



ARTIS

REIT

**Management's Discussion and Analysis
Q2-14**

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 - Q2-14
(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, 2013 and 2012, the unaudited interim condensed consolidated financial statements for the three and six months ended June 30, 2014 and 2013, and the notes thereto. This MD&A has been prepared taking into account material transactions and events up to and including August 7, 2014. 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 CPA Canada 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 April 2014. These guidelines include certain additional adjustments to FFO under IFRS from the previous definition of FFO. 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 August 7, 2014, there were 135,484,145 units, 2,942,500 options, 13,650,000 preferred units and 226,993 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.

For the six month period ended June 30, 2014, 22.6% of Artis' portfolio weighting by 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.

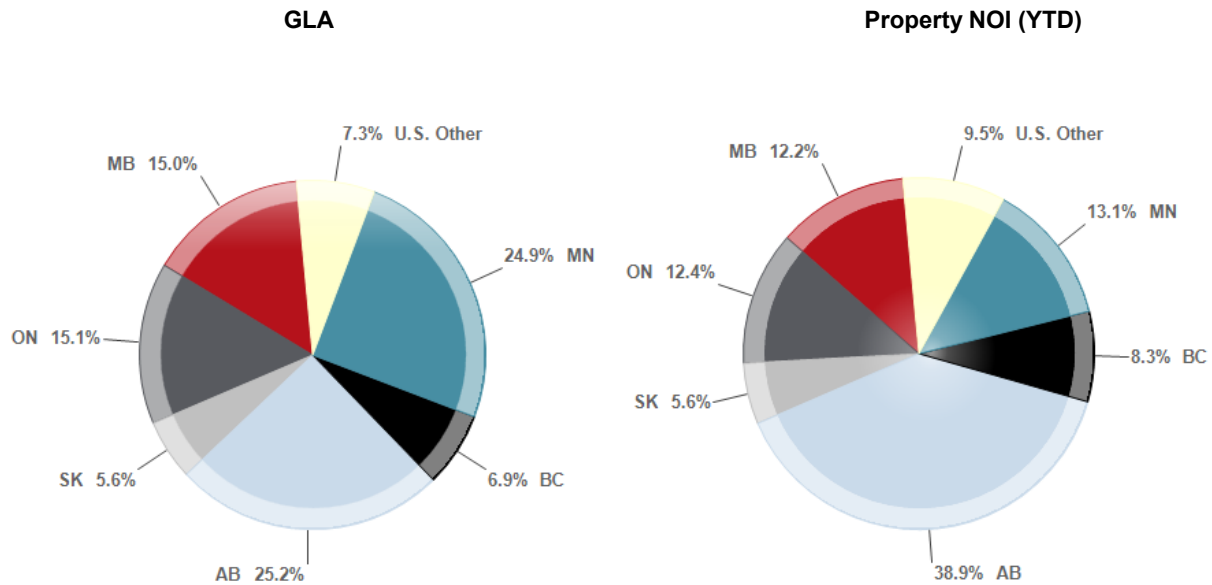
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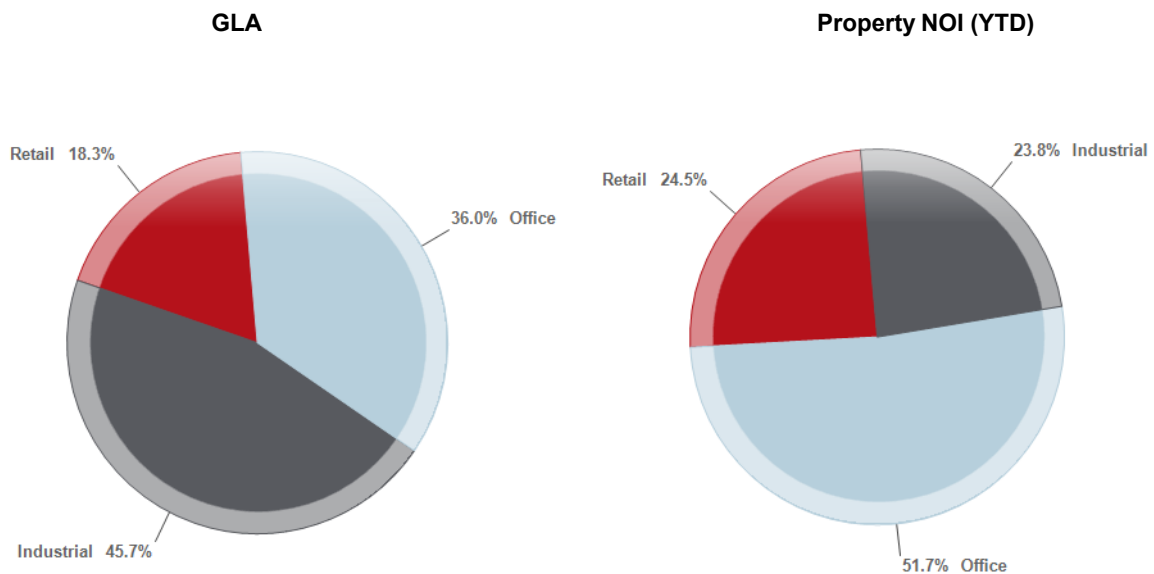
PORTFOLIO SUMMARY

At June 30, 2014, the REIT's portfolio was comprised of 243 commercial properties totaling approximately 25.6 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 June 30, 2014 (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	Airdrie	AB	1	27	0.1 %	100.0 %	100.0 %
	Calgary	AB	7	597	2.3 %	100.0 %	100.0 %
	Edmonton Capital Region	AB	10	1,184	4.6 %	88.8 %	94.4 %
	Greater Toronto Area	ON	30	2,505	9.8 %	97.2 %	97.5 %
	Greater Vancouver Regional District	BC	1	71	0.3 %	- %	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	1.0 %	100.0 %	100.0 %
	Winnipeg	MB	26	1,454	5.7 %	93.7 %	95.1 %
Industrial total			79	6,352	24.8 %	94.3 %	96.9 %
Office	Calgary	AB	20	2,533	9.9 %	94.5 %	96.0 %
	Edmonton Capital Region	AB	1	48	0.2 %	89.3 %	92.2 %
	Greater Toronto Area	ON	7	1,083	4.2 %	91.8 %	93.0 %
	Greater Vancouver Regional District	BC	5	610	2.4 %	94.8 %	96.8 %
	Nanaimo	BC	2	68	0.3 %	100.0 %	100.0 %
	Ottawa	ON	2	287	1.1 %	100.0 %	100.0 %
	Red Deer	AB	1	148	0.6 %	96.8 %	96.8 %
	Saskatoon	SK	1	64	0.2 %	100.0 %	100.0 %
	Winnipeg	MB	9	1,469	5.7 %	94.5 %	94.9 %
	Office total			48	6,310	24.6 %	94.5 %
Retail	Calgary	AB	6	467	1.8 %	98.3 %	98.8 %
	Cranbrook	BC	1	288	1.1 %	95.4 %	95.7 %
	Edmonton Capital Region	AB	6	504	2.0 %	98.5 %	98.5 %
	Edson	AB	1	20	0.1 %	100.0 %	100.0 %
	Estevan	SK	2	176	0.7 %	94.8 %	96.5 %
	Fort McMurray	AB	8	194	0.8 %	100.0 %	100.0 %
	Grande Prairie	AB	6	379	1.5 %	93.1 %	93.1 %
	Greater Vancouver Regional District	BC	1	165	0.6 %	95.5 %	98.7 %
	Lethbridge	AB	1	53	0.2 %	95.2 %	97.9 %
	Medicine Hat	AB	1	162	0.6 %	100.0 %	100.0 %
	Moose Jaw	SK	1	38	0.1 %	100.0 %	100.0 %
	Nanaimo	BC	2	39	0.2 %	100.0 %	100.0 %
	Regina	SK	7	257	1.0 %	98.4 %	98.9 %
	Saskatoon	SK	3	218	0.9 %	96.5 %	97.4 %
	Westbank / West Kelowna	BC	3	433	1.7 %	99.8 %	99.8 %
	Whistler	BC	1	32	0.1 %	94.5 %	94.5 %
	Winnipeg	MB	5	620	2.4 %	97.4 %	97.6 %
	Retail total			55	4,045	15.8 %	97.4 %
Total Canadian portfolio			182	16,707	65.2 %	95.1 %	96.6 %

⁽¹⁾ Excluding properties held for re-development.

⁽²⁾ Percentage committed is based on occupancy plus commitments on vacant space as at June 30, 2014.

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Portfolio by Asset Class as at June 30, 2014 (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	Phoenix Metropolitan Area	AZ	1	99	0.4 %	100.0 %	100.0 %
	Twin Cities Area	MN	33	4,943	19.3 %	93.5 %	94.6 %
Industrial total			34	5,042	19.7 %	93.7 %	94.7 %
Office	Greater Denver Area	CO	3	540	2.1 %	95.9 %	97.1 %
	New Hartford	NY	1	123	0.5 %	100.0 %	100.0 %
	Phoenix Metropolitan Area	AZ	6	1,002	3.9 %	94.7 %	95.5 %
	Tampa	FL	1	107	0.4 %	100.0 %	100.0 %
	Twin Cities Area	MN	5	1,148	4.5 %	88.9 %	88.9 %
Office total			16	2,920	11.4 %	93.1 %	93.6 %
Retail	Twin Cities Area	MN	6	275	1.1 %	97.1 %	97.1 %
Total U.S. portfolio			56	8,237	32.2 %	93.6 %	94.4 %
Total Canadian and U.S.			238	24,944	97.4 %	94.6 %	95.9 %

⁽¹⁾ Excluding properties held for re-development.

⁽²⁾ Percentage committed is based on occupancy plus commitments on vacant space as at June 30, 2014.

Properties Held for Re-development (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	Winnipeg	MB	1	73	0.3 %	1595 Buffalo Place	42.8 %
Industrial	Winnipeg	MB	1	37	0.1 %	8-30 Plymouth Street	43.8 %
Industrial	Winnipeg	MB	1	196	0.8 %	1750 Inkster Boulevard	31.1 %
Retail	Regina	SK	1	298	1.2 %	Victoria Square Shopping Centre	71.0 %
Retail	Nanaimo	BC	1	54	0.2 %	Pleasant Valley Landing	0.0 %
Total properties held for re-development			5	658	2.6 %		48.6 %

⁽¹⁾ Percentage committed is based on occupancy plus commitments on vacant space as at June 30, 2014.

Artis has secured a new tenant for the Cliveden Building, which was considered a property held for re-development at March 31, 2014. The property is now 100% leased for a 30 year term which will commence on August 1, 2014.

Artis has completed demolition of approximately 38,000 square feet of leasable area at 1595 Buffalo Place, and construction of new generation warehouse space is underway with higher ceilings, new front office space and improved loading in its place. Completion of this project is anticipated for Q3-14. The remainder of the building, which is newer generation construction, remains leased to a national tenant.

Artis has secured a new tenant at 1750 Inkster Boulevard, who will be leasing approximately 60,000 square feet under a seven year lease agreement. This property, previously leased to a single tenant until 2012, is undergoing extensive re-development into a multi-tenant building.

