

Interim Condensed Consolidated Financial Statements of

**ARTIS REAL ESTATE
INVESTMENT TRUST**

Three months ended March 31, 2013 and 2012
(Unaudited)

(In Canadian dollars)

ARTIS REAL ESTATE INVESTMENT TRUST

Interim Condensed Consolidated Balance Sheets
(Unaudited)

(In thousands of Canadian dollars)

	March 31, 2013	December 31, 2012 ⁽¹⁾
ASSETS		
Non-current assets:		
Investment properties (note 4)	\$ 4,339,463	\$ 4,206,126
Investment properties under construction (note 4)	8,674	4,234
Investment in joint venture (note 18)	7,850	7,850
Property and equipment (note 5)	2,341	2,397
Notes receivable (note 6)	20,088	20,531
	4,378,416	4,241,138
Current assets:		
Investment properties held for sale (note 4)	59,764	58,963
Deposits on investment properties	15,109	2,397
Prepaid expenses	6,761	5,576
Notes receivable (note 6)	1,693	3,344
Accounts receivable and other receivables (note 7)	13,344	11,329
Cash held in trust	3,911	2,819
Cash and cash equivalents	100,448	54,494
	201,030	138,922
	\$ 4,579,446	\$ 4,380,060
LIABILITIES AND UNITHOLDERS' EQUITY		
Non-current liabilities:		
Mortgages and loans payable (note 8)	\$ 1,932,693	\$ 1,860,606
Convertible debentures (note 9)	184,148	182,344
Preferred share liability	78	76
	2,116,919	2,043,026
Current liabilities:		
Mortgages and loans payable (note 8)	160,450	213,001
Security deposits and prepaid rent	25,068	23,463
Accounts payable and other liabilities (note 10)	55,821	50,714
Bank indebtedness (note 11)	20,000	-
	261,339	287,178
	2,378,258	2,330,204
Unitholders' equity	2,201,188	2,049,856
Commitments and guarantees (note 20)		
Subsequent events (note 23)		
	\$ 4,579,446	\$ 4,380,060

(1) Comparative amounts have been restated pursuant to the adoption of IFRS 11. Refer to note 2 (d).

See accompanying notes to interim condensed consolidated financial statements.

ARTIS REAL ESTATE INVESTMENT TRUST

Interim Condensed Consolidated Statements of Operations
 Three months ended March 31, 2013 and 2012
 (Unaudited)

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

	Three months ended March 31,	
	2013	2012
Revenue	\$ 108,779	\$ 82,132
Property operating expenses	37,263	29,290
	71,516	52,842
Other income (expenses):		
Corporate expenses	(2,333)	(3,448)
Interest expense	(24,641)	(21,705)
Interest income	483	876
Fair value gain on investment properties (note 4)	34,824	56,871
Foreign currency translation (loss) gain	(1,385)	654
Transaction costs	(1,483)	(1,315)
Gain (loss) on financial instruments (note 14)	596	(9,019)
Income for the period	77,577	75,756
Other comprehensive income (loss) that may be reclassified to net income in subsequent periods:		
Unrealized foreign currency translation gain (loss)	6,269	(3,100)
Comprehensive income for the period	\$ 83,846	\$ 72,656
Basic income per unit attributable to common unitholders (note 12 (d))	\$ 0.65	\$ 0.81
Diluted income per unit attributable to common unitholders (note 12 (d))	\$ 0.62	\$ 0.80
Weighted-average number of common units outstanding (note 12 (d)):		
Basic	115,050,485	93,657,426
Diluted	125,903,368	94,615,172

See accompanying notes to interim condensed consolidated financial statements.

ARTIS REAL ESTATE INVESTMENT TRUST

Interim Condensed Consolidated Statements of Changes in Unitholders' Equity

Three months ended March 31, 2013 and 2012

(Unaudited)

(In thousands of Canadian dollars)

	Common units capital contributions	Equity component of convertible debentures	Equity	Accumulated other comprehensive income (loss)	Contributed surplus	Total common equity	Total preferred equity	Total
Unitholders' equity, December 31, 2011	\$ 1,053,530	\$ -	\$ 213,412	\$ 2,873	\$ -	\$ 1,269,815	\$ -	\$ 1,269,815
Changes for the period:								
Issuance of units, net of issue costs	188,934	-	-	-	-	188,934	-	188,934
Conversion of convertible debentures	3,021	-	-	-	-	3,021	-	3,021
Income	-	-	75,756	-	-	75,756	-	75,756
Other comprehensive loss	-	-	-	(3,100)	-	(3,100)	-	(3,100)
Distributions	-	-	(26,214)	-	-	(26,214)	-	(26,214)
Unitholders' equity, March 31, 2012	1,245,485	-	262,954	(227)	-	1,508,212	-	1,508,212
Changes for the period:								
Issuance of units, net of issue costs	192,895	-	-	-	(117)	192,778	151,867	344,645
Unit-based compensation	-	-	-	-	941	941	-	941
Reclassification of unit-based payments liability to equity	-	-	-	-	3,530	3,530	-	3,530
Reclassification of convertible debentures liability to equity	-	11,587	-	-	-	11,587	-	11,587
Redemption of convertible debentures	-	(328)	-	-	-	(328)	-	(328)
Conversion of convertible debentures	10,921	(6)	-	-	-	10,915	-	10,915
Income	-	-	264,583	-	-	264,583	-	264,583
Other comprehensive loss	-	-	-	(1,556)	-	(1,556)	-	(1,556)
Distributions	-	-	(92,673)	-	-	(92,673)	-	(92,673)
Unitholders' equity, December 31, 2012	1,449,301	11,253	434,864	(1,783)	4,354	1,897,989	151,867	2,049,856
Changes for the period:								
Issuance of units, net of issue costs	5,076	-	-	-	(168)	4,908	96,559	101,467
Unit-based compensation	-	-	-	-	381	381	-	381
Income	-	-	77,577	-	-	77,577	-	77,577
Other comprehensive income	-	-	-	6,269	-	6,269	-	6,269
Distributions	-	-	(34,362)	-	-	(34,362)	-	(34,362)
Unitholders' equity, March 31, 2013	\$ 1,454,377	\$ 11,253	\$ 478,079	\$ 4,486	\$ 4,567	\$ 1,952,762	\$ 248,426	\$ 2,201,188

See accompanying notes to interim condensed consolidated financial statements.

