

ARTIS

REIT

**Management's Discussion and Analysis
Q3-13**

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

ARTIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis - Q3-13
(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 and nine month periods ended September 30, 2013, and 2012 and the notes thereto. This MD&A has been prepared taking into account material transactions and events up to and including November 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 and dispositions, 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

Artis is an unincorporated closed-end real estate investment trust, created under, and governed by, the laws of the Province of Manitoba. The REIT was created pursuant to the Declaration of Trust dated November 8, 2004, as most recently amended and restated on August 2, 2012 (the "Declaration of Trust").

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, AX.PR.G and the REIT's Series F and Series G convertible debentures trade under the symbols AX.DB.F and AX.DB.U, respectively. As at November 7, 2013, there were 126,645,365 units, 3,380,188 options, 13,650,000 preferred units and 73,976 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

The U.S. is the largest economy and real estate market in the world, and Canada's primary trading partner. The U.S. economy is projected to lead the G7 group of country economies in GDP growth over the years ahead, which in turn, will have a positive impact on real estate fundamentals.

At September 30, 2013, approximately 22.1% of Artis' portfolio weighting by pro-forma Property NOI is in the United States. Historically, commercial real estate in the U.S. has been more expensive and offered lower unlevered yields than similar property in Canada. This has now changed, and Canadian investors are able to acquire quality U.S. properties at relatively higher yields than in Canada.

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

- total weighting of U.S. properties in Artis' portfolio will not exceed 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.

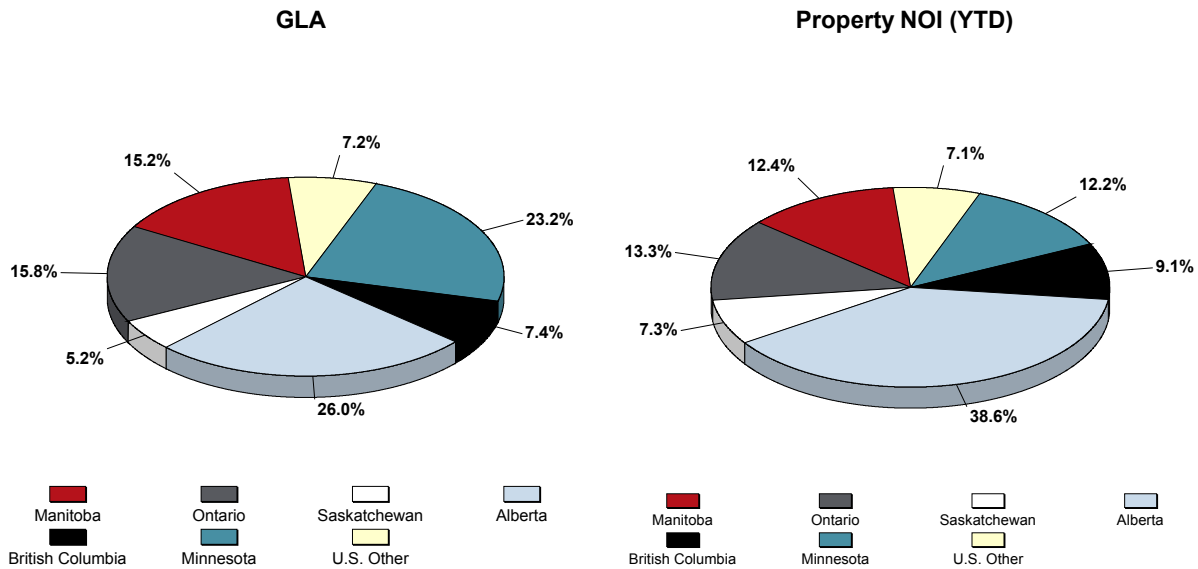
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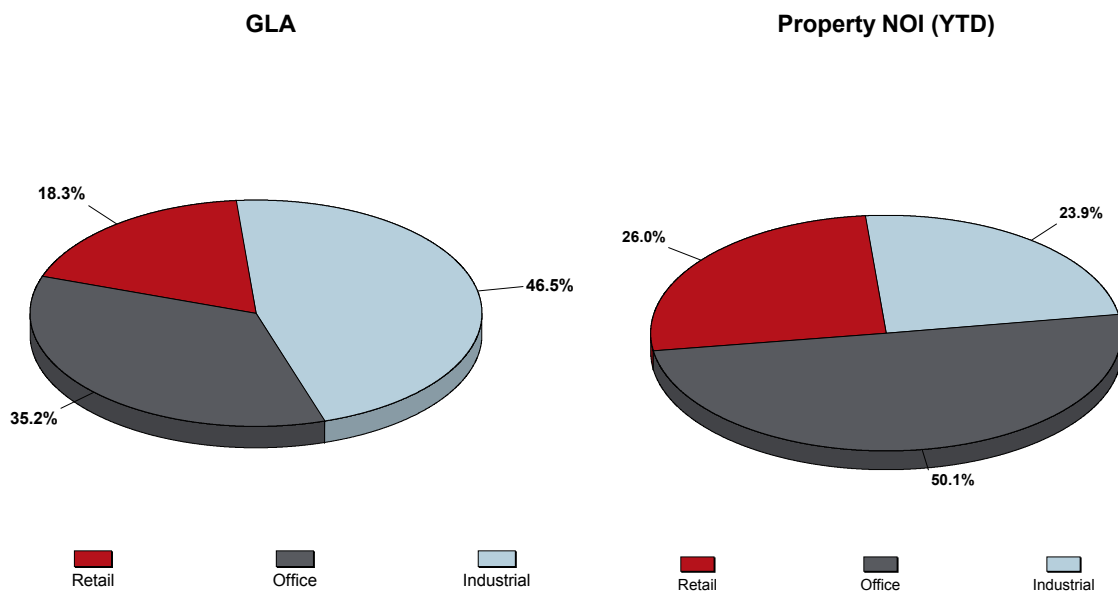
PORTFOLIO SUMMARY

At September 30, 2013, the REIT's portfolio was comprised of 232 commercial properties totaling approximately 24.8 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 September 30, 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	3	337	1.4 %	100.0 %	100.0 %
	Airdrie	AB	1	27	0.1 %	100.0 %	100.0 %
	Brampton	ON	1	301	1.2 %	100.0 %	100.0 %
	Calgary	AB	7	597	2.4 %	100.0 %	100.0 %
	Edmonton	AB	6	825	3.3 %	93.7 %	93.7 %
	Mississauga	ON	1	158	0.6 %	97.5 %	97.5 %
	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	8.4 %	98.5 %	98.9 %
Winnipeg	MB	25	1,363	5.5 %	95.2 %	96.8 %	
Industrial total			76	6,217	25.1 %	97.5 %	98.0 %
Office	Burnaby	BC	3	437	1.8 %	98.6 %	99.3 %
	Calgary	AB	20	2,527	10.2 %	94.8 %	95.6 %
	Edmonton	AB	1	48	0.2 %	86.8 %	86.8 %
	Mississauga	ON	2	242	1.0 %	87.4 %	92.2 %
	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	3.0 %	94.1 %	94.1 %
	Vancouver	BC	2	174	0.7 %	96.5 %	96.5 %
	Vaughan	ON	1	100	0.4 %	100.0 %	100.0 %
Winnipeg	MB	8	1,469	5.8 %	94.5 %	95.5 %	
Office total			45	6,303	25.5 %	95.1 %	95.9 %
Retail	Calgary	AB	6	477	1.9 %	97.8 %	98.4 %
	Coquitlam	BC	1	82	0.3 %	92.3 %	92.3 %
	Cranbrook	BC	1	288	1.2 %	94.9 %	95.3 %
	Delta	BC	1	75	0.3 %	94.5 %	94.5 %
	Edmonton	AB	3	281	1.1 %	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 %	99.1 %	100.0 %
	Grande Prairie	AB	4	378	1.5 %	98.6 %	98.6 %
	Lethbridge	AB	1	53	0.2 %	95.2 %	95.2 %
	Medicine Hat	AB	1	162	0.7 %	97.2 %	100.0 %
	Moose Jaw	SK	1	38	0.2 %	100.0 %	100.0 %
	Nanaimo	BC	3	93	0.4 %	65.7 %	65.7 %
	Regina	SK	7	257	1.0 %	97.3 %	97.3 %
	Saskatoon	SK	3	218	0.9 %	97.4 %	97.4 %
	Spruce Grove	AB	2	203	0.8 %	97.4 %	97.4 %
	St. Albert	AB	1	21	0.1 %	100.0 %	100.0 %
	Vancouver	BC	-	91	0.4 %	90.3 %	98.1 %
	Westbank / West Kelowna	BC	3	433	1.7 %	99.8 %	99.8 %
	Whistler	BC	1	32	0.1 %	92.8 %	92.8 %
Winnipeg	MB	5	533	2.1 %	96.7 %	96.8 %	
Retail total			54	3,966	16.0 %	96.7 %	97.2 %
Total Canadian portfolio			175	16,486	66.6 %	96.4 %	97.0 %

⁽¹⁾ Excluding properties held for redevelopment.

⁽²⁾ Percentage committed is based on occupancy plus commitments on vacant space as at September 30, 2013.

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Portfolio by Asset Class as at September 30, 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	Twin Cities Metropolitan Area	MN	30	4,617	18.6 %	95.3 %	95.9 %
	Phoenix	AZ	2	229	0.9 %	100.0 %	100.0 %
Industrial total			32	4,846	19.5 %	95.6 %	96.1 %
Office	Denver	CO	2	454	1.8 %	97.6 %	97.8 %
	Twin Cities Metropolitan Area	MN	4	867	3.5 %	86.3 %	86.6 %
	New Hartford	NY	1	123	0.5 %	100.0 %	100.0 %
	Phoenix	AZ	5	871	3.5 %	93.6 %	95.3 %
	Tampa	FL	1	107	0.4 %	100.0 %	100.0 %
Office total			13	2,422	9.7 %	92.3 %	93.1 %
Retail	Twin Cities Metropolitan Area	MN	6	275	1.1 %	97.1 %	97.1 %
Total U.S. portfolio			51	7,543	30.3 %	94.6 %	95.2 %
Total Canadian and U.S.			226	24,029	96.9 %	95.8 %	96.4 %

⁽¹⁾ Excluding properties held for redevelopment.

⁽²⁾ Percentage committed is based on occupancy plus commitments on vacant space as at September 30, 2013.

