

ARTIS

REIT

**Management's Discussion and Analysis
Q1-13**

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

ARTIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis - Q1-13
(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, the unaudited interim condensed consolidated financial statements for the three month periods ended March 31, 2013 and 2012, and the notes thereto. This MD&A has been prepared taking into account material transactions and events up to and including May 7, 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.

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 period, or from a property, nor should any of these measures be viewed as an alternative to net income, cash flow from operating activities or other measures of financial performance calculated in accordance with IFRS. Readers should be further cautioned that Property NOI, FFO and AFFO as calculated by Artis may not be comparable to similar measures presented by other issuers.

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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, AX.PR.U, AX.PR.E, 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 May 7, 2013, there were 115,320,790 units, 3,598,188 options, 10,450,000 preferred units and 45,573 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 March 31, 2013, approximately 18.7% of Artis' portfolio weighting by pro-forma Property NOI is in the United States. Historically, commercial real estate in the U.S. has been more expensive and offered lower unlevered yields than similar property in Canada. This has now changed, and Canadian investors are able to acquire quality U.S. properties at relatively higher yields than in Canada.

Artis' management believes that this window of opportunity will not be open for long and has adopted a disciplined approach in pursuing U.S. acquisitions while the opportunity exists, as follows:

- total weighting of U.S. properties in Artis' portfolio will not exceed 30% by pro-forma Property NOI.
- unlevered yield will be accretive, and higher than that available for a comparable property in Canada.
- low interest, conventional mortgage financing will be available.
- quality local third party property management will be available.
- property will be "new generation", thus reducing the average age of Artis' overall portfolio.
- the tenant credit and lease expiry profile for the property will be more conservative than that of a comparable property in Canada, thus improving the credit profile of Artis' overall portfolio.

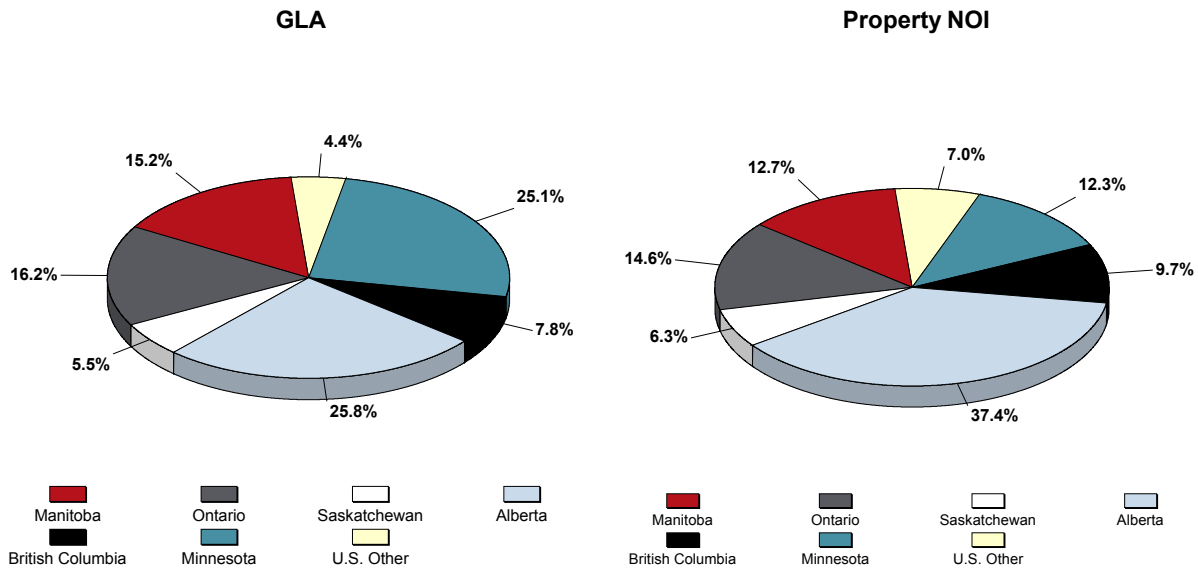
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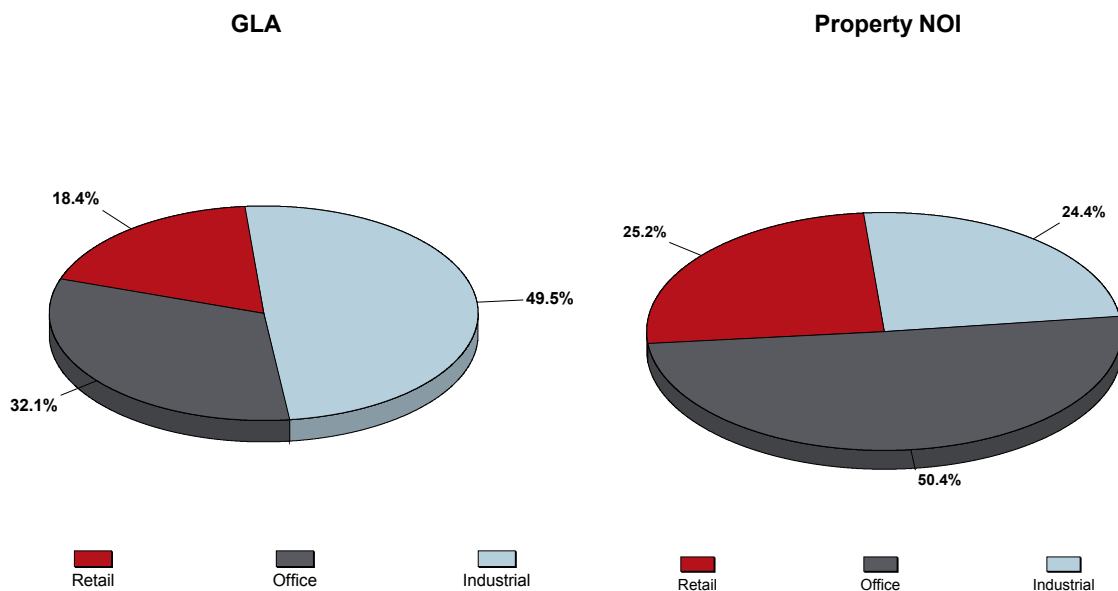
PORTFOLIO SUMMARY

At March 31, 2013, the REIT's portfolio was comprised of 223 commercial properties totaling approximately 23.69 million square feet (S.F.) of gross leasable area ("GLA").

Diversification by Geographical Region:



Diversification by Asset Class:



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Portfolio by Asset Class as at March 31, 2013 (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	597	2.5 %	94.0 %	94.0 %
	Edmonton	AB	7	862	3.6 %	97.5 %	98.1 %
	Mississauga	ON	1	158	0.7 %	94.5 %	98.5 %
	Nisku	AB	1	23	0.1 %	100.0 %	100.0 %
	Red Deer	AB	1	126	0.5 %	100.0 %	100.0 %
	Regina	SK	1	119	0.5 %	100.0 %	100.0 %
	Saskatoon	SK	2	269	1.1 %	100.0 %	100.0 %
	Toronto	ON	27	2,072	8.7 %	98.5 %	99.1 %
	Winnipeg	MB	25	1,363	5.8 %	95.7 %	96.2 %
Industrial total			76	6,182	26.0 %	97.5 %	98.0 %
Office	Burnaby	BC	3	437	1.8 %	97.6 %	98.3 %
	Calgary	AB	17	2,235	9.4 %	95.5 %	97.0 %
	Edmonton	AB	1	48	0.2 %	78.9 %	78.9 %
	Mississauga	ON	2	244	1.0 %	78.2 %	86.8 %
	Nanaimo	BC	2	68	0.3 %	100.0 %	100.0 %
	Ottawa	ON	2	287	1.2 %	100.0 %	100.0 %
	Red Deer	AB	1	148	0.6 %	96.8 %	96.8 %
	Saskatoon	SK	1	64	0.3 %	100.0 %	100.0 %
	Toronto	ON	2	739	3.1 %	95.5 %	97.0 %
	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	5.6 %	96.8 %	97.2 %	
Office total			40	5,789	24.4 %	95.5 %	96.8 %
Retail	Calgary	AB	6	477	2.0 %	97.5 %	97.5 %
	Coquitlam	BC	1	82	0.3 %	92.3 %	92.3 %
	Cranbrook	BC	1	288	1.2 %	97.1 %	97.1 %
	Delta	BC	1	75	0.3 %	96.9 %	98.3 %
	Edmonton	AB	3	281	1.2 %	100.0 %	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 %	100.0 %	100.0 %
	Grande Prairie	AB	4	378	1.6 %	92.2 %	93.8 %
	Lethbridge	AB	1	53	0.2 %	100.0 %	100.0 %
	Medicine Hat	AB	1	162	0.7 %	97.2 %	100.0 %
	Moose Jaw	SK	1	38	0.2 %	100.0 %	100.0 %
	Nanaimo	BC	2	90	0.4 %	75.1 %	75.1 %
	Regina	SK	8	554	2.3 %	97.9 %	98.4 %
	Saskatoon	SK	3	218	0.9 %	98.3 %	98.3 %
	Spruce Grove	AB	2	203	0.9 %	84.9 %	99.0 %
	St. Albert	AB	1	21	0.1 %	100.0 %	100.0 %
	Vancouver	BC	1	91	0.4 %	98.1 %	98.1 %
	Westbank / West Kelowna	BC	3	433	1.8 %	99.5 %	99.8 %
	Whistler	BC	1	32	0.1 %	91.1 %	91.1 %
Winnipeg	MB	5	534	2.3 %	96.9 %	97.1 %	
Retail total			55	4,261	18.0 %	96.4 %	97.4 %
Total Canadian portfolio			171	16,232	68.4 %	96.5 %	97.4 %

⁽¹⁾ Excluding properties in redevelopment.