ARTIS REAL ESTATE INVESTMENT TRUST

Interim Condensed Consolidated Statements of Cash Flows
Three months ended March 31, 2013 and 2012
(Unaudited)

(In thousands of Canadian dollars)

	Three months ended March 31,	
	2013	2012 ⁽¹⁾
Cash provided by (used in):		
Operating activities:		
Income for the period	\$ 77,577	\$ 75,756
Adjustments for non-cash items:		
Fair value gain on investment properties	(34,824)	(56,871)
Depreciation of property and equipment	88	88
Amortization:		
Tenant inducements amortized to revenue	2,011	1,325
Above- and below-market mortgages, net	(441)	(289)
Accretion on liability component of convertible debentures	(78)	-
Straight-line rent adjustment	(1,440)	(1,274)
Unrealized foreign currency translation loss (gain)	1,726	(835)
Unrealized fair value (gain) loss on financial instruments	(596)	9,019
Unit-based compensation expense	443	1,512
Amortization of financing costs included in interest	809	619
Defined benefit expense	-	216
	45,275	29,266
Additions to tenant inducements	(3,916)	(1,542)
Changes in non-cash operating items (note 15)	2,430	2,720
	43,789	30,444
Investing activities:		
Acquisition of investment properties, net of related debt (note 3)	(43,870)	(43,678)
Additions to investment properties	(2,024)	(917)
Additions to investment properties under construction	(4,326)	(4,592)
Acquisition of joint venture	-	(5,754)
Repayment of note receivable	1,653	-
Advance of notes receivable	-	(143)
Notes receivable principal repayments	441	418
Net change to property and equipment	(32)	(1,915)
Additions to leasing costs	(1,859)	(781)
Change in deposits on investment properties	(12,703)	(4,950)
	(62,720)	(62,312)
Financing activities:		
Issuance of common units, net of issue costs	4,908	188,857
Issuance of preferred units, net of issue costs	96,559	-
Repayment of convertible debentures	-	(29,891)
Change in bank indebtedness	20,000	(37,900)
Distributions paid on common units	(32,073)	(25,065)
Distributions paid on preferred units	(2,132)	-
Mortgages and loans principal repayments	(13,059)	(8,941)
Repayment of mortgages and loans payable	(34,404)	(10,919)
Advance of mortgages and loans payable, net of financing costs	24,719	13,860
	64,518	90,001
Foreign exchange gain (loss) on cash held in foreign currency	367	(661)
Increase in cash and cash equivalents	45,954	57,472
Cash and cash equivalents at beginning of period	54,494	94,094
Cash and cash equivalents at end of period	\$ 100,448	\$ 151,566
Supplemental cash flow information:		
Interest paid	\$ 22,024	\$ 18,588
Interest received	483	878

(1) Comparative amounts have been restated pursuant to the adoption of IFRS 11. Refer to note 2 (d).

See accompanying notes to interim condensed consolidated financial statements.

ARTIS REAL ESTATE INVESTMENT TRUST

Notes to Interim Condensed Consolidated Financial Statements
Three months ended March 31, 2013 and 2012
(Unaudited)

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

1. Organization:

Artis Real Estate Investment Trust (the "REIT") is 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"). The purpose of the REIT is to directly, or indirectly, own, manage, lease and (where appropriate) develop retail, industrial and office properties in Canada and the United States (the "U.S."). The registered office of the REIT is 360 Main Street, Suite 300, Winnipeg, Manitoba, R3C 3Z3.

The Declaration of Trust provides that the REIT may make cash distributions to unitholders of the REIT. The amount distributed annually (currently \$1.08 per common unit, \$1.3125 per Series A preferred unit, US\$1.3125 per Series C preferred unit and \$1.1875 per Series E preferred unit) will be set by the Board of Trustees.

2. Significant accounting policies:

(a) Basis of presentation and measurement:

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

The interim condensed consolidated financial statements have been prepared using the same accounting policies and methods as those used in the consolidated financial statements for the year ended December 31, 2012 except for those standards adopted as described in note 2 (d). The consolidated financial statements are prepared on a going concern basis and have been presented in Canadian dollars rounded to the nearest thousand unless otherwise indicated.

These interim condensed consolidated financial statements should be read in conjunction with the REIT's consolidated financial statements for the year ended December 31, 2012.

(b) Joint arrangements:

The REIT accounts for its joint arrangements as either joint operations or joint ventures. For joint operations, the REIT includes its share of their assets, liabilities, revenues, expenses and cash flows in its consolidated financial statements. Joint ventures are accounted for using the equity method.

(c) Use of estimates and judgments:

The preparation of the consolidated financial statements requires management to make estimates, assumptions and judgments that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. The critical accounting estimates and judgments have been set out in note 2 to the REIT's consolidated financial statements for the year ended December 31, 2012.

The REIT's management applies judgement in the application of its joint arrangement accounting policy as described in note 2 (b) as to whether each joint arrangement constitutes a joint operation or a joint venture.

ARTIS REAL ESTATE INVESTMENT TRUST

Notes to Interim Condensed Consolidated Financial Statements
Three months ended March 31, 2013 and 2012
(Unaudited)

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

2. Significant accounting policies (continued):

(d) Accounting policies adopted during the period:

IAS 1 - *Presentation of Financial Statements* ("IAS 1"), as amended by the IASB in June 2011 requires entities to provide separate presentation of the items of other comprehensive income that may be reclassified to net income in the future from those that will never be reclassified to net income. This amendment was effective for annual periods beginning on or after July 1, 2012. IAS 1 did not result in a material impact on the consolidated financial statements.

IAS 19 - *Employee Benefits* ("IAS 19") was amended by the IASB in June 2011. 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. This amendment was effective for annual periods beginning on or after January 1, 2013. IAS 19 did not result in a material impact on the consolidated financial statements.

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 was effective for annual periods beginning on or after January 1, 2013. This amendment did not result in a material impact on the consolidated financial statements.

IFRS 10 - *Consolidated Financial Statements* ("IFRS 10") was issued by the IASB in May 2011. 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*. As a consequence of this new standard, the IASB also issued amended and retitled IAS 27 - *Separate Financial Statements*. IFRS 10 was effective for annual periods beginning on or after January 1, 2013. This new standard did not result in a material impact on the consolidated financial statements.

IFRS 11 - *Joint Arrangements* ("IFRS 11") was issued by the IASB in May 2011. 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*. As a consequence of this new standard, the IASB also issued amended and retitled IAS 28 - *Investments in Associates and Joint Ventures*. IFRS 11 was effective for annual periods beginning on or after January 1, 2013. As a result of this standard, the REIT reduced its assets and liabilities at December 31, 2012 by \$9,704 and \$1,854, respectively, and replaced them with an investment in joint venture of \$7,850 (note 18). There was no impact on the REIT's consolidated balance sheet as at January 1, 2012 or the REIT's net income for the year ended December 31, 2012.