Properties Held for 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	100.0 %
Industrial	Winnipeg	MB	1	37	0.1 %	8-30 Plymouth Street	43.8 %
Industrial	Winnipeg	MB	1	197	0.8 %	1750 Inkster Blvd	0.0 %
Retail	Regina	SK	1	297	1.2 %	Victoria Square Shopping Centre	59.5 %
Re-development properties total			6	765	3.1 %		41.3 %

⁽¹⁾ Percentage committed is based on occupancy plus commitments on vacant space as at September 30, 2013.

Artis has completed demolition of approximately 38,000 square feet of leasable area at 1595 Buffalo Place, and will commence construction of new generation warehouse space with higher ceilings, new front office space and improved loading in its place. Completion of this project is anticipated for June 2014. The remainder of the building, which was newer generation construction, remains leased to a national tenant.

27-81 Plymouth was recently classified as a redevelopment property upon a tenant vacating who previously occupied nearly half of the building. Artis has since negotiated a lease commitment for all of the vacant space. Renovations are underway and the building will be 100.0% occupied as of November 1, 2013.

Victoria Square Shopping Centre has been classified as a redevelopment opportunity upon the successful negotiation of an early termination agreement and fee with Zellers Inc. This vacancy provides an opportunity to redevelop the space and there is considerable interest in this space from a number of well-known national tenants. Pre-leasing for this redevelopment opportunity is underway.

New Developments In Process

Artis has a 50% ownership interest in the Centrepoint development project. The construction project, which is currently underway, is expected to comprise 96,165 square feet of leasable area; completion is anticipated for September 2014.

Artis is nearing completion of construction of an approximately 87,000 square foot retail development on excess lands at Linden Ridge Shopping Centre. This new development has been fully leased to Marshalls, PetSmart, SportChek and Dollar Tree. SportChek and Dollar Tree have taken possession of their premises for commencement of tenant improvement work, while Artis continues to do landlord work for Marshalls and PetSmart. All leases are scheduled to commence between fall of 2013 and spring of 2014.

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Artis purchased Fourell Business Park in 2010 with an existing 400,000 square foot fully leased building and land potential for future development. Phase I, a 63,757 square foot development on the property, has been completed and fully leased while Phase II, an approximately 35,000 square foot development is underway; completion is anticipated in summer of 2014.

During Q3-13, Artis commenced construction of an 185,470 square foot industrial building on a parcel of land located in the Twin Cities Metropolitan Area, Minnesota. Leasing for this new industrial building is underway and construction is anticipated to be complete in Q4-13.

Development Initiatives

Artis has been awarded a six month extension to the original one year development exclusivity agreement as a result of their successful Expression of Interest (EOI) in a joint development/ownership venture with Longboat Development Corporation and Manitoba Public Insurance Corporation, the current land owner. The initial EOI submission called for the development of an approximately 160,000 square foot Class A office building, with an additional 25,000 square feet of hospitality/retail space, a 15 storey full service hotel with 220 rooms, 325 stall parkade and street level public plaza space. The air rights for the hotel will be sold to a hotel operator. The project is in a prime location within the City of Winnipeg's Sports, Hospitality, and Entertainment District ("SHED") which affords it unprecedented access to both the MTS Centre as well as to the recently commenced expansion of the Winnipeg Convention Centre facilities. Skywalk connections will also connect this strategic development opportunity to the rest of the downtown, including CityPlace, the Law Courts Building, the Winnipeg Public Library and 360 Main. This project is anticipated to be valued at over \$110,000.

In Q2-13, Artis purchased an 11.93 acre parcel of land adjacent to Linden Ridge Shopping Centre, a retail property in Winnipeg, Manitoba also owned by Artis. Pre-leasing for this development opportunity is underway with the potential to develop an approximately 135,000 square foot building on this site.

2013 – THIRD QUARTER HIGHLIGHTS

PORTFOLIO GROWTH

Artis acquired 2 commercial properties and disposed of 2 commercial properties in Q3-13 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	50	7,510	58	4,279	112	11,595	220	23,384
Q1-13 acquisitions	1	106	1	91	1	119	3	316
Q2-13 acquisitions	5	700	1	165	2	202	8	1,067
Q2-13 construction	-	-	1	3	-	-	1	3
Q3-13 acquisitions	2	409	-	-	-	-	2	409
Q3-13 dispositions	-	-	-	-	(2)	(385)	(2)	(385)
Portfolio properties at September 30, 2013	58	8,725	61	4,538	113	11,531	232	24,794

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

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Property Acquisitions

Property	Property Count	Acquisition Date	Location	Property Type	Owned Share of GLA	Purchase Price
161 Inverness	1	July 31, 2013	Denver, CO	Office	256,767	\$ US71,000
North Scottsdale Corporate Center II	1	September 10, 2013	Phoenix, AZ	Office	152,629	US38,600

These properties were acquired for aggregate purchase prices of US\$109,600, representing a weighted-average capitalization rate of 6.2%. 161 Inverness was settled with cash on hand and from the proceeds of a new seven-year mortgage in an amount of US\$39,050, bearing interest at a fixed rate of 3.96% per annum. This property is 100.0% occupied, with annual rent escalations, until 2025. North Scottsdale Corporate Center II was settled with cash on hand and from the proceeds of a new five-year mortgage in an amount of US\$21,230, bearing interest at a fixed rate of 3.47% per annum. This property is 94.6% leased to a variety of national tenants.

Property Dispositions

During Q3-13, Artis sold two industrial properties: one in the Twin Cities Metropolitan Area, Minnesota and the other in Edmonton, Alberta. The proceeds from the sale of these properties, net of costs, were US\$5,912 and \$5,360, respectively.

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 September 30, 2013, the REIT has issued common units under two offerings of \$241,610 and preferred units under four offerings for a total of \$266,250 and US\$75,000 under this short form base shelf prospectus.

Preferred Unit Equity Offering

On July 29, 2013, under the short form base shelf prospectus, Artis issued 3,200,000 Series G Preferred Units at a price of \$25.00 per unit for aggregate gross proceeds to Artis of \$80,000. This included 200,000 units issued pursuant to the exercise of the underwriters' over-allotment option.

Debt Financing and Repayments

In Q3-13, Artis repaid one maturing mortgage in the amount of \$21,317. Artis obtained new mortgage financing on three previously unencumbered properties, net of financing costs, for a total of \$46,914.

DISTRIBUTIONS

In Q3-13, Artis distributed a total of \$38,121 (YTD - \$107,860) to unitholders of which \$5,513 (YTD - \$14,926) was paid by way of distribution reinvestment, pursuant to Artis' Distribution Reinvestment and Unit Purchase Plan ("DRIP").

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SELECTED FINANCIAL INFORMATION

000's, except per unit amounts	Three month period ended September 30,		Nine month period ended September 30,	
	2013	2012	2013	2012
Revenue	\$ 121,032	\$ 98,466	\$ 340,548	\$ 267,433
Property NOI	78,607	63,529	221,862	173,752
Income for the period	48,978	87,538	197,857	241,614
Basic income per common unit	0.36	0.79	1.56	2.34
Diluted income per common unit	0.35	0.77	1.49	2.32
Distributions to common unitholders	\$ 34,095	\$ 29,715	\$ 98,221	\$ 84,771
Distributions per common unit	0.27	0.27	0.81	0.81
FFO	\$ 49,359	\$ 37,558	\$ 138,063	\$ 100,435
FFO per unit	0.38	0.33	1.11	0.95
FFO after adjustments ⁽¹⁾	49,359	37,558	138,063	100,777
FFO per unit after adjustments ⁽¹⁾	0.38	0.33	1.11	0.96
FFO payout ratio after adjustments ⁽¹⁾	71.1 %	81.8 %	73.0 %	84.4 %
AFFO	\$ 42,018	\$ 33,202	\$ 118,302	\$ 88,793
AFFO per unit	0.33	0.30	0.96	0.85
AFFO payout ratio	81.8 %	90.0 %	84.4 %	95.3 %

⁽¹⁾ Calculated after adjustments for transaction costs.

Artis has been actively acquiring properties during 2012 and 2013. Due primarily to this acquisition activity as well as same property revenue growth, Q3-13 revenues increased \$22,566 or 22.9% compared to Q3-12 results (YTD - \$73,115 or 27.3%). Property NOI increased by \$15,078 or 23.7% (YTD - \$48,110 or 27.7%) compared to Q3-12 results.

FFO increased \$11,801 or 31.4% compared to Q3-12, and \$37,628 or 37.5% year-over-year. These increases are primarily attributed to acquisition activity and same property growth in 2012 and 2013 as well as lease termination income in 2013. Diluted FFO per unit increased \$0.05 or 15.2% compared to Q3-12 results, and \$0.16 or 16.8% year-over-year. Adjusted FFO has increased \$11,801 or 31.4% compared to Q3-12, and \$37,286 or 37.0% year-over-year. Diluted FFO per unit after adjustments has increased \$0.05 or 15.2% (YTD - \$0.15 or 15.6%) compared to Q3-12.

AFFO has increased \$8,816 or 26.6% compared to Q3-12, and \$29,509 or 33.2% or year-over-year. AFFO per unit has increased \$0.03 or 10.0% (YTD - \$0.11 or 12.9%) compared to Q3-12.

As a result of units issued from public offerings and units issued under the DRIP, 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 amounts earned from tenants related to lease agreements, including basic rent, parking, operating cost and realty tax recoveries, as well as adjustments for the straight-lining of rents.

Artis accounts for rent step-ups by straight-lining the incremental increases over the entire non-cancelable lease term. In Q3-13, straight-line rent adjustments of \$1,605 (YTD - \$4,371) were recorded compared to \$1,089 (YTD - \$3,913) in Q3-12.

In Q3-13, the REIT recorded amortization of \$2,202 (YTD - \$6,372) as a reduction in revenue from tenant incentives compared to \$1,645 (YTD - \$4,395) in Q3-12.

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 Q3-13, lease termination income totaled \$3,972 (YTD - \$6,265), compared to \$277 in Q3-12 (YTD - \$387).

SAME PROPERTY NOI ANALYSIS

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

	Three month period ended September 30,		Nine month period ended September 30,	
	2013	2012	2013	2012
Revenue	\$ 81,038	\$ 78,789	\$ 241,836	\$ 236,109
Property operating expenses	30,941	29,842	91,040	87,273
Property NOI	50,097	48,947	150,796	148,836
Add (deduct) non-cash adjustments:				
Amortization of tenant inducements	2,116	1,549	5,972	4,182
Straight-line rent adjustment	(853)	(1,029)	(2,708)	(3,633)
Property NOI less revenue adjustments	\$ 51,360	\$ 49,467	\$ 154,060	\$ 149,385

In Q3-13, Artis achieved an increase of \$1,893 (YTD - \$4,675), or 3.8% (YTD - 3.1%) of Property NOI less non-cash revenue adjustments over Q3-12.

