revenue Adjustments by Geographical Region:

	Three month period ended December 31,				Year ended December 31,			
	2012	2011	Change	% Change	2012	2011	Change	% Change
Alberta	\$ 17,110	\$ 16,861	\$ 249	1.5 %	\$ 67,086	\$ 66,310	\$ 776	1.2 %
British Columbia	5,083	5,288	(205)	(3.9)%	21,025	21,528	(503)	(2.3)%
Manitoba	7,121	7,227	(106)	(1.5)%	29,513	29,038	475	1.6 %
Ontario	3,022	3,436	(414)	(12.0)%	12,905	13,479	(574)	(4.3)%
Saskatchewan	2,465	2,372	93	3.9 %	9,993	9,811	182	1.9 %
Minnesota	1,475	1,251	224	17.9 %	5,745	4,876	869	17.8 %
U.S. - Other	1,061	1,079	(18)	(1.7)%	4,303	4,176	127	3.0 %
Total	\$ 37,337	\$ 37,514	\$ (177)	(0.5)%	\$ 150,570	\$ 149,218	\$ 1,352	0.9 %

Property NOI decreased \$1,008 (Q4-12 - decrease of \$497) in two Ontario office properties and two British Columbia office properties mainly due to the expiration of vendor headleases during 2012. Management anticipates that this leasable area will successfully be leased in 2013.

Same Property Occupancy Comparison:

By Geographical Region

	As at December 31,	
	2012	2011
Alberta	98.0 %	97.3 %
British Columbia	95.4 %	95.2 %
Manitoba	96.5 %	97.2 %
Ontario	90.0 %	91.3 %
Saskatchewan	98.8 %	98.4 %
Minnesota	97.5 %	93.5 %
U.S. - Other	100.0 %	100.0 %
Total	96.7 %	96.4 %

By Asset Class

	As at December 31,	
	2012	2011
Retail	96.5 %	96.7 %
Office	95.9 %	95.2 %
Industrial	97.6 %	97.4 %
Total	96.7 %	96.4 %

PROPERTY NOI BY ASSET CLASS

In 2012, 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 December 31,					
	2012		2011			
	Retail	Office	Industrial	Retail	Office	Industrial
Revenue	\$ 24,896	\$ 55,439	\$ 24,649	\$ 20,107	\$ 45,672	\$ 17,161
Property operating expenses	8,242	21,881	8,256	6,775	18,270	5,734
Property NOI	\$ 16,654	\$ 33,558	\$ 16,393	\$ 13,332	\$ 27,402	\$ 11,427
<i>Share of Property NOI</i>	<i>25.0 %</i>	<i>50.4 %</i>	<i>24.6 %</i>	<i>25.6 %</i>	<i>52.5 %</i>	<i>21.9 %</i>

	Year ended December 31,					
	2012		2011			
	Retail	Office	Industrial	Retail	Office	Industrial
Revenue	\$ 89,369	\$ 203,708	\$ 79,165	\$ 75,823	\$ 154,432	\$ 60,257
Property operating expenses	27,909	78,154	25,997	24,860	61,970	20,869
Property NOI	\$ 61,460	\$ 125,554	\$ 53,168	\$ 50,963	\$ 92,462	\$ 39,388
<i>Share of Property NOI</i>	<i>25.6 %</i>	<i>52.3 %</i>	<i>22.1 %</i>	<i>27.9 %</i>	<i>50.6 %</i>	<i>21.5 %</i>

ARTIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis - 2012 Annual
(In thousands of Canadian dollars, unless otherwise noted)

PROPERTY NOI BY GEOGRAPHICAL REGION

In 2012, revenues and Property NOI increased in all regions in comparison to 2011. This growth is primarily attributable to acquisition activity.

Three month period ended December 31, 2012

	Canada					U.S.	
	AB	BC	MB	ON	SK	MN	Other
Revenue	\$ 38,159	\$ 10,351	\$ 16,308	\$ 14,015	\$ 6,105	\$ 13,465	\$ 6,581
Property operating expenses	12,563	3,797	7,640	5,591	2,098	5,275	1,415
Property NOI	\$ 25,596	\$ 6,554	\$ 8,668	\$ 8,424	\$ 4,007	\$ 8,190	\$ 5,166
<i>Share of Property NOI</i>	38.4 %	9.8 %	13.1 %	12.6 %	6.0 %	12.3 %	7.8 %

Three month period ended December 31, 2011

	Canada					U.S.	
	AB	BC	MB	ON	SK	MN	Other
Revenue	\$ 28,932	\$ 8,991	\$ 15,886	\$ 11,415	\$ 5,015	\$ 9,522	\$ 3,179
Property operating expenses	9,942	3,117	7,348	4,314	1,650	3,397	1,011
Property NOI	\$ 18,990	\$ 5,874	\$ 8,538	\$ 7,101	\$ 3,365	\$ 6,125	\$ 2,168
<i>Share of Property NOI</i>	36.4 %	11.3 %	16.3 %	13.6 %	6.5 %	11.7 %	4.2 %

Year ended December 31, 2012

	Canada					U.S.	
	AB	BC	MB	ON	SK	MN	Other
Revenue	\$ 135,587	\$ 37,767	\$ 61,813	\$ 47,715	\$ 22,578	\$ 45,403	\$ 21,379
Property operating expenses	43,330	13,380	26,834	18,161	7,155	17,670	5,530
Property NOI	\$ 92,257	\$ 24,387	\$ 34,979	\$ 29,554	\$ 15,423	\$ 27,733	\$ 15,849
<i>Share of Property NOI</i>	38.4 %	10.2 %	14.6 %	12.3 %	6.4 %	11.5 %	6.6 %

Year ended December 31, 2011

	Canada					U.S.	
	AB	BC	MB	ON	SK	MN	Other
Revenue	\$ 109,314	\$ 35,643	\$ 55,726	\$ 36,786	\$ 17,623	\$ 27,053	\$ 8,367
Property operating expenses	37,456	12,363	24,897	14,759	5,449	10,433	2,342
Property NOI	\$ 71,858	\$ 23,280	\$ 30,829	\$ 22,027	\$ 12,174	\$ 16,620	\$ 6,025
<i>Share of Property NOI</i>	39.3 %	12.7 %	16.9 %	12.0 %	6.7 %	9.1 %	3.3 %

ARTIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis - 2012 Annual
(In thousands of Canadian dollars, unless otherwise noted)

PORTFOLIO OCCUPANCY

Occupancy levels impact the REIT's revenues and Property NOI. Occupancy and commitments at December 31, 2012 (excluding properties currently in redevelopment or under construction), and the previous four periods, are as follows:

Occupancy Report by Asset Class

	Q4-12 % Committed ⁽¹⁾	Q4-12	Q3-12	Q2-12	Q1-12	Q4-11
Retail	97.3 %	96.4 %	97.1 %	96.7 %	96.4 %	96.6 %
Office	96.1 %	95.2 %	95.0 %	94.5 %	96.2 %	94.9 %
Industrial	96.0 %	95.5 %	94.7 %	93.4 %	93.3 %	94.3 %
Total portfolio	96.3 %	95.6 %	95.3 %	94.6 %	95.0 %	95.1 %

Occupancy Report by Geographical Region

	Q4-12 % Committed ⁽¹⁾	Q4-12	Q3-12	Q2-12	Q1-12	Q4-11
Canada:						
Alberta	97.5 %	96.9 %	97.0 %	96.1 %	97.1 %	97.4 %
British Columbia	96.1 %	95.3 %	94.7 %	93.7 %	90.7 %	90.6 %
Manitoba	97.0 %	96.6 %	93.5 %	94.5 %	96.0 %	97.0 %
Ontario	97.4 %	96.4 %	96.6 %	96.1 %	97.5 %	95.8 %
Saskatchewan	99.7 %	99.0 %	98.2 %	98.3 %	98.0 %	97.7 %
U.S.:						
Minnesota	93.2 %	92.3 %	92.4 %	89.8 %	89.8 %	90.0 %
U.S. - Other	97.1 %	97.0 %	96.8 %	96.6 %	99.2 %	98.9 %
Total portfolio	96.3 %	95.6 %	95.3 %	94.6 %	95.0 %	95.1 %

⁽¹⁾ Percentage committed is based on occupancy plus commitments on vacant space as at December 31, 2012.

Occupancy, excluding properties in redevelopment, was 95.6% at December 31, 2012 compared to 95.3% at September 30, 2012 and 95.1% at December 31, 2011. During the current quarter, Artis acquired over 2.4 million square feet of leasable area at a weighted-average occupancy rate of 93.6%, which is lower than in the portfolio of properties owned at the start of the quarter. The resultant reduction in occupancy was offset by absorption during the period, particularly in the Alberta and British Columbia office segments, as well as the impact of reclassifying three Manitoba industrial properties into redevelopment.

ARTIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis - 2012 Annual
(In thousands of Canadian dollars, unless otherwise noted)

PORTFOLIO LEASING ACTIVITY AND LEASE EXPIRIES

Renewal Summary (in S.F.)