IFRS 12 - *Disclosure of Interests in Other Entities* ("IFRS 12") was issued by the IASB in May 2011. IFRS 12 combines, enhances and replaces the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities. The new standard was effective for annual periods beginning on or after January 1, 2013. IFRS 12 did not result in a material 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 were effective for annual periods beginning on or after January 1, 2013. IFRS 13 did not result in a material impact on the consolidated financial statements.

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Notes to Interim Condensed Consolidated Financial Statements
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(Unaudited)

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

2. Significant accounting policies (continued):

(e) Future changes in accounting policies:

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 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.

3. Acquisitions and dispositions of investment properties:

Acquisitions:

The REIT acquired the following properties during the three months ended March 31, 2013:

Property	Property count	Location	Acquisition date	Type
1110 Pettigrew Avenue	1	Regina, SK	January 15, 2013	Industrial
Century Crossing III ⁽¹⁾	1	Spruce Grove, AB	February 11, 2013	Retail
495 Richmond Road	1	Ottawa, ON	March 15, 2013	Office

⁽¹⁾ The REIT closed the first part of this two-part acquisition on February 11, 2013.

The REIT acquired the following properties during the three months ended March 31, 2012:

Property	Property count	Location	Acquisition date	Type
North 48 Commercial Complex	1	Saskatoon, SK	January 31, 2012	Office
Aluma Systems Building	1	Edmonton, AB	February 24, 2012	Industrial
GSA Phoenix Professional Office Building	1	Phoenix, AZ	March 29, 2012	Office

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 (Unaudited)

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

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

Acquisitions (continued):

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

The net assets acquired were as follows:

	Three months ended	
	2013	March 31, 2012 ⁽¹⁾
Investment properties	\$ 76,680	\$ 110,827
Long-term debt, including acquired above- and below-market mortgages, net of financing costs	(32,810)	(67,149)
Cash consideration	\$ 43,870	\$ 43,678
Transaction costs expensed	\$ 1,483	\$ 818

(1) Comparative amounts have been restated pursuant to the adoption of IFRS 11. Refer to note 2 (d).

Dispositions:

The REIT did not dispose of any properties during the three months ended March 31, 2013 and 2012.

4. Investment properties, investment properties under construction and investment properties held for sale:

	Three months ended March 31, 2013		
	Investment properties	Investment properties under construction	Investment properties held for sale
Balance, beginning of period	\$ 4,206,126	\$ 4,234	\$ 58,963
Additions:			
Acquisitions (note 3)	76,680	-	-
Capital expenditures	1,975	4,326	49
Leasing costs	1,858	-	1
Reclassification of investment properties under construction	169	(169)	-
Foreign currency translation gain	15,511	9	-
Straight-line rent adjustment	1,426	-	14
Tenant inducements additions, net of amortization	1,908	-	(3)
Fair value gain	33,810	274	740
Balance, end of period	\$ 4,339,463	\$ 8,674	\$ 59,764

ARTIS REAL ESTATE INVESTMENT TRUST

Notes to Interim Condensed Consolidated Financial Statements
Three months ended March 31, 2013 and 2012
(Unaudited)

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

4. Investment properties, investment properties under construction and investment properties held for sale (continued):

	Year ended December 31, 2012 ⁽¹⁾		
	Investment properties	Investment properties under construction	Investment properties held for sale
Balance, beginning of period	\$ 3,003,604	\$ 20,463	\$ -
Additions:			
Acquisitions (note 3)	987,979	-	-
Capital expenditures	18,663	8,737	-
Leasing costs	6,447	-	-
Dispositions	(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)	-
Straight-line rent adjustment	5,473	-	-
Tenant inducements additions, net of amortization	9,217	-	-
Fair value gain	220,622	2,642	-
Balance end of period	\$ 4,206,126	\$ 4,234	\$ 58,963

(1) Comparative amounts have been restated pursuant to the adoption of IFRS 11. Refer to note 2 (d).

External valuations are performed quarterly on a rotational basis over a four year cycle. For the first quarter cycle, 13 investment properties with an aggregate fair value of \$214,405 at March 31, 2013 (December 31, 2012, \$92,942) were appraised by qualified external valuation professionals.

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

ARTIS REAL ESTATE INVESTMENT TRUST

Notes to Interim Condensed Consolidated Financial Statements
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 (Unaudited)

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

4. Investment properties, investment properties under construction and investment properties held for sale (continued):

The key valuation assumptions for investment properties, including investment properties held for sale, are as follows:

	March 31, 2013			December 31, 2012		
	Maximum	Minimum	Weighted-average	Maximum	Minimum	Weighted-average
Discount rate	9.75%	6.50%	7.66%	9.75%	6.50%	7.68%
Terminal capitalization rate	9.00%	5.50%	6.71%	9.00%	5.50%	6.73%
Capitalization rate	9.00%	5.25%	6.40%	9.00%	5.25%	6.46%
Investment horizon (years)	20.0	10.0	10.6	20.0	10.0	10.7

Key valuation assumptions reflect rates that represent the REIT's entire portfolio of investment properties.

At March 31, 2013, the REIT has two investment properties listed for sale with an external broker. The fair value of these investment properties of \$59,764 has been classified as held for sale at March 31, 2013 (December 31, 2012, \$58,963).

At March 31, 2013, included in investment properties is \$21,162 (December 31, 2012, \$19,663) of net straight-line rent receivables arising from the recognition of rental income on a straight-line basis over the lease term in accordance with IAS 17 - *Leases*.

Investment properties include properties held under operating leases with an aggregate fair value of \$88,591 at March 31, 2013 (December 31, 2012, \$88,334).

At March 31, 2013, investment properties with a fair value of \$4,233,474 (December 31, 2012, \$4,137,932) are pledged as security under mortgage agreements and the credit facility.