Lease termination income related to significant tenants of \$1,190 (YTD - \$3,128) in Q3-13, compared to \$85 (YTD - \$85) in Q2-13, has been excluded from revenue for purposes of the same property income calculation. The portion that covers lost revenue due to vacancy has been added back to income for the purposes of the same property income calculation.

Same Property NOI Less Revenue Adjustments by Asset Class

	Three month period ended September 30,				Nine month period ended September 30,			
	2013	2012	Change	% Change	2013	2012	Change	% Change
Retail	\$ 13,296	\$ 12,668	\$ 628	5.0 %	\$ 41,477	\$ 39,428	\$ 2,049	5.2 %
Office	26,473	26,079	394	1.5 %	78,286	78,003	283	0.4 %
Industrial	11,591	10,720	871	8.1 %	34,297	31,954	2,343	7.3 %
Total	\$ 51,360	\$ 49,467	\$ 1,893	3.8 %	\$ 154,060	\$ 149,385	\$ 4,675	3.1 %

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Same Property NOI Less Revenue Adjustments by Geographical Region

	Three month period ended September 30,				Nine month period ended September 30,			
	2013	2012	Change	% Change	2013	2012	Change	% Change
Alberta	\$ 20,239	\$ 18,817	\$ 1,422	7.6 %	\$ 58,897	\$ 55,979	\$ 2,918	5.2 %
British Columbia	5,559	5,372	187	3.5 %	16,657	16,099	558	3.5 %
Manitoba	8,631	8,635	(4)	0.0 %	26,278	25,357	921	3.6 %
Ontario	5,911	6,155	(244)	(4.0)%	17,770	18,605	(835)	(4.5)%
Saskatchewan	2,548	2,521	27	1.1 %	9,511	9,324	187	2.0 %
Minnesota	6,370	5,975	395	6.6 %	18,773	18,078	695	3.8 %
U.S. - Other	2,102	1,992	110	5.5 %	6,174	5,943	231	3.9 %
Total	\$ 51,360	\$ 49,467	\$ 1,893	3.8 %	\$ 154,060	\$ 149,385	\$ 4,675	3.1 %

Same Property Occupancy Comparisons

Geographical Region	As at September 30,		Asset Class	As at September 30,	
	2013	2012		2013	2012
Alberta	96.6 %	96.8 %	Retail	96.7 %	97.3 %
British Columbia	95.0 %	94.2 %	Office	93.7 %	94.9 %
Manitoba	95.2 %	96.0 %	Industrial	96.2 %	94.9 %
Ontario	96.2 %	96.4 %		95.3 %	95.4 %
Saskatchewan	98.0 %	97.6 %			
Minnesota	92.6 %	91.5 %			
U.S. - Other	95.5 %	98.9 %			
Total	95.3 %	95.4 %			

PROPERTY NOI BY ASSET CLASS

	Three month period ended September 30,					
	2013		2012			
	Retail	Office	Industrial	Retail	Office	Industrial
Revenue	\$ 29,662	\$ 64,131	\$ 27,217	\$ 22,827	\$ 54,823	\$ 20,741
Property operating expenses	8,388	25,270	8,767	6,871	21,201	6,865
Property NOI	\$ 21,274	\$ 38,861	\$ 18,450	\$ 15,956	\$ 33,622	\$ 13,876
<i>Share of Property NOI</i>	27.1 %	49.4 %	23.5 %	25.1 %	53.0 %	21.9 %

	Nine month period ended September 30,					
	2013		2012			
	Retail	Office	Industrial	Retail	Office	Industrial
Revenue	\$ 80,782	\$ 179,617	\$ 80,066	\$ 64,473	\$ 148,269	\$ 54,516
Property operating expenses	23,136	68,573	26,977	19,667	56,273	17,741
Property NOI	\$ 57,646	\$ 111,044	\$ 53,089	\$ 44,806	\$ 91,996	\$ 36,775
<i>Share of Property NOI</i>	26.0 %	50.1 %	23.9 %	25.8 %	53.0 %	21.2 %

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PROPERTY NOI BY GEOGRAPHICAL REGION

Three month period ended September 30, 2013

	Canada					U.S.	
	AB	BC	MB	ON	SK	MN	Other
Revenue	\$ 44,365	\$ 10,237	\$ 16,807	\$ 15,721	\$ 9,197	\$ 16,202	\$ 8,481
Property operating expenses	13,934	3,650	7,695	5,840	2,033	6,728	2,545
Property NOI	\$ 30,431	\$ 6,587	\$ 9,112	\$ 9,881	\$ 7,164	\$ 9,474	\$ 5,936
<i>Share of Property NOI</i>	38.7 %	8.4 %	11.5 %	12.6 %	9.1 %	12.1 %	7.6 %

Three month period ended September 30, 2012

	Canada					U.S.	
	AB	BC	MB	ON	SK	MN	Other
Revenue	\$ 37,206	\$ 9,483	\$ 15,484	\$ 12,703	\$ 5,650	\$ 11,452	\$ 6,413
Property operating expenses	12,264	3,197	6,324	4,856	1,742	4,522	2,032
Property NOI	\$ 24,942	\$ 6,286	\$ 9,160	\$ 7,847	\$ 3,908	\$ 6,930	\$ 4,381
<i>Share of Property NOI</i>	39.3 %	9.9 %	14.4 %	12.4 %	6.2 %	10.9 %	6.9 %

Nine month period ended September 30, 2013

	Canada					U.S.	
	AB	BC	MB	ON	SK	MN	Other
Revenue	\$ 123,729	\$ 30,959	\$ 48,526	\$ 46,543	\$ 21,979	\$ 46,428	\$ 22,301
Property operating expenses	38,025	10,737	21,127	17,109	5,738	19,456	6,494
Property NOI	\$ 85,704	\$ 20,222	\$ 27,399	\$ 29,434	\$ 16,241	\$ 26,972	\$ 15,807
<i>Share of Property NOI</i>	38.6 %	9.1 %	12.4 %	13.3 %	7.3 %	12.2 %	7.1 %

Nine month period ended September 30, 2012

	Canada					U.S.	
	AB	BC	MB	ON	SK	MN	Other
Revenue	\$ 97,427	\$ 27,416	\$ 45,506	\$ 33,700	\$ 16,473	\$ 31,938	\$ 14,798
Property operating expenses	30,769	9,583	19,191	12,570	5,057	12,396	4,115
Property NOI	\$ 66,658	\$ 17,833	\$ 26,315	\$ 21,130	\$ 11,416	\$ 19,542	\$ 10,683
<i>Share of Property NOI</i>	38.3 %	10.3 %	15.1 %	12.2 %	6.6 %	11.3 %	6.2 %

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PORTFOLIO OCCUPANCY

Occupancy levels impact the REIT's revenues and Property NOI. Occupancy and commitments at September 30, 2013 (excluding properties currently held for redevelopment and new developments in process), and the previous four periods, are as follows:

Occupancy Report by Asset Class

	Q3-13 % Committed ⁽¹⁾	Q3-13	Q2-13	Q1-13	Q4-12	Q3-12
Retail	97.2 %	96.8 %	95.7 %	96.3 %	96.4 %	97.1 %
Office	95.1 %	94.3 %	92.5 %	95.2 %	95.2 %	95.0 %
Industrial	97.2 %	96.7 %	96.9 %	96.0 %	95.5 %	94.7 %
Total portfolio	96.4 %	95.8 %	95.1 %	95.8 %	95.6 %	95.3 %

Occupancy Report by Geographical Region

	Q3-13 % Committed ⁽¹⁾	Q3-13	Q2-13	Q1-13	Q4-12	Q3-12
Canada:						
Alberta	97.0 %	96.5 %	94.4 %	95.9 %	96.9 %	97.0 %
British Columbia	96.1 %	95.4 %	95.4 %	96.4 %	95.3 %	94.7 %
Manitoba	96.2 %	95.2 %	95.9 %	96.4 %	96.6 %	93.5 %
Ontario	97.7 %	97.2 %	95.7 %	96.7 %	96.4 %	96.6 %
Saskatchewan	98.7 %	98.7 %	98.5 %	98.8 %	99.0 %	98.2 %
U.S.:						
Minnesota	94.5 %	94.1 %	94.1 %	93.6 %	92.3 %	92.4 %
U.S. - Other	97.2 %	96.2 %	95.8 %	97.1 %	97.0 %	96.8 %
Total portfolio	96.4 %	95.8 %	95.1 %	95.8 %	95.6 %	95.3 %

⁽¹⁾ Percentage committed is based on occupancy plus commitments on vacant space as at September 30, 2013.

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PORTFOLIO LEASING ACTIVITY AND LEASE EXPIRIES

Renewal Summary

	Three month period ended September 30,		Nine month period ended September 30,	
	2013	2012	2013	2012
Leasable area renewed	700,382	318,716	2,031,971	1,216,818
% Increase in rent rate	5.2 %	6.1 %	7.1 %	2.1 %

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	427,285	45,701	149,717	511,800	875,345	666,383	5,440,550	8,116,781
Office - committed	66,823	-	343,731	119,239	55,052	-	23,843	608,688
Total office	494,108	45,701	493,448	631,039	930,397	666,383	5,464,393	8,725,469
Retail - uncommitted	240,213	36,198	44,093	253,005	417,608	532,958	2,623,109	4,147,184
Retail - committed	17,431	-	94,229	155,384	2,490	5,321	116,181	391,036
Total retail	257,644	36,198	138,322	408,389	420,098	538,279	2,739,290	4,538,220
Industrial - uncommitted	643,020	56,094	187,166	1,442,606	1,666,716	1,984,581	4,804,693	10,784,876
Industrial - committed	92,604	-	365,992	101,308	185,776	-	-	745,680
Total industrial	735,624	56,094	553,158	1,543,914	1,852,492	1,984,581	4,804,693	11,530,556
Total - uncommitted	1,310,518	137,993	380,976	2,207,411	2,959,669	3,183,922	12,868,352	23,048,841
Total - committed	176,858	-	803,952	375,931	243,318	5,321	140,024	1,745,404
Total	1,487,376	137,993	1,184,928	2,583,342	3,202,987	3,189,243	13,008,376	24,794,245

