



ARTIS

REIT

**Management's Discussion and Analysis
2014 Annual**

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 - 2014 Annual
(In thousands of Canadian dollars, unless otherwise noted)

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis ("MD&A") of the financial condition and results of operations of Artis Real Estate Investment Trust ("Artis" or the "REIT") should be read in conjunction with the REIT's audited annual consolidated financial statements for the years ended December 31, 2014 and 2013, and the notes thereto. This MD&A has been prepared taking into account material transactions and events up to and including February 26, 2015. 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 February 26, 2015, there were 136,727,130 units, 2,721,250 options, 13,650,000 preferred units, 277,082 restricted units, and 3,599 deferred units of Artis outstanding (refer to the *Outstanding Unit Data* section for further details).

PRIMARY OBJECTIVES

Artis' primary objective is to provide stable, reliable and tax efficient monthly cash distributions 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 three month period ended December 31, 2014, 25.1% of Artis' portfolio weighting by Property NOI including joint ventures, is in the United States.

Artis' management has adopted a disciplined approach in pursuing U.S. acquisitions 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.

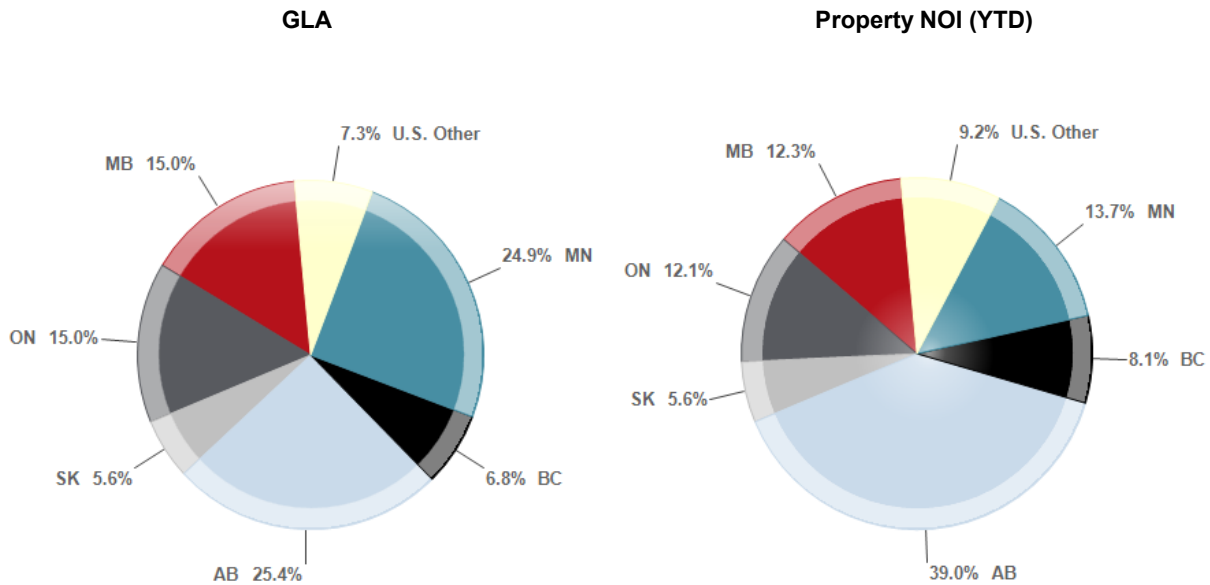
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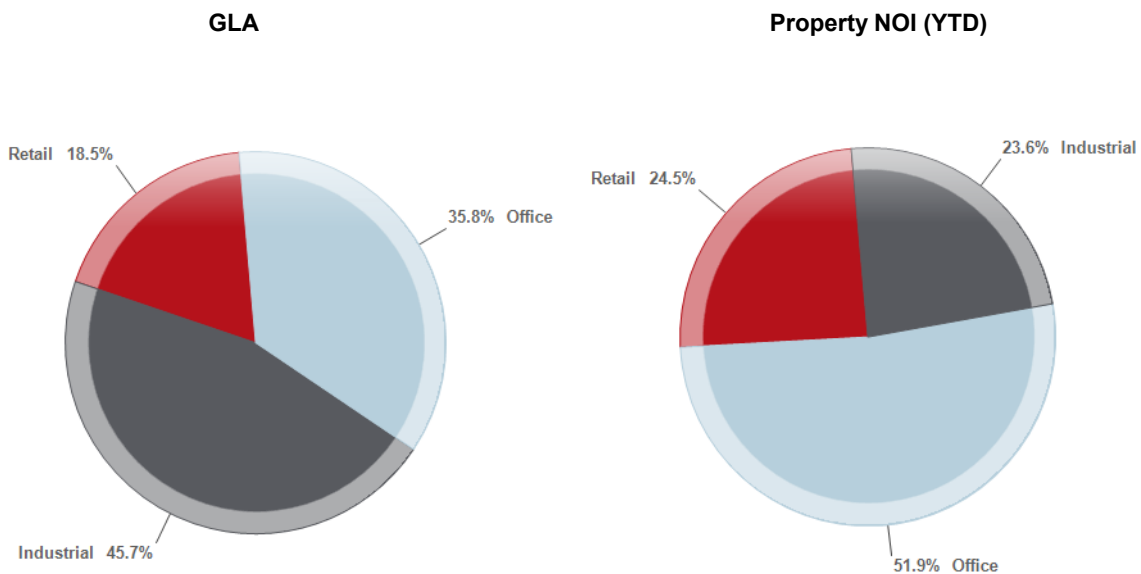
PORTFOLIO SUMMARY