⁽²⁾ Percentage committed is based on occupancy plus commitments on vacant space as at March 31, 2013.

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Portfolio by Asset Class as at March 31, 2013 (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	30	4,617	19.5 %	94.0 %	95.3 %
	Phoenix	AZ	1	99	0.4 %	100.0 %	100.0 %
Industrial total			31	4,716	19.9 %	94.1 %	95.3 %
Office	Minneapolis	MN	4	866	3.7 %	91.3 %	93.4 %
	New Hartford	NY	1	123	0.5 %	100.0 %	100.0 %
	Phoenix	AZ	4	718	3.0 %	95.8 %	97.9 %
	Tampa	FL	1	107	0.5 %	100.0 %	100.0 %
Office total			10	1,814	7.7 %	94.2 %	96.0 %
Retail	Minneapolis	MN	5	110	0.5 %	95.2 %	95.2 %
Total U.S. portfolio			46	6,640	28.1 %	94.1 %	95.5 %
Total Canadian and U.S.			217	22,872	96.5 %	95.8 %	96.8 %

⁽¹⁾ Excluding properties in redevelopment.

⁽²⁾ Percentage committed is based on occupancy plus commitments on vacant space as at March 31, 2013.

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

Asset Class	City	Province / State	Number of Properties	Owned Share of Leasable Area	% of Portfolio GLA	Property	Committed % ⁽¹⁾
Industrial	Delta	BC	1	70	0.3 %	Cliveden Building	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 %
Industrial	Winnipeg	MB	1	197	0.8 %	1750 Inkster Boulevard	0.0 %
Industrial	Minneapolis	MN	1	350	1.5 %	Mid City North	66.0 %
Development properties total			6	818	3.5 %		40.5 %

⁽¹⁾ Percentage committed is based on occupancy plus commitments on vacant space as at March 31, 2013.

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 %
Retail	Winnipeg	MB	Linden Ridge Shopping Centre	87	100.0 %

⁽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 is currently constructing a 87,000 square foot building on excess lands at Linden Ridge Shopping Centre, a retail property in Winnipeg Manitoba. This project is anticipated to be completed in Q1-14. Artis has pre-leased this space to four national tenants.

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2013 – FIRST QUARTER HIGHLIGHTS

PORTFOLIO GROWTH

Artis acquired three commercial properties in Q1-13 as follows:

	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, 2012	49	7,497	59	4,280	112	11,597	220	23,374
Acquisitions	1	106	1	91	1	119	3	316
Portfolio properties at March 31, 2013	50	7,603	60	4,371	113	11,716	223	23,690

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

Property acquisitions:

Property	Property Count	Acquisition Date	Location	Property Type	GLA ⁽¹⁾	Purchase Price
1110 Pettigrew Avenue	1	January 15, 2013	Regina, SK	Industrial	118,800	\$ 12,200
Century Crossing III ⁽²⁾	1	February 11, 2013	Spruce Grove, AB	Retail	90,736	26,400
495 Richmond Road	1	March 15, 2013	Ottawa, ON	Office	106,193	38,080

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

⁽²⁾ Artis closed the first part of the acquisition during the quarter. The second part is expected to close in July 2013.

In Q1-13, Artis completed three acquisitions. On January 15, 2013, Artis acquired 1110 Pettigrew Avenue, a single-tenant industrial property located in Regina, SK. On February 11, 2013, Artis acquired Century Crossing III, a multi-tenant retail property located in Spruce Grove, AB. On March 15, 2013, Artis acquired 495 Richmond Road, an office property in Ottawa, ON. All three properties were 100.0% leased at the time of acquisition.

FINANCING ACTIVITIES

Short form base shelf prospectus:

On June 15, 2012, the REIT filed a short form base shelf prospectus. The REIT may from time to time during the 25-month period that this short form base shelf prospectus is valid, offer and issue the following securities up to a maximum of \$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 of \$69,080 and preferred units under three offerings for a total of \$186,250 and US\$75,000 under this short form base shelf prospectus.

Preferred unit equity offering:

On March 21, 2013, under the short form base shelf prospectus, Artis issued 4,000,000 Series E Preferred Units at a price of \$25 per unit for aggregate gross proceeds to Artis of \$100,000.

Debt financing and repayments:

In Q1-13, Artis repaid six maturing mortgages in the amount of \$34,404 and refinanced one of the properties with a new mortgage, net of financing costs, of \$24,719.

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DISTRIBUTIONS

Artis distributed a total of \$33,337 to unitholders Q1-13, of which \$4,284 was paid by way of distribution reinvestment, pursuant to Artis' Distribution Reinvestment and Unit Purchase Plan ("DRIP").

SELECTED FINANCIAL INFORMATION

000's, except per unit amounts	Three months ended March 31,	
	2013	2012
Revenue	\$ 108,779	\$ 82,132
Property NOI	\$ 71,516	\$ 52,842
Income for the period	\$ 77,577	\$ 75,756
Basic income per common unit	\$ 0.65	\$ 0.81
Diluted income per common unit	\$ 0.62	\$ 0.80
Distributions to common unitholders	\$ 31,078	\$ 26,214
Distributions per common unit	\$ 0.27	\$ 0.27
FFO	\$ 44,777	\$ 29,548
FFO per unit	\$ 0.38	\$ 0.31
FFO after adjustments ⁽¹⁾	\$ 44,777	\$ 29,890
FFO per unit after adjustments ⁽¹⁾	\$ 0.38	\$ 0.31
FFO payout ratio after adjustments ⁽¹⁾	71.1 %	87.1 %
AFFO	\$ 38,864	\$ 26,600
AFFO per unit	\$ 0.33	\$ 0.28
AFFO payout ratio	81.8 %	96.4 %

⁽¹⁾ Calculated after adjustments for transaction costs.

Artis has been actively acquiring properties during 2012 and 2013. Due primarily to acquisition activity as well as same property revenue growth, Q1-13 revenues increased \$26,647 or 32.4% compared to Q1-12 results. Property NOI increased by \$18,674, or 35.3% compared to Q1-12 results.

FFO increased \$15,229, or 51.5% compared to Q1-12. This increase is primarily attributed to the acquisitions completed in 2012 and 2013. Diluted FFO per unit increased \$0.07, or 22.6% compared to Q1-12 results. Adjusted FFO has increased \$14,887, or 49.8% compared to Q1-12. Diluted FFO per unit after adjustments has increased \$0.07, or 22.6% compared to Q1-12.

AFFO has increased \$12,264, or 46.1% compared to Q1-12. AFFO per unit has increased \$0.05, or 17.9% compared to Q1-12.

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 and AFFO have substantially increased. This increase has diluted the impact of strong growth in revenues, Property NOI, FFO and AFFO on per unit results.

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ANALYSIS OF OPERATING RESULTS

REVENUE AND PROPERTY NOI

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

Artis accounts for rent step-ups by straight-lining the incremental increases over the entire non-cancelable lease term. In Q1-13, straight-line rent adjustments of \$1,440 were recorded compared to \$1,274 in Q1-12.

In Q1-13, the REIT recorded amortization of \$2,011 as a reduction in revenue from tenant incentives compared to \$1,325 in Q1-12.

Property operating expenses include realty taxes as well as other costs related to interior and exterior maintenance, HVAC, elevator, insurance, utilities and management fees.

Lease Termination Income:

Lease termination income relates to payments received from tenants where the REIT and the tenant agreed to terminate a lease prior to the contractual expiry date. Lease termination income is common in the real estate industry, however it is unpredictable and period-over-period changes are not indicative of trends. In Q1-13, lease termination income totaled \$1,748, compared to \$65 in Q1-12.

SAME PROPERTY NOI ANALYSIS

Same property comparison includes only stabilized investment properties owned on January 1, 2012, and excludes properties disposed of and properties held for sale subsequent to January 1, 2012.