	Three month period ended December 31,		Year ended December 31,	
	2012	2011	2012	2011
Leasable area renewed	362,049	586,707	1,578,867	1,509,261
% Increase in rent rate	4.5 %	2.7 %	2.6 %	4.5 %

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⁾

	Current vacancy	Monthly tenants ⁽²⁾	2013	2014	2015	2016	2017 & later	Total
Office - uncommitted	279,202	36,908	465,002	515,492	705,063	526,903	4,275,772	6,804,342
Office - committed	98,717	-	552,262	26,090	15,114	-	-	692,183
Total office	377,919	36,908	1,017,264	541,582	720,177	526,903	4,275,772	7,496,525
Retail - uncommitted	85,728	47,007	244,494	318,179	407,229	448,646	2,328,975	3,880,258
Retail - committed	70,349	-	156,899	68,630	-	5,321	101,114	402,313
Total retail	156,077	47,007	401,393	386,809	407,229	453,967	2,430,089	4,282,571
Industrial - uncommitted	619,970	109,883	1,078,351	1,668,937	1,582,280	1,798,364	3,689,953	10,547,738
Industrial - committed	127,783	-	659,920	75,038	185,776	-	-	1,048,517
Total industrial	747,753	109,883	1,738,271	1,743,975	1,768,056	1,798,364	3,689,953	11,596,255
Total - uncommitted	984,900	193,798	1,787,847	2,502,608	2,694,572	2,773,913	10,294,700	21,232,338
Total - committed	296,849	-	1,369,081	169,758	200,890	5,321	101,114	2,143,013
Total	1,281,749	193,798	3,156,928	2,672,366	2,895,462	2,779,234	10,395,814	23,375,351

⁽¹⁾ Based on owned share of total leasable area.

⁽²⁾ Includes holdovers and renewals where term has not been negotiated.

ARTIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis - 2012 Annual
(In thousands of Canadian dollars, unless otherwise noted)

In-Place Rents

In-place rents reflect the actual rental rate in effect for the leasable area as at December 31, 2012. In-place rents do not reflect either the average rate over the term of the lease or the rate in place in the year of expiry.

Market Rents

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

Market Rents by Asset Class ⁽¹⁾

	2013	2014	2015	2016	2017 & later	Total
Office						
In-place rents	\$ 19.47	\$ 19.10	\$ 16.57	\$ 19.56	\$ 17.69	\$ 18.08
Market rents	19.91	21.04	18.94	21.75	19.64	19.87
Change	2.3 %	10.2 %	14.3 %	11.2 %	11.0 %	9.9 %
Revenue impact ⁽²⁾	\$ 446	\$ 1,054	\$ 1,707	\$ 1,155	\$ 8,331	\$ 12,693
Retail						
In-place rents	\$ 20.27	\$ 18.64	\$ 14.48	\$ 20.88	\$ 17.05	\$ 17.69
Market rents	23.45	20.69	16.00	24.07	18.48	19.55
Change	15.7 %	11.0 %	10.5 %	15.3 %	8.4 %	10.5 %
Revenue impact ⁽²⁾	\$ 1,277	\$ 792	\$ 620	\$ 1,446	\$ 3,477	\$ 7,612
Industrial						
In-place rents	\$ 5.17	\$ 6.52	\$ 5.72	\$ 7.13	\$ 6.97	\$ 6.42
Market rents	5.49	6.76	5.93	7.96	7.13	6.75
Change	6.3 %	3.8 %	3.8 %	11.7 %	2.3 %	5.0 %
Revenue impact ⁽²⁾	\$ 563	\$ 432	\$ 381	\$ 1,499	\$ 600	\$ 3,475
Total portfolio						
In-place rents	\$ 11.70	\$ 10.82	\$ 9.65	\$ 11.73	\$ 13.73	\$ 12.29
Market rents	12.42	11.67	10.58	13.21	14.93	13.38
Change	6.2 %	7.9 %	9.7 %	12.6 %	8.7 %	8.8 %
Revenue impact ⁽²⁾	\$ 2,286	\$ 2,278	\$ 2,708	\$ 4,100	\$ 12,408	\$ 23,780

⁽¹⁾ Based on owned share of total leasable area.

⁽²⁾ 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 December 31, 2012 are estimated to be 8.8% above in-place rents across the portfolio, compared to 6.5% at September 30, 2012, and 4.3% at December 31, 2011. Today's market rents for the 2013 and 2014 lease expiries are estimated to be 6.2% and 7.9% respectively, above in-place rents. In the short term, rental rate growth is expected to be strongest in the retail portfolio; overall, the office portfolio is still expected to be the strongest contributor to incremental rental revenue over the long term.

ARTIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis - 2012 Annual
(In thousands of Canadian dollars, unless otherwise noted)

Lease Expiries by Geographical Region (in S.F.) ⁽¹⁾

	Current Vacancy	Current monthly tenants ⁽²⁾	2013	2014	2015	2016	2017 & later	Total
AB - uncommitted	137,334	29,025	385,413	622,493	543,253	907,333	2,901,870	5,526,721
AB - committed	66,582	-	387,005	27,152	15,114	5,321	-	501,174
Total Alberta	203,916	29,025	772,418	649,645	558,367	912,654	2,901,870	6,027,895
BC - uncommitted	116,945	29,688	85,241	177,053	207,158	104,110	788,058	1,508,253
BC - committed	36,802	-	178,798	17,089	-	-	100,046	332,735
Total British Columbia	153,747	29,688	264,039	194,142	207,158	104,110	888,104	1,840,988
MB - uncommitted	264,056	59,349	292,395	507,377	547,073	359,515	1,147,994	3,177,759
MB - committed	21,675	-	316,830	72,613	-	-	1,068	412,186
Total Manitoba	285,731	59,349	609,225	579,990	547,073	359,515	1,149,062	3,589,945
ON - uncommitted	69,673	35,257	129,000	411,510	456,224	633,169	1,663,274	3,398,107
ON - committed	65,379	-	281,431	-	-	-	-	346,810
Total Ontario	135,052	35,257	410,431	411,510	456,224	633,169	1,663,274	3,744,917
SK - uncommitted	4,018	11,216	79,734	57,825	67,767	74,276	635,579	930,415
SK - committed	7,504	-	108,591	29,029	105,600	-	-	250,724
Total Saskatchewan	11,522	11,216	188,325	86,854	173,367	74,276	635,579	1,181,139
MN - uncommitted	364,546	27,763	804,591	684,875	858,485	695,510	2,215,553	5,651,323
MN - committed	95,517	-	93,093	23,875	80,176	-	-	292,661
Total Minnesota	460,063	27,763	897,684	708,750	938,661	695,510	2,215,553	5,943,984
U.S. - Other - uncommitted	28,328	1,500	11,473	41,475	14,612	-	942,372	1,039,760
U.S. - Other - committed	3,390	-	3,333	-	-	-	-	6,723
Total U.S. - Other	31,718	1,500	14,806	41,475	14,612	-	942,372	1,046,483
Total - uncommitted	984,900	193,798	1,787,847	2,502,608	2,694,572	2,773,913	10,294,700	21,232,338
Total - committed	296,849	-	1,369,081	169,758	200,890	5,321	101,114	2,143,013
Total	1,281,749	193,798	3,156,928	2,672,366	2,895,462	2,779,234	10,395,814	23,375,351

⁽¹⁾ Based on owned share of total leasable area.

⁽²⁾ Includes holdovers and renewals where term has not been negotiated.

ARTIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis - 2012 Annual
(In thousands of Canadian dollars, unless otherwise noted)