5. Property and equipment:

	March 31, 2013	December 31, 2012
Office furniture and fixtures	\$ 2,104	\$ 2,072
Office equipment and software	1,031	1,031
Accumulated depreciation	(794)	(706)
	\$ 2,341	\$ 2,397

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Notes to Interim Condensed Consolidated Financial Statements
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6. Notes receivable:

	March 31, 2013	December 31, 2012
Note receivable from tenant maturing in May 2023, bearing interest at 5.89% per annum, repayable in varying blended monthly installments of principal and interest. A default under the terms of the note constitutes a default of the lease of the tenant.	\$ 21,651	\$ 22,072
Note receivable matured in March 2013, bearing interest at 10.00% per annum, repayable in blended monthly installments of principal and interest of \$17 from February 2011 to March 2012 and bearing interest at 12.00% per annum, repayable in blended monthly installments of principal and interest of \$20 from April 2012 to March 2013. The note receivable is unsecured.	-	1,673
Other notes receivable	130	130
	21,781	23,875
Current portion	1,693	3,344
Non-current portion	\$ 20,088	\$ 20,531

7. Accounts receivable and other receivables:

	March 31, 2013	December 31, 2012 ⁽¹⁾
Rents receivable (note 22 (a)(ii))	\$ 6,396	\$ 3,837
Allowance for doubtful accounts (note 22 (a)(ii))	(132)	(162)
Accrued recovery income	1,683	2,561
Other amounts receivable	5,397	5,093
	\$ 13,344	\$ 11,329

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8. Mortgages and loans payable:

	March 31, 2013	December 31, 2012
Mortgages and loans payable	\$ 2,096,752	\$ 2,076,958
Net above- and below-market mortgage adjustments	5,704	6,145
Financing costs	(9,313)	(9,496)
	2,093,143	2,073,607
Current portion	160,450	213,001
Non-current portion	\$ 1,932,693	\$ 1,860,606

Substantially all of the REIT's assets have been pledged as security under mortgages and other security agreements. The majority of mortgages and loans payable bear interest at fixed rates. The weighted-average effective rate on all mortgages and loans payable is 4.31% and the weighted-average nominal rate is 4.12% at March 31, 2013 (December 31, 2012, 4.42% and 4.23%, respectively). Maturity dates range from April 1, 2013 to February 14, 2032.

9. Convertible debentures:

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

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

Convertible redeemable debenture issue	Face value	Equity portion	Liability portion	Accretion	Carrying value	Current portion	Non-current portion
Series D	\$ 7,000	\$ 230	\$ 6,918	\$ 27	\$ 6,945	\$ -	\$ 6,945
Series F	86,170	11,023	84,841	88	84,929	-	84,929
Series G	89,373	-	92,590	(316)	92,274	-	92,274
March 31, 2013	\$ 182,543	\$ 11,253	\$ 184,349	\$ (201)	\$ 184,148	\$ -	\$ 184,148
December 31, 2012	180,721	11,253	182,462	(118)	182,344	-	182,344

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10. Accounts payable and other liabilities:

		March 31, 2013		December 31, 2012 ⁽¹⁾
Accounts payable and accrued liabilities	\$	41,614	\$	36,245
Distributions payable		10,496		10,340
Mortgage interest rate swaps		3,619		4,099
Cash-settled unit-based payments liability		92		30
	\$	55,821	\$	50,714

(1) Comparative amounts have been restated pursuant to the adoption of IFRS 11. Refer to note 2 (d).

11. Bank indebtedness:

On September 6, 2012, the REIT entered into a revolving term credit facility in the amount of \$80,000, which can be utilized for general corporate operating purposes, including the acquisition of commercial properties and the issuance of letters of credit. The credit facility matures on September 6, 2014. 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 \$150,045 at March 31, 2013 (December 31, 2012, \$146,859). At March 31, 2013, the REIT has \$20,000 drawn on the facility (December 31, 2012, \$nil).

12. Unitholders' equity:

(a) Common units:

(i) Authorized:

In accordance with the Declaration of Trust, the REIT may issue an unlimited number of common units, with each unit representing an equal undivided interest in any distributions from the REIT, and in the net assets in the event of termination or wind-up of the REIT. All units are of the same class with equal rights and restrictions.

(ii) Issued and outstanding:

	Number of units		Amount
Balance at December 31, 2011	88,872,905	\$	1,053,530
Public offerings, net of issue costs of \$16,754	23,735,000		361,702
Conversion of Series C convertible debentures	1,681		29
Conversion of Series E convertible debentures	973,311		13,824
Conversion of Series F convertible debentures	5,159		89
Options exercised	248,625		4,005
Distribution Reinvestment and Unit Purchase Plan	1,047,788		16,122
Balance at December 31, 2012	114,884,469		1,449,301
Options exercised	50,062		773
Distribution Reinvestment and Unit Purchase Plan	282,188		4,303
Balance at March 31, 2013	115,216,719	\$	1,454,377

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

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12. Unitholders' equity (continued):

(a) Common units (continued):

(iii) Normal course issuer bid:

On December 13, 2012, the REIT announced that the Toronto Stock Exchange (the "Exchange") had approved the renewal of its normal course issuer bid. Under the renewed bid, the REIT will have the ability to purchase for cancellation up to a maximum of 10,940,334 units, representing 10% of the REIT's float of 109,403,338 units on November 30, 2012. Purchases will be made at market prices through the facilities of the Exchange. The bid commenced on December 14, 2007 and will remain in effect until the earlier of December 16, 2013, or the date on which the REIT has purchased the maximum number of units permitted under the bid. During the three months ended March 31, 2013 and 2012, the REIT did not acquire units through the normal course issuer bid. Since December 14, 2007, the REIT has acquired 410,200 units for cancellation.

(iv) At-the-market equity financing:

The REIT has entered into an Equity Distribution Agreement dated September 17, 2010, as amended and restated on September 18, 2012, with an exclusive agent for the issuance and sale, from time to time, until July 15, 2014 of up to 5,300,000 units of the REIT by way of "at-the-market distributions". The timing of any sale of units and the number of units actually sold during such period are at the discretion of the REIT. Sales of units, if any, pursuant to the Equity Distribution Agreement will be made in transactions that are deemed to be "at-the-market distributions", including sales made directly on the Exchange. As at March 31, 2013, no units have been issued pursuant to this arrangement.

(b) Preferred units:

In accordance with the Declaration of Trust, the REIT may issue an unlimited number of preferred units.

(i) Series A:

On August 2, 2012, the REIT issued 3,000,000 Cumulative Rate Reset Preferred Trust Units, Series A (the "Series A Units") for aggregate gross proceeds of \$75,000. On August 10, 2012, the underwriting syndicate exercised in full its over-allotment option and a further 450,000 Series A Units were issued for gross proceeds of \$11,250. The Series A Units pay a cumulative distribution yield of 5.25% per annum, payable quarterly, as and when declared by the Board of Trustees of the REIT, for the initial five-year period ending September 30, 2017. The distribution rate will be reset on September 30, 2017 and every five years thereafter at a rate equal to the sum of the then five-year Government of Canada bond yield and 4.06%.

The REIT may redeem the Series A Units on September 30, 2017 and on September 30 every five years thereafter. The holders of Series A Units have the right to reclassify their Series A Units to Preferred Units, Series B (the "Series B Units"), subject to certain conditions, on September 30, 2017 and on September 30 every five years thereafter. The Series B Units pay floating rate cumulative preferential distributions on a quarterly basis, at the discretion of the Board of Trustees. The holders of Series B Units have the right to reclassify their Series B Units to Series A Units on September 30, 2022 and on September 30 every five years thereafter.