At December 31, 2014, the REIT's portfolio was comprised of 246 commercial properties totaling approximately 25.8 million square feet (S.F.) of gross leasable area ("GLA").

Diversification by Geographical Region



Diversification by Asset Class



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Portfolio by Asset Class as at December 31, 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⁾
Canadian Portfolio:							
Industrial	Airdrie	AB	1	28	0.1 %	100.0 %	100.0 %
	Calgary	AB	7	597	2.3 %	99.8 %	99.8 %
	Edmonton Capital Region	AB	10	1,219	4.7 %	94.3 %	94.6 %
	Greater Toronto Area	ON	29	2,205	8.5 %	96.5 %	96.8 %
	Greater Vancouver Regional District	BC	1	71	0.3 %	100.0 %	100.0 %
	Red Deer	AB	1	126	0.5 %	100.0 %	100.0 %
	Regina	SK	1	119	0.5 %	100.0 %	100.0 %
	Saskatoon	SK	2	269	1.0 %	100.0 %	100.0 %
	Winnipeg	MB	27	1,491	5.8 %	92.6 %	94.8 %
Industrial total			79	6,125	23.7 %	95.8 %	96.5 %
Office	Calgary	AB	20	2,535	9.8 %	94.3 %	95.4 %
	Edmonton Capital Region	AB	1	47	0.2 %	91.7 %	91.7 %
	Greater Toronto Area	ON	7	1,084	4.2 %	92.8 %	93.0 %
	Greater Vancouver Regional District	BC	5	610	2.4 %	95.6 %	95.6 %
	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 %	86.6 %	86.6 %
	Saskatoon	SK	1	64	0.2 %	100.0 %	100.0 %
	Winnipeg	MB	9	1,470	5.7 %	93.1 %	93.5 %
Office total			48	6,313	24.5 %	94.1 %	94.6 %
Retail	Calgary	AB	7	531	2.1 %	98.4 %	98.8 %
	Cranbrook	BC	1	288	1.1 %	96.8 %	96.8 %
	Edmonton Capital Region	AB	6	504	2.0 %	98.7 %	99.4 %
	Edson	AB	1	20	0.1 %	100.0 %	100.0 %
	Estevan	SK	2	176	0.7 %	96.5 %	96.5 %
	Fort McMurray	AB	8	194	0.8 %	100.0 %	100.0 %
	Grande Prairie	AB	6	378	1.5 %	93.1 %	93.1 %
	Greater Vancouver Regional District	BC	1	165	0.6 %	94.0 %	94.0 %
	Lethbridge	AB	1	53	0.2 %	97.9 %	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	8	554	2.1 %	84.2 %	92.1 %
	Saskatoon	SK	3	219	0.8 %	97.5 %	98.3 %
	Westbank / West Kelowna	BC	3	433	1.7 %	99.6 %	99.6 %
	Whistler	BC	1	30	0.1 %	91.5 %	91.5 %
	Winnipeg	MB	6	645	2.5 %	96.6 %	97.9 %
Retail total			58	4,429	17.2 %	95.8 %	97.1 %
Total Canadian portfolio			185	16,867	65.4 %	95.1 %	96.0 %
U.S. Portfolio:							
Industrial	Phoenix Metropolitan Area	AZ	1	98	0.4 %	100.0 %	100.0 %
	Twin Cities Area	MN	33	4,991	19.3 %	93.2 %	94.0 %
Industrial total			34	5,089	19.7 %	93.4 %	94.1 %
Office	Greater Denver Area	CO	3	540	2.1 %	97.5 %	97.7 %
	New Hartford	NY	1	123	0.5 %	100.0 %	100.0 %
	Phoenix Metropolitan Area	AZ	6	1,002	3.9 %	94.8 %	95.8 %
	Tampa	FL	1	107	0.4 %	100.0 %	100.0 %