Market Rents by Geographical Region ⁽¹⁾

	2013	2014	2015	2016	2017 & later	Total
Alberta						
In-place rents	\$ 20.86	\$ 15.08	\$ 13.59	\$ 17.70	\$ 16.73	\$ 16.95
Market rents	21.10	17.39	16.59	20.24	19.41	19.27
Change	1.1 %	15.4 %	22.0 %	14.4 %	16.1 %	13.7 %
Revenue impact ⁽²⁾	\$ 180	\$ 1,505	\$ 1,671	\$ 2,321	\$ 7,792	\$ 13,469
British Columbia						
In-place rents	\$ 17.41	\$ 21.32	\$ 17.49	\$ 21.20	\$ 12.77	\$ 15.63
Market rents	18.53	21.40	17.74	22.10	12.94	16.00
Change	6.4 %	0.4 %	1.4 %	4.2 %	1.3 %	2.3 %
Revenue impact ⁽²⁾	\$ 295	\$ 15	\$ 51	\$ 93	\$ 152	\$ 606
Manitoba						
In-place rents	\$ 7.66	\$ 7.88	\$ 10.12	\$ 12.75	\$ 15.41	\$ 11.42
Market rents	9.00	8.51	11.36	14.41	16.22	12.47
Change	17.5 %	8.0 %	12.3 %	13.0 %	5.3 %	9.2 %
Revenue impact ⁽²⁾	\$ 818	\$ 368	\$ 681	\$ 597	\$ 937	\$ 3,401
Ontario						
In-place rents	\$ 7.02	\$ 9.58	\$ 8.68	\$ 7.72	\$ 9.52	\$ 8.81
Market rents	8.32	9.92	8.74	9.09	9.64	9.31
Change	18.5 %	3.6 %	0.7 %	17.7 %	1.3 %	5.6 %
Revenue impact ⁽²⁾	\$ 533	\$ 142	\$ 27	\$ 864	\$ 202	\$ 1,768
Saskatchewan						
In-place rents	\$ 19.06	\$ 17.59	\$ 11.12	\$ 20.04	\$ 13.58	\$ 14.82
Market rents	21.47	19.25	11.82	21.06	14.64	16.09
Change	12.6 %	9.5 %	6.3 %	5.1 %	7.8 %	8.6 %
Revenue impact ⁽²⁾	\$ 454	\$ 145	\$ 121	\$ 76	\$ 676	\$ 1,472
Minnesota						
In-place rents	\$ 5.27	\$ 5.65	\$ 5.16	\$ 4.73	\$ 8.65	\$ 6.60
Market rents	5.27	5.78	5.27	4.94	9.44	6.99
Change	0.0 %	2.2 %	2.1 %	4.5 %	9.2 %	5.8 %
Revenue impact ⁽²⁾	\$ 1	\$ 89	\$ 104	\$ 149	\$ 1,755	\$ 2,098
U.S. - Other						
In-place rents	\$ 23.69	\$ 22.76	\$ 31.41	\$ -	\$ 22.89	\$ 23.02
Market rents	24.00	23.10	35.00	-	23.84	23.97
Change	1.3 %	1.5 %	11.4 %	0.0 %	4.1 %	4.1 %
Revenue impact ⁽²⁾	\$ 5	\$ 14	\$ 53	\$ -	\$ 894	\$ 966
Total portfolio						
In-place rents	\$ 11.70	\$ 10.82	\$ 9.65	\$ 11.73	\$ 13.73	\$ 12.29
Market rents	12.42	11.67	10.58	13.21	14.93	13.38
Change	6.2 %	7.9 %	9.7 %	12.6 %	8.7 %	8.8 %
Revenue impact ⁽²⁾	\$ 2,286	\$ 2,278	\$ 2,708	\$ 4,100	\$ 12,408	\$ 23,780

⁽¹⁾ Based on owned share of total leasable area.

⁽²⁾ 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 December 31, 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 21.2% of the overall portfolio by GLA. Direct vacancy in the Minneapolis industrial market, as reported by CBRE, was 6.0% at December 31, 2012, down from 7.0% at September 30, 2012 on positive net absorption over the quarter of 325,083 square feet. As per CBRE, this was the tenth consecutive quarter of positive absorption for this market. Average asking market lease rates increased slightly to \$4.65 per square foot, up from \$4.61 per square foot at September 30, 2012. Occupancy in this segment of the portfolio was 92.3% at December 31, 2012 compared to 92.6% at September 30, 2012. Artis has commitments in place for 19.4% of the unoccupied space. In 2013, 831,151 square feet comes up for renewal, which represents 3.6% of the portfolio's GLA; commitments are in place for 11.1% of the expiring space.

ARTIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis - 2012 Annual
(In thousands of Canadian dollars, unless otherwise noted)

Calgary office properties represent 9.6% 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 4.5% at December 31, 2012, compared to 4.3% at September 30, 2012. At December 31, 2012, the Calgary office segment of Artis' portfolio was 95.0% occupied, compared to 94.3% occupancy at September 30, 2012. Artis has commitments in place for 13.7% of the unoccupied space. In 2013, 451,677 square feet comes up for renewal, which represents 1.9% of the portfolio's GLA; 61.0% has been renewed or committed to new leases. Approximately 45.6% of the Calgary office GLA expires in 2017 or later.

Lease Expiries for Calgary Office Segment (in S.F.) ⁽¹⁾

	Current vacancy	Current monthly tenants ⁽²⁾	2013	2014	2015	2016	2017 & later	Total
Calgary - uncommitted	84,078	5,514	176,172	200,395	175,482	243,213	1,018,410	1,903,264
Calgary - committed	28,346	-	275,505	12,085	15,114	-	-	331,050
Total Calgary office	112,424	5,514	451,677	212,480	190,596	243,213	1,018,410	2,234,314
Other - uncommitted	195,124	31,394	288,830	315,097	529,581	283,690	3,257,362	4,901,078
Other - committed	70,371	-	276,757	14,005	-	-	-	361,133
Total other office	265,495	31,394	565,587	329,102	529,581	283,690	3,257,362	5,262,211

⁽¹⁾ Based on owned share of total leasable area.

⁽²⁾ Includes holdovers and renewals where term has not been negotiated.

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 for Calgary Office Segment ⁽¹⁾

	2013	2014	2015	2016	2017 & later	Total
Calgary office						
In-place rents	\$ 24.64	\$ 18.71	\$ 15.63	\$ 22.74	\$ 19.42	\$ 20.50
Market rents	23.32	23.54	22.30	24.85	24.09	23.80
Change	(5.4)%	25.8 %	42.7 %	9.3 %	24.1 %	16.1 %
Revenue impact ⁽²⁾	\$ (596)	\$ 1,025	\$ 1,271	\$ 513	\$ 4,766	\$ 6,979
Other office						
In-place rents	\$ 15.35	\$ 19.35	\$ 16.91	\$ 16.84	\$ 17.15	\$ 17.05
Market rents	17.19	19.44	17.73	19.10	18.25	18.20
Change	12.0 %	0.5 %	4.9 %	13.4 %	6.4 %	6.8 %
Revenue impact ⁽²⁾	\$ 1,042	\$ 29	\$ 436	\$ 642	\$ 3,565	\$ 5,714

⁽¹⁾ Based on owned share of total leasable area.

⁽²⁾ 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 9.6% of Artis' portfolio by GLA. Availability in the GTA industrial market, was 5.4% at December 31, 2012, a decrease from 5.6% at September 30, 2012. The average net rental rate in this market decreased to \$4.63 per square foot, from \$4.69 per square foot last quarter. Occupancy in this segment of the portfolio was 98.1% at December 31, 2012, compared to 97.5% at September 30, 2012. Artis has commitments in place for 40.4% of the unoccupied space. In 2013, 351,523 square feet comes up for renewal, which represents 1.5% of the portfolio's GLA; 73.1% has been renewed or committed to new leases.

Winnipeg industrial properties represent 7.6% of Artis' portfolio by GLA. Occupancy, excluding properties in redevelopment, was 95.9% at December 31, 2012, compared to 89.7% at September 30, 2012. In total, Artis has commitments in place for 18.0% of the unoccupied space. In 2013, 392,117 square feet comes up for renewal, which represents 1.7% of the portfolio's GLA; 64.6% has been renewed or committed to new leases.

ARTIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis - 2012 Annual
(In thousands of Canadian dollars, unless otherwise noted)

INTEREST EXPENSE

The current year's interest expense is attributable to mortgages and other loans secured against the investment properties, as well as convertible debentures outstanding. Interest expense in 2012 has increased over 2011 due to additional mortgage financing obtained in connection with acquisitions completed in 2012 and 2011. 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 December 31, 2012 on mortgages and other loans secured by properties was 4.42%, compared to 4.79% at December 31, 2011. The weighted-average nominal interest rate at December 31, 2012 was 4.23% 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 2012 of \$11,443 (Q4-12 - \$2,564), compared to \$12,205 (Q4-11 - \$3,748) in 2011.

The REIT's interest coverage ratio, defined as total revenues less property operating expenses and corporate expenses divided by interest expense, is 2.45 times for the year ended December 31, 2012 (Q4-12 - 2.60 times).

CORPORATE EXPENSE

	Three month period ended December 31,		Year ended December 31,	
	2012	2011	2012	2011
Accounting, legal and consulting	\$ 468	\$ 299	\$ 1,525	\$ 1,161
Advisory fees	-	1,689	-	6,037
Public company costs	264	187	1,101	853
Unit-based compensation	586	663	3,971	926
Salaries and benefits	981	-	2,817	-
Amortization	89	32	353	120
General and administrative	496	436	2,226	1,958
Total corporate expenses	\$ 2,884	\$ 3,306	\$ 11,993	\$ 11,055

Corporate expenses in 2012 were \$11,993 (Q4-12 - \$2,884), or 3.2% (Q4-12 - 2.7%) of gross revenues compared to \$11,055 (Q4-11 - \$3,306), or 3.8% (Q4-11 - 4.0%) of gross revenues in 2011. 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 \$2,817 (Q4-12 - \$981) in 2012.

The unit-based compensation expense recorded in 2012 was \$3,971 (Q4-12 - \$586) compared to \$926 (Q4-11 - \$663) in 2011. 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 for its unit options 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 \$2,396 (Q4-12 - loss of \$240) in 2012, compared to a loss of \$1,268 (Q4-11 - gain of \$1,941) in 2011.

ARTIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis - 2012 Annual
(In thousands of Canadian dollars, unless otherwise noted)

INCOME TAX

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 year ended December 31, 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 2012, \$8,654 (Q4-12 - \$1,511) of transaction costs were expensed compared to \$16,451 (Q4-11 - \$4,439) in 2011. Transaction costs in 2012 are primarily attributable to the acquisition of investment properties. In 2011, transaction costs also included Series G debentures transaction costs of \$3,630 and a termination fee of \$4,000 relating to taking over a third party property management company.

LOSS ON FINANCIAL INSTRUMENTS

In 2012, the REIT recorded an unrealized loss on convertible debentures of \$13,915 (Q4-12 - \$nil) compared to an unrealized gain of \$650 (Q4-11 - loss of \$14,036) in 2011.

The REIT holds a number of interest rate swaps to effectively lock the interest rate on a portion of floating rate debt. The REIT recorded an unrealized loss on the fair value adjustment of the interest rate swaps outstanding of \$244 (Q4-12 - loss of \$167) in 2012, compared to an unrealized loss of \$4,347 (Q4-11 - loss of \$259) in 2011. The REIT anticipates holding the mortgages and interest rate swap contracts until maturity.

In Q4-12, the REIT entered into a swap contract to exchange US\$25,000 into Canadian funds and recorded an unrealized gain on the fair value adjustment of this contract of \$78.

ARTIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis - 2012 Annual
(In thousands of Canadian dollars, unless otherwise noted)

FAIR VALUE GAIN ON INVESTMENT PROPERTIES

The changes in fair value of investment properties, year-over-year, are recognized as fair value gains and losses in the statement of operations. Fair values of the investment properties are determined through either the discounted cash flow method or 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 2012, the fair value gain on investment properties is \$223,264 (Q4-12 - \$60,400) compared to \$246,094 (Q4-11 - \$46,916) in 2011. 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 2012 portfolio is significantly different than the size and mix of the portfolio in 2011. Capitalization rate compression and increases to expected market rents in several portfolio segments have occurred over the course of 2011 and 2012 and have contributed to the fair value gain.

OTHER COMPREHENSIVE (LOSS) INCOME

Other comprehensive (loss) income includes the unrealized foreign currency translation loss in 2012 of \$4,656 (Q4-12 - gain of \$2,712) compared to a gain of \$3,183 (Q4-11 - loss of \$2,967) in 2011. 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 December 31, 2012	Year ended December 31, 2012	Year ended December 31, 2011	Year ended December 31, 2010
Cash flow from operations	\$ 34,346	\$ 135,920	\$ 76,494	\$ 24,187
Net income	\$ 98,725	\$ 340,339	\$ 321,289	\$ 33,224
Distributions declared ⁽¹⁾	\$ 32,310	\$ 117,948	\$ 87,183	\$ 46,503
Excess (shortfall) of cash flow from operations over distributions declared	\$ 2,036	\$ 17,972	\$ (10,689)	\$ (22,316)
Excess (shortfall) of net income over distributions declared	\$ 66,415	\$ 222,391	\$ 234,106	\$ (13,279)

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

For the year ended December 31, 2012, cash flow from operations exceeded distributions declared by \$17,972 (Q4-12 - \$2,036) and net income exceeded distributions declared.

ARTIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis - 2012 Annual
(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 December 31,		Year ended December 31,	
	2012	2011	2012	2011
Cash flow from operations	\$ 34,346	\$ 21,381	\$ 135,920	\$ 76,494
Add (deduct):				
Depreciation of property and equipment	(89)	(32)	(353)	(120)
Amortization of above- and below-market mortgages, net	465	290	1,537	862
Straight-line rent adjustment	1,560	1,508	5,473	5,514
Unrealized loss (gain) on equity securities	-	427	-	(1,569)
Realized foreign currency translation loss (gain)	341	(334)	(1,258)	(3,734)
Unrealized foreign currency gain (loss) from U.S. operations	167	(318)	(1,803)	2,662
Unit-based compensation expense	(586)	(663)	(3,971)	(926)
Accretion on liability component of convertible debentures	75	-	118	-
Accretion of financing costs included in interest	(798)	(562)	(2,777)	(1,974)
Defined benefit funding	647	-	-	-
Transaction costs on acquisitions	1,511	449	8,312	8,821
Additions to tenant inducements	4,408	1,969	15,566	8,666
Changes in non-cash operating items	(565)	2,382	(13,980)	(2,631)
Preferred unit distributions	(2,113)	-	(2,980)	-
FFO for the period	\$ 39,369	\$ 26,497	\$ 139,804	\$ 92,065
Add back:				
Transaction costs ⁽¹⁾	-	3,990	342	7,630
Current tax recovery	-	(1,710)	-	(30)
Loss on equity securities	-	(102)	-	290
FFO for the period after adjustments	\$ 39,369	\$ 28,675	\$ 140,146	\$ 99,955
FFO per unit				
Basic	\$ 0.35	\$ 0.31	\$ 1.33	\$ 1.15
Diluted	\$ 0.34	\$ 0.31	\$ 1.30	\$ 1.13
FFO per unit after adjustments				
Basic	\$ 0.35	\$ 0.34	\$ 1.33	\$ 1.25
Diluted	\$ 0.34	\$ 0.33	\$ 1.30	\$ 1.21
Weighted-average number of common units outstanding:				
Basic ⁽²⁾	110,947	84,172	105,046	79,867
Diluted ⁽²⁾	121,810	98,073	115,641	92,370

⁽¹⁾ Transaction costs added back are one time professional fees related to internalization and corporate matters and convertible debenture financing costs. On October 31, 2011, the REIT took over property management operations for several of its properties in Winnipeg, Manitoba and paid a termination fee of \$4,000 to the prior third party property management group.

⁽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 - 2012 Annual
(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:

	Three month period ended December 31,	
	2012	2011
Basic units	110,947	84,172
Add:		
Options ⁽¹⁾	268	-
Debentures ⁽¹⁾	10,595	13,901
Diluted units	121,810	98,073

Diluted FFO reconciliation:

	Three month period ended December 31,	
	2012	2011
FFO	\$ 39,369	\$ 26,497
Add:		
Options ⁽¹⁾	-	-
Debentures ⁽¹⁾	2,579	3,471
Diluted FFO	\$ 41,948	\$ 29,968

⁽¹⁾ All debenture series and options are dilutive in Q4-12. All debenture series are dilutive in Q4-11.

Diluted common units reconciliation:

	Year ended December 31,	
	2012	2011
Basic units	105,046	79,867
Add:		
Debentures ⁽¹⁾	10,595	12,503
Diluted units	115,641	92,370

Diluted FFO reconciliation:

	Year ended December 31,	
	2012	2011
FFO	\$ 139,804	\$ 92,065
Add:		
Debentures ⁽¹⁾	10,449	12,110
Diluted FFO	\$ 150,253	\$ 104,175

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

ARTIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis - 2012 Annual
(In thousands of Canadian dollars, unless otherwise noted)

Reconciliation of GAAP Income to FFO:

	Three month period ended December 31,		Year ended December 31,	
	2012	2011	2012	2011
Income for the period	\$ 98,725	\$ 66,739	\$ 340,339	\$ 321,289
Add amortization on:				
Tenant inducements amortized to revenue	1,954	1,246	6,349	4,559
Add (deduct):				
Gain on disposal of investment properties	(637)	-	(637)	(736)
Deferred tax recovery	-	(8,997)	-	(439)
Fair value gain on investment properties	(60,400)	(46,916)	(223,264)	(246,094)
Foreign currency translation loss (gain)	240	(1,941)	(2,396)	1,268
Transaction costs on acquisitions	1,511	449	8,312	8,821
Unrealized loss on financial instruments	89	15,917	14,081	3,397
Preferred unit distributions	(2,113)	-	(2,980)	-
FFO for the period	\$ 39,369	\$ 26,497	\$ 139,804	\$ 92,065
Add back:				
Transaction costs ⁽¹⁾	-	3,990	342	7,630
Current tax recovery	-	(1,710)	-	(30)
Loss on equity securities	-	(102)	-	290
FFO for the period after adjustments	\$ 39,369	\$ 28,675	\$ 140,146	\$ 99,955

⁽¹⁾ Transaction costs added back are one time professional fees related to internalization and corporate matters and convertible debenture financing costs. On October 31, 2011, the REIT took over property management operations for several of its properties in Winnipeg, Manitoba and paid a termination fee of \$4,000 to the prior third party property management group.

In 2012, FFO has increased \$47,739 (Q4-12 - \$12,872), or 51.9% (Q4-12 - 48.6%) over 2011. This increase is primarily attributed to acquisitions completed in 2011 and 2012. Basic FFO per unit has increased by \$0.18 (Q4-12 - \$0.04) or 15.7% (Q4-12 - 12.9%) over 2011. On a diluted basis, FFO per unit has increased \$0.17 (Q4-12 - \$0.03), or 15.0% (Q4-11 - 9.7%) over 2011.