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12. Unitholders' equity (continued):

(b) Preferred units (continued):

(ii) Series C:

On September 18, 2012, the REIT issued 3,000,000 Cumulative Rate Reset Preferred Trust Units, Series C (the "Series C Units") for aggregate gross proceeds of US\$75,000. The Series C Units pay a fixed cumulative distribution yield of 5.25% per annum, payable quarterly, as and when declared by the Board of Trustees of the REIT, for the initial approximately five and a half-year period ending March 31, 2018. The distribution rate will be reset on March 31, 2018 and every five years thereafter at a rate equal to the sum of the then five-year United States Government bond yield and 4.46%.

The REIT may redeem the Series C Units on March 31, 2018 and on March 31 every five years thereafter. The holders of Series C Units have the right to reclassify their Series C Units to Preferred Units, Series D ("the Series D Units"), subject to certain conditions, on March 31, 2018 and on March 31 every five years thereafter. The Series D Units pay floating rate cumulative preferential distributions on a quarterly basis, at the discretion of the Board of Trustees. The holders of Series D Units have the right to reclassify their Series D Units to Series C Units on March 31, 2023 and on March 31 every five years thereafter.

(iii) Series E:

On March 21, 2013, the REIT issued 4,000,000 Cumulative Rate Reset Preferred Trust Units, Series E (the "Series E Units") for aggregate gross proceeds of \$100,000. The Series E Units pay a cumulative distribution yield of 4.75% per annum, payable quarterly, as and when declared by the Board of Trustees of the REIT, for the initial period ending September 30, 2018. The distribution rate will be reset on September 30, 2018 and every five years thereafter at a rate equal to the sum of the then five-year Government of Canada bond yield and 3.30%.

The REIT may redeem the Series E Units on September 30, 2018 and on September 30 every five years thereafter. The holders of Series E Units have the right to reclassify their Series E Units to Preferred Units, Series F (the "Series F Units"), subject to certain conditions, on September 30, 2018 and on September 30 every five years thereafter. The Series F Units pay floating rate cumulative preferential distributions on a quarterly basis, at the discretion of the Board of Trustees. The holders of Series F Units have the right to reclassify their Series F Units to Series E Units on September 30, 2023 and on September 30 every five years thereafter.

The Series A Units, Series C Units and Series E Units rank equally with each other and with the outstanding Series B Units, Series D Units and Series F Units into which they may be reclassified, and rank in priority to the trust units.

(c) Short form base shelf prospectus:

On June 15, 2012, the REIT issued a new short form base shelf prospectus. The REIT may from time to time during the 25-month period that this short form base shelf prospectus is valid, offer and issue the following securities up to a maximum of \$2,000,000 of initial offering price: (i) trust units of the REIT; (ii) preferred trust units, which may be issuable in series; (iii) debt securities, which may consist of debentures, notes or other types of debt and may be issuable in series; (iv) unit purchase warrants; and (v) subscription receipts to purchase trust securities. As at March 31, 2013, the REIT has issued common units under one offering in the amount of \$69,080 and preferred units under three offerings in the amount of \$186,250 and US\$75,000 under this short form base shelf prospectus.

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12. Unitholders' equity (continued):

(d) Weighted-average common units:

	Three months ended March 31,	
	2013	2012
Income for the period	\$ 77,577	\$ 75,756
Adjustment for distributions to preferred unitholders	(2,259)	-
Income for the period attributable to common unitholders	75,318	75,756
Adjustment for convertible debentures	2,542	300
Diluted income attributable to common unitholders for the period	\$ 77,860	\$ 76,056
The weighted-average number of common units outstanding was as follows:		
Basic common units	115,050,485	93,657,426
Effect of dilutive securities:		
Unit options	258,240	-
Convertible debentures	10,594,643	957,746
Diluted common units	125,903,368	94,615,172
Income per unit attributable to common unitholders:		
Basic	\$ 0.65	\$ 0.81
Diluted	\$ 0.62	\$ 0.80

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

13. Distributions to unitholders:

Total distributions declared to unitholders are as follows:

	Three months ended March 31, 2013		Three months ended March 31, 2012	
	Total distributions	Distributions per unit	Total distributions	Distributions per unit
Common unitholders	\$ 31,078	\$ 0.27	\$ 26,214	\$ 0.27
Preferred unitholders - Series A	1,132	0.33	-	-
Preferred unitholders - Series C	1,000	0.33	-	-
Preferred unitholders - Series E	127	0.03	-	-

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14. Gain (loss) on financial instruments:

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

	Three months ended March 31,	
	2013	2012
Convertible debentures	\$ -	\$ (10,705)
Interest rate swaps	496	1,608
Forward and swap contracts	100	78
	\$ 596	\$ (9,019)

15. Changes in non-cash operating items:

	Three months ended March 31,	
	2013	2012 ⁽¹⁾
Prepaid expenses	\$ (1,139)	\$ (13)
Accounts receivable and other receivables	(1,984)	(3,252)
Cash held in trust	(1,092)	(1,040)
Security deposits and prepaid rent	1,491	3,754
Accounts payable and other liabilities	5,154	3,271
	\$ 2,430	\$ 2,720

(1) Comparative amounts have been restated pursuant to the adoption of IFRS 11. Refer to note 2 (d).

16. Employee benefits:

(a) Defined benefit pension plans:

The REIT has defined benefit plans providing pension benefits to certain employees. The ultimate retirement benefit is defined by a formula that provides a unit of benefit for each year of service. Employer contributions are not specified or defined within the plan text; they are based on the result of actuarial valuations which determine the level of funding required to meet the total obligation as estimated at the time of valuation. The REIT uses December 31 as a measurement date for accounting purposes for its defined benefit pension plans.

The fair value of the plan assets at March 31, 2013 is \$1,957. The recognized pension obligation, net of plan assets at March 31, 2013 is \$nil. The net expense for the defined benefit plans for the three months ended March 31, 2013 is \$261 (2012, \$216), and is included in corporate expenses.

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16. Employee benefits (continued):

(b) Unit-based compensation:

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

(i) Unit options:

Unit-based compensation expense related to unit options granted under the equity incentive plan for the three months ended March 31, 2013 amounted to \$381 (2012, \$1,512). These unit options granted vest equally over a four-year period.