Victoria Square Shopping Centre has been classified as a re-development opportunity upon the successful negotiation of an early termination agreement and fee with Zellers Inc. Artis has secured a new tenant for 30% of the space formerly leased by Zellers Inc. and pre-leasing is underway for the remainder of this re-development opportunity.

Plans are underway to re-develop Pleasant Valley Landing, a retail property in Nanaimo, British Columbia, which recently became vacant. Completion of the re-development work is anticipated for Q2-15.

New Developments In Process

Artis purchased Fourell Business Park located in Edmonton, Alberta in 2010 with an existing 400,000 square foot building and land potential for future development. Phase I, a 63,757 square foot development on the property was completed in 2012, while Phase II, an approximately 35,000 square foot development is underway; completion is anticipated in Q3-14.

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Artis has a 50% ownership interest in the Centrepont development project located in Winnipeg, Manitoba. The construction project, which is currently underway, is expected to comprise 96,165 square feet of leasable area; completion is anticipated in Q4-14.

In Q1-14, Artis acquired a 90% ownership interest in the Park Lucero industrial joint venture arrangement. Park Lucero is a 48 acre parcel of land in Phoenix Metropolitan Area, Arizona, and is zoned and fully serviced. This land is expected to be developed into approximately 600,000 square feet of new generation industrial buildings, with the first phase anticipated to comprise approximately 211,000 square feet and construction expected to commence in Q3-14.

Development Initiatives

Artis has been awarded an extension to the original one year development exclusivity agreement as a result of their successful Expression of Interest in a joint development/ownership venture 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 (air rights to be sold to a hotel operator), 325 stall parkade and street level public plaza space. The project is located in downtown Winnipeg, Manitoba in the Sports, Hospitality, and Entertainment District ("SHED").

In 2013, 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 approximately 135,000 square feet on this site.

In Q2-14, Artis acquired a 90% ownership interest in a multi-phase office development joint venture arrangement. The property is located on the I-10 in the heart of the Energy Corridor, one of the strongest office markets in Houston. This project is expected to be developed in several phases, totaling approximately 1,600,000 square feet, with the first phase anticipated to comprise approximately 300,000 square feet.

2014 – SECOND QUARTER HIGHLIGHTS

PORTFOLIO GROWTH

Artis acquired five commercial properties and disposed of one retail property during Q2-14.

	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 March 31, 2014	62	8,859	63	4,616	114	11,559	239	25,034
Acquisitions	2	371	1	138	2	141	5	650
Disposition	-	-	(1)	(82)	-	-	(1)	(82)
Portfolio properties at June 30, 2014	64	9,230	63	4,672	116	11,700	243	25,602

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

Property Acquisitions

Property	Property Count	Acquisition Date	Location	Property Type	Owned Share of GLA	Purchase Price
Hudson's Bay Centre ⁽¹⁾	1	April 15, 2014	Denver, CO	Office	86,456	US\$20,750
Estevan Shoppers Mall	1	May 1, 2014	Estevan, SK	Retail	129,732	10,100
601 Tower at Carlson	1	June 11, 2014	Twin Cities Area, MN	Office	288,458	US75,000
Crosstown North Business Center II & VI	2	June 16, 2014	Twin Cities Area, MN	Industrial	140,856	US8,750

⁽¹⁾ Artis acquired a 50% interest in this joint venture.

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In Q2-14, Artis acquired five Canadian and U.S. commercial properties for aggregate purchase prices of \$10,100 and US\$104,500, respectively. This represented a weighted-average capitalization rate of 7.33%. Artis also acquired an interest in one parcel of development land in Houston, Texas for US\$27,800. The purchase prices for the acquisitions and development land were settled with cash on hand and from proceeds of new mortgage financing of US\$48,625.

Property Disposition

During Q2-14, Artis sold one retail property located in the Greater Vancouver Regional District, British Columbia. The proceeds from the sale of this property, net of costs, were \$13,208.

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 June 30, 2014, the REIT has issued common units under three offerings of \$356,680, preferred units under four offerings for a total of \$266,250 and US\$75,000 and senior unsecured debentures under one offering of \$125,000 under this short form base shelf prospectus.

Equity Offering

On May 22, 2014, under the June 15, 2012 short form base shelf prospectus, Artis issued 7,147,250 trust units at a price of \$16.10 per unit for aggregate gross proceeds to Artis of \$115,071. This included 932,250 units issued pursuant to the exercise of the underwriters' over-allotment option.

Debt Repayments

In Q2-14, Artis repaid two maturing mortgages in the amount of \$36,559.

DISTRIBUTIONS

In Q2-14, Artis distributed a total of \$40,222 (YTD - \$79,067) to unitholders of which \$6,272 (YTD - \$12,381) 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 June 30,		Six month period ended June 30,	
	2014	2013	2014	2013
Revenue	\$ 119,896	\$ 110,737	\$ 243,549	\$ 219,516
Property NOI	77,069	71,739	154,404	143,255
Income for the period	53,472	71,302	84,458	148,879
Basic income per common unit	0.37	0.56	0.59	1.21
Diluted income per common unit	0.36	0.53	0.58	1.15
Distributions to common unitholders	\$ 35,852	\$ 33,048	\$ 70,289	\$ 64,126
Distributions per common unit	0.27	0.27	0.54	0.54
FFO	\$ 47,026	\$ 43,927	\$ 94,657	\$ 88,704
FFO per unit	0.35	0.35	0.71	0.73
FFO payout ratio	77.1 %	77.1 %	76.1 %	74.0 %
AFFO	\$ 40,121	\$ 37,420	\$ 80,588	\$ 76,284
AFFO per unit	0.30	0.30	0.61	0.63
AFFO payout ratio	90.0 %	90.0 %	88.5 %	85.7 %

Artis has been actively acquiring and developing properties during 2013 and 2014. Due primarily to this acquisition activity as well as same property revenue growth, Q2-14 revenues increased \$9,159 or 8.3% compared to Q2-13 results (YTD - \$24,033 or 10.9%). Property NOI increased by \$5,330 or 7.4% (YTD - \$11,149 or 7.8%) compared to Q2-13 results.

FFO increased \$3,099 or 7.1% compared to Q2-13, and \$5,953 or 6.7% year-over-year. These increases are primarily attributed to acquisition activity and same property growth in 2013 and 2014. Diluted FFO per unit remained unchanged from Q2-13 at \$0.35 per unit and decreased by \$0.02 to \$0.71 or 2.7% year-over-year. On a diluted basis, FFO per unit, excluding lease termination income, remained unchanged from Q2-14 compared to Q2-13 at \$0.35 (YTD - \$0.71).

AFFO has increased \$2,701 or 7.2% compared to Q2-13, and \$4,304 or 5.6% year-over-year. AFFO per unit remained unchanged from Q2-13 at \$0.30 per unit and decreased by \$0.02 to \$0.61 or 3.2% year-over-year. On a diluted basis, AFFO per unit, excluding lease termination income, remained unchanged from Q2-14 compared to Q2-13 at \$0.30 (YTD - \$0.61).

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.

	June 30, 2014	March 31, 2014	December 31, 2013
Mortgages, loans and bank indebtedness to GBV	42.8%	44.1%	45.4%
Total long-term debt and bank indebtedness to GBV	48.6%	50.0%	49.0%
Total assets	\$ 5,283,757	\$ 5,200,197	\$ 5,042,037
Total non-current financial liabilities	2,192,668	2,328,060	2,187,977

Artis' mortgages, loans and bank indebtedness to GBV ratio at June 30, 2014 decreased by 2.6% to 42.8% from 45.4% at December 31, 2013.

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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 amortization of tenant incentives and adjustments for the straight-lining of rents.

Artis accounts for tenant incentives by amortizing the cost over the term of the tenant's lease. In Q2-14, the REIT recorded amortization of \$2,535 (YTD - \$4,981) as a reduction in revenue from tenant incentives compared to \$2,159 (YTD - \$4,170) in Q2-13.

Artis accounts for rent step-ups by straight-lining the incremental increases over the entire non-cancelable lease term. In Q2-14, straight-line rent adjustments of \$1,122 (YTD - \$2,457) were recorded compared to \$1,326 (YTD - \$2,766) in Q2-13.

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

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 Q2-14, lease termination income totaled \$82 (YTD - \$82) compared to \$545 (YTD - \$2,293) in Q2-13.

SAME PROPERTY NOI ANALYSIS

Same property comparison includes only stabilized investment properties owned on January 1, 2013, and excludes properties disposed subsequent to January 1, 2013 and those held for re-development.

	Three month period ended June 30,		Six month period ended June 30,	
	2014	2013	2014	2013
Revenue	\$ 107,127	\$ 104,273	\$ 217,629	\$ 208,779
Property operating expenses	39,503	37,893	82,376	75,702
Property NOI	67,624	66,380	135,253	133,077
Add (deduct) non-cash revenue adjustments:				
Amortization of tenant inducements	2,515	2,147	4,945	4,148
Straight-line rent adjustment	(656)	(1,248)	(1,530)	(2,668)
Property NOI less non-cash revenue adjustments	\$ 69,483	\$ 67,279	\$ 138,668	\$ 134,557

In Q2-14, Artis achieved an increase of \$1,244 (YTD - \$2,176) or 1.9% (YTD - 1.6%) of Property NOI over Q2-13. In Q2-14, Artis achieved an increase of \$2,204 (YTD - \$4,111) or 3.3% (YTD - 3.1%) of Property NOI less non-cash revenue adjustments over Q2-13.

Lease termination income related to significant tenants of \$nil (YTD - \$nil) in Q2-14 compared to \$485 (YTD - \$2,188) 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.

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Same Property NOI by Asset Class

	Three month period ended June 30,				Six month period ended June 30,			
	2014	2013	Change	% Change	2014	2013	Change	% Change
Retail	\$ 16,861	\$ 16,282	\$ 579	3.6 %	\$ 33,819	\$ 32,590	\$ 1,229	3.8 %
Office	35,131	34,314	817	2.4 %	69,858	68,762	1,096	1.6 %
Industrial	17,491	16,683	808	4.8 %	34,991	33,205	1,786	5.4 %
Total	\$ 69,483	\$ 67,279	\$ 2,204	3.3 %	\$ 138,668	\$ 134,557	\$ 4,111	3.1 %

Same Property NOI by Geographical Region

	Three month period ended June 30,				Six month period ended June 30,			
	2014	2013	Change	% Change	2014	2013	Change	% Change
Alberta	\$ 26,819	\$ 26,491	\$ 328	1.2 %	\$ 53,484	\$ 52,723	\$ 761	1.4 %
British Columbia	6,596	6,396	200	3.1 %	13,273	13,099	174	1.3 %
Manitoba	9,574	9,230	344	3.7 %	19,046	18,602	444	2.4 %
Ontario	8,745	8,426	319	3.8 %	17,379	16,875	504	3.0 %
Saskatchewan	3,415	3,396	19	0.6 %	6,861	6,765	96	1.4 %
Minnesota	9,414	8,518	896	10.5 %	18,708	17,068	1,640	9.6 %
U.S. - Other	4,920	4,822	98	2.0 %	9,917	9,425	492	5.2 %
Total	\$ 69,483	\$ 67,279	\$ 2,204	3.3 %	\$ 138,668	\$ 134,557	\$ 4,111	3.1 %

Same Property NOI by Country

	Three month period ended June 30,				Six month period ended June 30,			
	2014	2013	Change	% Change	2014	2013	Change	% Change
Canada	\$ 55,149	\$ 53,939	\$ 1,210	2.2 %	\$ 110,043	\$ 108,064	\$ 1,979	1.8 %
U.S.	14,334	13,340	994	7.5 %	28,625	26,493	2,132	8.0 %
Total	\$ 69,483	\$ 67,279	\$ 2,204	3.3 %	\$ 138,668	\$ 134,557	\$ 4,111	3.1 %

The strong same property results in the U.S. are positively impacted by foreign exchange.