	Three months ended March 31,	
	2013	2012
Revenue	\$ 80,357	\$ 79,798
Property operating expenses	30,011	29,685
Property NOI	50,346	50,113
Add (deduct) non-cash adjustments:		
Amortization of tenant inducements	1,890	1,272
Straight-line rent adjustment	(939)	(1,313)
Property NOI less revenue adjustments	\$ 51,297	\$ 50,072

In Q1-13, Same Property NOI increased \$233 or 0.5% over Q1-12. Same Property NOI less non-cash adjustments for Q1-13 increased \$1,225 or 2.4% over Q1-12.

Lease termination income of \$1,703 relates to significant tenants that terminated their lease agreements during the quarter. This lease termination income has been excluded from revenue in this quarter for purposes of the same property income calculation. A portion of this lease termination income will be recognized in same property revenue in future periods, to the extent that it covers lost revenue due to vacancy.

Same Property by Asset Class:

	Three months ended March 31,					
	Same Property NOI less Revenue Adjustments				Occupancy	
	2013	2012	Change	% Change	2013	2012
Retail	\$ 13,938	\$ 13,248	\$ 690	5.2 %	96.7 %	96.4 %
Office	26,037	26,340	(303)	(1.2) %	95.7 %	96.9 %
Industrial	11,322	10,484	838	8.0 %	95.5 %	93.8 %
Total	\$ 51,297	\$ 50,072	\$ 1,225	2.4 %	95.8 %	95.5 %

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Same Property NOI less Revenue Adjustments by Geographical Region:

Three months ended March 31,							
	Same Property NOI less Revenue Adjustments				Occupancy		
	2013	2012	Change	% Change	2013	2012	
Alberta	\$ 19,229	\$ 18,697	532	2.8 %	96.9 %	98.2 %	
British Columbia	5,534	5,283	251	4.8 %	96.4 %	94.7 %	
Manitoba	8,889	8,287	602	7.3 %	96.5 %	95.5 %	
Ontario	5,988	6,302	(314)	(5.0)%	95.2 %	97.5 %	
Saskatchewan	3,446	3,380	66	2.0 %	98.5 %	98.0 %	
Minnesota	6,266	6,097	169	2.8 %	92.4 %	89.8 %	
U.S. - Other	1,945	2,026	(81)	(4.0)%	98.9 %	98.9 %	
Total	\$ 51,297	\$ 50,072	\$ 1,225	2.4 %	95.8 %	95.5 %	

PROPERTY NOI BY ASSET CLASS

In Q1-13, revenues and Property NOI increased for all asset class segments of the portfolio in comparison to Q1-12. This growth is primarily attributable to acquisition activity.

	Three months ended March 31,					
	2013			2012		
	Retail	Office	Industrial	Retail	Office	Industrial
Revenue	\$ 25,575	\$ 56,542	\$ 26,620	\$ 20,322	\$ 44,878	\$ 16,888
Property operating expenses	7,565	20,507	9,191	6,537	17,229	5,524
Property NOI	\$ 18,010	\$ 36,035	\$ 17,429	\$ 13,785	\$ 27,649	\$ 11,364
<i>Share of Property NOI</i>	25.2 %	50.4 %	24.4 %	26.1 %	52.4 %	21.5 %

PROPERTY NOI BY GEOGRAPHICAL REGION

In Q1-13, revenues and Property NOI increased in all regions of the portfolio in comparison to Q1-12. This growth is primarily attributable to acquisition activity.

	Three months ended March 31, 2013							
	Canada					U.S.		
	AB	BC	MB	ON	SK	MN	Other	
Revenue	\$ 38,329	\$ 10,462	\$ 15,513	\$ 15,811	\$ 6,417	\$ 15,271	\$ 6,934	
Property operating expenses	11,574	3,524	6,467	5,387	1,888	6,467	1,956	
Property NOI	\$ 26,755	\$ 6,938	\$ 9,046	\$ 10,424	\$ 4,529	\$ 8,804	\$ 4,978	
<i>Share of Property NOI</i>	37.4 %	9.7 %	12.7 %	14.6 %	6.3 %	12.3 %	7.0 %	

	Three months ended March 31, 2012							
	Canada					U.S.		
	AB	BC	MB	ON	SK	MN	Other	
Revenue	\$ 29,364	\$ 8,738	\$ 14,862	\$ 10,644	\$ 5,321	\$ 10,275	\$ 2,884	
Property operating expenses	9,374	3,155	6,529	3,957	1,624	3,942	709	
Property NOI	\$ 19,990	\$ 5,583	\$ 8,333	\$ 6,687	\$ 3,697	\$ 6,333	\$ 2,175	
<i>Share of Property NOI</i>	37.8 %	10.6 %	15.8 %	12.7 %	7.0 %	12.0 %	4.1 %	

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PORTFOLIO OCCUPANCY

Occupancy levels impact the REIT's revenues and Property NOI. Occupancy and commitments at March 31, 2013 (excluding properties currently in redevelopment or under construction), and the previous four periods, are as follows:

Occupancy Report by Asset Class

	Q1-13 % Committed ⁽¹⁾	Q1-13	Q4-12	Q3-12	Q2-12	Q1-12
Retail	97.4 %	96.3 %	96.4 %	97.1 %	96.7 %	96.4 %
Office	96.6 %	95.2 %	95.2 %	95.0 %	94.5 %	96.2 %
Industrial	96.8 %	96.0 %	95.5 %	94.7 %	93.4 %	93.3 %
Total portfolio	96.8 %	95.8 %	95.6 %	95.3 %	94.6 %	95.0 %

Occupancy Report by Geographical Region

	Q1-13 % Committed ⁽¹⁾	Q1-13	Q4-12	Q3-12	Q2-12	Q1-12
Canada:						
Alberta	97.2 %	95.9 %	96.9 %	97.0 %	96.1 %	97.1 %
British Columbia	96.7 %	96.4 %	95.3 %	94.7 %	93.7 %	90.7 %
Manitoba	96.7 %	96.4 %	96.6 %	93.5 %	94.5 %	96.0 %
Ontario	98.0 %	96.7 %	96.4 %	96.6 %	96.1 %	97.5 %
Saskatchewan	99.0 %	98.8 %	99.0 %	98.2 %	98.3 %	98.0 %
U.S.:						
Minnesota	95.0 %	93.6 %	92.3 %	92.4 %	89.8 %	89.8 %
U.S. - Other	98.6 %	97.1 %	97.0 %	96.8 %	96.6 %	99.2 %
Total portfolio	96.8 %	95.8 %	95.6 %	95.3 %	94.6 %	95.0 %

⁽¹⁾ Percentage committed is based on occupancy plus commitments on vacant space as at March 31, 2013.

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PORTFOLIO LEASING ACTIVITY AND LEASE EXPIRIES

Renewal Summary (in S.F.)

	Three months ended March 31,	
	2013	2012
Leasable area renewed	733,424	650,690
% Increase in rent rate	6.9 %	(0.4)%

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	260,708	47,616	401,333	519,137	690,099	530,241	4,359,884	6,809,018
Office - committed	104,465	-	648,524	26,090	15,114	-	-	794,193
Total office	365,173	47,616	1,049,857	545,227	705,213	530,241	4,359,884	7,603,211
Retail - uncommitted	115,336	55,165	154,618	331,168	405,328	449,950	2,458,533	3,970,098
Retail - committed	44,889	-	176,141	68,630	2,013	5,321	103,635	400,629
Total retail	160,225	55,165	330,759	399,798	407,341	455,271	2,562,168	4,370,727
Industrial - uncommitted	831,978	125,411	862,633	1,481,253	1,592,802	1,808,872	4,184,901	10,887,850
Industrial - committed	89,526	-	501,457	51,163	185,776	-	-	827,922
Total industrial	921,504	125,411	1,364,090	1,532,416	1,778,578	1,808,872	4,184,901	11,715,772
Total - uncommitted	1,208,022	228,192	1,418,584	2,331,558	2,688,229	2,789,063	11,003,318	21,666,966
Total - committed	238,880	-	1,326,122	145,883	202,903	5,321	103,635	2,022,744
Total	1,446,902	228,192	2,744,706	2,477,441	2,891,132	2,794,384	11,106,953	23,689,710