During 2011, the REIT converted its U.S. subsidiary into a REIT for U.S. income tax purposes. The current tax expense and its reversal have been excluded from the calculation of adjusted FFO. In 2012, adjusted FFO has increased \$40,191 (Q4-12 - \$10,694), or 40.2% (Q4-12 - 37.3%) over 2011. Adjusted basic FFO per unit has increased by \$0.08 (Q4-12 - \$0.01) or 6.4% (Q4-12 - 2.9%). Adjusted diluted FFO per unit has increased by \$0.09 (Q4-12 - \$0.01) or 7.4% (Q4-12 - 3.0%).

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 - 2012 Annual
(In thousands of Canadian dollars, unless otherwise noted)

ADJUSTED FUNDS FROM OPERATIONS ("AFFO")

Management believes that AFFO is an important measure of performance for Artis and is introducing reporting on AFFO performance in the 2012 Annual Management's Discussion and Analysis.

Artis calculates AFFO based on FFO for the period, net of allowances for normalized capital expenditures and leasing costs and excluding straight-line rent adjustments and unit-based compensation expense.

Actual capital expenditures, which are neither revenue enhancing nor recoverable from tenants in future periods, are by nature variable and unpredictable. The allowance applied in the calculation of AFFO reflects management's best estimate of a reasonable annual capital expenditure on a long-term basis, based on the asset class mix and age and quality of the Artis portfolio properties.

Actual leasing costs, which include tenant improvements that are not capital in nature, tenant allowances and commissions, are also variable in nature. Leasing costs will fluctuate depending on the square footage of leases rolling over, in-place rates at expiry, tenant retention and local market conditions in a given year. The allowance applied in the calculation of AFFO reflects management's estimate of normalized leasing costs over the long-term, based on the asset class mix, tenant mix and conditions in Artis' target markets.

Reconciliation of FFO to AFFO:

000's, except per unit amounts	Three month period ended December 31, 2012	Year ended December 31, 2012
FFO for the period, after adjustments	\$ 39,369	\$ 140,146
Add (deduct):		
Capital expenditures reserve	(792)	(2,813)
Leasing costs reserve	(3,694)	(13,129)
Straight-line rent adjustments	(1,560)	(5,473)
Unit-based compensation	586	3,971
AFFO for the period	\$ 33,909	\$ 122,702
AFFO per unit		
Basic	\$ 0.31	\$ 1.17
Diluted	\$ 0.30	\$ 1.15

ARTIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis - 2012 Annual
(In thousands of Canadian dollars, unless otherwise noted)

ANALYSIS OF FINANCIAL POSITION

ASSETS

	December 31, 2012	December 31, 2011	Increase (decrease)
Non-current assets:			
Investment properties and investment properties under construction	\$ 4,217,747	\$ 3,024,067	\$ 1,193,680
Other non-current assets	22,928	24,063	(1,135)
Current assets:			
Cash, cash equivalents and cash held in trust	57,524	95,133	(37,609)
Investment properties held for sale	58,963	-	58,963
Other current assets	24,752	24,325	427
	\$ 4,381,914	\$ 3,167,588	\$ 1,214,326

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	990,221	246	990,467
Capital expenditures	19,433	12,866	32,299
Leasing costs	6,447	-	6,447
Disposition	(2,790)	-	(2,790)
Reclassification of investment properties under construction	27,552	(27,552)	-
Reclassification of investment properties held for sale	(58,963)	-	(58,963)
Foreign currency translation loss	(11,678)	(56)	(11,734)
Straight-line rent adjustment	5,473	-	5,473
Tenant inducements, net of amortization	9,217	-	9,217
Fair value gain	220,622	2,642	223,264
Balance, December 31, 2012	\$ 4,209,138	\$ 8,609	\$ 4,217,747

Acquisitions:

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 December 31,		Year ended December 31,	
	2012	2011	2012	2011
Cash consideration	\$ 96,608	\$ 21,869	\$ 509,227	\$ 278,129
Contingent consideration	-	713	200	713
Long-term debt, including acquired above- and below-market mortgages, net of financing costs	97,060	40,928	481,040	399,874
Investment properties and investment properties under construction	\$ 193,668	\$ 63,510	\$ 990,467	\$ 678,716

ARTIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis - 2012 Annual
(In thousands of Canadian dollars, unless otherwise noted)

Capital expenditures:

Investment properties include certain capital expenditures related to sustaining building improvements not related to a specific lease or tenancy. Capital expenditures in 2012 totaled \$32,299 (Q4-12 - \$9,945) compared to \$27,941 (Q4-11 - \$12,821) in 2011. In 2012, revenue enhancing capital expenditures were \$17,857 (Q4-12 - \$4,334), which included investment properties under construction of \$12,866 (Q4-12 - \$2,509). Also included in revenue enhancing capital expenditures are costs incurred for properties that were classified as construction in progress and costs incurred towards the construction of new leasable area at existing properties. The remaining \$14,442 (Q4-12 - \$5,611) of capital expenditure primarily relate to elevator modernizations, HVAC unit replacements, boiler replacements, parking lot replacements and roof replacements. Approximately \$9,394 (Q4-12 - \$2,834) of these capital expenditures are recoverable from tenants in future periods.

Leasing costs and tenant inducements:

In 2012, Artis incurred \$22,013 (Q4-12 - \$6,777) of tenant inducements and leasing costs compared to \$12,979 (Q4-11 - \$2,968) in 2011. 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. The current year's tenant inducements include \$3,777 relating to re-leasing activities at Northwest Centre I & II and the Britannia Building.

	Three month period ended December 31,		Year ended December 31,	
	2012	2011	2012	2011
Tenant inducements	\$ 4,408	\$ 1,969	\$ 15,566	\$ 8,666
Leasing costs	2,369	999	6,447	4,313
Total	\$ 6,777	\$ 2,968	\$ 22,013	\$ 12,979

Reclassification of investment properties under construction:

The REIT completed construction on several projects during the year which were reclassified from investment properties under construction to investment properties. A new parkade ancillary to an existing portfolio office property in Winnipeg, Manitoba and a new industrial building in Minneapolis, Minnesota were completed in Q1-12. In Q2-12, a new format Shoppers Drug Mart was built on an existing portfolio retail property in Winnipeg, Manitoba. The construction of Fourell Building #2 was completed on an existing portfolio industrial property in Edmonton, Alberta in Q3-12.

Reclassification of investment properties held for sale:

At December 31, 2012, the REIT has two investment properties listed for sale with an external broker. The fair value of these investment properties of \$58,963 has been classified as held for sale at December 31, 2012.

Foreign currency translation loss:

In 2012, the foreign currency translation loss on investment properties was \$11,734 (Q4-12 - gain of \$7,301) due to the change in the period end US dollar to Canadian dollar exchange rate from 1.0170 at December 31, 2011 to 0.9949 at December 31, 2012.

ARTIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis - 2012 Annual
(In thousands of Canadian dollars, unless otherwise noted)

Fair value gain on investment properties:

In 2012, the REIT recorded a gain on the fair value of investment properties of \$223,264 (Q4-12 - \$60,400). In 2011, the REIT recorded a gain of \$246,094 (Q4-11 - \$46,916). 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 Alberta industrial and retail segments.

Artis determines the fair value of investment properties, including investment properties held for sale, based upon either the discounted cash flow method or 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 5.25% to 9.00%. 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.

	December 31, 2012			December 31, 2011		
	Maximum	Minimum	Weighted-average	Maximum	Minimum	Weighted-average
Office:						
U.S.	8.50%	6.50%	7.14%	8.50%	7.00%	7.67%
Canada	8.25%	5.25%	6.15%	9.00%	5.50%	6.71%
Office total	8.50%	5.25%	6.34%	9.00%	5.50%	6.86%
Industrial:						
U.S.	8.00%	6.50%	7.10%	9.00%	7.00%	7.47%
Canada	8.00%	5.75%	6.59%	9.00%	6.00%	7.03%
Industrial total	8.00%	5.75%	6.74%	9.00%	6.00%	7.14%
Retail:						
U.S.	9.00%	6.25%	7.37%	8.50%	6.50%	7.58%
Canada	7.25%	5.50%	6.42%	8.00%	5.50%	6.71%
Retail total	9.00%	5.50%	6.44%	8.50%	5.50%	6.74%
Total:						
U.S. portfolio	9.00%	6.25%	7.13%	9.00%	6.50%	7.59%
Canadian portfolio	8.25%	5.25%	6.32%	9.00%	5.50%	6.77%
Total portfolio	9.00%	5.25%	6.46%	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 December 31, 2012 is \$23,875 compared to \$25,437 at December 31, 2011.

Cash and cash equivalents:

At December 31, 2012, the REIT had \$54,705 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 - 2012 Annual
(In thousands of Canadian dollars, unless otherwise noted)

LIABILITIES

	December 31, 2012	December 31, 2011	Increase (decrease)
Non-current liabilities:			
Mortgages and loans payable	\$ 1,860,606	\$ 1,428,334	\$ 432,272
Convertible debentures	182,344	235,746	(53,402)
Other non-current liabilities	76	78	(2)
Current liabilities:			
Current portion of mortgages and loans payable	213,001	139,065	73,936
Bank indebtedness	-	37,900	(37,900)
Other current liabilities	76,031	56,650	19,381
	\$ 2,332,058	\$ 1,897,773	\$ 434,285

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 December 31, 2012 was 47.3%, compared to 50.7% at December 31, 2011.