Same Property Occupancy Comparisons

Geographical Region	As at June 30,		Asset Class	As at June 30,	
	2014	2013		2014	2013
Alberta	94.6 %	96.0 %	Retail	97.3 %	96.9 %
British Columbia	92.6 %	93.3 %	Office	93.4 %	93.0 %
Manitoba	94.6 %	94.7 %	Industrial	93.9 %	95.8 %
Ontario	95.8 %	95.5 %	Total	94.3 %	95.0 %
Saskatchewan	98.7 %	98.6 %			
Minnesota	92.4 %	93.7 %			
U.S. - Other	95.7 %	95.2 %			
Total	94.3 %	95.0 %			

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PROPERTY NOI BY ASSET CLASS

In Q2-14, revenues and Property NOI increased for all asset class segments of the portfolio in comparison to Q2-13. The growth is primarily attributable to acquisition activity and same property revenue growth.

	Three month period ended June 30,					
	2014			2013		
	Retail	Office	Industrial	Retail	Office	Industrial
Revenue	\$ 27,145	\$ 65,632	\$ 27,169	\$ 25,545	\$ 58,944	\$ 26,229
Property operating expenses	8,451	25,603	8,773	7,183	22,796	9,019
Property NOI	\$ 18,694	\$ 40,029	\$ 18,396	\$ 18,362	\$ 36,148	\$ 17,210
<i>Share of Property NOI</i>	24.2 %	51.9 %	23.9 %	25.6 %	50.4 %	24.0 %

	Six month period ended June 30,					
	2014			2013		
	Retail	Office	Industrial	Retail	Office	Industrial
Revenue	\$ 55,008	\$ 132,536	\$ 55,920	\$ 51,120	\$ 115,486	\$ 52,849
Property operating expenses	17,274	52,723	19,148	14,748	43,303	18,210
Property NOI	\$ 37,734	\$ 79,813	\$ 36,772	\$ 36,372	\$ 72,183	\$ 34,639
<i>Share of Property NOI</i>	24.5 %	51.7 %	23.8 %	25.4 %	50.4 %	24.2 %

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PROPERTY NOI BY GEOGRAPHICAL REGION

Three month period ended June 30, 2014

	Canada					U.S.	
	AB	BC	MB	ON	SK	MN	Other
Revenue	\$ 43,233	\$ 9,941	\$ 17,162	\$ 15,035	\$ 6,348	\$ 17,549	\$ 10,678
Property operating expenses	13,027	3,509	7,765	5,551	2,097	7,414	3,464
Property NOI	\$ 30,206	\$ 6,432	\$ 9,397	\$ 9,484	\$ 4,251	\$ 10,135	\$ 7,214
Share of Property NOI	39.2 %	8.3 %	12.2 %	12.3 %	5.5 %	13.1 %	9.4 %

Three month period ended June 30, 2013

	Canada					U.S.	
	AB	BC	MB	ON	SK	MN	Other
Revenue	\$ 41,035	\$ 10,260	\$ 16,206	\$ 15,011	\$ 6,365	\$ 14,955	\$ 6,886
Property operating expenses	12,517	3,563	6,965	5,882	1,817	6,261	1,993
Property NOI	\$ 28,518	\$ 6,697	\$ 9,241	\$ 9,129	\$ 4,548	\$ 8,694	\$ 4,893
Share of Property NOI	39.8 %	9.3 %	13.0 %	12.7 %	6.3 %	12.1 %	6.8 %

Six month period ended June 30, 2014

	Canada					U.S.	
	AB	BC	MB	ON	SK	MN	Other
Revenue	\$ 87,803	\$ 20,174	\$ 34,760	\$ 30,954	\$ 12,789	\$ 35,579	\$ 21,405
Property operating expenses	27,708	7,307	15,981	11,760	4,196	15,392	6,801
Property NOI	\$ 60,095	\$ 12,867	\$ 18,779	\$ 19,194	\$ 8,593	\$ 20,187	\$ 14,604
Share of Property NOI	38.9 %	8.3 %	12.2 %	12.4 %	5.6 %	13.1 %	9.5 %

Six month period ended June 30, 2013

	Canada					U.S.	
	AB	BC	MB	ON	SK	MN	Other
Revenue	\$ 79,364	\$ 20,722	\$ 31,719	\$ 30,822	\$ 12,782	\$ 30,226	\$ 13,820
Property operating expenses	24,091	7,087	13,432	11,269	3,705	12,728	3,949
Property NOI	\$ 55,273	\$ 13,635	\$ 18,287	\$ 19,553	\$ 9,077	\$ 17,498	\$ 9,871
Share of Property NOI	38.6 %	9.5 %	12.8 %	13.7 %	6.3 %	12.2 %	6.9 %

ARTIS REAL ESTATE INVESTMENT TRUST

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PORTFOLIO OCCUPANCY

Occupancy levels impact the REIT's revenues and Property NOI. Occupancy and commitments at June 30, 2014 (excluding properties currently held for redevelopment and new developments in process), and the previous four periods, are as follows:

Occupancy Report by Asset Class

	Q2-14 % Committed ⁽¹⁾	Q2-14	Q1-14	Q4-13	Q3-13	Q2-13
Retail	97.8 %	97.4 %	97.3 %	96.3 %	96.8 %	95.7 %
Office	94.9 %	94.0 %	93.6 %	93.6 %	94.3 %	92.5 %
Industrial	95.9 %	94.0 %	96.3 %	96.7 %	96.7 %	96.9 %
Total portfolio	95.9 %	94.6 %	95.5 %	95.5 %	95.8 %	95.1 %

Occupancy Report by Geographical Region

	Q2-14 % Committed ⁽¹⁾	Q2-14	Q1-14	Q4-13	Q3-13	Q2-13
Canada:						
Alberta	96.7 %	95.0 %	95.2 %	95.0 %	96.5 %	94.4 %
British Columbia	97.8 %	92.6 %	96.3 %	95.3 %	95.4 %	95.4 %
Manitoba	95.5 %	94.7 %	95.2 %	95.5 %	95.2 %	95.9 %
Ontario	96.4 %	95.9 %	96.5 %	96.8 %	97.2 %	95.7 %
Saskatchewan	98.7 %	98.2 %	98.6 %	99.0 %	98.7 %	98.5 %
U.S.:						
Minnesota	93.7 %	92.9 %	94.4 %	94.3 %	94.1 %	94.1 %
Other	96.8 %	96.0 %	96.0 %	96.3 %	96.2 %	95.8 %
Total portfolio	95.9 %	94.6 %	95.5 %	95.5 %	95.8 %	95.1 %

⁽¹⁾ Percentage committed is based on occupancy plus commitments on vacant space as at June 30, 2014.

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PORTFOLIO LEASING ACTIVITY AND LEASE EXPIRIES

Renewal Summary

	Three month period ended June 30,		Six month period ended June 30,	
	2014	2013	2014	2013
Leasable area renewed	259,129	598,165	660,547	1,331,588
% Increase in rent rate	2.6 %	10.0 %	2.5 %	8.6 %

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⁾	2014	2015	2016	2017	2018 & later	Total
Office - uncommitted	466,949	47,890	216,962	962,780	753,923	997,988	5,092,278	8,538,770
Office - committed	85,305	-	413,363	116,147	54,146	-	22,182	691,143
Total office	552,254	47,890	630,325	1,078,927	808,069	997,988	5,114,460	9,229,913
Retail - uncommitted	234,506	22,691	69,963	298,225	527,153	356,886	2,696,369	4,205,793
Retail - committed	51,650	-	155,756	119,239	26,535	105,199	7,856	466,235
Total retail	286,156	22,691	225,719	417,464	553,688	462,085	2,704,225	4,672,028
Industrial - uncommitted	665,813	41,156	666,155	1,502,186	2,323,740	1,589,829	3,743,595	10,532,474
Industrial - committed	276,819	-	538,165	342,975	10,033	-	-	1,167,992
Total industrial	942,632	41,156	1,204,320	1,845,161	2,333,773	1,589,829	3,743,595	11,700,466
Total - uncommitted	1,367,268	111,737	953,080	2,763,191	3,604,816	2,944,703	11,532,242	23,277,037
Total - committed	413,774	-	1,107,284	578,361	90,714	105,199	30,038	2,325,370
Total	1,781,042	111,737	2,060,364	3,341,552	3,695,530	3,049,902	11,562,280	25,602,407

⁽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 June 30, 2014. 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⁾

	2014	2015	2016	2017	2018 & later	Total
Office						
In-place rents	\$ 18.70	\$ 18.76	\$ 19.01	\$ 18.99	\$ 18.54	\$ 18.68
Market rents	20.79	20.39	20.17	20.57	19.83	20.09
Change	11.1 %	8.7 %	6.1 %	8.3 %	7.0 %	7.6 %
Revenue impact ⁽²⁾	\$ 1,312	\$ 1,756	\$ 939	\$ 1,578	\$ 6,592	\$ 12,177
Retail						
In-place rents	\$ 18.03	\$ 14.12	\$ 20.04	\$ 15.09	\$ 19.31	\$ 18.39
Market rents	21.21	15.71	22.89	16.05	20.45	19.88
Change	17.6 %	11.3 %	14.2 %	6.4 %	5.9 %	8.1 %
Revenue impact ⁽²⁾	\$ 717	\$ 666	\$ 1,578	\$ 444	\$ 3,077	\$ 6,482
Industrial						
In-place rents	\$ 7.17	\$ 5.93	\$ 6.74	\$ 5.65	\$ 7.58	\$ 6.78
Market rents	7.23	6.18	7.16	6.06	7.65	7.01
Change	0.9 %	4.2 %	6.3 %	7.2 %	1.0 %	3.4 %
Revenue impact ⁽²⁾	\$ 78	\$ 462	\$ 986	\$ 644	\$ 278	\$ 2,448
Total portfolio						
In-place rents	\$ 11.89	\$ 11.10	\$ 11.41	\$ 11.45	\$ 15.17	\$ 13.25
Market rents	12.91	11.96	12.36	12.32	16.03	14.14
Change	8.6 %	7.8 %	8.3 %	7.6 %	5.7 %	6.7 %
Revenue impact ⁽²⁾	\$ 2,107	\$ 2,884	\$ 3,503	\$ 2,666	\$ 9,947	\$ 21,107