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

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

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In-Place Rents

In-place rents reflect the actual rental rate in effect for the leasable area as at March 31, 2013. 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	\$ 19.73	\$ 19.17	\$ 16.34	\$ 19.61	\$ 17.73	\$ 18.14
Market rents	20.40	21.06	18.93	21.73	19.70	19.98
Change	3.4 %	9.9 %	15.9 %	10.8 %	11.1 %	10.2 %
Revenue impact ⁽²⁾	\$ 712	\$ 1,032	\$ 1,830	\$ 1,122	\$ 8,566	\$ 13,262
Retail						
In-place rents	\$ 20.03	\$ 18.43	\$ 14.58	\$ 20.84	\$ 17.44	\$ 17.84
Market rents	22.21	20.38	16.00	23.90	18.81	19.51
Change	10.9 %	10.5 %	9.7 %	14.7 %	7.8 %	9.4 %
Revenue impact ⁽²⁾	\$ 720	\$ 776	\$ 577	\$ 1,394	\$ 3,487	\$ 6,954
Industrial						
In-place rents	\$ 5.36	\$ 6.73	\$ 5.72	\$ 7.07	\$ 6.72	\$ 6.44
Market rents	5.78	6.96	5.92	7.91	7.00	6.81
Change	7.9 %	3.4 %	3.6 %	11.9 %	4.2 %	5.8 %
Revenue impact ⁽²⁾	\$ 579	\$ 348	\$ 364	\$ 1,517	\$ 1,185	\$ 3,993
Total portfolio						
In-place rents	\$ 12.62	\$ 11.37	\$ 9.56	\$ 11.70	\$ 13.52	\$ 12.41
Market rents	13.35	12.23	10.51	13.14	14.71	13.51
Change	5.8 %	7.7 %	10.0 %	12.3 %	8.8 %	8.9 %
Revenue impact ⁽²⁾	\$ 2,011	\$ 2,156	\$ 2,771	\$ 4,033	\$ 13,238	\$ 24,209

⁽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 March 31, 2013 are estimated to be 8.9% above in-place rents across the portfolio, compared to 8.8% at December 31, 2012. Today's market rents for the 2013 and 2014 lease expiries are estimated to be 5.8% and 7.7% respectively, above in-place rents. The office portfolio is still expected to be the strongest contributor to incremental rental revenue over the long term.

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

	Current Vacancy	Monthly Tenants ⁽²⁾	2013	2014	2015	2016	2017 & later	Total
AB - uncommitted	172,962	38,899	313,960	624,201	543,253	905,549	2,991,266	5,590,090
AB - committed	76,389	-	405,791	27,152	15,114	5,321	-	529,767
Total Alberta	249,351	38,899	719,751	651,353	558,367	910,870	2,991,266	6,119,857
BC - uncommitted	128,082	24,158	88,043	185,832	207,158	107,444	799,800	1,540,517
BC - committed	5,087	-	175,596	17,089	-	-	100,046	297,818
Total British Columbia	133,169	24,158	263,639	202,921	207,158	107,444	899,846	1,838,335
MB - uncommitted	401,582	39,854	209,690	341,071	551,157	358,753	1,402,039	3,304,146
MB - committed	12,233	-	197,872	72,613	2,013	-	1,068	285,799
Total Manitoba	413,815	39,854	407,562	413,684	553,170	358,753	1,403,107	3,589,945
ON - uncommitted	76,156	70,709	147,480	415,635	450,065	587,266	1,778,419	3,525,730
ON - committed	50,608	-	274,789	-	-	-	-	325,397
Total Ontario	126,764	70,709	422,269	415,635	450,065	587,266	1,778,419	3,851,127
SK - uncommitted	12,688	15,903	25,471	57,825	67,767	74,208	755,691	1,009,553
SK - committed	2,800	-	150,436	29,029	105,600	-	2,521	290,386
Total Saskatchewan	15,488	15,903	175,907	86,854	173,367	74,208	758,212	1,299,939
MN - uncommitted	401,430	35,664	623,972	665,519	854,217	755,843	2,328,508	5,665,153
MN - committed	77,057	-	121,638	-	80,176	-	-	278,871
Total Minnesota	478,487	35,664	745,610	665,519	934,393	755,843	2,328,508	5,944,024
U.S. - Other - uncommitted	15,122	3,005	9,968	41,475	14,612	-	947,595	1,031,777
U.S. - Other - committed	14,706	-	-	-	-	-	-	14,706
Total U.S. - Other	29,828	3,005	9,968	41,475	14,612	-	947,595	1,046,483
Total - uncommitted	1,208,022	228,192	1,418,584	2,331,558	2,688,229	2,789,063	11,003,318	21,666,966
Total - committed	238,880	-	1,326,122	145,883	202,903	5,321	103,635	2,022,744
Total	1,446,902	228,192	2,744,706	2,477,441	2,891,132	2,794,384	11,106,953	23,689,710

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

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

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Market Rents by Geographical Region ⁽¹⁾

	2013	2014	2015	2016	2017 & later	Total
Alberta						
In-place rents	\$ 21.03	\$ 15.14	\$ 13.62	\$ 17.76	\$ 17.08	\$ 17.13
Market rents	21.57	17.42	16.59	20.20	19.53	19.37
Change	2.6 %	15.1 %	21.8 %	13.7 %	14.3 %	13.1 %
Revenue impact ⁽²⁾	\$ 391	\$ 1,487	\$ 1,655	\$ 2,222	\$ 7,329	\$ 13,084
British Columbia						
In-place rents	\$ 17.53	\$ 20.75	\$ 17.60	\$ 21.03	\$ 12.89	\$ 15.67
Market rents	18.04	20.82	17.72	21.86	13.30	16.04
Change	2.9 %	0.3 %	0.7 %	4.0 %	3.2 %	2.4 %
Revenue impact ⁽²⁾	\$ 134	\$ 15	\$ 25	\$ 90	\$ 371	\$ 635
Manitoba						
In-place rents	\$ 9.53	\$ 9.51	\$ 10.12	\$ 12.80	\$ 13.04	\$ 11.58
Market rents	11.27	10.17	11.25	14.45	13.75	12.60
Change	18.3 %	7.0 %	11.2 %	12.9 %	5.5 %	8.8 %
Revenue impact ⁽²⁾	\$ 712	\$ 274	\$ 625	\$ 592	\$ 1,001	\$ 3,204
Ontario						
In-place rents	\$ 8.03	\$ 9.65	\$ 7.92	\$ 7.86	\$ 10.01	\$ 9.14
Market rents	8.95	10.02	8.37	9.38	10.80	9.97
Change	11.5 %	3.9 %	5.6 %	19.3 %	8.0 %	9.2 %
Revenue impact ⁽²⁾	\$ 388	\$ 156	\$ 200	\$ 893	\$ 1,419	\$ 3,056
Saskatchewan						
In-place rents	\$ 19.00	\$ 17.59	\$ 11.15	\$ 20.05	\$ 12.67	\$ 14.11
Market rents	21.53	19.25	11.84	21.19	13.49	15.23
Change	13.3 %	9.5 %	6.2 %	5.7 %	6.5 %	7.9 %
Revenue impact ⁽²⁾	\$ 444	\$ 145	\$ 120	\$ 84	\$ 627	\$ 1,420
Minnesota						
In-place rents	\$ 5.35	\$ 5.47	\$ 5.16	\$ 4.70	\$ 8.57	\$ 6.62
Market rents	5.38	5.58	5.25	4.90	9.28	6.99
Change	0.5 %	2.1 %	1.9 %	4.3 %	8.3 %	5.5 %
Revenue impact ⁽²⁾	\$ 20	\$ 76	\$ 93	\$ 152	\$ 1,654	\$ 1,995
U.S. - Other						
In-place rents	\$ 27.88	\$ 23.02	\$ 31.41	\$ -	\$ 22.99	\$ 23.16
Market rents	20.00	23.11	35.00	-	23.88	23.97
Change	(28.3)%	0.4 %	11.4 %	0.0 %	3.8 %	3.5 %
Revenue impact ⁽²⁾	\$ (78)	\$ 3	\$ 53	\$ -	\$ 837	\$ 815
Total portfolio						
In-place rents	\$ 12.62	\$ 11.36	\$ 9.56	\$ 11.70	\$ 13.52	\$ 12.41
Market rents	13.35	12.23	10.51	13.14	14.71	13.51
Change	5.8 %	7.7 %	10.0 %	12.3 %	8.8 %	8.9 %
Revenue impact ⁽²⁾	\$ 2,011	\$ 2,156	\$ 2,771	\$ 4,033	\$ 13,238	\$ 24,209

⁽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 March 31, 2013, 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.

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Minneapolis industrial properties represent 19.5% of the overall portfolio by GLA. Direct vacancy in the Minneapolis industrial market, as reported by CBRE, was 5.8% at March 31, 2013, down from 6.0% at December 31, 2012 on positive net absorption over the quarter of 271,192 square feet. As per CBRE, this was the eleventh consecutive quarter of positive absorption for this market. Average asking market lease rates increased to \$4.72 per square foot, up from \$4.65 per square foot at December 31, 2012. Occupancy in this segment of the portfolio was 94.0% at March 31, 2013 compared to 92.3% at December 31, 2012. Artis has commitments in place for 21.3% of the unoccupied space. In 2013, 684,229 square feet comes up for renewal, which represents 2.9% of the portfolio's GLA; commitments are in place for 17.8% of the expiring space.

Calgary office properties represent 9.4% 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 5.7% at March 31, 2013, compared to 4.5% at December 31, 2012. At March 31, 2013, the Calgary office segment of Artis' portfolio was 95.5% occupied, compared to 95.0% occupancy at December 31, 2012. Artis has commitments in place for 31.9% of the unoccupied space. In 2013, 487,456 square feet comes up for renewal, which represents 2.1% of the portfolio's GLA; 68.0% has been renewed or committed to new leases. Approximately 44.4% of the Calgary office GLA expires in 2017 or later.