	December 31, 2012	December 31, 2011
GBV	\$ 4,382,620	\$ 3,167,941
Mortgages, loans and bank indebtedness	2,073,607	1,605,299
Mortgages, loans and bank indebtedness to GBV	47.3 %	50.7 %
Preferred share liabilities	\$ 76	\$ 78
Carrying value of convertible debentures	182,344	235,746
Total long-term debt and bank indebtedness	2,256,027	1,841,123
Total long-term debt and bank indebtedness to GBV	51.5 %	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 December 31, 2012, the ratio of total long-term debt, bank indebtedness and preferred units to GBV was 54.9%.

ARTIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis - 2012 Annual
(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 2012, \$41,903 (Q4-12 - \$12,414) of principal repayments were made compared to \$29,728 (Q4-11 - \$8,783) in 2011.

During 2012, long-term debt including acquired above-and below-market mortgages, net of financing costs, added on acquisition of investment properties was \$481,040 (Q4-12 - \$97,060). In 2012, Artis obtained new or additional financing, net of financing costs, on seven properties in the amount of \$104,572, repaid 11 maturing mortgages in the amount of \$40,445 and received upward financing on a maturing mortgage of \$8,192.

The weighted-average term to maturity at December 31, 2012 is 4.4 years, compared to 4.0 years at December 31, 2011.

Variable rate debt:

Management believes that a percentage of variable rate debt is prudent in managing a portfolio of debt. At various times, management feels that 5% to 20% of the portfolio could be held in variable rate instruments and provide the benefit of lower interest rates, while keeping the overall risk at a moderate level. With the exception of the line of credit, all the REIT's variable rate debt is term debt and cannot be called on demand. The REIT has the ability to refinance, or use interest rate swaps, at any given point without incurring penalties. Management believes that interest rates will remain low for some time yet before gradually starting to rise. Management anticipates gradually reducing the floating rate exposure over the next year as we begin to see upward pressure on interest rates.

At December 31, 2012, the REIT is a party to \$529,660 of variable rate debt (December 31, 2011, \$386,388), including the outstanding balance of bank indebtedness. At December 31, 2012, the REIT had entered into interest rate swaps to hedge the interest rate risk associated with \$173,472 of variable rate debt (December 31, 2011, \$65,061). The variable rate debt less the portion protected by interest rate swaps is \$356,188 or 15.8% of total debt.

The amount of variable rate debt on properties in the U.S. is \$368,303, of which \$29,847 is protected by an interest rate swap. Management believes that holding variable rate debt in the U.S. is particularly appropriate as it can be repaid at any time without penalty, and therefore, the REIT has flexibility in the event it were to ever exit the U.S. market. Management is of the view that the interest rate increases in the U.S. will lag the Canadian market, and as such, there will be ample time to reduce U.S. variable rate debt exposure if we see Canadian rates start to rise.

Convertible debentures:

Artis has three series of convertible debentures outstanding as at December 31, 2012, as follows:

	Issued	Maturity	Face rate	December 31, 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%	6,937	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%	84,896	86,170	87,932	86,250
Series G	21-Apr-11	30-June-18	5.75%	90,511	87,551	85,898	89,496
				\$ 182,344	\$ 180,721	\$ 235,746	\$ 231,999

The carrying value of convertible debentures has decreased by \$53,402 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.

ARTIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis - 2012 Annual
(In thousands of Canadian dollars, unless otherwise noted)

Other liabilities and bank indebtedness:

Included in other liabilities are security deposits paid by tenants, rents prepaid by tenants at December 31, 2012, accounts payable and accruals, as well as the December 31, 2012 distribution payable to unitholders of \$10,340, subsequently paid on January 15, 2013. 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 \$146,859 at December 31, 2012. At December 31, 2012, there is no balance drawn on the REIT's revolving term credit facility.

UNITHOLDERS' EQUITY

Unitholders' equity increased overall by \$780,041 between December 31, 2011 and December 31, 2012. The increase was primarily due to the issuance of units for \$533,579 and income for the period of \$340,339. This increase was offset by distributions made to unitholders of \$118,887.

LIQUIDITY AND CAPITAL RESOURCES

In 2012, Artis generated \$135,920 of cash flows from operating activities. Cash flows from operations assisted in funding distributions to unitholders of \$116,546 and for principal repayments on mortgages and loans of \$41,903.

Cash of \$54,312 was used for capital building improvements and for tenant inducements and leasing costs in 2012, compared to \$40,920 in 2011.

At December 31, 2012, Artis had \$54,705 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 December 31, 2012, the REIT does not have a balance drawn on the credit facility.

To its knowledge, Artis is not in default or arrears on any of its obligations, including distributions to unitholders, interest or principal payments on debt or any debt covenants for the year ended December 31, 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	\$ 52,568	\$ 52,568	\$ -	\$ -	\$ -
Mortgages, loans and bank indebtedness	2,076,958	214,119	693,843	815,318	353,678
Convertible debentures ⁽¹⁾	180,721	-	7,000	-	173,721
Total	\$ 2,310,247	\$ 266,687	\$ 700,843	\$ 815,318	\$ 527,399

⁽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 December 31, 2012, obligations due within one year include \$52,568 of accounts payable and other liabilities, \$163,712 of mortgages, and principal repayments on mortgages of \$50,407.

ARTIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis - 2012 Annual
(In thousands of Canadian dollars, unless otherwise noted)

SUMMARIZED QUARTERLY INFORMATION

\$000's, except per unit amounts								
	Q4-12	Q3-12	Q2-12	Q1-12	Q4-11	Q3-11	Q2-11	Q1-11
Revenue	\$105,036	\$ 98,466	\$ 86,835	\$ 82,132	\$ 82,940	\$ 78,427	\$ 65,887	\$ 63,258
Property operating expenses	38,379	34,937	29,454	29,290	30,779	29,316	23,358	24,246
Property NOI	66,657	63,529	57,381	52,842	52,161	49,111	42,529	39,012
Interest income	519	566	684	876	517	599	714	750
	67,176	64,095	58,065	53,718	52,678	49,710	43,243	39,762
Expenses (income):								
Interest	24,764	24,711	23,104	21,705	21,943	21,336	18,988	16,675
Corporate	2,884	2,604	3,057	3,448	3,306	2,663	2,573	2,513
Foreign currency translation loss (gain)	240	(4,759)	2,777	(654)	(1,941)	5,131	(2,025)	103
	27,888	22,556	28,938	24,499	23,308	29,130	19,536	19,291
Income before other items	\$ 39,288	\$ 41,539	\$ 29,127	\$ 29,219	\$ 29,370	\$ 20,580	\$ 23,707	\$ 20,471
Income tax recovery (expense)	-	-	-	-	10,707	(7,700)	(2,661)	123
Gain on disposal of investment properties	637	-	-	-	-	481	-	255
Transaction costs	(1,511)	(4,130)	(1,698)	(1,315)	(4,439)	(1,684)	(9,122)	(1,206)
(Loss) gain on financial instruments	(89)	(3,874)	(1,099)	(9,019)	(15,815)	16,785	(875)	(3,782)
Fair value gain on investment properties	60,400	54,003	51,990	56,871	46,916	35,043	47,975	116,160
Income for the period	\$ 98,725	\$ 87,538	\$ 78,320	\$ 75,756	\$ 66,739	\$ 63,505	\$ 59,024	\$132,021
Other comprehensive income (loss):								
Unrealized foreign currency translation gain (loss)	\$ 2,712	\$ (9,538)	\$ 5,270	\$ (3,100)	\$ (2,967)	\$ 10,497	\$ (2,278)	\$ (2,069)
Comprehensive income for the period	\$101,437	\$ 78,000	\$ 83,590	\$ 72,656	\$ 63,772	\$ 74,002	\$ 56,746	\$129,952
Income per unit attributable to common unitholders:								
Basic	\$ 0.87	\$ 0.79	\$ 0.74	\$ 0.81	\$ 0.79	\$ 0.76	\$ 0.77	\$ 1.75
Diluted	\$ 0.81	\$ 0.77	\$ 0.70	\$ 0.80	\$ 0.79	\$ 0.49	\$ 0.69	\$ 1.63

The quarterly trend for revenues and property NOI 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. Comprehensive income and per unit amounts are also impacted by the fair value gains on investment properties.

ARTIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis - 2012 Annual
(In thousands of Canadian dollars, unless otherwise noted)

Reconciliation of GAAP Income to FFO:

000's, except per unit amounts	Q4-12	Q3-12	Q2-12	Q1-12	Q4-11	Q3-11	Q2-11	Q1-11
Income for the period	\$ 98,725	\$ 87,538	\$ 78,320	\$ 75,756	\$ 66,739	\$ 63,505	\$ 59,024	\$ 132,021
Add amortization on:								
Tenant inducements amortized into revenue	1,954	1,645	1,425	1,325	1,246	1,199	1,094	1,020
Unrealized loss (gain) on financial instruments	89	3,874	1,099	9,019	15,917	(16,829)	720	3,589
Transaction costs on acquisitions	1,511	4,130	1,698	973	449	1,677	5,489	1,206
Fair value gain on investment properties	(60,400)	(54,003)	(51,990)	(56,871)	(46,916)	(35,043)	(47,975)	(116,160)
Gain on disposal of investment properties	(637)	-	-	-	-	(481)	-	(255)
Deferred tax (recovery) expense	-	-	-	-	(8,997)	6,817	1,790	(49)
Foreign currency translation loss (gain)	240	(4,759)	2,777	(654)	(1,941)	5,131	(2,025)	103
Preferred distributions	(2,113)	(867)	-	-	-	-	-	-
FFO for the period	\$ 39,369	\$ 37,558	\$ 33,329	\$ 29,548	\$ 26,497	\$ 25,976	\$ 18,117	\$ 21,475
Add back:								
Transaction costs ⁽¹⁾	-	-	-	342	3,990	7	3,633	-
Current tax (recovery) expense	-	-	-	-	(1,710)	883	871	(74)
(Gain) loss on equity securities	-	-	-	-	(102)	44	154	193
FFO for the period after adjustments	\$ 39,369	\$ 37,558	\$ 33,329	\$ 29,890	\$ 28,675	\$ 26,910	\$ 22,775	\$ 21,594
FFO per unit								
Basic	\$ 0.35	\$ 0.34	\$ 0.32	\$ 0.32	\$ 0.31	\$ 0.31	\$ 0.24	\$ 0.28
Diluted	\$ 0.34	\$ 0.33	\$ 0.31	\$ 0.31	\$ 0.31	\$ 0.30	\$ 0.24	\$ 0.28
FFO per unit after adjustments								
Basic	\$ 0.35	\$ 0.34	\$ 0.32	\$ 0.32	\$ 0.34	\$ 0.32	\$ 0.30	\$ 0.29
Diluted	\$ 0.34	\$ 0.33	\$ 0.31	\$ 0.31	\$ 0.33	\$ 0.31	\$ 0.29	\$ 0.28
Weighted-average number of common units outstanding:								
Basic ⁽²⁾	110,947	109,993	105,468	93,657	84,172	83,380	76,173	75,613
Diluted ⁽²⁾	121,810	120,588	116,631	105,632	98,073	97,400	83,929	85,209

⁽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 - 2012 Annual
(In thousands of Canadian dollars, unless otherwise noted)

RELATED PARTY TRANSACTIONS

	Three month period ended December 31,		Year ended December 31,	
	2012	2011	2012	2011
Advisory fees	\$ -	\$ 1,690	\$ -	\$ 6,037
Acquisition fees	-	305	552	3,361
Property management fees	79	3,149	317	11,155
Recoverable property management salaries and wages	-	477	-	2,078
Capitalized office furniture and fixtures	163	-	1,554	-
Capitalized office equipment	-	-	343	-
Capitalized leasing commissions	492	108	1,351	743
Capitalized building improvements	2,366	6,661	11,059	18,089
Capitalized tenant inducements	628	739	1,451	2,996
Disposition of surplus land	-	-	(750)	-
Property tax assessment consulting fees	3	160	191	224
Consulting fees	-	62	-	137
Legal fees	590	212	2,851	1,481
Rental revenues	(561)	(666)	(2,245)	(2,627)

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 year ended December 31, 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 December 31, 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 December 31, 2012 is \$26.

On January 1, 2012, the REIT entered into a one-year leasing services agreement with Marwest Management. The amount payable at December 31, 2012 is \$756.

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 December 31, 2012 is \$1,137 (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 December 31, 2012 is \$42.

ARTIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis - 2012 Annual
(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 December 31, 2012 is \$nil.

The REIT incurred costs for property tax assessment consulting paid to Fairtax Realty Advocates, a company under control of close family members of key management personnel. The amount payable at December 31, 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 December 31, 2012 is \$705 (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 February 28, 2013 is as follows:

Units outstanding at December 31, 2012	114,884,469
Units issued (DRIP)	189,737
Units issued on exercise of options	36,562
Units issued on conversion of debentures	-
Units outstanding at February 28, 2013	<u>115,110,768</u>

The balance of options outstanding as of February 28, 2013 is as follows:

	Options outstanding	Options exercisable
\$11.28 options, issued February 25, 2010	146,313	81,500
\$13.30 options, issued September 10, 2010	331,250	141,750
\$13.44 options, issued October 15, 2010	342,250	152,250
\$14.10 options, issued June 17, 2011	1,055,000	257,000
\$16.36 options, issued April 13, 2012	1,762,000	-
	<u>3,636,813</u>	<u>632,500</u>

As of February 28, 2013, 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 February 28, 2013 is 45,324. None of these restricted units are vested at this time.

ARTIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis - 2012 Annual
(In thousands of Canadian dollars, unless otherwise noted)

OUTLOOK

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 the value proposition for U.S. investment opportunities remains attractive and real estate fundamentals continue to improve, Artis may increase its portfolio weighting in the U.S. over the course of 2013.

According to the Scotiabank Global Economic Research report of January 31, 2013, real GDP in Canada is forecast to grow 1.7% in 2013. Forecast GDP growth for the Canadian provinces where Artis owns properties is also positive, as follows: Manitoba, 1.7%; Saskatchewan, 2.6%; Alberta, 2.7%; British Columbia, 1.6% and Ontario, 1.6%. Real GDP in the U.S. is forecast to grow 1.9% in 2013; national year-over-year unemployment for January 2013 decreased to 7.9% from 8.2%. For Minnesota and Arizona, where Artis' U.S. properties are concentrated, year-over-year unemployment at December 31, 2012 decreased to 5.4% from 5.7% and to 6.7% from 8.0%, respectively.

Access to equity capital is expected to remain stable in 2013; investors continue to perceive commercial real estate holdings as relatively lower risk and are attracted to the yields that are available from REIT investments. Artis has the ability to issue both new trust units and preferred equity, which provides flexibility in accessing the capital markets depending on current investor sentiment and preference.

Access to debt capital is also expected to remain healthy in 2013. Management anticipates interest rates will continue to moderately fluctuate in a low trading range and that there will continue to be opportunities to term out debt at very attractive low long-term financing rates. In the U.S., term floating rate debt remains an attractive option, particularly when loans are flexible and allow for early repayment or the ability to add interest rate swaps without penalty at any time. However, management's overall goal is to reduce the REIT's un-hedged floating rate debt as a percentage of total debt over the course of 2013.

DBRS has assigned an Issuer Rating of BBB (low) with a Stable trend to Artis REIT. DBRS has also assigned a rating of Pfd-3 (low) with a Stable trend to Artis' preferred units. Management anticipates that having the DBRS credit rating will be beneficial for accessing the debt and equity capital markets.

Capitalization rates on Canadian investment opportunities continued to compress into early 2013, and competition for quality properties remains strong. However, barring unforeseen volatility in the economy and/or capital markets, Artis expects to grow externally during 2013 and is targeting an additional \$400 to \$600 million in new accretive acquisitions.

Management anticipates that real estate fundamentals in Canada and the U.S. will remain healthy, with vacancy in major markets remaining stable or potentially decreasing. Market rent expectations have also improved significantly. As a result, we expect that both Property NOI growth and Same Property NOI will trend up over the course of 2013.

As at December 31, 2012, Artis had \$54,705 of cash and cash equivalents on hand and \$80,000 available on the line of credit. Subsequent to December 31, 2012, the following transactions took place:

- On January 15, 2013, the REIT acquired 1110 Pettigrew which is located in Regina, Saskatchewan. The property was acquired for \$12,200 and the purchase price was satisfied with cash.
- On January 15, 2013, the balance owing on one of the REIT's notes receivable was repaid in the amount of \$1,653.
- On February 1, 2013, the REIT repaid maturing mortgages on two properties in the amount of \$23,534. On February 8, 2013, the REIT received new financing on one of these properties in the amount of \$25,000.
- On February 11, 2013, the REIT closed the first part of the acquisition of Century Crossing III. This property is located in Spruce Grove, Alberta. The first part was acquired for \$16,650, which was satisfied with cash. The total purchase price for this property is \$26,400. The second part is expected to close in July 2013.
- On February 11, 2013, the REIT extended its swap contract to exchange US\$25,000 into Canadian funds.
- Subsequent to December 31, 2012, the REIT drew a net balance of \$40,000 on its revolving term credit facility.

ARTIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis - 2012 Annual
(In thousands of Canadian dollars, unless otherwise noted)

- The REIT entered into agreements with respect to the acquisition of properties located in Alberta, Manitoba and Ontario. The total purchase price of these properties is \$100,513. The REIT anticipates that the acquisitions will close in March, April, May and June of 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 January and February 2013 were declared subsequent to December 31, 2012.