⁽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 June 30, 2014 are estimated to be 6.7% above in-place rents across the portfolio compared to 7.1% at March 31, 2014. Today's market rents for the 2014 and 2015 lease expiries are estimated to be 8.6% and 7.8%, 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⁾	2014	2015	2016	2017	2018 & later	Total
AB - uncommitted	214,882	14,221	247,602	590,579	946,678	494,800	3,360,863	5,869,625
AB - committed	110,141	-	198,566	200,822	59,467	2,351	-	571,347
Total Alberta	325,023	14,221	446,168	791,401	1,006,145	497,151	3,360,863	6,440,972
BC - uncommitted	90,904	12,653	17,255	174,955	254,572	101,716	846,432	1,498,487
BC - committed	89,101	-	68,260	3,000	1,032	100,046	-	261,439
Total British Columbia	180,005	12,653	85,515	177,955	255,604	201,762	846,432	1,759,926
MB - uncommitted	357,445	31,305	184,829	607,184	427,023	433,693	1,448,632	3,490,111
MB - committed	88,624	-	257,826	2,991	825	-	10,617	360,883
Total Manitoba	446,069	31,305	442,655	610,175	427,848	433,693	1,459,249	3,850,994
ON - uncommitted	139,053	23,584	247,957	484,935	702,523	590,374	1,479,455	3,667,881
ON - committed	19,532	-	168,248	-	7,300	-	12,633	207,713
Total Ontario	158,585	23,584	416,205	484,935	709,823	590,374	1,492,088	3,875,594
SK - uncommitted	100,879	12,292	10,029	96,600	58,332	232,196	713,460	1,223,788
SK - committed	40,309	-	36,476	108,721	19,357	2,802	6,788	214,453
Total Saskatchewan	141,188	12,292	46,505	205,321	77,689	234,998	720,248	1,438,241
MN - uncommitted	403,534	14,130	235,246	756,814	1,181,842	777,556	2,417,849	5,786,971
MN - committed	51,116	-	287,463	237,375	2,733	-	-	578,687
Total Minnesota	454,650	14,130	522,709	994,189	1,184,575	777,556	2,417,849	6,365,658
U.S. - Other - uncommitted	60,571	3,552	10,162	52,124	33,846	314,368	1,265,551	1,740,174
U.S. - Other - committed	14,951	-	90,445	25,452	-	-	-	130,848
Total U.S. - Other	75,522	3,552	100,607	77,576	33,846	314,368	1,265,551	1,871,022
Total - uncommitted	1,367,268	111,737	953,080	2,763,191	3,604,816	2,944,703	11,532,242	23,277,037
Total - committed	413,774	-	1,107,284	578,361	90,714	105,199	30,038	2,325,370
Total	1,781,042	111,737	2,060,364	3,341,552	3,695,530	3,049,902	11,562,280	25,602,407

⁽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⁾

	2014	2015	2016	2017	2018 & later	Total
Alberta						
In-place rents	\$ 16.17	\$ 16.53	\$ 17.76	\$ 19.63	\$ 18.94	\$ 18.29
Market rents	18.33	17.83	20.03	20.63	20.58	19.97
Change	13.3 %	7.9 %	12.8 %	5.1 %	8.7 %	9.2 %
Revenue impact ⁽²⁾	\$ 961	\$ 1,028	\$ 2,290	\$ 494	\$ 5,510	\$ 10,283
British Columbia						
In-place rents	\$ 23.73	\$ 19.47	\$ 19.62	\$ 11.84	\$ 15.21	\$ 16.44
Market rents	23.24	19.99	20.11	11.91	15.61	16.78
Change	(2.1)%	2.7 %	2.5 %	0.6 %	2.6 %	2.0 %
Revenue impact ⁽²⁾	\$ (42)	\$ 93	\$ 125	\$ 15	\$ 337	\$ 528
Manitoba						
In-place rents	\$ 11.43	\$ 10.70	\$ 10.55	\$ 12.15	\$ 12.58	\$ 11.78
Market rents	12.74	12.10	11.99	14.59	13.36	13.04
Change	11.4 %	13.1 %	13.7 %	20.1 %	6.3 %	10.7 %
Revenue impact ⁽²⁾	\$ 578	\$ 854	\$ 617	\$ 1,058	\$ 1,148	\$ 4,255
Ontario						
In-place rents	\$ 9.71	\$ 8.32	\$ 7.82	\$ 6.65	\$ 11.99	\$ 9.60
Market rents	9.91	8.41	7.94	6.69	12.23	9.76
Change	2.0 %	1.1 %	1.5 %	0.6 %	2.0 %	1.7 %
Revenue impact ⁽²⁾	\$ 83	\$ 44	\$ 85	\$ 25	\$ 365	\$ 602
Saskatchewan						
In-place rents	\$ 17.59	\$ 10.45	\$ 19.84	\$ 10.05	\$ 16.80	\$ 14.76
Market rents	21.57	11.94	20.49	11.21	17.51	15.79
Change	22.6 %	14.3 %	3.3 %	11.5 %	4.2 %	7.0 %
Revenue impact ⁽²⁾	\$ 185	\$ 306	\$ 51	\$ 272	\$ 508	\$ 1,322
Minnesota						
In-place rents	\$ 5.71	\$ 6.07	\$ 5.78	\$ 6.60	\$ 9.53	\$ 7.47
Market rents	5.80	6.27	6.01	7.36	9.91	7.81
Change	1.6 %	3.4 %	4.1 %	11.4 %	4.0 %	4.6 %
Revenue impact ⁽²⁾	\$ 48	\$ 203	\$ 281	\$ 584	\$ 920	\$ 2,036
U.S. - Other						
In-place rents	\$ 23.25	\$ 23.09	\$ 25.10	\$ 19.31	\$ 21.73	\$ 21.51
Market rents	26.17	27.68	26.71	20.01	22.64	22.67
Change	12.6 %	19.9 %	6.4 %	3.6 %	4.2 %	5.4 %
Revenue impact ⁽²⁾	\$ 294	\$ 356	\$ 54	\$ 218	\$ 1,159	\$ 2,081
Total portfolio						
In-place rents	\$ 11.89	\$ 11.10	\$ 11.41	\$ 11.45	\$ 15.17	\$ 13.25
Market rents	12.91	11.96	12.36	12.32	16.03	14.14
Change	8.6 %	7.8 %	8.3 %	7.6 %	5.7 %	6.7 %
Revenue impact ⁽²⁾	\$ 2,107	\$ 2,884	\$ 3,503	\$ 2,666	\$ 9,947	\$ 21,107

⁽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 six U.S. states, and across the office, retail and industrial asset classes. At June 30, 2014, the three largest segments of the REIT's portfolio (by Property NOI) are Calgary office properties, Twin Cities Area industrial properties and Winnipeg office properties.

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Calgary office properties represent 19.1% of the Q2-14 Property NOI and 9.9% 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 8.3% at June 30, 2014, compared to 8.4% at March 31, 2014. At June 30, 2014, the Calgary office segment of Artis' portfolio was 94.5% occupied, increased from 93.3% at March 31, 2014. Artis has commitments in place for 27.6% of the unoccupied space. In 2014, 172,502 square feet comes up for renewal, which represents 0.7% of the portfolio's GLA; 48.6% has been renewed or committed to new leases. Approximately 50.5% of the Calgary office GLA expires in 2018 or later.

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

	Current Vacancy	Monthly Tenants ⁽²⁾	2014	2015	2016	2017	2018 & later	Total
Calgary - uncommitted	100,215	13,876	88,634	310,856	232,066	241,932	1,278,202	2,265,781
Calgary - committed	38,257	-	83,868	90,695	54,146	-	-	266,966
Total Calgary office	138,472	13,876	172,502	401,551	286,212	241,932	1,278,202	2,532,747
Other - uncommitted	366,734	34,014	128,328	651,924	521,857	756,056	3,814,076	6,272,989
Other - committed	47,048	-	329,495	25,452	-	-	22,182	424,177
Total other office	413,782	34,014	457,823	677,376	521,857	756,056	3,836,258	6,697,166

⁽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⁾

	2014	2015	2016	2017	2018 & later	Total
Calgary office						
In-place rents	\$ 19.37	\$ 20.71	\$ 23.64	\$ 23.73	\$ 21.36	\$ 21.62
Market rents	22.67	22.57	24.55	24.71	24.86	24.26
Change	17.1 %	9.0 %	3.9 %	4.1 %	16.4 %	12.2 %
Revenue impact ⁽²⁾	\$ 570	\$ 745	\$ 261	\$ 238	\$ 4,475	\$ 6,289
Other office						
In-place rents	\$ 18.45	\$ 17.61	\$ 16.47	\$ 17.47	\$ 17.60	\$ 17.55
Market rents	20.07	19.10	17.77	19.24	18.15	18.50
Change	8.8 %	8.5 %	7.9 %	10.1 %	3.1 %	5.4 %
Revenue impact ⁽²⁾	\$ 742	\$ 1,011	\$ 678	\$ 1,340	\$ 2,117	\$ 5,888

⁽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.

The Twin Cities Area industrial properties represent 7.3% of the Q2-14 Property NOI and 19.3% of the overall portfolio by GLA. Direct vacancy in this industrial market, as reported by CBRE, was consistent with March 31, 2014 at 5.0%, with 649,529 square feet of positive absorption reported for the quarter. As per CBRE, this was the sixteenth consecutive quarter of positive absorption for this market. Average asking market lease rates was \$5.03 per square foot compared to \$5.10 per square foot at March 31, 2014. Occupancy in this segment of the portfolio was 93.5% at June 30, 2014 compared to 95.5% at March 31, 2014. Artis has commitments in place for 16.0% of the unoccupied space. In 2014, 497,068 square feet comes up for renewal, which represents 1.9% of the portfolio's GLA; commitments are in place for 56.9% of the expiring space.

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Winnipeg office properties represent 7.3% of the Q2-14 Property NOI and 5.7% 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 9.1% at June 30, 2014, up from 8.6% at March 31, 2014. At June 30, 2014, the Winnipeg office segment of Artis' portfolio was 94.5% occupied, up from 94.1% at March 31, 2014. In 2014, 220,412 square feet comes up for renewal, which represents 0.9% of the portfolio's GLA; 73.1% has been renewed or committed to new leases. Approximately 39.0% of the Winnipeg office GLA expires in 2018 or later.

CORPORATE EXPENSES

	Three month period ended June 30,		Six month period ended June 30,	
	2014	2013	2014	2013
Accounting, legal and consulting	\$ 432	\$ 440	\$ 764	\$ 725
Public company costs	397	289	839	661
Unit-based compensation	386	440	859	883
Salaries and benefits	872	537	1,479	1,049
Depreciation	148	140	286	228
General and administrative	347	508	885	1,141
Total corporate expenses	\$ 2,582	\$ 2,354	\$ 5,112	\$ 4,687

Corporate expenses in Q2-14 were \$2,582 (YTD - \$5,112) or 2.1% (YTD - 2.1%) of total revenues compared to \$2,354 (YTD - \$4,687) or 2.1% (YTD - 2.1%) of total revenues in Q2-13.