	Twin Cities Area	MN	5	1,147	4.4 %	89.2 %	94.5 %
Office total			16	2,919	11.3 %	93.5 %	96.0 %
Retail	Twin Cities Area	MN	7	298	1.2 %	97.8 %	97.8 %
Total U.S. portfolio			57	8,306	32.2 %	93.6 %	94.9 %
Total Canadian and U.S.			242	25,173	97.6 %	94.6 %	95.6 %

⁽¹⁾ Excluding properties held for re-development.

⁽²⁾ Percentage committed is based on occupancy plus commitments on vacant space as at December 31, 2014.

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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	196	0.8 %	Inkster Business Center	31.1 %
Retail	Nanaimo	BC	1	54	0.2 %	Pleasant Valley Landing	0.0 %
Industrial	Greater Toronto Area	ON	1	295	1.1 %	201 Westcreek Boulevard	100.0 %
Total properties held for re-development			4	618	2.4 %		62.6 %

⁽¹⁾ Percentage committed is based on occupancy plus commitments on vacant space as at December 31, 2014.

Artis has completed demolition of approximately 38,000 square feet of leasable area at 1595 Buffalo Place, and in Q4-14, completed construction of new generation warehouse space with higher ceilings, new front office space and improved loading in its place. Leasing efforts for the new space are underway while the remainder of the building, which is newer generation construction, remains leased to a national tenant and is also undergoing an extensive exterior renovation.

Re-development plans and pre-leasing efforts for the Inkster Business Center continue, with approximately 61,000 square feet of the 196,000 square foot building leased under a seven year agreement which commenced in Q4-14. This property, previously leased to a single tenant, is undergoing extensive re-development into a multi-tenant building.

Pleasant Valley Landing is under construction with plans to re-develop this property into new generation multi-tenant retail space. Pre-leasing is underway with completion of the re-development work anticipated in Q2-15.

201 Westcreek Boulevard has been classified as a re-development property as a result of extensive plans to renovate and demise the building from a single tenant to multi-tenant property. The existing tenant will continue to lease approximately 50.0% of the building, while the remainder has been committed to a new tenant under a 10 year agreement, anticipated to commence in Q2-15.

Victoria Square Shopping Centre has been removed from properties held for re-development upon successful negotiation of numerous leases with national tenants for nearly 70.0% of the space formerly leased to Zellers.