⁽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 September 30, 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	\$ 19.63	\$ 18.64	\$ 18.37	\$ 18.95	\$ 18.56	\$ 18.64
Market rents	19.67	20.51	20.39	21.08	20.00	20.15
Change	0.2 %	10.0 %	11.0 %	11.2 %	7.7 %	8.1 %
Revenue impact ⁽²⁾	\$ 17	\$ 1,181	\$ 1,876	\$ 1,420	\$ 7,825	\$ 12,319
Retail						
In-place rents	\$ 19.11	\$ 18.34	\$ 14.84	\$ 20.13	\$ 18.28	\$ 18.21
Market rents	21.08	20.37	16.13	22.45	19.08	19.41
Change	10.3 %	11.1 %	8.7 %	11.5 %	4.4 %	6.6 %
Revenue impact ⁽²⁾	\$ 273	\$ 830	\$ 541	\$ 1,248	\$ 2,188	\$ 5,080
Industrial						
In-place rents	\$ 5.56	\$ 6.77	\$ 5.78	\$ 7.05	\$ 7.05	\$ 6.71
Market rents	5.62	6.87	5.91	7.85	7.28	7.00
Change	1.0 %	1.4 %	2.2 %	11.3 %	3.3 %	4.3 %
Revenue impact ⁽²⁾	\$ 31	\$ 144	\$ 240	\$ 1,579	\$ 1,110	\$ 3,104
Total portfolio						
In-place rents	\$ 13.00	\$ 11.50	\$ 10.62	\$ 11.75	\$ 14.25	\$ 13.03
Market rents	13.27	12.33	11.45	13.08	15.11	13.92
Change	2.1 %	7.3 %	7.8 %	11.3 %	6.0 %	6.8 %
Revenue impact ⁽²⁾	\$ 321	\$ 2,155	\$ 2,657	\$ 4,247	\$ 11,123	\$ 20,503

⁽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 September 30, 2013 are estimated to be 6.8% above in-place rents across the portfolio, compared to 7.6% at June 30, 2013. Today's market rents for the 2013 and 2014 lease expiries are estimated to be 2.1% and 7.3% 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	196,184	36,621	101,442	581,556	697,964	943,720	3,539,427	6,096,914
AB - committed	27,213	-	159,280	64,727	55,052	5,321	38,910	350,503
Total Alberta	223,397	36,621	260,722	646,283	753,016	949,041	3,578,337	6,447,417
BC - uncommitted	139,568	15,254	32,677	137,211	209,279	118,861	855,376	1,508,226
BC - committed	11,340	-	143,894	77,185	-	-	100,046	332,465
Total British Columbia	150,908	15,254	176,571	214,396	209,279	118,861	955,422	1,840,691
MB - uncommitted	385,880	28,385	41,544	347,621	568,979	450,023	1,589,381	3,411,813
MB - committed	74,790	-	107,497	165,891	2,490	-	1,068	351,736
Total Manitoba	460,670	28,385	149,041	513,512	571,469	450,023	1,590,449	3,763,549
ON - uncommitted	90,193	17,047	54,174	429,462	458,313	724,759	2,048,123	3,822,071
ON - committed	19,910	-	57,747	-	-	-	-	77,657
Total Ontario	110,103	17,047	111,921	429,462	458,313	724,759	2,048,123	3,899,728
SK - uncommitted	133,028	11,203	7,801	20,604	67,767	74,208	745,680	1,060,291
SK - committed	-	-	69,002	65,193	105,600	-	-	239,795
Total Saskatchewan	133,028	11,203	76,803	85,797	173,367	74,208	745,680	1,300,086
MN - uncommitted	315,074	26,584	123,304	674,125	901,089	852,236	2,503,927	5,396,339
MN - committed	27,291	-	252,421	2,935	80,176	-	-	362,823
Total Minnesota	342,365	26,584	375,725	677,060	981,265	852,236	2,503,927	5,759,162
U.S. - Other - uncommitted	50,591	2,899	20,034	16,832	56,278	20,115	1,586,438	1,753,187
U.S. - Other - committed	16,314	-	14,111	-	-	-	-	30,425
Total U.S. - Other	66,905	2,899	34,145	16,832	56,278	20,115	1,586,438	1,783,612
Total - uncommitted	1,310,518	137,993	380,976	2,207,411	2,959,669	3,183,922	12,868,352	23,048,841
Total - committed	176,858	-	803,952	375,931	243,318	5,321	140,024	1,745,404
Total	1,487,376	137,993	1,184,928	2,583,342	3,202,987	3,189,243	13,008,376	24,794,245

⁽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	\$ 22.29	\$ 15.63	\$ 16.39	\$ 17.94	\$ 18.34	\$ 17.92
Market rents	21.68	17.37	18.44	19.87	19.91	19.54
Change	(2.7)%	11.2 %	12.5 %	10.8 %	8.6 %	9.0 %
Revenue impact ⁽²⁾	\$ (158)	\$ 1,127	\$ 1,546	\$ 1,833	\$ 5,645	\$ 9,993
British Columbia						
In-place rents	\$ 17.90	\$ 20.21	\$ 17.82	\$ 20.48	\$ 13.14	\$ 15.65
Market rents	18.76	20.56	17.67	21.50	13.53	16.07
Change	4.8 %	1.7 %	(0.8)%	5.0 %	3.0 %	2.6 %
Revenue impact ⁽²⁾	\$ 152	\$ 75	\$ (31)	\$ 122	\$ 374	\$ 692
Manitoba						
In-place rents	\$ 10.96	\$ 10.61	\$ 10.09	\$ 12.39	\$ 12.95	\$ 11.91
Market rents	11.89	11.62	11.15	14.47	13.56	12.88
Change	8.5 %	9.5 %	10.5 %	16.8 %	4.7 %	8.1 %
Revenue impact ⁽²⁾	\$ 138	\$ 518	\$ 606	\$ 935	\$ 975	\$ 3,172
Ontario						
In-place rents	\$ 9.82	\$ 9.61	\$ 8.02	\$ 7.76	\$ 10.16	\$ 9.37
Market rents	10.58	9.96	8.37	9.48	10.70	10.09
Change	7.8 %	3.6 %	4.4 %	22.2 %	5.3 %	7.8 %
Revenue impact ⁽²⁾	\$ 85	\$ 148	\$ 161	\$ 1,248	\$ 1,102	\$ 2,744
Saskatchewan						
In-place rents	\$ 15.04	\$ 17.60	\$ 11.47	\$ 20.22	\$ 14.92	\$ 14.95
Market rents	16.20	19.25	11.84	21.20	15.62	15.72
Change	7.8 %	9.4 %	3.2 %	4.8 %	4.7 %	5.1 %
Revenue impact ⁽²⁾	\$ 90	\$ 142	\$ 64	\$ 73	\$ 520	\$ 889
Minnesota						
In-place rents	\$ 4.20	\$ 5.61	\$ 5.50	\$ 5.65	\$ 8.56	\$ 6.87
Market rents	4.37	5.71	5.55	5.64	9.10	7.15
Change	4.0 %	1.9 %	0.8 %	0.0 %	6.3 %	4.1 %
Revenue impact ⁽²⁾	\$ 63	\$ 70	\$ 45	\$ (2)	\$ 1,347	\$ 1,523
U.S. - Other						
In-place rents	\$ 28.37	\$ 23.28	\$ 20.24	\$ 24.13	\$ 20.95	\$ 21.13
Market rents	26.93	27.73	24.96	26.00	21.68	22.00
Change	(5.1)%	19.1 %	23.3 %	7.8 %	3.5 %	4.1 %
Revenue impact ⁽²⁾	\$ (49)	\$ 75	\$ 266	\$ 38	\$ 1,160	\$ 1,490
Total portfolio						
In-place rents	\$ 13.00	\$ 11.50	\$ 10.62	\$ 11.75	\$ 14.25	\$ 13.03
Market rents	13.27	12.33	11.45	13.08	15.11	13.92
Change	2.1 %	7.3 %	7.8 %	11.3 %	6.0 %	6.8 %
Revenue impact ⁽²⁾	\$ 321	\$ 2,155	\$ 2,657	\$ 4,247	\$ 11,123	\$ 20,503

⁽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 five U.S. states, and across the office, retail and industrial asset classes. At September 30, 2013, the three largest segments of the REIT's portfolio (by Property NOI) are Calgary office properties, Winnipeg office properties and the Twin Cities Metropolitan Area industrial properties.

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Calgary office properties represent 18.3% of the Q3-13 Property NOI and 10.2% 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 6.6% at September 30, 2013, an increase from 6.2% at June 30, 2013. At September 30, 2013, the Calgary office segment of Artis' portfolio was 94.8% occupied, increased from 90.8% occupancy at June 30, 2013. Artis has commitments in place for 13.9% of the unoccupied space. In 2013, 182,083 square feet comes up for renewal, which represents 0.7% of the portfolio's GLA; 61.4% has been renewed or committed to new leases. Approximately 53.7% 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	112,230	5,387	70,311	195,366	314,565	260,620	1,333,473	2,291,952
Calgary - committed	18,181	-	111,772	27,233	55,052	-	23,843	236,081
Total Calgary office	130,411	5,387	182,083	222,599	369,617	260,620	1,357,316	2,528,033
Other - uncommitted	315,055	40,314	79,406	316,434	560,780	405,763	4,107,077	5,824,829
Other - committed	48,642	-	231,959	92,006	-	-	-	372,607
Total other office	363,697	40,314	311,365	408,440	560,780	405,763	4,107,077	6,197,436

⁽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	\$ 25.23	\$ 19.21	\$ 20.89	\$ 23.31	\$ 21.27	\$ 21.54
Market rents	23.86	22.99	24.07	24.07	24.28	24.07
Change	(5.5)%	19.7 %	15.2 %	3.3 %	14.2 %	11.7 %
Revenue impact ⁽²⁾	\$ (251)	\$ 842	\$ 1,174	\$ 199	\$ 4,089	\$ 6,053
Other office						
In-place rents	\$ 16.35	\$ 18.32	\$ 16.71	\$ 16.16	\$ 17.67	\$ 17.45
Market rents	17.21	19.15	17.96	19.17	18.58	18.53
Change	5.3 %	4.5 %	7.5 %	18.6 %	5.1 %	6.2 %
Revenue impact ⁽²⁾	\$ 268	\$ 339	\$ 702	\$ 1,221	\$ 3,736	\$ 6,266

⁽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.

Winnipeg office properties represent 7.5% of the Q3-13 Property NOI and 5.8% of the overall portfolio by GLA. Artis' office properties are located in the downtown Winnipeg area, with several buildings on or adjacent to the intersection of Portage and Main. Overall vacancy in the Winnipeg office market, as reported by Cushman and Wakefield, was 8.5% at September 30, 2013, remaining unchanged from June 30, 2013. At September 30, 2013, the Winnipeg office segment of Artis' portfolio was 94.5% occupied, compared to 96.0% at June 30, 2013. In 2013, 73,678 square feet comes up for renewal, which represents 0.3% of the portfolio's GLA. Approximately 46.2% of the Winnipeg office GLA expires in 2017 or later.