INTEREST EXPENSE

The current period's interest expense is attributable to mortgages and other loans secured against the investment properties, as well as debentures outstanding. Interest expense of \$27,342 (YTD - \$53,932) in Q2-14 has increased \$2,034 (YTD - \$3,983) over Q2-13, primarily due to additional mortgage financing obtained in connection with acquisitions completed in 2013 and an additional debenture series issued in 2014. Financing costs on mortgages, other loans and debentures 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 June 30, 2014 on mortgages and other loans secured by properties was 4.26%, decreased from 4.27% at December 31, 2013. The weighted-average nominal interest rate at June 30, 2014 was 4.11% compared to 4.10% at December 31, 2013.

Artis recorded interest expense on debentures outstanding in Q2-14 of \$3,800 (YTD - \$6,464), compared to \$2,608 (YTD - \$5,171) in Q2-13.

The REIT's interest coverage ratio, defined as total revenues less property operating expenses and corporate expenses divided by interest expense, is 2.74 times (YTD - 2.79 times) in Q2-14, compared to 2.77 times (YTD - 2.80 times) in Q2-13.

(LOSS) INCOME FROM INVESTMENTS IN JOINT VENTURES

Artis recorded a loss from investments in joint ventures of \$165 in Q2-14 (YTD - income of \$589), compared to income of \$1,106 (YTD - income of \$1,106) in Q2-13. This includes revenue earned from the REIT's joint ventures, net of property operating expenses, interest expense and the fair value adjustment on investment properties.

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FAIR VALUE GAIN ON INVESTMENT PROPERTIES

The changes in fair value of investment properties, period-over-period, are recognized as fair value gains and losses in the statement of operations. Fair values of the investment properties are determined through either the discounted cash flow method or the overall capitalization method, which are generally accepted appraisal methodologies. External valuations are performed quarterly on a rotational basis over a four year cycle. In Q2-14, the fair value gain on investment properties is \$18,565 (YTD - gain of \$7,858) compared to a gain of \$29,035 (YTD - gain of \$63,859) in Q2-13. 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 Q2-14 portfolio is significantly different than the size and mix of the portfolio in Q2-13. Capitalization rate compression in the Fort McMurray retail market and Class A buildings in the Winnipeg downtown office market have contributed to the fair value gain in Q2-14.

FOREIGN CURRENCY TRANSLATION LOSS

In Q2-14, the REIT held cash, deposits and the Series G debentures in US dollars. These assets and liabilities are translated into Canadian dollars at the exchange rate in effect at the balance sheet date. This resulted in a foreign currency translation loss of \$8,406 (YTD - loss of \$12,761) in Q2-14, compared to a loss of \$4,622 (YTD - loss of \$6,007) in Q2-13.

TRANSACTION COSTS

During Q2-14, \$1,396 (YTD - \$1,484) of transaction costs were expensed, compared to \$3,589 (YTD - \$5,072) in Q2-13. The transaction costs are 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 \$2,738 (YTD - loss of \$6,088) in Q2-14, compared to an unrealized gain of \$5,414 (YTD - gain of \$5,910) in Q2-13. 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 Q2-14 of \$9,637 (YTD - gain of \$8,865) compared to a gain of \$14,783 (YTD - gain of \$21,052) in Q2-13. 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 REIT's primary 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.

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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 June 30, 2014	Six month period ended June 30, 2014	Year ended December 31, 2013	Year ended December 31, 2012
Cash flow from operations	\$ 46,527	\$ 87,210	\$ 194,507	\$ 151,738
Net income	53,472	84,458	191,155	340,339
Distributions declared	40,222	79,067	146,459	117,948
Excess of cash flow from operations over distributions declared	6,305	8,143	48,048	33,790
Excess of net income over distributions declared	13,250	5,391	44,696	222,391

For the three months ended June 30, 2014, cash flow from operations exceeded distributions declared by \$6,305 (YTD - \$8,143).

Artis distributed a total of \$40,222 (YTD - \$79,067) to unitholders in Q2-14, of which \$6,272 (YTD - \$12,381) was paid through the DRIP.

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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 June 30,		Six month period ended June 30,	
	2014	2013	2014	2013
Cash flow from operations	\$ 46,527	\$ 43,746	\$ 87,210	\$ 91,451
Add (deduct):				
Depreciation of property and equipment	(148)	(140)	(286)	(228)
Amortization of above- and below-market mortgages, net	459	443	918	884
Straight-line rent adjustment	1,122	1,326	2,457	2,766
Adjustment for investments in joint ventures	920	421	1,404	421
Realized foreign currency translation loss	5,440	1,648	13,695	1,263
Unrealized foreign currency loss from U.S. operations	(7,181)	(3,691)	(7,694)	(3,647)
Unit-based compensation expense	(386)	(440)	(859)	(883)
Accretion on liability component of debentures	59	80	156	158
Accretion of financing costs included in interest	(727)	(797)	(1,500)	(1,606)
Transaction costs on acquisitions	1,396	3,589	1,484	5,072
Changes in non-cash operating items	3,640	1,096	5,844	(1,334)
Incremental leasing costs	275	-	606	-
Preferred unit distributions	(4,370)	(3,354)	(8,778)	(5,613)
FFO for the period	\$ 47,026	\$ 43,927	\$ 94,657	\$ 88,704
FFO per unit				
Basic	\$ 0.36	\$ 0.36	\$ 0.73	\$ 0.75
Diluted	\$ 0.35	\$ 0.35	\$ 0.71	\$ 0.73
Weighted-average number of common units outstanding:				
Basic	131,098	121,467	129,244	118,277
Diluted ⁽¹⁾	141,773	132,338	139,903	129,144

⁽¹⁾ Options, convertible debentures and restricted units 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 June 30,	
	2014	2013
Basic units	131,098	121,467
Add:		
Options ⁽¹⁾	194	276
Restricted units ⁽¹⁾	196	-
Debentures ⁽¹⁾	10,285	10,595
Diluted units	141,773	132,338

Diluted FFO Reconciliation

	Three month period ended June 30,	
	2014	2013
FFO	\$ 47,026	\$ 43,927
Add:		
Options ⁽¹⁾	-	-
Restricted units ⁽¹⁾	-	-
Debentures ⁽¹⁾	2,582	2,586
Diluted FFO	\$ 49,608	\$ 46,513

⁽¹⁾ All convertible debenture series, options and restricted units are dilutive in Q2-14. All convertible debenture series and options are dilutive in Q2-13.

Diluted Common Units Reconciliation

	Six month period ended June 30,	
	2014	2013
Basic units	129,244	118,277
Add:		
Options ⁽¹⁾	178	272
Restricted units ⁽¹⁾	196	-
Debentures ⁽¹⁾	10,285	10,595
Diluted units	139,903	129,144

Diluted FFO Reconciliation

	Six month period ended June 30,	
	2014	2013
FFO	\$ 94,657	\$ 88,704
Add:		
Options ⁽¹⁾	-	-
Restricted units ⁽¹⁾	31	-
Debentures ⁽¹⁾	5,152	5,127
Diluted FFO	\$ 99,840	\$ 93,831

⁽¹⁾ All convertible debenture series, options and restricted units are dilutive in 2014. All convertible debenture series and options are dilutive in 2013.

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Reconciliation of GAAP Income to FFO

	Three month period ended June 30,		Six month period ended June 30,	
	2014	2013	2014	2013
Income for the period	\$ 53,472	\$ 71,302	\$ 84,458	\$ 148,879
Add amortization on:				
Tenant inducements amortized to revenue	2,535	2,159	4,981	4,170
Add (deduct):				
Fair value gain on investment properties	(18,565)	(29,035)	(7,858)	(63,859)
Foreign currency translation loss	8,406	4,622	12,761	6,007
Transaction costs on acquisitions	1,396	3,589	1,484	5,072
Adjustment for investments in joint ventures	1,085	(685)	987	(685)
Unrealized loss (gain) on financial instruments	2,792	(4,671)	6,016	(5,267)
Incremental leasing costs	275	-	606	-
Preferred unit distributions	(4,370)	(3,354)	(8,778)	(5,613)
FFO for the period	\$ 47,026	\$ 43,927	\$ 94,657	\$ 88,704

In Q2-14, FFO has increased \$3,099 (YTD - \$5,953) or 7.1% (YTD - 6.7%) over Q2-13. This increase is primarily attributed to acquisitions completed in 2013 and 2014 and same property revenue growth, partially offset by lease termination income received from tenants in 2013. Basic FFO per unit has remained unchanged from Q2-13 at \$0.36 (YTD - decrease of \$0.02 or 2.7%). On a diluted basis, FFO per unit remained unchanged from Q2-13 at \$0.35 (YTD - decrease of \$0.02 or 2.7%).

FFO for the period, excluding lease termination income received from tenants of \$82 (YTD - \$82) in Q2-14 and \$545 (YTD - \$2,293) in Q2-13, is \$46,944 (YTD - \$94,575) in Q2-14 compared to \$43,382 (YTD - \$86,411) in Q2-13, resulting in an increase of \$3,562 (YTD - \$8,164) or 8.2% (YTD - 9.4%). On a diluted basis, FFO per unit, excluding lease termination income, remained unchanged from Q2-14 compared to Q2-13 at \$0.35 (YTD - \$0.71).

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. Management anticipates there will be further growth in FFO as acquisitions completed in 2013 and 2014 contribute to operating 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 June 30,		Six month period ended June 30,	
	2014	2013	2014	2013
FFO for the period	\$ 47,026	\$ 43,927	\$ 94,657	\$ 88,704
Add (deduct):				
Capital expenditures reserve	(1,225)	(1,121)	(2,481)	(1,940)
Leasing costs reserve	(4,901)	(4,482)	(9,924)	(8,579)
Straight-line rent adjustments ⁽¹⁾	(1,165)	(1,344)	(2,523)	(2,784)
Unit-based compensation	386	440	859	883
AFFO for the period	\$ 40,121	\$ 37,420	\$ 80,588	\$ 76,284
AFFO per unit				
Basic	\$ 0.31	\$ 0.31	\$ 0.62	\$ 0.65
Diluted	\$ 0.30	\$ 0.30	\$ 0.61	\$ 0.63

⁽¹⁾ This includes straight-line rent adjustments included in the REIT's investments in joint ventures.

In Q2-14, AFFO has increased \$2,701 (YTD - \$4,304) or 7.2% (YTD - 5.6%) over Q2-13. AFFO per unit has remained consistent at \$0.31 (YTD - decrease of \$0.03 or 4.6%). Diluted AFFO per unit has remained consistent over Q2-13 (YTD - decrease of \$0.02 or 3.2%).

AFFO for the period, excluding lease termination income received from tenants of \$82 (YTD - \$82) in Q2-14 and \$545 (YTD - \$2,293) in Q2-13, is \$40,039 (YTD - \$80,506) in Q2-14 compared to \$36,875 (YTD - \$73,991) in Q2-13, resulting in an increase of \$3,164 (YTD - \$6,515) or 8.6% (YTD - 8.8%). On a diluted basis, AFFO per unit, excluding lease termination income, remained unchanged from Q2-14 compared to Q2-13 at \$0.30 (YTD - \$0.61).