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

	Current Vacancy	Monthly Tenants ⁽²⁾	2013	2014	2015	2016	2017 & later	Total
Calgary - uncommitted	68,209	5,387	156,169	201,497	175,482	245,287	992,662	1,844,693
Calgary - committed	31,918	-	331,287	12,085	15,114	-	-	390,404
Total Calgary office	100,127	5,387	487,456	213,582	190,596	245,287	992,662	2,235,097
Other - uncommitted	192,499	42,229	245,164	317,640	514,617	284,954	3,367,222	4,964,325
Other - committed	72,547	-	317,237	14,005	-	-	-	403,789
Total other office	265,046	42,229	562,401	331,645	514,617	284,954	3,367,222	5,368,114

⁽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	\$ 24.20	\$ 18.79	\$ 15.65	\$ 22.78	\$ 19.44	\$ 20.51
Market rents	24.10	23.54	22.30	24.80	23.96	23.90
Change	(0.4)%	25.2 %	42.4 %	8.9 %	23.2 %	16.5 %
Revenue impact ⁽²⁾	\$ (51)	\$ 1,013	\$ 1,266	\$ 495	\$ 4,484	\$ 7,207
Other office						
In-place rents	\$ 15.84	\$ 19.41	\$ 16.59	\$ 16.89	\$ 17.23	\$ 17.14
Market rents	17.20	19.47	17.68	19.09	18.44	18.33
Change	8.6 %	0.3 %	6.6 %	13.0 %	7.0 %	7.0 %
Revenue impact ⁽²⁾	\$ 763	\$ 19	\$ 564	\$ 627	\$ 4,082	\$ 6,055

⁽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.

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GTA industrial properties represent 10.7% of Artis' portfolio by GLA. According to a market report by Colliers International, availability in the GTA industrial market, was 3.9% at March 31, 2013, a decrease from 4.1% at December 31, 2012. The average net rental rate in this market increased to \$4.86 per square foot, from \$4.83 per square foot last quarter. Occupancy in this segment of the portfolio was 98.4% at March 31, 2013, compared to 98.1% at December 31, 2012. Artis has commitments in place for 45.6% of the unoccupied space. In 2013, 338,010 square feet comes up for renewal, which represents 1.4% of the portfolio's GLA; 74.1% has been renewed or committed to new leases.

Winnipeg industrial properties represent 5.8% of Artis' portfolio by GLA. Occupancy, excluding properties in redevelopment, was 95.7% at March 31, 2013, compared to 95.9% at December 31, 2012. In total, Artis has commitments in place for 11.2% of the unoccupied space. In 2013, 213,409 square feet comes up for renewal, which represents 0.9% of the portfolio's GLA; 42.4% has been renewed or committed to new leases.

CORPORATE EXPENSES

	Three months ended March 31,	
	2013	2012
Accounting, legal and consulting	\$ 285	\$ 435
Public company costs	372	305
Unit-based compensation	443	1,512
Salaries and benefits	512	624
Amortization	88	88
General and administrative	633	484
Total corporate expenses	\$ 2,333	\$ 3,448

Corporate expenses in Q1-13 were \$2,333, or 2.1% of gross revenues compared to \$3,448, or 4.2% of gross revenues in Q1-12.

The unit-based compensation expense recorded in Q1-13 was \$443 compared to \$1,512 in Q1-12. 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. 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.

INTEREST EXPENSE

The current period's interest expense is attributable to mortgages and other loans secured against the investment properties, as well as convertible debentures outstanding. Interest expense of \$24,641 in Q1-13 has increased \$2,936 over Q1-12 primarily due to additional mortgage financing obtained in connection with acquisitions completed in 2012 and 2013. 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 March 31, 2013 on mortgages and other loans secured by properties was 4.31%, compared to 4.42% at December 31, 2012. The weighted-average nominal interest rate at March 31, 2013 was 4.12% compared to 4.23% at December 31, 2012.

Artis recorded interest expense on debentures outstanding in Q1-13 of \$2,563, compared to \$3,284 in Q1-12.

The REIT's interest coverage ratio, defined as total revenues less property operating expenses and corporate expenses divided by interest expense, is 2.83 times for the three months ended March 31, 2013.

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FAIR VALUE GAIN ON INVESTMENT PROPERTIES

The changes in fair value of investment properties, period-over-period, are recognized as fair value gains and losses in the statement of operations. Fair values of the investment properties are determined through 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 Q1-13, the fair value gain on investment properties is \$34,824 compared to \$56,871 in Q1-12. 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 Q1-13 portfolio differs significantly from the size and mix of the portfolio in Q1-12. Capitalization rate compression and increases to expected market rents in several portfolio segments have occurred during Q1-13 and have contributed to the fair value gain.

FOREIGN CURRENCY TRANSLATION (LOSS) GAIN

In Q1-13, the REIT held cash, deposits and the Series G debentures in US dollars. These assets and liabilities are translated into Canadian dollars at the exchange rate in effect at the balance sheet date. This resulted in a foreign currency translation loss of \$1,385 in Q1-13, compared to a gain of \$654 in Q1-12.

TRANSACTION COSTS

During Q1-13, \$1,483 of transaction costs were expensed, compared to \$1,315 in Q1-12. The transaction costs are primarily attributable to the acquisition of investment properties.

GAIN (LOSS) ON FINANCIAL INSTRUMENTS

The REIT holds a number of interest rate swaps to effectively lock the interest rate on a portion of floating rate debt. The REIT recorded an unrealized gain on the fair value adjustment of the interest rate swaps outstanding of \$496 in Q1-13, compared to an unrealized gain of \$1,608 in Q1-12. The REIT anticipates holding the mortgages and interest rate swap contracts until maturity.

In Q1-13, the REIT entered into a swap contract to exchange US\$25,000 into Canadian funds and recorded an unrealized gain on its foreign exchange swap contracts of \$100.

OTHER COMPREHENSIVE INCOME (LOSS)

Other comprehensive income (loss) includes the unrealized foreign currency translation gain in Q1-13 of \$6,269 compared to a loss of \$3,100 in Q1-12. Foreign currency translation gains and losses relate to the REIT's net investment in foreign operations in the U.S.

INCOME TAX

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.

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The SIFT Rules do not apply to a REIT that meets prescribed conditions relating to the nature of its assets and revenue (the "REIT Conditions"). The REIT has reviewed the SIFT Rules and has assessed their interpretation and application to the REIT's assets and revenues. While there are uncertainties in the interpretation and application of the SIFT Rules, the REIT believes that it has met the REIT Conditions throughout the three month period ended March 31, 2013 and the year ended December 31, 2012. As a result, the REIT does not recognize any deferred income tax assets or liabilities for income tax purposes.

The REIT's U.S. subsidiary is a REIT for U.S. income tax purposes. 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 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.

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 months ended March 31, 2013		Year ended December 31, 2012		Year ended December 31, 2011
Cash flow from operations	\$ 43,789	\$	135,920	\$	76,494
Net income	\$ 77,577	\$	340,339	\$	321,289
Distributions declared	\$ 33,337	\$	117,948	\$	87,183
Excess (shortfall) of cash flow from operations over distributions declared	\$ 10,452	\$	17,972	\$	(10,689)
Excess of net income over distributions declared	\$ 44,240	\$	222,391	\$	234,106

For the three months ended March 31, 2013, cash flow from operations exceeded distributions declared by \$10,452 and net income exceeded distributions declared by \$44,240.

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FUNDS FROM OPERATIONS ("FFO")

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

Reconciliation of Cash Flows from Operations to FFO:

000's, except per unit amounts	Three months ended March 31,			
	2013		2012	
Cash flow from operations	\$	43,789	\$	30,444
Add (deduct):				
Depreciation of property and equipment		(88)		(88)
Amortization of above- and below-market mortgages, net		441		289
Straight-line rent adjustment		1,440		1,274
Realized foreign currency translation (gain) loss		(385)		167
Unrealized foreign currency gain from U.S. operations		44		14
Unit-based compensation expense		(443)		(1,512)
Accretion on liability component of convertible debentures		78		-
Accretion of financing costs included in interest		(809)		(619)
Defined benefit expense		-		(216)
Transaction costs on acquisitions		1,483		973
Additions to tenant inducements		3,916		1,542
Changes in non-cash operating items		(2,430)		(2,720)
Preferred unit distributions		(2,259)		-
FFO for the period	\$	44,777	\$	29,548
Add:				
Transaction costs ⁽¹⁾		-		342
FFO for the period after adjustments	\$	44,777	\$	29,890
FFO per unit				
Basic	\$	0.39	\$	0.32
Diluted	\$	0.38	\$	0.31
FFO per unit after adjustments				
Basic	\$	0.39	\$	0.32
Diluted	\$	0.38	\$	0.31
Weighted-average number of common units outstanding:				
Basic ⁽²⁾		115,050		93,657
Diluted ⁽²⁾		125,903		105,632

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

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

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

Diluted common units reconciliation:			Diluted FFO reconciliation:		
	Three months ended March 31,			Three months ended March 31,	
	2013	2012		2013	2012
Basic units	115,050	93,657	FFO	\$ 44,777	\$ 29,548
Add:			Add:		
Options ⁽¹⁾	258	-	Options ⁽¹⁾	-	-
Debentures ⁽¹⁾	10,595	11,975	Debentures ⁽¹⁾	2,542	2,906
Diluted units	125,903	105,632	Diluted FFO	\$ 47,319	\$ 32,454

⁽¹⁾ All debenture series and options are dilutive in Q1-13. All debenture series are dilutive in Q1-12.