A summary of the REIT's unit options outstanding are as follows:

	Three months ended March 31, 2013		Three months ended March 31, 2012	
	Units	Weighted- average exercise price	Units	Weighted- average exercise price
Balance, beginning of period	3,689,875	\$ 14.92	2,164,250	\$ 13.52
Exercised	(50,062)	12.05	(21,125)	12.10
Expired	(20,000)	15.63	(6,000)	13.39
Balance, end of period	3,619,813	\$ 14.95	2,137,125	\$ 13.54
Options exercisable at end of period	619,001		280,250	

The weighted-average unit price at the date of exercise for unit options exercised during the three months ended March 31, 2013 was \$15.97 (2012, \$15.75).

Options outstanding at March 31, 2013 consist of the following:

Exercise price	Number outstanding	Weighted- average remaining contractual life	Options outstanding weighted-average exercise price	Number exercisable
\$ 11.28	142,813	2.00 years	\$ 11.28	78,001
\$ 13.30	326,250	2.50 years	\$ 13.30	136,750
\$ 13.44	337,500	2.75 years	\$ 13.44	147,500
\$ 14.10	1,053,250	3.25 years	\$ 14.10	256,750
\$ 16.36	1,760,000	4.00 years	\$ 16.36	-
	3,619,813		\$ 14.95	619,001

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16. Employee benefits (continued):

(b) Unit-based compensation (continued):

(ii) Restricted units:

Unit-based compensation expense related to restricted units granted under the equity incentive plan for the three months ended March 31, 2013 amounted to \$62 (2012, \$nil). Restricted units vest on and after the third anniversary of the date of grant. The restricted units accrue additional restricted units during the vesting period, and are credited when the restricted units vest. Each restricted unit is valued at the closing price of the REIT's common units on the balance sheet date.

A summary of the REIT's restricted units outstanding are as follows:

	Three months ended March 31, 2013	Three months ended March 31, 2012
	Units	Units
Balance, beginning of period	45,060	-
Accrued	769	-
Expired	(251)	-
Balance, end of period	45,578	-
Restricted units vested at end of period	-	-

At March 31, 2013, no deferred units or installment units have been granted under the REIT's equity incentive plan.

17. Related party transactions:

The REIT may issue unit-based awards to trustees, officers, employees and consultants (note 16).

Other related party transactions are outlined as follows:

	2013	Three months ended March 31, 2012
Acquisition fees	\$ -	\$ 552
Property management fees	80	80
Capitalized office furniture and fixtures	9	1,243
Capitalized office equipment	-	343
Capitalized leasing commissions	7	36
Capitalized building improvements	4,288	3,395
Capitalized tenant inducements	533	360
Property tax assessment consulting fees	-	182
Rental revenues	(42)	(41)

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17. Related party transactions (continued):

The REIT incurred property management fees, leasing commission fees and tenant improvement fees under property management agreements with Marwest Management Canada Ltd. ("Marwest Management") for three properties owned by the REIT. The amount payable at March 31, 2013 is \$25 (December 31, 2012, \$26).

On January 1, 2012, the REIT entered into a one-year leasing services agreement with Marwest Management, which expired on December 31, 2012. The amount payable at March 31, 2013 is \$nil (December 31, 2012, \$756).

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 March 31, 2013 is \$2,524 (December 31, 2012, \$1,137).

The REIT incurred costs for office furniture and fixtures paid to Marwest Construction Ltd. The amount payable at March 31, 2013 is \$nil (December 31, 2012, \$42). During 2012, the REIT purchased \$1,243 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 incurred costs for property tax assessment consulting paid to Fairtax Realty Advocates, a company under control of close family members of key management personnel. The amount payable at March 31, 2013 is \$nil (December 31, 2012, \$nil).

The REIT collects office rents from Marwest Management.

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

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

Name of entity	Ownership interest	
	March 31, 2013	December 31, 2012
Artis General Partner Ltd.	100%	100%
AX L.P.	100%	100%
Artis US Holdings, Inc.	100%	100%
Winnipeg Square Leaseco Inc.	100%	100%
AX Property Management L.P.	100%	100%
Artis Property Management General Partner Ltd.	100%	100%
AX Longboat G.P. Inc.	50%	50%
AX Longboat L.P.	50%	50%

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18. Joint arrangements:

The REIT had interests in the following joint arrangements at March 31, 2013:

Name of entity	Principal purpose	Type of arrangement	Ownership interest	Voting rights held
Centre 70 Building	Investment property	Joint operation	85%	50%
Kincaid Building	Investment property	Joint operation	50%	50%
Cliveden Building	Investment property	Joint operation	50%	50%
Westbank Hub Centre North	Investment property	Joint operation	75%	50%
Cara Foods Building	Investment property	Joint operation	50%	50%
Centrepoint	Investment property	Joint venture	50%	50%
Whistler Hilton Retail Plaza	Investment property	Joint operation	85%	50%
Westbank Hub Shopping Centre	Investment property	Joint operation	75%	50%

The REIT had interests in the following joint arrangements at December 31, 2012:

Name of entity	Principal purpose	Type of arrangement	Ownership interest	Voting rights held
Centre 70 Building	Investment property	Joint operation	85%	50%
Kincaid Building	Investment property	Joint operation	50%	50%
Cliveden Building	Investment property	Joint operation	50%	50%
Westbank Hub Centre North	Investment property	Joint operation	75%	50%
Cara Foods Building	Investment property	Joint operation	50%	50%
Centrepoint	Investment property	Joint venture	50%	50%
Whistler Hilton Retail Plaza	Investment property	Joint operation	85%	50%
Westbank Hub Shopping Centre	Investment property	Joint operation	75%	50%

Summarized financial information of the REIT's share in its joint venture investment is as follows:

	March 31, 2013	December 31, 2012
Non-current assets:		
Investment property	\$ 3,012	\$ 3,012
Investment property under construction	5,680	4,375
Current assets:		
Prepaid expenses	83	155
Accounts receivable	1,930	1,951
Cash and cash equivalents	726	211
	11,431	9,704
Non-current liabilities:		
Mortgage and loan payable	2,500	-
Current liabilities:		
Accounts payable and other liabilities	1,081	1,854
	3,581	1,854
Investment in joint venture	\$ 7,850	\$ 7,850

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19. Segmented information:

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

Three months ended March 31, 2013						
	Western Canada	Central Canada	Eastern Canada	U.S.	REIT	Total
Revenue	\$ 55,208	\$ 15,513	\$ 15,811	\$ 22,205	\$ 42	\$ 108,779
Property operating expenses	16,986	6,467	5,387	8,423	-	37,263
	38,222	9,046	10,424	13,782	42	71,516
Other income (expenses):						
Corporate expenses	-	-	-	-	(2,333)	(2,333)
Interest expense	(11,807)	(3,300)	(2,834)	(3,815)	(2,885)	(24,641)
Interest income	347	37	17	11	71	483
Fair value gain on investment properties	23,705	9,846	400	873	-	34,824
Foreign currency translation loss	-	-	-	-	(1,385)	(1,385)
Transaction costs	(343)	-	(1,125)	(15)	-	(1,483)
Gain on financial instruments	-	-	-	-	596	596
Income (loss) for the period	50,124	15,629	6,882	10,836	(5,894)	77,577
Acquisitions of investment properties	\$ 38,600	\$ -	\$ 38,080	\$ -	\$ -	\$ 76,680
Additions to investment properties and investment properties under construction	1,461	4,429	128	332	-	6,350
Additions to leasing costs	1,120	103	131	505	-	1,859
Additions to tenant inducements	1,182	1,377	440	917	-	3,916
March 31, 2013						
	Western Canada	Central Canada	Eastern Canada	U.S.	REIT	Total
Total assets	\$ 2,542,271	\$ 584,652	\$ 596,692	\$ 779,916	\$ 75,915	\$ 4,579,446
Total liabilities	1,109,357	278,835	302,596	465,010	222,460	2,378,258

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19. Segmented information (continued):

Three months ended March 31, 2012						
	Western Canada	Central Canada	Eastern Canada	U.S.	REIT	Total
Revenue	\$ 43,423	\$ 14,862	\$ 10,644	\$ 13,159	\$ 44	\$ 82,132
Property operating expenses	14,153	6,529	3,957	4,651	-	29,290
	29,270	8,333	6,687	8,508	44	52,842
Other income (expenses):						
Corporate expenses	-	-	-	-	(3,448)	(3,448)
Interest expense	(10,427)	(3,251)	(2,255)	(2,256)	(3,516)	(21,705)
Interest income	403	14	7	270	182	876
Fair value gain on investment properties	21,938	11,214	14,973	8,746	-	56,871
Foreign currency translation gain	-	-	-	-	654	654
Transaction costs	(336)	(156)	-	(481)	(342)	(1,315)
Loss on financial instruments	-	-	-	-	(9,019)	(9,019)
Income (loss) for the period	\$ 40,848	\$ 16,154	\$ 19,412	\$ 14,787	\$ (15,445)	\$ 75,756
Acquisitions of investment properties	\$ 35,894	\$ -	\$ -	\$ 74,933	\$ -	\$ 110,827
Additions to investment properties and investment properties under construction	2,271	1,816	-	1,422	-	5,509
Additions to leasing costs	382	178	89	132	-	781
Additions to tenant inducements	643	530	14	355	-	1,542
December 31, 2012						
	Western Canada	Central Canada	Eastern Canada	U.S.	REIT	Total
Total assets	\$ 2,480,380	\$ 566,339	\$ 554,603	\$ 756,065	\$ 22,673	\$ 4,380,060
Total liabilities	1,117,782	278,708	280,716	454,720	198,278	2,330,204

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20. Commitments and guarantees:

(a) Letters of credit:

As of March 31, 2013, the REIT had issued letters of credit in the amount of \$225 (December 31, 2012, \$225).

(b) Guarantees:

AX L.P. has guaranteed certain debt assumed by a purchaser in connection with the disposition of a property. This guarantee will remain until the debt is modified, refinanced or extinguished. Credit risk arises in the event that the purchaser defaults on repayment of their debt since it is guaranteed by the REIT. This credit risk is mitigated as the REIT has recourse under this guarantee in the event of default by the purchaser, in which case the REIT would have a claim against the underlying property. The estimated amount of debt subject to the guarantee at March 31, 2013 is \$5,546 (December 31, 2012, \$5,584), with an estimated weighted-average remaining term of 4.7 years (December 31, 2012, 4.9 years). No liability in excess of the fair value of the guarantee has been recognized in these consolidated financial statements as the estimated fair value of the borrower's interests in the underlying property is greater than the mortgage payable for which the REIT provided the guarantee.

21. Capital management:

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

The REIT's Declaration of Trust permits the REIT to incur indebtedness, provided that after giving effect to incurring or assuming any indebtedness (as defined in the Declaration of Trust), the amount of such indebtedness of the REIT is not more than 70% of the gross book value of the REIT's total assets. Gross book value is defined in the Declaration of Trust as "the consolidated book value of the assets of the REIT, plus the amount of accumulated depreciation and amortization recorded in the books and records of the REIT, plus the amount of any deferred tax liability arising out of any indirect acquisitions, calculated in accordance with generally accepted accounting principles". As at March 31, 2013, the ratio of such indebtedness to gross book value was 46.1% (December 31, 2012, 47.3%), which complies with the requirement in the Declaration of Trust and is consistent with the REIT's objectives.

In addition to the covenant outlined in the Declaration of Trust, the REIT must maintain a debt to gross book value ratio of 70%, a debt service coverage ratio of 1.4, and adjusted unitholders' equity of \$750,000 for the purposes of the credit facility (note 11). As at March 31, 2013, the REIT was in compliance with these requirements.

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

The total managed capital for the REIT is summarized below:

	March 31, 2013	December 31, 2012
Mortgages and loans payable	\$ 2,093,143	\$ 2,073,607
Convertible debentures	184,148	182,344
Bank indebtedness	20,000	-
Total debt	2,297,291	2,255,951
Unitholders' equity	2,201,188	2,049,856
	\$ 4,498,479	\$ 4,305,807

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22. Risk management and fair values:

(a) Risk management:

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

(i) Market risk:

(a) Interest rate risk:

The REIT is exposed to interest rate risk on its borrowings. It minimizes the risk by restricting debt to 70% of the gross book value of the REIT's total assets and by monitoring the amount of variable rate debt. The REIT has the majority of its mortgage payable and debentures in fixed rate terms. In addition, management considers the weighted-average term to maturity of long-term debt relative to the remaining average lease terms. At March 31, 2013, the REIT is a party to \$554,484 of variable rate debt (December 31, 2012, \$529,660), including the outstanding balance of bank indebtedness. At March 31, 2013, the REIT had entered into interest rate swaps to hedge the interest rate risk associated with \$173,183 of variable rate debt (December 31, 2012, \$173,472).

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

	Impact on interest expense	
Variable rate debt	\$	3,508
Fixed rate debt due within one year		1,010
	\$	4,518

(b) Foreign currency risk:

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

A \$0.10 weakening in the US dollar against the average Canadian dollar exchange rate of 1.0090 for the three months ended March 31, 2013, respectively, and the period end exchange rate of 1.0156 at March 31, 2013 would have increased net income by approximately \$7,478 for the three months ended March 31, 2013. A \$0.10 weakening in the US dollar against the Canadian dollar would also have decreased other comprehensive income by approximately \$29,929 for the three months ended March 31, 2013. Conversely, a \$0.10 strengthening in the US dollar against the Canadian dollar would have had an equal but opposite effect. This analysis assumes that all variables, in particular interest rates, remain constant.