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ANALYSIS OF FINANCIAL POSITION

ASSETS

	June 30, 2014	December 31, 2013	Increase (decrease)
Non-current assets:			
Investment properties and investment properties under development	\$ 4,972,178	\$ 4,899,158	\$ 73,020
Investments in joint ventures	91,496	42,434	49,062
Other non-current assets	20,732	21,613	(881)
Current assets:			
Cash, cash equivalents and cash held in trust	128,949	53,775	75,174
Investment properties held for sale	45,415	-	45,415
Other current assets	24,987	25,057	(70)
	\$ 5,283,757	\$ 5,042,037	\$ 241,720

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

The change 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, 2013	\$ 4,851,877	\$ 47,281	\$ -	\$ 4,899,158
Additions:				
Capital expenditures	1,288	5,465	-	6,753
Leasing costs	2,057	-	-	2,057
Disposition	(3,464)	-	-	(3,464)
Reclassification of investment properties under development	43,122	(43,122)	-	-
Foreign currency translation gain	38,109	551	-	38,660
Straight-line rent adjustment	1,335	-	-	1,335
Tenant inducements, net of amortization	1,340	54	-	1,394
Fair value (loss) gain	(10,777)	70	-	(10,707)
Balance, March 31, 2014	4,924,887	10,299	-	4,935,186
Additions:				
Acquisitions	99,512	-	-	99,512
Capital expenditures	4,411	3,584	-	7,995
Leasing costs	1,766	-	-	1,766
Disposition	(13,208)	-	-	(13,208)
Reclassification of investment properties under development	(6,876)	6,876	-	-
Reclassification of investment properties held for sale	(45,415)	-	45,415	-
Foreign currency translation loss	(35,048)	(17)	-	(35,065)
Straight-line rent adjustment	1,122	-	-	1,122
Tenant inducements, net of amortization	1,723	(3)	-	1,720
Fair value gain (loss)	19,383	(818)	-	18,565
Balance, June 30, 2014	\$ 4,952,257	\$ 19,921	\$ 45,415	\$ 5,017,593

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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 June 30,		Six month period ended June 30,	
	2014	2013	2014	2013
Cash consideration	\$ 59,277	\$ 175,941	\$ 59,277	\$ 219,811
Long-term debt, including acquired above- and below-market mortgages, net of financing costs	40,235	129,111	40,235	161,921
Total	\$ 99,512	\$ 305,052	\$ 99,512	\$ 381,732

Capital expenditures:

Investment properties include certain capital expenditures related to sustaining building improvements not related to a specific lease or tenancy. Capital expenditures in Q2-14 totaled \$7,995 (YTD - \$14,748) compared to \$12,576 (YTD - \$18,926) in Q2-13. In Q2-14, revenue enhancing capital expenditures were \$3,972 (YTD - \$10,023). The remaining \$4,023 (YTD - \$4,725) of capital expenditures primarily relate to roof repairs, HVAC replacements and parking lot improvements. Approximately \$1,886 (YTD - \$2,399) of these capital expenditures are recoverable from tenants in future periods.

Leasing costs and tenant inducements:

In Q2-14, Artis incurred \$6,021 (YTD - \$11,918) of tenant inducements and leasing costs compared to \$5,173 (YTD - \$10,948) in Q2-13. 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 June 30,		Six month period ended June 30,	
	2014	2013	2014	2013
Tenant inducements	\$ 4,255	\$ 3,241	\$ 8,095	\$ 7,157
Leasing costs	1,766	1,932	3,823	3,791
Total	\$ 6,021	\$ 5,173	\$ 11,918	\$ 10,948

Disposition:

In Q2-14, Artis sold a retail property in the Greater Vancouver Regional District, British Columbia. The proceeds from the sale of this property, net of costs, were \$13,208. This property was sold as a result of an unsolicited offer.

Reclassification of investment properties held for sale:

At June 30, 2014, the REIT has two investment properties listed for sale with an external broker. The fair value of these investment properties of \$45,415 has been classified as held for sale at June 30, 2014.

Foreign currency translation loss:

In Q2-14, the foreign currency translation loss on investment properties was \$35,065 (YTD - gain of \$3,595) due to the change in the period end US dollar to Canadian dollar exchange rate from 1.1053 at March 31, 2014 to 1.0676 at June 30, 2014.

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Fair value gain on investment properties:

In Q2-14, the REIT recorded a gain on the fair value of investment properties of \$18,565 (YTD - gain of \$7,858), compared to a gain of \$29,035 (YTD - gain of \$63,859) in Q2-13. From December 31, 2013 to June 30, 2014, the REIT reflected approximately three basis points of expansion in the weighted-average capitalization rates across the portfolio. In comparison, from December 31, 2012 to June 30, 2013, the REIT reflected approximately 13 basis points of compression in the weighted-average capitalization rates across the portfolio. The fair value gain for Q2-14 is primarily attributed to capitalization rate compression in the Fort McMurray retail market and Class A buildings in the Winnipeg downtown office market. The fair value gain for Q2-13 was primarily attributed to capitalization rate compression in the Winnipeg office and retail segments, as well as market rent increases in the Winnipeg industrial and Saskatchewan retail segments.

Artis determines the fair value of investment properties based upon either the discounted cash flow method or the overall capitalization method, which are generally accepted appraisal methodologies. 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.

	June 30, 2014			December 31, 2013		
	Maximum	Minimum	Weighted-average	Maximum	Minimum	Weighted-average
Office:						
U.S.	8.50%	6.00%	6.97%	8.50%	6.00%	7.00%
Canada	8.00%	5.25%	6.18%	7.75%	5.25%	6.15%
Office total	8.50%	5.25%	6.36%	8.50%	5.25%	6.32%
Industrial:						
U.S.	8.00%	6.50%	7.20%	8.00%	6.50%	7.12%
Canada	7.75%	5.75%	6.47%	7.50%	5.75%	6.48%
Industrial total	8.00%	5.75%	6.70%	8.00%	5.75%	6.68%
Retail:						
U.S.	8.75%	6.00%	7.14%	8.75%	6.00%	7.28%
Canada	8.25%	5.75%	6.33%	7.50%	5.50%	6.31%
Retail total	8.75%	5.75%	6.36%	8.75%	5.50%	6.36%
Total:						
U.S. portfolio	8.75%	6.00%	7.07%	8.75%	6.00%	7.06%
Canadian portfolio	8.25%	5.25%	6.28%	7.75%	5.25%	6.26%
Total portfolio	8.75%	5.25%	6.44%	8.75%	5.25%	6.41%

Investments in Joint Ventures

At June 30, 2014, the REIT had \$91,496 invested in joint ventures, compared to \$42,434 at December 31, 2013. The increase is primarily due to the REIT acquiring an interest in Park Lucero, Hudson's Bay Centre and Core Park West during 2014.

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 June 30, 2014 is \$19,738 compared to \$20,464 at December 31, 2013.

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Cash and Cash Equivalents

At June 30, 2014, the REIT had \$122,883 of cash and cash equivalents on hand, compared to \$48,222 at December 31, 2013. 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

	June 30, 2014	December 31, 2013	Increase (decrease)
Non-current liabilities:			
Mortgages and loans payable	\$ 1,886,978	\$ 2,006,614	\$ (119,636)
Senior unsecured debentures	124,159	-	124,159
Convertible debentures	181,449	181,282	167
Other non-current liabilities	82	81	1
Current liabilities:			
Current portion of mortgages and loans payable	375,312	280,983	94,329
Current portion of convertible debentures	1,497	3,982	(2,485)
Other current liabilities	87,584	84,848	2,736
Bank indebtedness	1,175	-	1,175
	\$ 2,658,236	\$ 2,557,790	\$ 100,446

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 depreciation of property and equipment as disclosed in the balance sheet and notes thereto.

Artis' mortgages, loans and bank indebtedness to GBV ratio at June 30, 2014 was 42.8%, compared to 45.4% at December 31, 2013.

	June 30, 2014	December 31, 2013
GBV	\$ 5,285,260	\$ 5,043,254
Mortgages, loans and bank indebtedness	2,263,465	2,287,597
Mortgages, loans and bank indebtedness to GBV	42.8 %	45.4 %
Preferred shares liability	\$ 82	\$ 81
Carrying value of debentures	307,105	185,264
Total long-term debt and bank indebtedness	2,570,652	2,472,942
Total long-term debt and bank indebtedness to GBV	48.6 %	49.0 %

Long-term debt is comprised of mortgages and other loans related to properties as well as the carrying value of senior unsecured debentures and convertible debentures issued by the REIT.

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 June 30, 2014, the ratio of total long-term debt, bank indebtedness and preferred units to GBV was 54.8%.

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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 Q2-14, \$14,589 (YTD - \$29,286) of principal repayments were made compared to \$13,097 (YTD - \$26,156) in Q2-13.

During Q2-14, long-term debt including acquired above- and below-market mortgages, net of financing costs, added on acquisition of investment properties was \$40,235 (YTD - \$40,235). In Q2-14, Artis repaid two maturing mortgages in the amount of \$36,559 (YTD - \$38,436).

The weighted-average term to maturity on all mortgages and loans payable at June 30, 2014 was 4.1 years compared to 4.3 years at December 31, 2013.

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 June 30, 2014, the REIT is a party to \$575,364 of variable rate mortgage debt compared to \$575,463 at December 31, 2013. At June 30, 2014, the REIT had entered into interest rate swaps to hedge the interest rate risk associated with \$360,737 of variable rate mortgage debt (December 31, 2013, \$323,489). The variable rate mortgage debt less the portion protected by interest rate swaps is \$214,627 or 8.4% of total debt, excluding bank indebtedness.

Senior Unsecured Debentures

At June 30, 2014, the carrying value of the senior unsecured debentures was \$124,159, compared to \$nil at December 31, 2013. This increase is due to the issuance of the Series A senior unsecured debentures on March 27, 2014.

Convertible Debentures

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

	June 30, 2014				December 31, 2013			
	Issued	Maturity	Face rate	Carrying value	Face value	Carrying value	Face value	
Series D	30-Nov-07	30-Nov-14	5.00%	\$ 1,497	\$ 1,500	\$ 3,982	\$ 4,000	
Series F	22-Apr-10	30-June-20	6.00%	85,106	86,170	85,034	86,170	
Series G	21-Apr-11	30-June-18	5.75%	96,343	93,949	96,248	93,597	
				\$ 182,946	\$ 181,619	\$ 185,264	\$ 183,767	

The carrying value of convertible debentures has decreased by \$2,318 from December 31, 2013. This decrease is primarily due to the \$2,500 redemption of Series D debentures on January 15, 2014.

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Other Current Liabilities

Included in other current liabilities are accounts payable and accrued liabilities, security deposits and prepaid rent, as well as the June 30, 2014 distributions payable to unitholders of \$12,841, of which \$12,178 was subsequently paid on July 15, 2014. At June 30, 2014, 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 \$139,263 at June 30, 2014. At June 30, 2014, there is a balance of \$1,175 drawn on the Cliveden revolving term credit facility. Amounts drawn on this facility bear interest at prime plus 0.20%.