New Developments in Process

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 Q2-15.

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 the 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 construction underway for the first phase, which is anticipated to comprise approximately 211,000 square feet.

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Development Initiatives

Artis continues to pursue opportunities for a mixed-use development project in the Sports, Hospitality and Entertainment District in downtown Winnipeg, Manitoba under a joint venture development/ownership arrangement.

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, Texas. 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. The commencement date for the construction of this project has yet to be determined.

In Q3-14, Artis purchased a 127.36 acre parcel of land located in the Southwest industrial submarket in Houston, Texas. Planning is underway for this future development.

2014 – ANNUAL HIGHLIGHTS

PORTFOLIO GROWTH

Artis acquired nine commercial properties, completed three development projects and disposed of three commercial properties during the course of 2014.

	Office		Retail		Industrial		Total	
	Number of Properties	S.F. (000's) ⁽¹⁾	Number of Properties	S.F. (000's) ⁽¹⁾	Number of Properties	S.F. (000's) ⁽¹⁾	Number of Properties	S.F. (000's) ⁽¹⁾
Portfolio properties at December 31, 2013	62	8,861	63	4,528	114	11,395	239	24,784
Acquisitions	2	371	4	248	3	248	9	867
New construction	-	-	-	87	1	221	1	308
Dispositions	-	-	(1)	(82)	(2)	(86)	(3)	(168)
Portfolio properties at December 31, 2014	64	9,232	66	4,781	116	11,778	246	25,791

⁽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	US\$75,000
Crosstown North Business Center II & VI	2	June 16, 2014	Twin Cities Area, MN	Industrial	140,856	US\$8,750
Shoppes of St. Vital	1	September 9, 2014	Winnipeg, MB	Retail	24,266	12,425
Crowfoot Village	1	November 17, 2014	Calgary, AB	Retail	63,295	39,835
Cargill R&D	1	December 16, 2014	Twin Cities Area, MN	Industrial	106,519	US\$15,700
Union Crossings II	1	December 31, 2014	Twin Cities Area, MN	Retail	23,040	US\$3,259

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

These properties were acquired for aggregate purchase prices of \$62,360 and US\$123,459. This represented a weighted-average capitalization rate of 6.92%.

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Development Land Acquisitions

Property	Location	Acquisition Date	Type	Purchase Price
Park Lucero ⁽¹⁾	Phoenix Metropolitan Area, AZ	March 7, 2014	Industrial	US\$9,431
Corridor Park ⁽¹⁾	Houston, TX	June 17, 2014	Office	US27,800
Park 8Ninety	Houston, TX	September 18, 2014	Industrial	US12,772
Stampede Station II	Calgary, AB	October 8, 2014	Office	8,100
801 Carlson	Twin Cities Area, MN	October 20, 2014	Office	US3,750
Union Crossings III	Twin Cities Area, MN	December 31, 2014	Retail	US700

⁽¹⁾The REIT acquired a 90% interest in this joint venture.

Completed Development Projects

In Q1-14, Artis completed the construction of Midtown Business Center, a 185,407 square foot industrial building located in the Twin Cities Area, Minnesota. This building is fully leased under a 10 year agreement with annual rent escalations.

Also in Q1-14, Artis completed construction of the 87,000 square foot retail development on the excess lands at the Linden Ridge Shopping Centre, located in Winnipeg, Manitoba. This new development has been fully leased to a variety of national tenants.

In Q4-14, Artis completed construction of an approximately 36,000 square foot industrial building at Fourell Business Park located in Edmonton, Alberta. Artis purchased Fourell Business Park in 2010 with an existing 400,000 square foot building, and has since built a total of nearly 100,000 square feet on the site in two phases. The entire property including new development space is now 100% leased.

Property Dispositions

During 2014, Artis sold an industrial property in the Greater Toronto Area, Ontario, an industrial property in the Twin Cities Area, Minnesota and a retail property located in the Greater Vancouver Regional District, British Columbia. The aggregate sale price of these properties was \$21,125. The cash proceeds, net of costs of \$718 and related debt of \$2,311, were \$18,096.