(c) Other price risk:

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

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

22. Risk management and fair values (continued):

(a) Risk management (continued):

(ii) Credit risk:

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

The REIT is exposed to credit risk as an owner of real estate in that tenants may become unable to pay the contracted rents. Management mitigates this risk by carrying out appropriate credit checks and related due diligence on the significant tenants. The REIT's properties are diversified across the industrial, retail and office asset classes, and geographically diversified with properties owned across five Canadian provinces and four U.S. states. Included in property operating expenses is an impairment recovery on accounts receivable and other receivables of \$6 during the three months ended March 31, 2013 (2012, loss of \$49). The credit quality of the accounts receivable and other receivables amount is considered adequate.

The aging of accounts receivable is summarized as follows:

	March 31, 2013	December 31, 2012 ⁽¹⁾
Past due 0 - 30 days	\$ 4,747	\$ 2,767
Past due 31 - 90 days	926	342
Past due more than 91 days	723	728
	6,396	3,837
Allowance for doubtful accounts	(132)	(162)
	\$ 6,264	\$ 3,675

(1) Comparative amounts have been restated pursuant to the adoption of IFRS 11. Refer to note 2 (d).

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

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22. Risk management and fair values (continued):

(a) Risk management (continued):

(iii) Liquidity risk:

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

The following are the estimated maturities of the REIT's non-derivative financial liabilities at March 31, 2013 including accounts payable and other liabilities, mortgages and loans payable, bank indebtedness and convertible debentures, with convertible debentures disclosed at their face value:

	Total	Less than 1 year	1 - 3 years	4 - 5 years	After 5 years
Accounts payable and other liabilities	\$ 55,821	\$ 55,821	\$ -	\$ -	\$ -
Mortgages, loans and bank indebtedness	2,116,752	181,622	748,204	831,331	355,595
Convertible debentures	182,543	-	7,000	-	175,543
	<u>\$ 2,355,116</u>	<u>\$ 237,443</u>	<u>\$ 755,204</u>	<u>\$ 831,331</u>	<u>\$ 531,138</u>

(b) Fair values:

The REIT uses a three-level hierarchy that reflects the significance of the inputs used in making fair value measurements of its financial instruments and its investment properties. Level 1 of the fair value hierarchy uses quoted market prices in active markets for identical assets or liabilities to determine the fair value of assets and liabilities. Level 2 includes valuations using inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. Level 3 valuations are based on inputs for the asset or liability that are not based on observable market data.

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22. Risk management and fair values (continued):

(b) Fair values (continued):

	Fair value hierarchy	March 31, 2013		December 31, 2012	
		Carrying value	Fair value	Carrying value	Fair value
Assets:					
Investment properties	Level 3	\$ 4,339,463	\$ 4,339,463	\$ 4,206,126	\$ 4,206,126
Investment properties under construction	Level 3	8,674	8,674	4,234	4,234
Notes receivable	Level 2	21,781	23,503	23,875	25,506
Investment properties held for sale	Level 3	59,764	59,764	58,963	58,963
Foreign exchange swap contracts	Level 2	178	178	78	78
		4,429,860	4,431,582	4,293,276	4,294,907
Liabilities:					
Mortgages and loans payable	Level 2	2,093,143	2,163,848	2,073,607	2,137,855
Convertible debentures	Level 1,2 ⁽¹⁾	184,148	192,332	182,344	187,055
Mortgage interest rate swaps	Level 2	3,619	3,619	4,099	4,099
		2,280,910	2,359,799	2,260,050	2,329,009
		\$ 2,148,950	\$ 2,071,783	\$ 2,033,226	\$ 1,965,898

(1) Convertible debentures excluding Series D are measured using a Level 1 methodology and Series D convertible debentures are valued using a Level 2 methodology.

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

The fair value of notes receivable has been determined by discounting the cash flows of these financial assets using period end market rates for assets of similar terms and credit risks.

The fair value of mortgages and loans payable has been determined by discounting the cash flows of these financial obligations using period end market rates for debt of similar terms and credit risks.

Fair value of the debentures is based on the market price of the debentures, or if no market price exists, fair value is determined by discounting the cash flows of these financial obligations using period end market rates for debt of similar terms and credit risks.

The REIT entered into interest rate swaps on ten mortgages. The swaps are not designated in a hedge relationship. An unrealized gain of \$496 for three months ended March 31, 2013 (2012, loss of \$244) in relation to the fair value of these interest rate swaps.

On February 11, 2013, the REIT entered into a swap contract to exchange US\$25,000 into Canadian funds. An unrealized gain of \$100 was recorded for the three months ended March 31, 2013 in relation to foreign exchange swap contracts.

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23. Subsequent events:

On April 1, 2013, the REIT repaid a maturing mortgage on a retail property in the amount of \$4,532.

On April 3, 2013, the REIT repaid \$20,000 on its revolving term credit facility.

On April 15, 2013, the REIT settled US\$5,000 of its outstanding foreign exchange swap contract and extended the remaining US\$20,000.

On April 23, 2013, the REIT received new 10-year mortgage financing in the amount of \$8,000 on two previously unencumbered retail properties, which bear interest at 3.76% per annum.

On April 30, 2013, the REIT acquired 220 Portage Avenue which is located in Winnipeg, Manitoba. The property was acquired for \$41,000 and the purchase price was satisfied with cash and new 10-year mortgage financing of \$25,000, which bears interest at 3.80% per annum.

On May 2, 2013, the REIT filed a prospectus supplement under its current base shelf prospectus with respect to a public offering of 9,065,000 units at a price of \$16.55 per unit for aggregate gross proceeds of \$150,026. On May 6, 2013, the underwriters exercised their over-allotment option for an additional 1,359,750 units for aggregate gross proceeds of \$22,504. The offering is anticipated to close on May 9, 2013.

The REIT entered into agreements with respect to the acquisition of properties located in Alberta, Manitoba and Ontario. The total purchase price of these acquisitions is \$204,091. The REIT anticipates that the acquisitions will close in May and June of 2013, and will be financed through a combination of cash consideration and either existing or new mortgage financing.

The REIT entered into agreements with respect to the acquisition of properties located in Colorado and Arizona. The total purchase price of these acquisitions is US\$68,750. The REIT anticipates that the acquisitions will close in May 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 April 2013 were declared subsequent to March 31, 2013.

24. Approval of financial statements:

The consolidated financial statements were approved by the Board of Trustees and authorized for issue on May 7, 2013.