UNITHOLDERS' EQUITY

Unitholders' equity increased overall by \$141,274 between December 31, 2013 and June 30, 2014. The increase was primarily due to the issuance of units for \$127,747, income for the period of \$84,458 and an unrealized foreign currency translation gain included in other comprehensive income of \$8,865. This increase was partially offset by distributions made to unitholders of \$80,042.

LIQUIDITY AND CAPITAL RESOURCES

In Q2-14, Artis generated \$46,527 (YTD - \$87,210) of cash flows from operating activities. Cash flows from operations funded distributions to unitholders of \$39,539 (YTD - \$78,314). Cash of \$14,589 (YTD - \$29,286) was used for principal repayments on mortgages and loans.

Cash of \$14,016 (YTD - \$26,666) was used for capital building improvements, for tenant inducements and leasing costs in Q2-14.

At June 30, 2014, Artis had \$122,883 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 June 30, 2014, the REIT had no balance drawn on the credit facility.

At June 30, 2014, the REIT has 26 unencumbered properties representing a fair value of \$289,236.

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 June 30, 2014.

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	\$ 1,175	\$ 1,175	\$ -	\$ -	\$ -
Accounts payable and other liabilities ⁽¹⁾	64,174	64,174	-	-	-
Convertible debentures ⁽²⁾	181,619	1,500	-	93,949	86,170
Senior unsecured debentures ⁽²⁾	125,000	-	-	125,000	-
Mortgages and loans payable ⁽¹⁾	2,317,554	376,707	773,441	552,597	614,809
Total	\$ 2,689,522	\$ 443,556	\$ 773,441	\$ 771,546	\$ 700,979

⁽¹⁾ This includes balances included in the REIT's investments in joint ventures.

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

At June 30, 2014, mortgages and loans payable due within one year includes \$319,590 of maturing mortgages and principal repayments on mortgages of \$57,117.

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SUMMARIZED QUARTERLY INFORMATION

\$000's, except per unit amounts	Q2-14	Q1-14	Q4-13	Q3-13	Q2-13	Q1-13	Q4-12	Q3-12
Revenue	\$119,896	\$123,653	\$122,870	\$121,032	\$110,737	\$108,779	\$105,036	\$ 98,466
Property operating expenses	42,827	46,318	47,850	42,425	38,998	37,263	38,379	34,937
	77,069	77,335	75,020	78,607	71,739	71,516	66,657	63,529
Other income (expenses):								
Corporate expenses	(2,582)	(2,530)	(2,704)	(2,322)	(2,354)	(2,333)	(2,884)	(2,604)
Interest expense	(27,342)	(26,590)	(26,443)	(26,223)	(25,308)	(24,641)	(24,764)	(24,711)
Interest income	521	391	412	507	624	483	519	566
(Loss) income from investments in joint ventures	(165)	754	5,581	769	1,106	-	-	-
Fair value gain (loss) on investment properties	18,565	(10,707)	(56,588)	(2,886)	29,035	34,824	61,037	54,003
Foreign currency translation (loss) gain	(8,406)	(4,355)	(2,915)	1,353	(4,622)	(1,385)	(240)	4,759
Transaction costs	(1,396)	(88)	(314)	(299)	(3,589)	(1,483)	(1,511)	(4,130)
(Loss) gain on financial instruments	(2,792)	(3,224)	1,249	(528)	4,671	596	(89)	(3,874)
Income (loss) for the period	53,472	30,986	(6,702)	48,978	71,302	77,577	98,725	87,538
Other comprehensive (loss) income:								
Unrealized foreign currency translation (loss) gain	(9,637)	18,502	14,563	(8,515)	14,783	6,269	2,712	(9,538)
Comprehensive income for the period	\$ 43,835	\$ 49,488	\$ 7,861	\$ 40,463	\$ 86,085	\$ 83,846	\$101,437	\$ 78,000
Income (loss) per unit attributable to common unitholders:								
Basic	\$ 0.37	\$ 0.21	\$ (0.09)	\$ 0.36	\$ 0.56	\$ 0.65	\$ 0.87	\$ 0.79
Diluted	\$ 0.36	\$ 0.21	\$ (0.09)	\$ 0.35	\$ 0.53	\$ 0.62	\$ 0.81	\$ 0.77

The quarterly trend for revenues and property NOI has been impacted by acquisition and disposition activity and lease termination income. Management anticipates there will be further growth in revenues and Property NOI as acquisitions completed in 2013 and 2014 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 and AFFO

000's, except per unit amounts	Q2-14	Q1-14	Q4-13	Q3-13	Q2-13	Q1-13	Q4-12	Q3-12
Income (loss) for the period	\$ 53,472	\$ 30,986	\$ (6,702)	\$ 48,978	\$ 71,302	\$ 77,577	\$ 98,725	\$ 87,538
Add (deduct):								
Tenant inducements amortized into revenue	2,535	2,446	2,919	2,202	2,159	2,011	1,954	1,645
Fair value (gain) loss on investment properties	(18,565)	10,707	56,588	2,886	(29,035)	(34,824)	(61,037)	(54,003)
Foreign currency translation loss (gain)	8,406	4,355	2,915	(1,353)	4,622	1,385	240	(4,759)
Transaction costs on acquisitions	1,396	88	314	299	3,589	1,483	1,511	4,130
Adjustment for investments in joint ventures	1,085	(98)	(5,015)	(155)	(685)	-	-	-
Unrealized loss (gain) on financial instruments	2,792	3,224	(1,249)	528	(4,671)	(596)	89	3,874
Incremental leasing costs	275	331	-	-	-	-	-	-
Preferred unit distributions	(4,370)	(4,408)	(4,366)	(4,026)	(3,354)	(2,259)	(2,113)	(867)
FFO for the period	\$ 47,026	\$ 47,631	\$ 45,404	\$ 49,359	\$ 43,927	\$ 44,777	\$ 39,369	\$ 37,558
FFO per unit								
Basic	\$ 0.36	\$ 0.37	\$ 0.36	\$ 0.39	\$ 0.36	\$ 0.39	\$ 0.35	\$ 0.34
Diluted	\$ 0.35	\$ 0.36	\$ 0.35	\$ 0.38	\$ 0.35	\$ 0.38	\$ 0.34	\$ 0.33
Weighted-average number of common units outstanding:								
Basic	131,098	127,369	126,728	126,207	121,467	115,050	110,947	109,993
Diluted ⁽¹⁾	141,773	138,034	137,322	136,880	132,338	125,903	121,810	120,588
FFO for the period	\$ 47,026	\$ 47,631	\$ 45,404	\$ 49,359	\$ 43,927	\$ 44,777	\$ 39,369	\$ 37,558
Add (deduct):								
Capital expenditures reserve	(1,225)	(1,256)	(1,247)	(1,230)	(1,121)	(819)	(792)	(742)
Leasing costs reserve	(4,901)	(5,023)	(4,987)	(4,923)	(4,482)	(4,097)	(3,694)	(3,467)
Straight-line rent adjustments ⁽²⁾	(1,165)	(1,358)	(1,200)	(1,643)	(1,344)	(1,440)	(1,560)	(1,089)
Unit-based compensation	386	473	489	455	440	443	586	942
AFFO for the period	\$ 40,121	\$ 40,467	\$ 38,459	\$ 42,018	\$ 37,420	\$ 38,864	\$ 33,909	\$ 33,202
AFFO per unit								
Basic	\$ 0.31	\$ 0.32	\$ 0.30	\$ 0.33	\$ 0.31	\$ 0.34	\$ 0.31	\$ 0.30
Diluted	\$ 0.30	\$ 0.31	\$ 0.30	\$ 0.33	\$ 0.30	\$ 0.33	\$ 0.30	\$ 0.30
Weighted-average number of common units outstanding:								
Basic	131,098	127,369	126,728	126,207	121,467	115,050	110,947	109,993
Diluted ⁽³⁾	141,383	137,654	137,154	136,802	132,062	125,645	121,542	120,588

⁽¹⁾ Options, convertible debentures and restricted units are factored into the diluted weighted-average calculation, to the extent that their impact is dilutive.

⁽²⁾ This includes straight-line rent adjustments included in the REIT's investments in joint ventures.

⁽³⁾ Convertible debentures are factored into the diluted weighted-average calculation, to the extent that their impact is dilutive.

FFO, AFFO 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 June 30,		Six month period ended June 30,	
	2014	2013	2014	2013
Property management fees	82	80	165	160
Capitalized office furniture and fixtures	6	235	71	244
Capitalized leasing commissions	69	18	71	25
Capitalized building improvements and project management fees	3,495	8,307	7,567	12,595
Capitalized tenant inducements	329	148	330	681
Property tax assessment consulting fees	48	22	337	22
Rental revenues	(40)	(42)	(84)	(84)

The REIT incurred property management fees, leasing commission fees and project management 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 June 30, 2014 is \$27 (December 31, 2013, \$27).

The REIT incurred costs for office furniture and fixtures paid to Marwest Construction Ltd. ("Marwest Construction"), a company related to certain trustees and officers of the REIT. The amount payable at June 30, 2014 is \$nil (December 31, 2013, \$nil)

The REIT incurred costs for building improvements and tenant inducements paid to Marwest Construction and Marwest Development Corporation, a company related to certain trustees and officers of the REIT. The amount payable at June 30, 2014 is \$1,516 (December 31, 2013, \$1,161).

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 June 30, 2014 is \$nil (December 31, 2013, \$7).

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 August 7, 2014 is as follows:

Units outstanding at June 30, 2014	135,307,130
Units issued (DRIP)	152,015
Units issued on exercise of options	<u>25,000</u>
Units outstanding at August 7, 2014	<u>135,484,145</u>

The balance of options outstanding as of August 7, 2014 is as follows:

	Options outstanding	Options exercisable
\$11.28 options, issued February 25, 2010	69,750	69,750
\$13.30 options, issued September 10, 2010	208,000	125,250
\$13.44 options, issued October 15, 2010	248,500	165,750
\$14.10 options, issued June 17, 2011	875,250	646,250
\$16.36 options, issued April 13, 2012	<u>1,541,000</u>	<u>770,500</u>
	<u>2,942,500</u>	<u>1,777,500</u>

The balance of restricted units outstanding as of August 7, 2014 is 226,993. None of these restricted units are vested at this time.

As of August 7, 2014, 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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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 June 26, 2014, real GDP in Canada is forecast to grow 2.2% in 2014. Forecast GDP growth for the Canadian provinces where Artis owns properties is also positive, as follows: Manitoba, 2.3%; Saskatchewan, 2.3% Alberta, 3.9% British Columbia, 2.1% and Ontario, 1.9%. Of note, GDP growth expectations for Alberta, which represents 38.9% of Artis' 2014 Property NOI, remains well above the Canadian average.