Reconciliation of GAAP Income to FFO:

	Three months ended March 31,	
	2013	2012
Income for the period	\$ 77,577	\$ 75,756
Add amortization on:		
Tenant inducements amortized to revenue	2,011	1,325
Add (deduct):		
Fair value gain on investment properties	(34,824)	(56,871)
Foreign currency translation loss (gain)	1,385	(654)
Transaction costs on acquisitions	1,483	973
Unrealized (gain) loss on financial instruments	(596)	9,019
Preferred unit distributions	(2,259)	-
FFO for the period	\$ 44,777	\$ 29,548
Add:		
Transaction costs ⁽¹⁾	-	342
FFO for the period after adjustments	\$ 44,777	\$ 29,890

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

In Q1-13, FFO has increased \$15,229, or 51.5% over Q1-12. This increase is primarily attributed to acquisitions completed in 2012 and 2013. Also contributing to the increase in FFO is lease termination income received from tenants during Q1-13. Basic FFO per unit has increased by \$0.07 or 21.9% over Q1-12. On a diluted basis, FFO per unit has increased \$0.07, or 22.6% over Q1-12.

In Q1-13, adjusted FFO has increased \$14,887, or 49.8% over Q1-12. Adjusted basic FFO per unit has increased by \$0.07 or 21.9%. Adjusted diluted FFO per unit has increased by \$0.07 or 22.6%.

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.

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ADJUSTED FUNDS FROM OPERATIONS ("AFFO")

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 months ended March 31,			
	2013		2012	
FFO for the period after adjustments	\$	44,777	\$	29,890
Add (deduct):				
Capital expenditures reserve		(819)		(623)
Leasing costs reserve		(4,097)		(2,905)
Straight-line rent adjustments		(1,440)		(1,274)
Unit-based compensation		443		1,512
AFFO for the period	\$	38,864	\$	26,600
AFFO per unit				
Basic	\$	0.34	\$	0.28
Diluted	\$	0.33	\$	0.28

In Q1-13, AFFO has increased \$12,264, or 46.1% over Q1-12. AFFO per unit has increased by \$0.06 or 21.4%. Diluted AFFO per unit has increased by \$0.05 or 17.9%.

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ANALYSIS OF FINANCIAL POSITION

ASSETS

	March 31, 2013	December 31, 2012	Increase (decrease)
Non-current assets:			
Investment properties	\$ 4,348,137	\$ 4,210,360	\$ 137,777
Other non-current assets	30,279	30,778	(499)
Current assets:			
Cash, cash equivalents and cash held in trust	104,359	57,313	47,046
Investment properties held for sale	59,764	58,963	801
Other current assets	36,907	22,646	14,261
	\$ 4,579,446	\$ 4,380,060	\$ 199,386

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

The increase in investment properties, investment properties under construction and investment properties held for sale is a result of the following:

	Investment properties	Investment properties under construction	Investment properties held for sale	Total
Balance, December 31, 2012	\$ 4,206,126	\$ 4,234	\$ 58,963	\$ 4,269,323
Additions:				
Acquisitions	76,680	-	-	76,680
Capital expenditures	1,975	4,326	49	6,350
Leasing costs	1,858	-	1	1,859
Reclassification of investment properties under construction	169	(169)	-	-
Foreign currency translation gain	15,511	9	-	15,520
Straight-line rent adjustment	1,426	-	14	1,440
Tenant inducements, net of amortization	1,908	-	(3)	1,905
Fair value gain	33,810	274	740	34,824
Balance, March 31, 2013	\$ 4,339,463	\$ 8,674	\$ 59,764	\$ 4,407,901

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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 months ended March 31,	
	2013	2012
Cash consideration	\$ 43,870	\$ 43,678
Long-term debt, including acquired above- and below-market mortgages, net of financing costs	32,810	67,149
Total	\$ 76,680	\$ 110,827

Capital expenditures:

Investment properties include certain capital expenditures related to sustaining building improvements not related to a specific lease or tenancy. Capital expenditures in Q1-13 totaled \$6,350 compared to \$5,509 in Q1-12. In Q1-13, revenue enhancing capital expenditures were \$4,326. The remaining \$2,024 of capital expenditure primarily relate to elevator modernizations, HVAC unit replacements, boiler replacements, parking lot replacements and roof replacements. Approximately \$1,384 of these capital expenditures are recoverable from tenants in future periods.

Leasing costs and tenant inducements:

In Q1-13, Artis incurred \$5,775 of tenant inducements and leasing costs compared to \$2,323 in Q1-12. Tenant inducements include costs incurred to improve the space that primarily benefit the tenant, as well as allowances paid to tenants. Leasing costs are primarily brokers' commissions.

	Three months ended March 31,	
	2013	2012
Tenant inducements	\$ 3,916	\$ 1,542
Leasing costs	1,859	781
Total	\$ 5,775	\$ 2,323

Foreign currency translation gain:

In Q1-13, the foreign currency translation gain on investment properties was \$15,520 due to the change in the period end US dollar to Canadian dollar exchange rate from 0.9949 at December 31, 2012 to 1.0156 at March 31, 2013.

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Fair value gain on investment properties:

In Q1-13, the REIT recorded a gain on the fair value of investment properties of \$34,824, compared to a gain of \$56,871 in Q1-12. From December 31, 2012 to March 31, 2013, the REIT reflected approximately 6 basis points of compression in the weighted-average capitalization rates across the portfolio. In comparison, from December 31, 2011 to March 31, 2012, the REIT reflected approximately 12 basis points of compression in the weighted-average capitalization rates across the portfolio. The fair value gain for Q1-13 is primarily attributed to capitalization rate compression in the Grande Prairie retail, Vancouver office and Winnipeg office 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.

	March 31, 2013			December 31, 2012		
	Maximum	Minimum	Weighted-average	Maximum	Minimum	Weighted-average
Office:						
U.S.	8.50%	6.25%	7.09%	8.50%	6.50%	7.14%
Canada	8.25%	5.25%	6.08%	8.25%	5.25%	6.15%
Office total	8.50%	5.25%	6.28%	8.50%	5.25%	6.34%
Industrial:						
U.S.	8.00%	6.50%	7.19%	8.00%	6.50%	7.10%
Canada	8.00%	5.75%	6.50%	8.00%	5.75%	6.59%
Industrial total	8.00%	5.75%	6.70%	8.00%	5.75%	6.74%
Retail:						
U.S.	9.00%	6.00%	7.32%	9.00%	6.25%	7.37%
Canada	7.25%	5.50%	6.34%	7.25%	5.50%	6.42%
Retail total	9.00%	5.50%	6.36%	9.00%	5.50%	6.44%
Total:						
U.S. portfolio	9.00%	6.00%	7.14%	9.00%	6.25%	7.13%
Canadian portfolio	8.25%	5.25%	6.25%	8.25%	5.25%	6.32%
Total portfolio	9.00%	5.25%	6.40%	9.00%	5.25%	6.46%

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 balance outstanding on all notes receivable at March 31, 2013 is \$21,781 compared to \$23,875 at December 31, 2012.

Cash and cash equivalents:

At March 31, 2013, the REIT had \$100,448 of cash and cash equivalents on hand, compared to \$54,494 at December 31, 2012. The balance is anticipated to be invested in investment properties in subsequent periods, used for working capital purposes or for debt repayment. All of the REIT's cash and cash equivalents are held in current accounts and/or bank guaranteed investment certificates.

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LIABILITIES

	March 31, 2013	December 31, 2012	Increase (decrease)
Non-current liabilities:			
Mortgages and loans payable	\$ 1,932,693	\$ 1,860,606	\$ 72,087
Convertible debentures	184,148	182,344	1,804
Other non-current liabilities	78	76	2
Current liabilities:			
Current portion of mortgages and loans payable	160,450	213,001	(52,551)
Bank indebtedness	20,000	-	20,000
Other current liabilities	80,889	74,177	6,712
	\$ 2,378,258	\$ 2,330,204	\$ 48,054

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 March 31, 2013 was 46.1%, compared to 47.3% at December 31, 2012.