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The Twin Cities Metropolitan Area industrial properties represent 7.0% of the Q3-13 Property NOI and 18.6% of the overall portfolio by GLA. Direct vacancy in this industrial market, as reported by CBRE, was 5.6% at September 30, 2013, down from 5.8% June 30, 2013, with 297,234 square feet of positive absorption reported for the quarter. As per CBRE, this was the thirteenth consecutive quarter of positive absorption for this market. Average asking market lease rates decreased to \$4.55 per square foot, down from \$4.57 per square foot at June, 2013. Occupancy in this segment of the portfolio was 95.3% at September 30, 2013 compared to 95.4% at June 30, 2013. Artis has commitments in place for 11.3% of the unoccupied space. In 2013, 374,476 square feet comes up for renewal, which represents 1.5% of the portfolio's GLA; commitments are in place for 67.4% of the expiring space.

CORPORATE EXPENSES

	Three month period ended September 30,		Nine month period ended September 30,	
	2013	2012	2013	2012
Accounting, legal and consulting	\$ 229	\$ 210	\$ 954	\$ 1,057
Public company costs	280	228	941	837
Unit-based compensation	455	942	1,338	3,385
Salaries and benefits	669	593	1,718	1,836
Amortization	129	88	357	264
General and administrative	560	543	1,701	1,730
Total corporate expenses	\$ 2,322	\$ 2,604	\$ 7,009	\$ 9,109

Corporate expenses in Q3-13 were \$2,322 (YTD - \$7,009), or 1.9% (YTD - 2.1%) of gross revenues compared to \$2,604 (YTD - \$9,109), or 2.6% (YTD - 3.4%) of gross revenues in Q3-12.

The unit-based compensation expense recorded in Q3-13 was \$455 (YTD - \$1,338) compared to \$942 (YTD - \$3,385) in Q3-12. 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 \$26,223 (YTD - \$76,172) in Q3-13 has increased \$1,512 (YTD - \$6,652) over Q3-12, 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 September 30, 2013 on mortgages and other loans secured by properties was 4.28%, compared to 4.49% at September 30, 2012. The weighted-average nominal interest rate at September 30, 2013 was 4.11% compared to 4.30% at September 30, 2012.

Artis recorded interest expense on debentures outstanding in Q3-13 of \$2,611 (YTD - \$7,782), compared to \$2,719 (YTD - \$8,879) in Q3-12.

The REIT's interest coverage ratio, defined as total revenues less property operating expenses and corporate expenses divided by interest expense, is 2.93 times (YTD - 2.84 times) in Q3-13, compared to 2.49 times (YTD - 2.40 times) in Q3-12.

INCOME FROM INVESTMENTS IN JOINT VENTURES

Artis recorded income from investments in joint ventures of \$769 in Q3-13 (YTD - \$1,875), compared to \$nil (YTD - \$nil) in Q3-12. The increase over the prior year is due to the acquisition of 1700 Broadway in Q2-13. This income includes revenue earned from the REIT's joint ventures, net of property operating expenses, interest expense and the fair value gain on investment properties.

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FAIR VALUE (LOSS) 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 Q3-13, the fair value loss on investment properties is \$2,886 (YTD - gain of \$60,973) compared to a gain of \$54,003 (YTD - gain of \$162,864) in Q3-12. 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 Q3-13 portfolio is significantly different than the size and mix of the portfolio in Q3-12. Rising capitalization rates in the GTA suburban office market during Q3-13 have contributed to the fair value loss.

FOREIGN CURRENCY TRANSLATION GAIN (LOSS)

In Q3-13, 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 gain of \$1,353 (YTD - loss of \$4,654) in Q3-13, compared to a gain of \$4,759 (YTD - gain of \$2,636) in Q3-12.

TRANSACTION COSTS

During Q3-13, \$299 (YTD - \$5,371) of transaction costs were expensed, compared to \$4,130 (YTD - \$7,143) in Q3-12. The transaction costs are primarily attributable to the acquisition of investment properties and joint ventures.

(LOSS) GAIN 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 loss on the fair value adjustment of the interest rate swaps outstanding of \$1,093 (YTD - gain of \$4,817) in Q3-13, compared to an unrealized gain of \$246 (YTD - loss of \$77) in Q3-12. The REIT anticipates holding the mortgages and interest rate swap contracts until maturity.

OTHER COMPREHENSIVE (LOSS) INCOME

Other comprehensive (loss) income includes the unrealized foreign currency translation loss in Q3-13 of \$8,515 (YTD - gain of \$12,537) compared to a loss of \$9,538 (YTD - loss of \$7,368) in Q3-12. 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 and nine month periods ended September 30, 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 month period ended September 30, 2013	Nine month period ended September 30, 2013	Year ended December 31, 2012	Year ended December 31, 2011
Cash flow from operations	\$ 55,277	\$ 139,571	\$ 135,920	\$ 76,494
Net income	48,978	197,857	340,339	321,289
Distributions declared	38,121	107,860	117,948	87,183
Excess (shortfall) of cash flow from operations over distributions declared	17,156	31,711	17,972	(10,689)
Excess of net income over distributions declared	10,857	89,997	222,391	234,106

For the three months ended September 30, 2013, cash flow from operations exceeded distributions declared by \$17,156 (YTD - \$31,711) and net income exceeded distributions declared by \$10,857 (YTD - \$89,997).

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FUNDS FROM OPERATIONS ("FFO")

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

Reconciliation of Cash Flows from Operations to FFO

000's, except per unit amounts	Three month period ended September 30,		Nine month period ended September 30,	
	2013	2012	2013	2012
Cash flow from operations	\$ 55,277	\$ 45,210	\$ 139,571	\$ 102,801
Add (deduct):				
Depreciation of property and equipment	(129)	(88)	(357)	(264)
Amortization of above- and below-market mortgages, net	458	469	1,342	1,072
Straight-line rent adjustment	1,605	1,089	4,371	3,913
Adjustment for investments in joint ventures	614	-	1,035	-
Realized foreign currency translation loss (gain)	519	(2,900)	1,782	(1,599)
Unrealized foreign currency loss from U.S. operations	(442)	(497)	(4,089)	(1,970)
Unit-based compensation expense	(455)	(942)	(1,338)	(3,385)
Accretion on liability component of convertible debentures	84	43	242	43
Accretion of financing costs included in interest	(776)	(744)	(2,382)	(1,979)
Defined benefit expense	-	(216)	-	(647)
Transaction costs on acquisitions	299	4,130	5,371	6,801
Additions to tenant inducements	4,313	6,970	11,470	11,158
Changes in non-cash operating items	(7,982)	(14,099)	(9,316)	(14,642)
Preferred unit distributions	(4,026)	(867)	(9,639)	(867)
FFO for the period	\$ 49,359	\$ 37,558	\$ 138,063	\$ 100,435
Add:				
Transaction costs ⁽¹⁾	-	-	-	342
FFO for the period after adjustments	\$ 49,359	\$ 37,558	\$ 138,063	\$ 100,777
FFO per unit				
Basic	\$ 0.39	\$ 0.34	\$ 1.14	\$ 0.97
Diluted	\$ 0.38	\$ 0.33	\$ 1.11	\$ 0.95
FFO per unit after adjustments				
Basic	\$ 0.39	\$ 0.34	\$ 1.14	\$ 0.98
Diluted	\$ 0.38	\$ 0.33	\$ 1.11	\$ 0.96
Weighted-average number of common units outstanding:				
Basic ⁽²⁾	126,207	109,993	120,949	103,065
Diluted ⁽²⁾	136,880	120,588	131,753	113,660

⁽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

	Three month period ended September 30,	
	2013	2012
Basic units	126,207	109,993
Add:		
Options ⁽¹⁾	78	-
Debentures ⁽¹⁾	10,595	10,595
Diluted units	136,880	120,588

Diluted FFO Reconciliation

	Three month period ended September 30,	
	2013	2012
FFO	\$ 49,359	\$ 37,558
Add:		
Options ⁽¹⁾	-	-
Debentures ⁽¹⁾	2,631	2,610
Diluted FFO	\$ 51,990	\$ 40,168

⁽¹⁾ All debenture series and options are dilutive in Q3-13. All debenture series are dilutive in Q3-12.

Diluted Common Units Reconciliation

	Nine month period ended September 30,	
	2013	2012
Basic units	120,949	103,065
Add:		
Options ⁽¹⁾	209	-
Debentures ⁽¹⁾	10,595	10,595
Diluted units	131,753	113,660

Diluted FFO Reconciliation

	Nine month period ended September 30,	
	2013	2012
FFO	\$ 138,063	\$ 100,435
Add:		
Options ⁽¹⁾	-	-
Debentures ⁽¹⁾	7,755	7,871
Diluted FFO	\$ 145,818	\$ 108,306

⁽¹⁾ All debenture series and options are dilutive in 2013. All debenture series are dilutive in 2012.

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Reconciliation of GAAP Income to FFO

	Three month period ended September 30,		Nine month period ended September 30,	
	2013	2012	2013	2012
Income for the period	\$ 48,978	\$ 87,538	\$ 197,857	\$ 241,614
Add amortization on:				
Tenant inducements amortized to revenue	2,202	1,645	6,372	4,395
Add (deduct):				
Fair value loss (gain) on investment properties	2,886	(54,003)	(60,973)	(162,864)
Foreign currency translation (gain) loss	(1,353)	(4,759)	4,654	(2,636)
Transaction costs on acquisitions	299	4,130	5,371	6,801
Adjustment for investments in joint ventures	(155)	-	(840)	-
Unrealized loss (gain) on financial instruments	528	3,874	(4,739)	13,992
Preferred unit distributions	(4,026)	(867)	(9,639)	(867)
FFO for the period	\$ 49,359	\$ 37,558	\$ 138,063	\$ 100,435
Add:				
Transaction costs ⁽¹⁾	-	-	-	342
FFO for the period after adjustments	\$ 49,359	\$ 37,558	\$ 138,063	\$ 100,777

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

In Q3-13, FFO has increased \$11,801 (YTD - \$37,628) or 31.4% (YTD - 37.5%) over Q3-12. This increase is primarily attributed to acquisition activity and same property growth in 2012 and 2013 as well as lease termination income in 2013. Basic FFO per unit has increased by \$0.05 (YTD - \$0.17) or 14.7% (YTD - 17.5%) over Q3-12. On a diluted basis, FFO per unit has increased \$0.05 (YTD - \$0.16) or 15.2% (YTD - 16.8%) over Q3-12.