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 carefully monitoring the amount of variable rate debt. The REIT has the majority of its mortgage payable and debentures in fixed rate terms. At December 31, 2012, the REIT is a party to \$529,660 of variable rate debt, (December 31, 2011, \$386,388), including the outstanding balance of bank indebtedness. At December 31, 2012, the REIT had entered into interest rate swaps to hedge the interest rate risk associated with \$173,472 of variable rate debt (December 31, 2011, \$65,061). The REIT has the ability to place interest rate swaps on top of variable rate debt at any time in order to effectively fix the interest rate.

The REIT's ratio of mortgages, loans and bank indebtedness to GBV is 47.3%, down from 50.7% at December 31, 2011. Approximately 9.2% of Artis' maturing mortgage debt comes up for renewal in 2013, and 12.4% in 2014. 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 - 2012 Annual
(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 nearly 2,000 tenant leases with a weighted-average term to maturity of 4.8 years. Approximately 62.0% of the REIT's gross revenue is derived from 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 £3.0 billion.

Top Twenty Tenants By Gross Revenue

Tenant	% of Total Gross Revenue	Owned Share of GLA (in 000's of S.F.)	% of Total GLA	Weighted-Average Remaining Lease Term
MTS Allstream	2.2 %	322	1.4 %	10.2
AMEC Americas Ltd. ⁽¹⁾	2.1 %	200	0.9 %	0.7
TransAlta Corporation	1.2 %	336	1.5 %	10.4
Shoppers Drug Mart	1.1 %	155	0.7 %	6.0
Home Depot	1.0 %	158	0.7 %	9.6
TD Bank	0.9 %	123	0.5 %	7.4
IHS Energy (Canada) Ltd.	0.9 %	78	0.3 %	4.8
Sobeys	0.9 %	190	0.8 %	8.2
Fairview Health Services	0.9 %	179	0.8 %	10.7
PMC - Sierra, Inc ⁽¹⁾	0.9 %	148	0.6 %	0.7
CGI Sys & Mgmt Consultants Inc.	0.9 %	64	0.3 %	2.9
Cara Operations Limited	0.8 %	50	0.2 %	15.9
CB Richard Ellis, Inc.	0.8 %	103	0.4 %	5.8
3M Canada Company	0.8 %	319	1.4 %	7.3
Birchcliff Energy	0.8 %	59	0.3 %	4.9
ABB Inc.	0.8 %	318	1.4 %	1.9
Bell Canada	0.7 %	76	0.3 %	3.5
Credit Union Central	0.7 %	86	0.4 %	9.0
Sport Alliance of Ontario	0.6 %	85	0.4 %	11.5
Cineplex Entertainment LP	0.6 %	108	0.5 %	9.9
Total	19.6 %	3,157	13.8 %	7.0

⁽¹⁾ Tenant has exercised their renewal option.

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	4.5 %	897	3.9 %	5.5
Provincial Government	2.7 %	379	1.6 %	3.7
Civic or Municipal Government	0.5 %	122	0.5 %	14.4
Total	7.7 %	1,398	6.0 %	5.8

Weighted-average term to maturity (entire portfolio)

4.8

ARTIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis - 2012 Annual
(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	
2013	3.3 %	1.1 %	2.6 %	0.8 %	1.8 %	1.9 %	3.8 %	0.1 %	13.5 %
2014	2.7 %	0.8 %	2.5 %	0.4 %	1.8 %	0.9 %	3.0 %	0.2 %	11.4 %
2015	2.4 %	0.9 %	2.3 %	0.7 %	2.0 %	0.8 %	4.0 %	0.1 %	12.4 %
2016	3.9 %	0.4 %	1.5 %	0.3 %	2.8 %	1.0 %	3.0 %	0.0 %	11.9 %
2017	2.0 %	0.8 %	1.3 %	0.4 %	1.9 %	1.0 %	2.8 %	1.2 %	10.4 %
2018	1.8 %	0.3 %	0.5 %	0.6 %	0.3 %	0.7 %	0.9 %	0.6 %	5.0 %
2019 & later	8.5 %	2.7 %	3.1 %	1.8 %	4.9 %	2.8 %	5.8 %	2.3 %	29.1 %
Month-to-month	0.2 %	0.1 %	0.1 %	0.0 %	0.2 %	0.0 %	0.1 %	0.0 %	0.7 %
Vacant	0.8 %	0.4 %	0.5 %	0.0 %	0.6 %	0.5 %	2.0 %	0.1 %	4.4 %
Properties in Redevelopment	0.1 %	0.3 %	0.8 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	1.2 %
Total	25.7 %	7.8 %	15.2 %	5.0 %	16.3 %	9.6 %	25.4 %	4.6 %	100.0 %

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

Over 43.0% of leasable area expiring in 2013 has been renewed or committed to new leases.

TAX RISK

On June 22, 2007, the SIFT Rules (discussed in more detail above under the heading "Income Tax Recovery") were enacted. Under the SIFT Rules, certain distributions from a SIFT will no longer be deductible in computing a SIFT's taxable income, and a SIFT will be subject to tax on such distributions at a rate that is substantially equivalent to the general tax rate applicable to a Canadian corporation. However, distributions paid by a SIFT as returns of capital should generally not be subject to the tax.

The SIFT Rules do not apply to a "real estate investment trust" that meets prescribed conditions relating to the nature of its assets and revenue (the "REIT Conditions"). In order to meet the REIT Conditions, a trust must meet a number of technical tests that do not fully accommodate common real estate and business structures. Prior to the end of 2008, the REIT undertook various restructuring activities in order to attempt to meet the requirements of the REIT Conditions, and the REIT intends to comply with the REIT Conditions so that the SIFT Rules will not apply to the REIT in 2009 and subsequent years. The REIT believes that it has met the REIT Conditions throughout the year ended December 31, 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.

ARTIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis - 2012 Annual
(In thousands of Canadian dollars, unless otherwise noted)

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 December 31, 2012, Artis US Holdings, Inc. owes US\$95,514 to the REIT which is eliminated on consolidation of the financial statements.

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

FOREIGN CURRENCY RISK

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

Artis REIT's management believes that the policies below are those most subject to estimation and judgment by management.

VALUATION OF INVESTMENT PROPERTIES

Investment properties include properties held to earn rental income and properties that are being constructed or developed for future use as investment properties. Investment properties are measured at fair value with any changes therein recognized in income or loss for the period. Artis determines the fair value of investment properties based upon either the discounted cash flow method or the overall capitalization method. Under the discounted cash flow method, expected future cash flows for each investment property were discounted, generally over a term of 10 years, using weighted-average rates of approximately 8.02% at December 31, 2011 and 7.68% at December 31, 2012. Expected future cash flows for each investment property have been based upon, but not limited to, rental income from current leases, budgeted and actual expenses, and assumptions about rental income from future leases. Under the overall capitalization method, year one income was stabilized and capped at weighted-average capitalization rates of approximately 7.08% at December 31, 2011 and 6.46% at December 31, 2012.

Investment properties under construction include initial acquisition costs, other direct costs and borrowing costs during the period of development. The REIT considers practical completion to have occurred when all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

ARTIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis - 2012 Annual
(In thousands of Canadian dollars, unless otherwise noted)

ALLOCATION OF CONVERTIBLE DEBENTURES

Artis REIT has issued convertible debentures, which are a compound financial instrument. The proceeds of these issues are allocated between their liability and equity components. The discount rate applied in the allocation is determined by management.

VALUATION OF DEFERRED TAX ASSETS AND LIABILITIES

The REIT currently qualifies as a mutual fund trust for Canadian income tax purposes. On June 22, 2007, new legislation relating to, among other things, the federal income taxation of a specified investment flow-through trust or partnership (a "SIFT") was enacted (the "SIFT Rules"). The REIT has reviewed the SIFT Rules and has assessed their interpretation and application to the REIT's assets and revenues. While there are uncertainties in the interpretation and application of the SIFT Rules, the REIT believes that it has met the REIT Conditions throughout the year ended December 31, 2012 and the year ended December 31, 2011.

CHANGES IN ACCOUNTING POLICIES

In June 2011, the IASB amended IAS 19 – *Employee Benefits*. The amendments eliminate an option to defer the recognition of gains and losses, known as the 'corridor method'; streamline the presentation of changes in assets and liabilities arising from defined benefit plans, including requiring remeasurements to be presented in other comprehensive income; and enhance the disclosure requirements for defined benefit plans, effective for annual periods beginning on or after January 1, 2013. The REIT does not expect that this standard will result in a material impact on the consolidated financial statements.

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. The REIT is currently evaluating the impact of this amended standard.

IFRS 7 - *Financial Instruments: Disclosures*, as amended by the IASB in December 2011 requires entities to provide disclosures related to offsetting financial assets and liabilities. The amendment is effective for annual periods beginning on or after January 1, 2013. The REIT does not expect that this standard will result in material impact on the consolidated financial statements

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. The REIT is currently evaluating the impact of this new standard.

ARTIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis - 2012 Annual
(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. This standard is not expected to have an impact on unitholders' equity or net income going forward but is expected to have a presentation impact on the consolidated financial statements.

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 does not expect that this standard will result in material impact on the consolidated 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 December 31, 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 December 31, 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 December 31, 2012.