	March 31, 2013	December 31, 2012
GBV	\$ 4,580,240	\$ 4,380,766
Mortgages, loans and bank indebtedness	2,113,143	2,073,607
Mortgages, loans and bank indebtedness to GBV	46.1 %	47.3 %
Preferred share liabilities	\$ 78	\$ 76
Carrying value of convertible debentures	184,148	182,344
Total long-term debt and bank indebtedness	2,297,369	2,256,027
Total long-term debt and bank indebtedness to GBV	50.2 %	51.5 %

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 March 31, 2013, the ratio of total long-term debt, bank indebtedness and preferred units to GBV was 55.6%.

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Mortgages and loans payable:

Mortgage financing:

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 Q1-13, \$13,059 of principal repayments were made compared to \$8,941 in Q1-12.

During Q1-13, long-term debt including acquired above-and below-market mortgages, net of financing costs, added on acquisition of investment properties was \$32,810. During Q1-13, Artis also repaid six maturing mortgages in the amount of \$34,404 and refinanced one of the properties with a new mortgage, net of financing costs, of \$24,719.

The weighted-average term to maturity at March 31, 2013 is 4.4 years, unchanged from December 31, 2012.

Variable rate mortgage 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 March 31, 2013, the REIT is a party to \$534,484 of variable rate mortgage debt compared to \$529,660 at December 31, 2012. The change is primarily due to the effect of foreign exchange of \$7,663, offset by mortgage repayments during the quarter of \$2,839.

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 mortgage debt (December 31, 2012, \$173,472). The variable rate mortgage debt less the portion protected by interest rate swaps is \$361,301 or 15.9% of total debt, excluding bank indebtedness.

The amount of variable rate mortgage debt on properties in the U.S. is \$374,212, of which \$30,468 is protected by an interest rate swap. Management believes that holding variable rate mortgage 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 mortgage debt exposure if we see Canadian rates start to rise.

Convertible debentures:

Artis has three series of convertible debentures outstanding as at March 31, 2013, as follows:

	Issued	Maturity	Face rate	March 31, 2013		December 31, 2012	
				Carrying value	Face value	Carrying value	Face value
Series D	30-Nov-07	30-Nov-14	5.00%	6,945	7,000	6,937	7,000
Series F	22-Apr-10	30-June-20	6.00%	84,929	86,170	84,896	86,170
Series G	21-Apr-11	30-June-18	5.75%	92,274	89,373	90,511	87,551
				\$ 184,148	\$ 182,543	\$ 182,344	\$ 180,721

The carrying value of convertible debentures has increased by \$1,804 from December 31, 2012. This increase is primarily due the change in the period end US dollar to Canadian dollar exchange rate.

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Other liabilities and bank indebtedness:

Included in other liabilities are security deposits paid by tenants, rents prepaid by tenants at March 31, 2013, accounts payable and accruals, as well as the March 31, 2013 distribution payable to unitholders of \$10,496, subsequently paid on April 15, 2013. Bank indebtedness relates to the balance drawn on the REIT's revolving term credit facility. At March 31, 2013, there is \$20,000 drawn on the REIT's revolving term credit facility. 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.

UNITHOLDERS' EQUITY

Unitholders' equity increased overall by \$151,332 between December 31, 2012 and March 31, 2013. The increase was primarily due to the issuance of units for \$101,467 and income for the period of \$77,577. This increase was offset by distributions made to unitholders of \$34,362.

LIQUIDITY AND CAPITAL RESOURCES

In Q1-13, Artis generated \$43,789 of cash flows from operating activities. Cash flows from operations assisted in funding distributions to unitholders of \$34,205 and for principal repayments on mortgages and loans of \$13,059.

Cash of \$12,125 was used for capital building improvements and for tenant inducements and leasing costs in Q1-13, compared to \$7,832 in Q1-12.

At March 31, 2013, Artis had \$100,448 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 March 31, 2013, the REIT has a balance of \$20,000 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 period ended March 31, 2013.

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	\$ 55,821	\$ 55,821	\$ -	\$ -	\$ -
Mortgages, loans and bank indebtedness	2,116,752	181,622	748,204	831,331	355,595
Convertible debentures ⁽¹⁾	182,543	-	7,000	-	175,543
Total	\$ 2,355,116	\$ 237,443	\$ 755,204	\$ 831,331	\$ 531,138

⁽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 March 31, 2013, obligations due within one year include \$55,821 of accounts payable and other liabilities, \$20,000 of bank indebtedness, \$98,509 of mortgages, and principal repayments on mortgages of \$63,113.

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SUMMARIZED QUARTERLY INFORMATION

\$000's, except per unit amounts								
	Q1-13	Q4-12	Q3-12	Q2-12	Q1-12	Q4-11	Q3-11	Q2-11
Revenue	\$108,779	\$105,036	\$ 98,466	\$ 86,835	\$ 82,132	\$ 82,940	\$ 78,427	\$ 65,887
Property operating expenses	37,263	38,379	34,937	29,454	29,290	30,779	29,316	23,358
	71,516	66,657	63,529	57,381	52,842	52,161	49,111	42,529
Other income (expenses):								
Corporate expenses	(2,333)	(2,884)	(2,604)	(3,057)	(3,448)	(3,306)	(2,663)	(2,573)
Interest expense	(24,641)	(24,764)	(24,711)	(23,104)	(21,705)	(21,943)	(21,336)	(18,988)
Interest income	483	519	566	684	876	517	599	714
Fair value gain on investment properties	34,824	60,400	54,003	51,990	56,871	46,916	35,043	47,975
Gain on disposal of investment properties	-	637	-	-	-	-	481	-
Foreign currency translation (loss) gain	(1,385)	(240)	4,759	(2,777)	654	1,941	(5,131)	2,025
Transaction costs	(1,483)	(1,511)	(4,130)	(1,698)	(1,315)	(4,439)	(1,684)	(9,122)
Gain (loss) on financial instruments	596	(89)	(3,874)	(1,099)	(9,019)	(15,815)	16,785	(875)
Income tax recovery (expense)	-	-	-	-	-	10,707	(7,700)	(2,661)
Income for the period	77,577	98,725	87,538	78,320	75,756	66,739	63,505	59,024
Other comprehensive income (loss):								
Unrealized foreign currency translation gain (loss)	6,269	2,712	(9,538)	5,270	(3,100)	(2,967)	10,497	(2,278)
Comprehensive income for the period	\$ 83,846	\$101,437	\$ 78,000	\$ 83,590	\$ 72,656	\$ 63,772	\$ 74,002	\$ 56,746
Income per unit attributable to common unitholders:								
Basic	\$ 0.65	\$ 0.87	\$ 0.79	\$ 0.74	\$ 0.81	\$ 0.79	\$ 0.76	\$ 0.77
Diluted	\$ 0.62	\$ 0.81	\$ 0.77	\$ 0.70	\$ 0.80	\$ 0.79	\$ 0.49	\$ 0.69

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 and 2013 contribute to operating results. Comprehensive income and per unit amounts are also impacted by the fair value gains on investment properties.

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Reconciliation of GAAP Income to FFO:

000's, except per unit amounts	Q1-13	Q4-12	Q3-12	Q2-12	Q1-12	Q4-11	Q3-11	Q2-11
Income for the period	\$ 77,577	\$ 98,725	\$ 87,538	\$ 78,320	\$ 75,756	\$ 66,739	\$ 63,505	\$ 59,024
Add amortization on:								
Tenant inducements amortized into revenue	2,011	1,954	1,645	1,425	1,325	1,246	1,199	1,094
Unrealized (gain) loss on financial instruments	(596)	89	3,874	1,099	9,019	15,917	(16,829)	720
Transaction costs on acquisitions	1,483	1,511	4,130	1,698	973	449	1,677	5,489
Fair value gain on investment properties	(34,824)	(60,400)	(54,003)	(51,990)	(56,871)	(46,916)	(35,043)	(47,975)
Gain on disposal of investment properties	-	(637)	-	-	-	-	(481)	-
Deferred tax (recovery) expense	-	-	-	-	-	(8,997)	6,817	1,790
Foreign currency translation loss (gain)	1,385	240	(4,759)	2,777	(654)	(1,941)	5,131	(2,025)
Preferred distributions	(2,259)	(2,113)	(867)	-	-	-	-	-
FFO for the period	\$ 44,777	\$ 39,369	\$ 37,558	\$ 33,329	\$ 29,548	\$ 26,497	\$ 25,976	\$ 18,117
Add back:								
Transaction costs ⁽¹⁾	-	-	-	-	342	3,990	7	3,633
Current tax (recovery) expense	-	-	-	-	-	(1,710)	883	871
(Gain) loss on equity securities	-	-	-	-	-	(102)	44	154
FFO for the period after adjustments	\$ 44,777	\$ 39,369	\$ 37,558	\$ 33,329	\$ 29,890	\$ 28,675	\$ 26,910	\$ 22,775
FFO per unit								
Basic	\$ 0.39	\$ 0.35	\$ 0.34	\$ 0.32	\$ 0.32	\$ 0.31	\$ 0.31	\$ 0.24
Diluted	\$ 0.38	\$ 0.34	\$ 0.33	\$ 0.31	\$ 0.31	\$ 0.31	\$ 0.30	\$ 0.24
FFO per unit after adjustments								
Basic	\$ 0.39	\$ 0.35	\$ 0.34	\$ 0.32	\$ 0.32	\$ 0.34	\$ 0.32	\$ 0.30
Diluted	\$ 0.38	\$ 0.34	\$ 0.33	\$ 0.31	\$ 0.31	\$ 0.33	\$ 0.31	\$ 0.29
Weighted-average number of common units outstanding:								
Basic ⁽²⁾	115,050	110,947	109,993	105,468	93,657	84,172	83,380	76,173
Diluted ⁽²⁾	125,903	121,810	120,588	116,631	105,632	98,073	97,400	83,929

⁽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.