Real GDP in the U.S. is forecast to grow 1.8% in 2014; national year-over-year unemployment for June 2014 decreased to 6.1% from 7.5%. Year-over-year unemployment statistics at June 30, 2014 for Artis' key U.S. markets are as follows: Twin Cities Area, 4.3% (from 4.8%); the Greater Phoenix Area, 6.0% (from 6.9%); and Denver, 5.3% (from 6.6%). For the six months ended June 30, 2014, 22.6% of Artis' Property NOI is derived from the U.S.

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.

Many real estate investment trusts are trading at discounts to their consensus net asset values (NAV) and consequently there have been few new equity issues by REITs in recent months. 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 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 have not moved in recent months and management does not expect there will be significant capitalization rate expansion or compression in its target markets. Artis will selectively pursue accretive acquisition opportunities in its target markets in Canada and the U.S. in 2014, and when prudent, to invest in high-yield development opportunities in those markets.

Management anticipates that real estate fundamentals in Canada and the U.S. will remain stable in 2014 and that Artis' properties will perform in line with the moderate growth expectations within its target markets. We will continue to focus on internal growth opportunities, by capitalizing on below-market rent opportunities, through selective re-development and repositioning of well-located assets in primary markets, and from new construction or expansions of existing portfolio properties.

SUBSEQUENT EVENTS

As at June 30, 2014, Artis had \$122,883 of cash and cash equivalents on hand and \$80,000 available on the line of credit. Subsequent to June 30, 2014, the following transactions took place:

- On July 2, 2014, the REIT repaid two maturing mortgages in the amount of \$35,845.
- On July 15, 2014, the REIT declared a monthly distribution of \$0.09 per unit for July 2014.
- On July 15, 2014, the REIT declared a quarterly cash distribution of \$0.3125 per Series G unit for the quarter ending July 31, 2014.

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- On July 17, 2014, the REIT issued a new short form base shelf prospectus. The REIT may from time to time during the 25-month period that this short form base shelf prospectus is valid, offer and issue the following securities up to a maximum of \$2,000,000 of initial offering price: (i) trust units of the REIT; (ii) preferred trust units, which may be issuable in series; (iii) debt securities, which may consist of debentures, notes or other types of debt and may be issuable in series; (iv) unit purchase warrants; and (v) subscription receipts to purchase trust securities.

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 six U.S. states, with a significant majority of its properties, measured by GLA, located in the province of Alberta and in the state of Minnesota. 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 June 30, 2014, the REIT is a party to \$576,539 of variable rate debt (December 31, 2013, \$575,463). At June 30, 2014, the REIT had entered into interest rate swaps to hedge the interest rate risk associated with \$360,737 of variable rate debt (December 31, 2013, \$323,489). 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 42.8%, down from 45.4% at December 31, 2013. Approximately 5.4% of Artis' maturing mortgage debt comes up for renewal in 2014, and 18.2% in 2015. Management is in discussion with various lenders with respect to the renewal or refinancing of the 2014 and 2015 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 2,096 tenant leases with a weighted-average term to maturity of 4.6 years. Approximately 62.0% of the REIT's gross revenue is derived from national or government tenants. As indicated below, the largest tenant by gross revenue is 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 2013 annual revenues in excess of \$1.6 billion. The second largest tenant by gross revenue is AMEC Americas Ltd, a global supplier of consultancy, engineering and project management services to energy, power and process industries with a market capitalization of over £3.0 billion.

Top Twenty Tenants by Gross Revenue

Tenant	% of Total Gross Revenue	Owned Share of GLA (in 000's of S.F.)	% of Total GLA	Weighted-Average Remaining Lease Term
MTS Allstream Inc.	2.0 %	322	1.3 %	8.7
AMEC Americas Ltd.	1.8 %	200	0.8 %	1.2
DirecTV, LLC	1.3 %	257	1.1 %	11.0
TransAlta Corporation	1.0 %	336	1.3 %	8.9
Shoppers Drug Mart	1.0 %	155	0.6 %	7.9
Telvent Canada Ltd.	1.0 %	98	0.4 %	9.2
Stantec Consulting, Ltd.	0.9 %	98	0.4 %	8.5
CB Richard Ellis, Inc.	0.9 %	119	0.5 %	4.3
IHS Global Canada Ltd.	0.9 %	78	0.3 %	4.5
TD Canada Trust	0.9 %	128	0.5 %	5.9
Bellatrix Exploration Ltd.	0.8 %	80	0.3 %	9.6
Home Depot	0.8 %	159	0.6 %	8.1
Sobeys	0.8 %	191	0.8 %	6.7
CGI Sys & Mgmt Consultants, Inc.	0.8 %	64	0.3 %	1.4
Canada Institute for Health Info.	0.8 %	92	0.4 %	11.2
PMC Sierra, Inc.	0.8 %	134	0.5 %	2.3
Cara Operations Limited	0.7 %	100	0.4 %	14.5
Fairview Health Services	0.7 %	179	0.7 %	9.2
Bell Canada	0.7 %	80	0.3 %	2.1
Birchcliff Energy	0.7 %	59	0.2 %	3.4
Total	19.3 %	2,929	11.7 %	7.4

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	3.4 %	541	2.2 %	8.3
Provincial Government	3.1 %	477	1.9 %	3.5
Civic or Municipal Government	0.5 %	131	0.5 %	12.6
Total	7.0 %	1,149	4.6 %	6.8

Weighted-average term to maturity (entire portfolio) 4.6

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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	
2014	1.7 %	0.4 %	1.7 %	0.2 %	1.6 %	0.7 %	2.0 %	0.4 %	8.0 %
2015	3.1 %	0.7 %	2.4 %	0.7 %	1.9 %	1.6 %	3.9 %	0.3 %	13.0 %
2016	3.9 %	1.0 %	1.7 %	0.2 %	2.8 %	1.1 %	4.6 %	0.1 %	14.3 %
2017	2.0 %	0.8 %	1.5 %	0.7 %	2.3 %	0.9 %	3.0 %	1.2 %	11.5 %
2018	2.6 %	0.4 %	2.2 %	0.5 %	0.6 %	0.9 %	1.8 %	0.6 %	8.7 %
2019	2.2 %	0.7 %	0.3 %	0.2 %	1.5 %	0.5 %	1.8 %	0.5 %	7.2 %
2020 & later	8.3 %	2.2 %	3.2 %	1.8 %	3.7 %	3.6 %	5.9 %	3.9 %	29.0 %
Month-to-month	0.1 %	0.0 %	0.1 %	0.0 %	0.1 %	0.1 %	0.1 %	0.0 %	0.4 %
Vacant Properties in re- development	1.3 %	0.5 %	0.7 %	0.1 %	0.6 %	0.5 %	1.8 %	0.3 %	5.3 %
	0.0 %	0.2 %	1.2 %	1.2 %	0.0 %	0.0 %	0.0 %	0.0 %	2.6 %
Total	25.2 %	6.9 %	15.0 %	5.6 %	15.1 %	9.9 %	24.9 %	7.3 %	100.0 %

Artis' real estate is diversified across five Canadian provinces and six 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 Area industrial properties.

TAX RISK

The Tax Act contains the SIFT Rules, which are applicable to publicly traded income trusts unless the trust satisfies the REIT Exception. The REIT Exception to the SIFT Rules is comprised of a number of technical tests and the determination as to whether the REIT qualifies for the REIT Exception in any particular taxation year can only be made with certainty at the end of the taxation year. Management believes that the REIT has met the requirements of the REIT Exception in each taxation year since 2009 and that it has met the REIT Exception throughout the three and six months period ended June 30, 2014 and the year ended December 31, 2013. There can be no assurances, however, that the REIT will continue to be able to satisfy the REIT Exception in the future such that the REIT will not be subject to the tax imposed by the SIFT Rules.

The Tax Act also contains restrictions relating to the activities and the investments permitted by a mutual fund trust. Closed-end trusts must also comply with a number of technical tests relating to its investments and income. No assurance can be given that the REIT will be able to continue to comply with these restrictions at all times.

The REIT primarily operates in the United States through a U.S. REIT (Artis US Holdings, Inc), which is capitalized by the REIT by way of equity, debt in the form of notes owed to the REIT and preferred shares. If the Internal Revenue Service or a court were to determine that the notes and related interest should be treated differently for tax purposes, this may adversely affect the REIT's ability to flow income from the U.S. to Canada.

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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, 2013.

CHANGES IN ACCOUNTING POLICIES

Accounting Policies Adopted During the Period

IAS 32 - Offsetting Financial Assets and Liabilities, as amended by the IASB in December 2011, clarifies certain aspects of offsetting and net and gross settlement, and is effective for annual periods beginning on or after January 1, 2014. This amendment did not result in a material impact on the consolidated financial statements.

IFRIC interpretation 21 - Levies was issued by the IASB in May 2013. The interpretation considers the guidance in IAS 37 - Provisions, Contingent Liabilities and Contingent Assets for the recognition of a levy liability due to an obligating event described in the legislation that brings about payment of the levy. It is effective for annual periods beginning on or after January 1, 2014. This interpretation did not result in a material impact on the consolidated financial statements.

Future Changes in Accounting Policies

In November 2013, the IASB amended IAS 19 - *Employee Benefits*. The amendment clarifies the requirements that relate to how contributions should be attributed to periods of service, and is effective for annual periods beginning on or after July 1, 2014. The REIT does not expect that this standard will result in a material impact on the consolidated financial statements.

IFRS 9 - *Financial Instruments* ("IFRS 9") will replace IAS 39 - *Financial Instruments: Recognition and Measurement* ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple classification options in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial assets. IFRS 9 was amended by the IASB in October 2010 to provide guidance on the classification and reclassification of financial liabilities, their measurement, and the presentation of gains and losses on financial liabilities designated as at fair value through profit or loss. When an entity elects to measure a financial liability at fair value, gains or losses due to changes in the credit risk of the instrument must be recognized in other comprehensive income. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The REIT is currently evaluating the impact of this new standard.

In May 2014, the IASB amended IFRS 11 - *Joint Arrangements*. The amendment clarifies the accounting for acquisitions of interests in joint operations, and is effective for annual periods beginning on or after January 1, 2016. The REIT is currently evaluating the impact of this new standard.

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The IASB issued IFRS 15 – *Revenue from Contracts with Customers* ("IFRS 15") in May 2014. IFRS 15 provides a single, principles based five-step model to be applied to the recognition of revenue from contracts with customers. IFRS 15 replaces IAS 11 – *Construction Contracts*, IAS 18 – *Revenue*, IFRIC 13 – *Customer Loyalty Programmes*, IFRIC 15 – *Agreements for the Construction of Real Estate* and SIC 31 – *Revenue - Barter Transactions Involving Advertising Services*. IFRS 15 is effective for annual periods beginning on or after January 1, 2017. The REIT is currently evaluating the impact of this new standard.

In May 2014, the IAS amended IAS 16 – *Property, Plant and Equipment*. The amendment clarifies acceptable methods of depreciation and amortization, and is effective for annual periods beginning on or after January 1, 2016. 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 June 30, 2014.

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.

The REIT is working towards adopting COSO *Internal Control - Integrated Framework (2013)* framework during fiscal 2014.

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 June 30, 2014, 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 June 30, 2014.