In Q3-13, adjusted FFO has increased \$11,801 (YTD - \$37,286) or 31.4% (YTD - 37.0%) over Q3-12. Adjusted basic FFO per unit has increased by \$0.05 (YTD - \$0.16) or 14.7% (YTD - 16.3%). Adjusted diluted FFO per unit has increased by \$0.05 (YTD - \$0.15) or 15.2% (YTD - 15.6%).

As a result of units issued under the DRIP and units issued from public offerings, 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 month period ended September 30,		Nine month period ended September 30,	
	2013	2012	2013	2012
FFO for the period after adjustments	\$ 49,359	\$ 37,558	\$ 138,063	\$ 100,777
Add (deduct):				
Capital expenditures reserve	(1,230)	(743)	(3,170)	(2,021)
Leasing costs reserve	(4,923)	(3,466)	(13,502)	(9,435)
Straight-line rent adjustments	(1,643)	(1,089)	(4,427)	(3,913)
Unit-based compensation	455	942	1,338	3,385
AFFO for the period	\$ 42,018	\$ 33,202	\$ 118,302	\$ 88,793
AFFO per unit				
Basic	\$ 0.33	\$ 0.30	\$ 0.98	\$ 0.86
Diluted	\$ 0.33	\$ 0.30	\$ 0.96	\$ 0.85

In Q3-13, AFFO has increased \$8,816 (YTD - \$29,509) or 26.6% (YTD - 33.2%) over Q3-12. AFFO per unit has increased by \$0.03 (YTD - \$0.12) or 10.0% (YTD - 14.0%). Diluted AFFO per unit has increased by \$0.03 (YTD - \$0.11) or 10.0% (YTD - 12.9%) over Q3-12.

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ANALYSIS OF FINANCIAL POSITION

ASSETS

	September 30, 2013	December 31, 2012	Increase (decrease)
Non-current assets:			
Investment properties	\$ 4,890,673	\$ 4,210,360	\$ 680,313
Investments in joint ventures	36,949	7,850	29,099
Other non-current assets	22,046	22,928	(882)
Current assets:			
Cash, cash equivalents and cash held in trust	93,319	57,313	36,006
Investment properties held for sale	-	58,963	(58,963)
Other current assets	25,943	22,646	3,297
	\$ 5,068,930	\$ 4,380,060	\$ 688,870

Investment Properties, Investment Properties Under Development and Investment Properties Held for Sale

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

	Investment properties	Investment properties under development	Investment properties held for sale	Total
Balance, December 31, 2012	\$ 4,206,126	\$ 4,234	\$ 58,963	\$ 4,269,323
Additions:				
Acquisitions	381,732	-	-	381,732
Capital expenditures	5,761	13,116	49	18,926
Leasing costs	3,712	-	79	3,791
Reclassification of investment properties under development	(1,326)	1,326	-	-
Reclassification of investment property held for sale	(6,229)	-	6,229	-
Foreign currency translation gain	42,298	25	-	42,323
Straight-line rent adjustment	2,737	-	29	2,766
Tenant inducements, net of amortization	3,066	(7)	(72)	2,987
Fair value gain (loss)	64,530	251	(922)	63,859
Balance, June 30, 2013	4,702,407	18,945	64,355	4,785,707
Additions:				
Acquisitions	112,723	-	-	112,723
Capital expenditures	7,647	11,470	16	19,133
Leasing costs	2,133	10	22	2,165
Dispositions	(5,360)	-	(6,080)	(11,440)
Reclassification of investment properties under development	(2,363)	2,363	-	-
Reclassification of investment properties held for sale	58,078	-	(58,078)	-
Foreign currency translation loss	(18,285)	(26)	(134)	(18,445)
Straight-line rent adjustment	1,587	-	18	1,605
Tenant inducements, net of amortization	1,838	(6)	279	2,111
Fair value (loss) gain	(3,016)	528	(398)	(2,886)
Balance, September 30, 2013	\$ 4,857,389	\$ 33,284	\$ -	\$ 4,890,673

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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 month period ended September 30,		Nine month period ended September 30,	
	2013	2012	2013	2012
Cash consideration	\$ 51,178	\$ 110,848	\$ 270,989	\$ 410,131
Contingent consideration	-	-	-	200
Long-term debt, including acquired above- and below-market mortgages, net of financing costs	61,545	94,053	223,466	383,980
Total	\$ 112,723	\$ 204,901	\$ 494,455	\$ 794,311

Capital expenditures:

Investment properties include certain capital expenditures related to sustaining building improvements not related to a specific lease or tenancy. Capital expenditures in Q3-13 totaled \$19,133 (YTD - \$38,059) compared to \$9,435 (YTD - \$18,629) in Q3-12. In Q3-13, revenue enhancing capital expenditures were \$12,024 (YTD - \$25,140). The remaining \$7,109 (YTD - \$12,919) of capital expenditures primarily relate to roof repairs, exterior renovations, elevator modernizations, parkade repairs and parking lot improvements. Approximately \$2,339 (YTD - \$5,448) of these capital expenditures are recoverable from tenants in future periods.

Leasing costs and tenant inducements:

In Q3-13, Artis incurred \$6,478 (YTD - \$17,426) of tenant inducements and leasing costs compared to \$8,871 (YTD - \$15,236) in Q3-12. 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 month period ended September 30,		Nine month period ended September 30,	
	2013	2012	2013	2012
Tenant inducements	\$ 4,313	\$ 6,970	\$ 11,470	\$ 11,158
Leasing costs	2,165	1,901	5,956	4,078
Total	\$ 6,478	\$ 8,871	\$ 17,426	\$ 15,236

Dispositions:

In Q3-13, Artis sold two industrial properties: one in the Twin Cities Metropolitan Area, Minnesota and the other in Edmonton, Alberta. The proceeds from the sales of these properties, net of costs, were US\$5,912 and \$5,360, respectively. These properties were sold as a result of unsolicited offers.

Foreign currency translation (loss) gain:

In Q3-13, the foreign currency translation loss on investment properties was \$18,445 (YTD - gain of \$23,878) due to the change in the period end US dollar to Canadian dollar exchange rate from 1.0512 at June 30, 2013 to 1.0285 at September 30, 2013.

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Fair value (loss) gain on investment properties:

In Q3-13, the REIT recorded a loss on the fair value of investment properties of \$2,886 (YTD - gain of \$60,973), compared to a gain of \$54,003 (YTD - gain of \$162,864) in Q3-12. From December 31, 2012 to September 30, 2013, the REIT reflected approximately 9 basis points of compression in the weighted-average capitalization rates across the portfolio. In comparison, from December 31, 2011 to September 30, 2012, the REIT reflected approximately 28 basis points of compression in the weighted-average capitalization rates across the portfolio. The fair value loss for Q3-13 is primarily attributed to capitalization rates rising 3 basis points from June 30, 2013 to September 30, 2013. In comparison, from June 30, 2012 to September 30, 2012, the REIT reflected 7 basis points of compression in the weighted-average capitalization rates across the portfolio.

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 8.75%. Additional information on the average capitalization rates and ranges used for the portfolio properties, assuming all properties were valued using an overall capitalization method, broken out by asset class and country are set out in the table below.

	September 30, 2013			December 31, 2012		
	Maximum	Minimum	Weighted-average	Maximum	Minimum	Weighted-average
Office:						
U.S.	8.50%	6.00%	6.95%	8.50%	6.50%	7.14%
Canada	7.75%	5.25%	6.07%	8.25%	5.25%	6.15%
Office total	8.50%	5.25%	6.25%	8.50%	5.25%	6.34%
Industrial:						
U.S.	8.00%	6.50%	7.15%	8.00%	6.50%	7.10%
Canada	7.75%	5.75%	6.45%	8.00%	5.75%	6.59%
Industrial total	8.00%	5.75%	6.66%	8.00%	5.75%	6.74%
Retail:						
U.S.	8.75%	6.00%	7.41%	9.00%	6.25%	7.37%
Canada	7.50%	5.50%	6.29%	7.25%	5.50%	6.42%
Retail total	8.75%	5.50%	6.35%	9.00%	5.50%	6.44%
Total:						
U.S. portfolio	8.75%	6.00%	7.05%	9.00%	6.25%	7.13%
Canadian portfolio	7.75%	5.25%	6.21%	8.25%	5.25%	6.32%
Total portfolio	8.75%	5.25%	6.37%	9.00%	5.25%	6.46%

Investments in Joint Ventures

At September 30, 2013, the REIT had \$36,949 invested in joint ventures, compared to \$7,850 at December 31, 2012. The increase is primarily due to the REIT acquiring a 50% interest in the 1700 Broadway joint venture in Q2-13.

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 September 30, 2013 is \$20,912 compared to \$23,875 at December 31, 2012.

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Cash and Cash Equivalents

At September 30, 2013, the REIT had \$86,654 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.

LIABILITIES

	September 30, 2013	December 31, 2012	Increase
Non-current liabilities:			
Mortgages and loans payable	\$ 2,059,587	\$ 1,860,606	\$ 198,981
Convertible debentures	185,157	182,344	2,813
Other non-current liabilities	79	76	3
Current liabilities:			
Current portion of mortgages and loans payable	223,720	213,001	10,719
Other current liabilities	92,438	74,177	18,261
	\$ 2,560,981	\$ 2,330,204	\$ 230,777

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.

Artis' mortgages, loans and bank indebtedness to GBV ratio at September 30, 2013 was 45.0%, compared to 47.3% at December 31, 2012.

	September 30, 2013	December 31, 2012
GBV	\$ 5,069,993	\$ 4,380,766
Mortgages, loans and bank indebtedness	2,283,307	2,073,607
Mortgages, loans and bank indebtedness to GBV	45.0 %	47.3 %
Preferred shares liability	\$ 79	\$ 76
Carrying value of convertible debentures	185,157	182,344
Total long-term debt and bank indebtedness	2,468,543	2,256,027
Total long-term debt and bank indebtedness to GBV	48.7 %	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 September 30, 2013, the ratio of total long-term debt, bank indebtedness and preferred units to GBV was 55.1%.

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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 Q3-13, \$14,138 (YTD - \$40,294) of principal repayments were made compared to \$11,110 (YTD - \$29,489) in Q3-12.

During Q3-13, long-term debt including acquired above- and below-market mortgages, net of financing costs, added on acquisition of investment properties was \$61,545 (YTD - \$223,466). The weighted-average interest rate on these mortgages was 3.78% and the weighted-average term to maturity was 6.3 years.