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RELATED PARTY TRANSACTIONS

	Three months ended March 31,	
	2013	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)

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.

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OUTSTANDING UNIT DATA

The balance of units outstanding as of May 7, 2013 is as follows:

Units outstanding at March 31, 2013	115,216,719
Units issued (DRIP)	92,196
Units issued on exercise of options	<u>11,875</u>
Units outstanding at May 7, 2013	<u>115,320,790</u>

The balance of options outstanding as of May 7, 2013 is as follows:

	Options outstanding	Options exercisable
\$11.28 options, issued February 25, 2010	140,438	76,126
\$13.30 options, issued September 10, 2010	322,750	135,250
\$13.44 options, issued October 15, 2010	332,000	144,000
\$14.10 options, issued June 17, 2011	1,048,000	253,000
\$16.36 options, issued April 13, 2012	<u>1,755,000</u>	<u>439,500</u>
	<u>3,598,188</u>	<u>1,047,876</u>

The balance of restricted units outstanding as of May 7, 2013 is 45,573. None of these restricted units are vested at this time.

As of May 7, 2013, the balance of Series A preferred units outstanding is 3,450,000, the balance of Series C preferred units outstanding is 3,000,000 and the balance of Series E preferred units outstanding is 4,000,000.

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2013 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 Forecast Update report of March 27, 2013, real GDP in Canada is forecast to grow 1.6% in 2013. Forecast GDP growth for the Canadian provinces where Artis owns properties is also positive, as follows: Manitoba, 1.8%; Saskatchewan, 2.5%; Alberta, 2.6%; British Columbia, 1.5% and Ontario, 1.5%. Real GDP in the U.S. is forecast to grow 2.0% in 2013; national year-over-year unemployment for March 2013 decreased to 7.6% from 8.2%. For Minnesota and Arizona, where Artis' U.S. properties are concentrated, year-over-year unemployment at February 28, 2013 decreased to 5.3% from 5.6% and to 6.8% from 7.6%, 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 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 March 31, 2013, Artis had \$100,448 of cash and cash equivalents on hand and \$60,000 available on the line of credit. Subsequent to March 31, 2013, the following transactions took place:

- 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.

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- 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.

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 March 31, 2013, the REIT is a party to \$554,484 of variable rate debt, (December 31, 2012, \$529,660). 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 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 46.1%, down from 47.3% at December 31, 2012. Approximately 5.5% 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.

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CREDIT RISK AND TENANT CONCENTRATION

Artis is exposed to risk as tenants may be unable to pay their contracted rents. Management mitigates this risk by seeking to acquire properties across several asset classes. As well, management seeks to acquire properties with strong tenant covenants in place. Artis' portfolio includes approximately 2,000 tenant leases with a weighted-average term to maturity of 4.9 years. Approximately 63.1% 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 2012 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 Inc.	2.1 %	322	1.4 %	9.9
AMEC Americas Ltd. ⁽¹⁾	2.1 %	200	0.9 %	0.4
TransAlta Corporation	1.1 %	336	1.5 %	10.2
Shoppers Drug Mart	1.1 %	155	0.7 %	5.7
Home Depot	0.9 %	159	0.7 %	9.3
TD Bank	0.9 %	123	0.5 %	7.2
Sobeys	0.9 %	191	0.8 %	7.9
CB Richard Ellis, Inc.	0.9 %	103	0.4 %	5.5
Fairview Health Services	0.8 %	179	0.8 %	10.4
CGI Sys & Mgmt Consultants, Inc.	0.8 %	64	0.3 %	2.7
PMC Sierra, Inc.	0.8 %	148	0.6 %	0.5
Cara Operations Limited	0.8 %	50	0.2 %	15.7
3M Canada Company	0.8 %	319	1.4 %	7.0
Q9 Networks, Inc.	0.8 %	35	0.2 %	3.4
Bell Canada	0.8 %	76	0.3 %	3.3
Birchcliff Energy	0.8 %	59	0.3 %	4.7
ABB, Inc.	0.8 %	318	1.4 %	1.6
Credit Union Central	0.7 %	86	0.4 %	8.8
Sport Alliance of Ontario	0.6 %	85	0.4 %	11.2
Data Sciences International	0.6 %	116	0.5 %	7.3
Total	19.1 %	3,124	13.7 %	6.7

⁽¹⁾ Tenant has exercised their renewal option.

Government 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
Federal Government	3.8 %	547	2.4 %	8.8
Provincial Government	2.7 %	379	1.7 %	3.8
Civic or Municipal Government	0.5 %	118	0.5 %	14.8
Total	7.0 %	1,044	4.6 %	7.7

Weighted-average term to maturity (entire portfolio)

4.9

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LEASE ROLLOVER RISK

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

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

Expiry Year	Canada					Calgary Office Only	U.S.		Total
	AB	BC	MB	SK	ON		MN	Other	
2013	3.0 %	1.1 %	1.8 %	0.7 %	1.8 %	2.1 %	2.2 %	0.0 %	10.6 %
2014	2.7 %	0.8 %	1.6 %	0.4 %	1.8 %	0.9 %	2.8 %	0.2 %	10.3 %
2015	2.4 %	0.9 %	2.3 %	0.7 %	1.9 %	0.8 %	3.9 %	0.1 %	12.2 %
2016	3.8 %	0.5 %	1.5 %	0.3 %	2.5 %	1.0 %	3.2 %	0.0 %	11.8 %
2017	2.1 %	0.8 %	1.3 %	0.9 %	1.8 %	1.0 %	2.9 %	1.1 %	10.9 %
2018	1.9 %	0.3 %	1.2 %	0.5 %	0.4 %	0.5 %	1.2 %	0.6 %	6.1 %
2019 & later	8.7 %	2.7 %	3.1 %	1.8 %	5.2 %	2.7 %	5.6 %	2.3 %	29.4 %
Month-to-month	0.1 %	0.1 %	0.2 %	0.1 %	0.3 %	0.0 %	0.2 %	0.0 %	1.0 %
Vacant	1.1 %	0.3 %	0.5 %	0.1 %	0.5 %	0.4 %	1.6 %	0.1 %	4.2 %
Properties in Redevelopment	0.0 %	0.3 %	1.7 %	0.0 %	0.0 %	0.0 %	1.5 %	0.0 %	3.5 %
Total	25.8 %	7.8 %	15.2 %	5.5 %	16.2 %	9.4 %	25.1 %	4.4 %	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.

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 three month period ended March 31, 2013 and the year ended December 31, 2012. There can be no assurances, however, that the REIT will continue to be able to satisfy the REIT Conditions in the future such that the REIT will not be subject to the tax imposed by the SIFT Rules.

The REIT operates in the United States through a U.S. REIT (Artis US Holdings, Inc.) which is primarily capitalized by the REIT by way of equity, debt in the form of notes owed to the REIT and preferred shares. As at March 31, 2013, Artis US Holdings, Inc. owes US\$95,514 to the REIT which is eliminated on consolidation of the financial statements.

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

FOREIGN CURRENCY RISK

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

OTHER RISKS

In addition to the specific risks identified above, Artis REIT is subject to a variety of other risks, including, but not limited to, risks posed by the illiquidity of real property investments, risk of general uninsured losses as well as potential risks arising from environmental matters.

The REIT may also be subject to risks arising from land leases for properties in which the REIT has an interest, public market risks, unitholder liability risks, risks pertaining to the availability of cash flow, risks related to fluctuations in cash distributions, changes in legislation, and risks relating to the REIT's reliance on key personnel.

CRITICAL ACCOUNTING ESTIMATES

The policies that the REIT's management believes are the most subject to estimation and judgment are set out in the REIT's Management Discussion and Analysis for the year ended December 31, 2012.

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.

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 March 31, 2013.

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.

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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 March 31, 2013, 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 March 31, 2013.