In Q3-13, Artis repaid one maturing mortgage in the amount of \$21,317. Artis obtained new mortgage financing on three previously unencumbered properties, net of financing costs, for a total of \$46,914. The weighted-average interest rate on new mortgage financing obtained during the quarter was 3.83% and the weighted-average term to maturity was 8.9 years.

The weighted-average term to maturity on all mortgages and loans payable at September 30, 2013 is 4.5 years, increasing from 4.4 years at 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 15% 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.

At September 30, 2013, the REIT is a party to \$586,767 of variable rate mortgage debt compared to \$529,660 at December 31, 2012. The change is primarily due new mortgage financing in Q3-13 of \$97,329, the effect of foreign exchange of \$13,424, offset by \$45,212 arising from the refinancing of a mortgage on a U.S. property from a variable rate to a fixed rate in Q2-13 and by principal repayments during the period of \$8,434.

At September 30, 2013, the REIT had entered into interest rate swaps to hedge the interest rate risk associated with \$341,066 of variable rate mortgage debt (December 31, 2012, \$173,472). The variable rate mortgage debt less the portion protected by interest rate swaps is \$245,701 or 10.0% of total debt.

The amount of variable rate mortgage debt on properties in the U.S. is \$414,349, of which \$185,849 is protected by interest rate swaps. 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.

Convertible Debentures

Artis has three series of convertible debentures outstanding, as follows:

	September 30, 2013				December 31, 2012			
	Issued	Maturity	Face rate	Carrying value	Face value	Carrying value	Face value	
Series D	30-Nov-07	30-Nov-14	5.00%	\$ 6,961	\$ 7,000	\$ 6,937	\$ 7,000	
Series F	22-Apr-10	30-June-20	6.00%	84,999	86,170	84,896	86,170	
Series G	21-Apr-11	30-June-18	5.75%	93,197	90,508	90,511	87,551	
				\$ 185,157	\$ 183,678	\$ 182,344	\$ 180,721	

The carrying value of convertible debentures has increased by \$2,813 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 Current Liabilities

Included in other current liabilities are accounts payable and accrued liabilities, accrued interest, accrued property taxes, as well as the September 30, 2013 distributions payable to unitholders of \$12,074, subsequently paid on October 15, 2013 and October 31, 2013. At September 30, 2013, there is no balance 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 \$146,502 at September 30, 2013.

UNITHOLDERS' EQUITY

Unitholders' equity increased overall by \$458,093 between December 31, 2012 and September 30, 2013. The increase was primarily due to the issuance of units for \$355,268 and income for the period of \$197,857. This increase was offset by distributions made to unitholders of \$108,701.

LIQUIDITY AND CAPITAL RESOURCES

In Q3-13, Artis generated \$55,277 (YTD - \$139,571) of cash flows from operating activities. Cash flows from operations funded distributions to unitholders of \$37,203 (YTD - \$106,967). Cash of \$14,138 (YTD - \$40,294) was used for principal repayments on mortgages and loans.

Cash of \$25,611 (YTD - \$55,485) was used for capital building improvements, for tenant inducements and leasing costs in Q3-13, compared to \$18,306 (YTD - \$33,865) in Q3-12.

At September 30, 2013, Artis had \$86,654 of cash and cash equivalents on hand. Management anticipates that the cash on hand will be invested in investment properties in subsequent periods, used for working capital purposes or for debt repayment.

The REIT has a revolving term credit facility in the amount of \$80,000 which may be utilized for general corporate operating purposes, including the acquisition of commercial properties and the issuance of letters of credit. As at September 30, 2013, the REIT does not have a balance drawn on the credit facility.

To its knowledge, Artis is not in default or arrears on any of its obligations, including distributions to unitholders, interest or principal payments on debt or any debt covenants for the period ended September 30, 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
Bank indebtedness	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable and other liabilities	66,541	66,541	-	-	-
Mortgages and loans payable ⁽¹⁾	2,314,997	225,063	792,079	731,053	566,802
Convertible debentures ⁽²⁾	183,678	-	7,000	90,508	86,170
Total	\$ 2,565,216	\$ 291,604	\$ 799,079	\$ 821,561	\$ 652,972

⁽¹⁾ This includes mortgages and loans payable included in the REIT's investments in joint ventures.

⁽²⁾ It is assumed that none of the convertible debentures are converted or redeemed prior to maturity and that they are paid out in cash on maturity.

At September 30, 2013, obligations due within one year include \$66,541 of accounts payable and other liabilities, \$167,630 of mortgages, and principal repayments on mortgages of \$57,433.

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SUMMARIZED QUARTERLY INFORMATION

\$000's, except per unit amounts								
	Q3-13	Q2-13	Q1-13	Q4-12	Q3-12	Q2-12	Q1-12	Q4-11
Revenue	\$121,032	\$110,737	\$108,779	\$105,036	\$ 98,466	\$ 86,835	\$ 82,132	\$ 82,940
Property operating expenses	42,425	38,998	37,263	38,379	34,937	29,454	29,290	30,779
	78,607	71,739	71,516	66,657	63,529	57,381	52,842	52,161
Other income (expenses):								
Corporate expenses	(2,322)	(2,354)	(2,333)	(2,884)	(2,604)	(3,057)	(3,448)	(3,306)
Interest expense	(26,223)	(25,308)	(24,641)	(24,764)	(24,711)	(23,104)	(21,705)	(21,943)
Interest income	507	624	483	519	566	684	876	517
Income from investments								
joint ventures	769	1,106	-	-	-	-	-	-
Fair value (loss) gain on								
investment properties	(2,886)	29,035	34,824	61,037	54,003	51,990	56,871	46,916
Foreign currency translation								
gain (loss)	1,353	(4,622)	(1,385)	(240)	4,759	(2,777)	654	1,941
Transaction costs	(299)	(3,589)	(1,483)	(1,511)	(4,130)	(1,698)	(1,315)	(4,439)
(Loss) gain on financial								
instruments	(528)	4,671	596	(89)	(3,874)	(1,099)	(9,019)	(15,815)
Income tax recovery	-	-	-	-	-	-	-	10,707
Income for the period	48,978	71,302	77,577	98,725	87,538	78,320	75,756	66,739
Other comprehensive (loss)								
income:								
Unrealized foreign currency								
translation (loss) gain	(8,515)	14,783	6,269	2,712	(9,538)	5,270	(3,100)	(2,967)
Comprehensive income for the								
period	\$ 40,463	\$ 86,085	\$ 83,846	\$101,437	\$ 78,000	\$ 83,590	\$ 72,656	\$ 63,772
Income per unit attributable to								
common unitholders:								
Basic	\$ 0.36	\$ 0.56	\$ 0.65	\$ 0.87	\$ 0.79	\$ 0.74	\$ 0.81	\$ 0.79
Diluted	\$ 0.35	\$ 0.53	\$ 0.62	\$ 0.81	\$ 0.77	\$ 0.70	\$ 0.80	\$ 0.79

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. Income and per unit amounts are also impacted by the fair value gains and losses on investment properties.

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Reconciliation of GAAP Income to FFO

000's, except per unit amounts	Q3-13	Q2-13	Q1-13	Q4-12	Q3-12	Q2-12	Q1-12	Q4-11
Income for the period	\$ 48,978	\$ 71,302	\$ 77,577	\$ 98,725	\$ 87,538	\$ 78,320	\$ 75,756	\$ 66,739
Add amortization on:								
Tenant inducements amortized into revenue	2,202	2,159	2,011	1,954	1,645	1,425	1,325	1,246
Fair value loss (gain) on investment properties	2,886	(29,035)	(34,824)	(61,037)	(54,003)	(51,990)	(56,871)	(46,916)
Foreign currency translation (gain) loss	(1,353)	4,622	1,385	240	(4,759)	2,777	(654)	(1,941)
Transaction costs on acquisitions	299	3,589	1,483	1,511	4,130	1,698	973	449
Adjustment for investments in joint ventures	(155)	(685)	-	-	-	-	-	-
Deferred tax recovery	-	-	-	-	-	-	-	(8,997)
Unrealized loss (gain) on financial instruments	528	(4,671)	(596)	89	3,874	1,099	9,019	15,917
Preferred unit distributions	(4,026)	(3,354)	(2,259)	(2,113)	(867)	-	-	-
FFO for the period	\$ 49,359	\$ 43,927	\$ 44,777	\$ 39,369	\$ 37,558	\$ 33,329	\$ 29,548	\$ 26,497
Add:								
Transaction costs ⁽¹⁾	-	-	-	-	-	-	342	3,990
Current tax recovery	-	-	-	-	-	-	-	(1,710)
Gain on equity securities	-	-	-	-	-	-	-	(102)
FFO for the period after adjustments	\$ 49,359	\$ 43,927	\$ 44,777	\$ 39,369	\$ 37,558	\$ 33,329	\$ 29,890	\$ 28,675
FFO per unit								
Basic	\$ 0.39	\$ 0.36	\$ 0.39	\$ 0.35	\$ 0.34	\$ 0.32	\$ 0.32	\$ 0.31
Diluted	\$ 0.38	\$ 0.35	\$ 0.38	\$ 0.34	\$ 0.33	\$ 0.31	\$ 0.31	\$ 0.31
FFO per unit after adjustments								
Basic	\$ 0.39	\$ 0.36	\$ 0.39	\$ 0.35	\$ 0.34	\$ 0.32	\$ 0.32	\$ 0.34
Diluted	\$ 0.38	\$ 0.35	\$ 0.38	\$ 0.34	\$ 0.33	\$ 0.31	\$ 0.31	\$ 0.33
Weighted-average number of common units outstanding:								
Basic ⁽²⁾	126,207	121,467	115,050	110,947	109,993	105,468	93,657	84,172
Diluted ⁽²⁾	136,880	132,338	125,903	121,810	120,588	116,631	105,632	98,073

⁽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.

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

FFO and per unit results are impacted by acquisition and disposition activity and by lease termination income received from tenants during the period.

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RELATED PARTY TRANSACTIONS

	Three month period ended September 30,		Nine month period ended September 30,	
	2013	2012	2013	2012
Acquisition fees	-	-	-	552
Property management fees	82	77	242	238
Capitalized office furniture and fixtures	222	94	466	1,391
Capitalized office equipment	-	-	-	343
Capitalized leasing commissions	9	671	34	859
Capitalized building improvements	11,431	4,022	24,026	8,693
Capitalized tenant inducements	82	412	763	823
Disposition of surplus land	-	(750)	-	(750)
Property tax assessment consulting fees	69	-	91	188
Rental revenues	(42)	(41)	(126)	(123)

The REIT incurred property management fees, leasing commission fees and tenant improvement fees under property management agreements with Marwest Management Canada Ltd. ("Marwest Management"), a company related to certain trustees and officers of the REIT, for three properties owned by the REIT. The amount payable at September 30, 2013 is \$28 (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 September 30, 2013 is \$nil (December 31, 2012, \$756).

The REIT incurred \$11,503 (YTD - \$24,779) for building improvements and tenant inducements paid to Marwest Construction Ltd. and Marwest Development Corporation, companies related to certain trustees and officers of the REIT. The increase in these costs is primarily due to the Linden Ridge Shopping Centre development project. The amount payable at September 30, 2013 is \$2,947 (December 31, 2012, \$1,137).

The REIT incurred \$10 (YTD - \$10) for tenant inducements paid to Nova 3 Engineering, a company related to a trustee of the REIT. The amount payable at September 30, 2013 is \$nil (December 31, 2012, \$nil).

The REIT incurred costs for office furniture and fixtures paid to Marwest Construction Ltd. The amount payable at September 30, 2013 is \$31 (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 sold surplus land at an investment property to a company controlled by a trustee of the REIT in 2012.

The REIT incurred costs for property tax assessment consulting paid to Fairtax Realty Advocates, a company under control of close family members of key management personnel. The amount payable at September 30, 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 November 7, 2013 is as follows:

Units outstanding at September 30, 2013	126,440,130
Units issued (DRIP)	142,235
Units issued on exercise of options	<u>63,000</u>
Units outstanding at November 7, 2013	<u>126,645,365</u>

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

	Options outstanding	Options exercisable
\$11.28 options, issued February 25, 2010	122,438	60,626
\$13.30 options, issued September 10, 2010	252,500	162,750
\$13.44 options, issued October 15, 2010	291,750	201,750
\$14.10 options, issued June 17, 2011	1,009,500	493,000
\$16.36 options, issued April 13, 2012	<u>1,704,000</u>	<u>426,000</u>
	<u>3,380,188</u>	<u>1,344,126</u>

The balance of restricted units outstanding as of November 7, 2013 is 73,976. None of these restricted units are vested at this time.

As of November 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, the balance of Series E preferred units outstanding is 4,000,000 and the balance of Series G preferred units outstanding is 3,200,000.

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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 the Greater Toronto Area (Ontario) and select markets in the U.S.

According to the Scotiabank Global Forecast Update report of October 1, 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, 2.7% Alberta, 3.0% British Columbia, 1.3% and Ontario, 1.4%. Of note, GDP growth expectations for Manitoba, Saskatchewan and Alberta, which represent 56.2% of Artis' Q3-13 Property NOI, remain above the Canadian average.

Real GDP in the U.S. is forecast to grow 1.6% in 2013; national year-over-year unemployment for September 2013 decreased to 7.2% from 8.1%. Year-over-year unemployment statistics at September 30, 2013, for Artis' key U.S. markets are as follows: Twin Cities Metropolitan Area, 4.7% (from 5.5%); the Greater Phoenix Area, 6.8% (from 7.1%); and Denver, 6.7% (from 7.9%). GDP growth expectations for these markets for 2013, which represent 20.6% of Artis' Q3-13 Property NOI are as follows: Minnesota, 4.0%, Arizona, 3.5%, and Colorado 3.0%. These compare favourably to the national average of 1.6%.

Artis is one of only a few REITs in Canada that has an Investment Grade Rating and the ability to issue both new trust units, preferred equity and unsecured debentures, which provides flexibility in accessing the capital markets depending on current investor sentiment and preference. 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.

Equity markets for REITs have corrected somewhat since May of this year, with many real estate investment trusts trading at discounts to their consensus net asset values (NAV), and raising equity capital at these prices is not an attractive alternative. However, investors continue to favour yield products like real estate investment trusts, and management anticipates unit prices will normalize in the short- to medium term at values closer to/at premiums to NAV.

Access to debt capital remains strong. Management anticipates interest rates will continue to moderately fluctuate in a low trading range, with long-term interest rate increases being slow, well-managed and well-communicated by the central banks. Rates today in both Canada and the U.S. are still low and it is still an opportune time to term out debt, or to fix existing floating debt with interest rate swaps, at very attractive low long-term financing rates. Management expects to maintain between 5% and 15% unhedged floating rate debt as a percentage of total debt.

Commercial property capitalization rates in Canada compressed through the early part of this year. There have been fewer data points in recent months, and it appears that expectations of capitalization rate expansion in the short term have not materialized. As at September 30, 2013, Artis has closed on approximately \$494.5 million of acquisitions in Canada and the U.S., but has no new unconditional deals in the acquisition pipeline to announce at this time.

Management anticipates that real estate fundamentals in Canada and the U.S. will remain stable. Artis' properties are expected to perform in-line with the moderate growth expectations within its target markets; thus both Property NOI growth and Same Property NOI are anticipated to trend up over the balance of 2013.

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SUBSEQUENT EVENTS

As at September 30, 2013, Artis had \$86,654 of cash and cash equivalents on hand and \$80,000 available on the line of credit. Subsequent to September 30, 2013, the following transactions took place:

- On October 1, 2013, the REIT acquired development land located in Edmonton, Alberta. The land was acquired for \$5,841 and the purchase price was satisfied with cash.
- On October 1, 2013, the REIT received Delta Centre sale proceeds of \$5,360.
- Distributions in the amount of \$0.3219 per Series G Unit for the initial period ending October 31, 2013 were declared and paid subsequent to September 30, 2013.
- Distributions in the amount of \$0.09 per unit for October 2013 were declared subsequent to September 30, 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 five 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 September 30, 2013, the REIT is a party to \$586,767 of variable rate debt, (December 31, 2012, \$529,660). At September 30, 2013, the REIT had entered into interest rate swaps to hedge the interest rate risk associated with \$341,066 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 45.0%, down from 47.3% at December 31, 2012. Approximately 1.4% of Artis' maturing mortgage debt comes up for renewal in 2013, and 9.7% in 2014. Management is in discussion with various lenders with respect to the renewal or refinancing of the 2013 and 2014 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 2,011 tenant leases with a weighted-average term to maturity of 4.9 years. Approximately 63.2% of the REIT's gross revenue is derived from national or government tenants. As indicated below, the largest tenant by gross revenue is Manitoba Telecom Services Inc., one of Canada's leading national communication companies providing voice services, internet and data services, and television. Manitoba Telecom Services Inc. 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 £3.5 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
Manitoba Telecom Services Inc.	2.0 %	322	1.3 %	9.4
AMEC Americas Ltd.	1.9 %	200	0.8 %	1.9
TransAlta Corporation	1.1 %	336	1.4 %	9.7
CB Richard Ellis, Inc.	0.9 %	119	0.5 %	5.0
Telvent Canada Ltd.	0.9 %	98	0.4 %	9.9
Stantec Consulting, Ltd.	0.9 %	98	0.4 %	9.3
Home Depot	0.9 %	158	0.7 %	8.8
DirectTV, LLC	0.9 %	257	1.1 %	11.8
IHS Global Canada Ltd.	0.9 %	78	0.3 %	4.1
Shoppers Drug Mart	0.8 %	137	0.6 %	5.5
Sobeys	0.8 %	190	0.8 %	7.4
TD Bank	0.8 %	123	0.5 %	6.7
Canada Institute for Health Info	0.8 %	92	0.4 %	11.9
CGI Sys & Mgmt Consultants, Inc.	0.8 %	64	0.3 %	2.2
Fairview Health Services	0.8 %	179	0.7 %	9.9
PMC Sierra, Inc. ⁽¹⁾	0.8 %	148	0.6 %	-
Bell Canada	0.7 %	79	0.3 %	2.6
Cara Operations Limited	0.7 %	100	0.4 %	15.3
3M Canada Company	0.7 %	319	1.3 %	6.5
Q9 Networks, Inc.	0.7 %	35	0.1 %	2.9
Total	18.8 %	3,132	12.9 %	7.6

⁽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	3.6 %	547	2.3 %	8.7
Provincial Government	3.2 %	462	1.9 %	4.1
Civic or Municipal Government	0.4 %	118	0.5 %	14.2
Total	7.2 %	1,127	4.7 %	7.4

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	1.1 %	0.7 %	0.6 %	0.3 %	0.5 %	0.7 %	1.5 %	0.1 %	4.8 %
2014	2.6 %	0.9 %	2.1 %	0.3 %	1.7 %	0.9 %	2.7 %	0.1 %	10.4 %
2015	3.1 %	0.8 %	2.3 %	0.7 %	1.8 %	1.5 %	4.0 %	0.2 %	12.9 %
2016	3.8 %	0.5 %	1.8 %	0.3 %	3.0 %	1.1 %	3.4 %	0.1 %	12.9 %
2017	1.8 %	0.8 %	1.5 %	0.8 %	2.4 %	0.8 %	2.8 %	1.5 %	11.6 %
2018	2.3 %	0.4 %	1.9 %	0.5 %	0.4 %	0.7 %	1.4 %	0.8 %	7.7 %
2019 & later	10.3 %	2.7 %	2.9 %	1.7 %	5.5 %	4.0 %	5.9 %	4.1 %	33.1 %
Month-to-month	0.1 %	0.1 %	0.2 %	0.0 %	0.1 %	0.0 %	0.1 %	0.0 %	0.6 %
Vacant	0.9 %	0.2 %	0.7 %	0.1 %	0.4 %	0.5 %	1.4 %	0.3 %	4.0 %
Properties in redevelopment	0.0 %	0.3 %	1.2 %	0.5 %	0.0 %	0.0 %	0.0 %	0.0 %	2.0 %
Total	26.0 %	7.4 %	15.2 %	5.2 %	15.8 %	10.2 %	23.2 %	7.2 %	100.0 %

Artis' real estate is diversified across five Canadian provinces and five 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 Property NOI) are Calgary office properties, Winnipeg office properties and the Twin Cities Metropolitan Area industrial properties.

TAX RISK

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

The SIFT Rules do not apply to a "real estate investment trust" that meets prescribed conditions relating to the nature of its assets and revenue (the "REIT Conditions"). In order to meet the REIT Conditions, a trust must meet a number of technical tests that do not fully accommodate common real estate and business structures. Prior to the end of 2008, the REIT undertook various restructuring activities in order to attempt to meet the requirements of the REIT Conditions, and the REIT intends to comply with the REIT Conditions so that the SIFT Rules will not apply to the REIT in 2009 and subsequent years. The REIT believes that it has met the REIT Conditions throughout the three and nine month periods ended September 30, 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 September 30, 2013, Artis US Holdings, Inc. owes notes payable of US\$150,339 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 September 30, 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 September 30, 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 September 30, 2013.