FINANCING ACTIVITIES

Convertible Debentures Redemption

On January 15, 2014, \$2,500 of the 5.00% Series D convertible debentures were redeemed for cash and on December 1, 2014, the REIT redeemed the remaining balance of the Series D convertible debentures of \$1,500 for cash.

At-the-Market Equity Financing

On January 31, 2014, 320,000 units were issued pursuant to the at-the-market equity financing arrangement at an average price per unit of \$15.09 for gross proceeds of \$4,830. Net proceeds were \$4,469, which included commission costs of \$145.

Senior Unsecured Debentures Offering

On March 27, 2014, under the June 15, 2012 short form base shelf prospectus, Artis issued 3.753% Series A senior unsecured debentures totaling \$125,000. On September 10, 2014, under the July 17, 2014 short form base shelf prospectus, Artis issued additional Series A senior unsecured debentures with a face value of \$75,000. These debentures mature on March 27, 2019.

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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.

Short Form Base Shelf Prospectuses

On June 15, 2012, the REIT issued 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. This base shelf expired on July 15, 2014. The REIT had issued common units under three offerings in the amount of \$356,680, preferred units under four offerings in the amount of \$266,250 and US\$75,000 and senior unsecured debentures under one offering in the amount of \$125,000 under this short form base shelf prospectus.

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. As at December 31, 2014, the REIT has issued senior unsecured debentures under one offering in the amount of \$75,000 under this short form base shelf prospectus.

Unsecured Revolving Term Credit Facilities

On December 17, 2014, the REIT entered into two unsecured revolving term credit facilities in the aggregate amount of \$125,000, which can be utilized for general corporate and working capital purposes, short term financing of investment property acquisitions and the issuance of letters of credit. The credit facilities mature on December 15, 2017. Amounts drawn on the facilities bear interest at prime plus 0.70% or at the bankers' acceptance rate plus 1.70%. At December 31, 2014, the REIT had no balance drawn on the facilities.

Debt Financing and Repayments

In 2014, Artis made repayments on 11 maturing mortgages in the amount of \$113,506. Artis received new and upward financing on four mortgages, net of financing costs, for a total of \$37,139.

DISTRIBUTIONS

Artis declared distributions of \$161,330 to unitholders in 2014, of which \$25,332 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	Year ended December 31,		Change	% Change	Year ended December 31,
	2014	2013			
Revenue	\$ 500,558	\$ 463,418	\$ 37,140	8.0 %	\$ 372,469
Property NOI	312,848	296,882	15,966	5.4 %	240,409
Net income	197,886	191,155	6,731	3.5 %	340,339
Basic income per common unit	1.36	1.45	(0.09)	(6.2)%	3.21
Diluted income per common unit	1.33	1.41	(0.08)	(5.7)%	3.14
Distributions to common unitholders	\$ 143,668	\$ 132,454	\$ 11,214	8.5 %	\$ 114,968
Distributions per common unit	1.08	1.08	-	- %	1.08
FFO	\$ 193,461	\$ 183,467	\$ 9,994	5.4 %	\$ 139,804
FFO per unit	1.42	1.46	(0.04)	(2.7)%	1.30
FFO after adjustments ⁽¹⁾	193,285	176,983	16,302	9.2 %	139,361
FFO per unit after adjustments ⁽¹⁾	1.42	1.41	0.01	0.7 %	1.30
FFO payout ratio after adjustments ⁽¹⁾	76.1 %	76.6 %		(0.5)%	83.1 %
AFFO ⁽¹⁾	\$ 164,585	\$ 150,277	\$ 14,308	9.5 %	\$ 121,917
AFFO per unit ⁽¹⁾	1.23	1.21	0.02	1.7 %	1.14
AFFO payout ratio ⁽¹⁾	87.8 %	89.3 %		(1.5)%	94.7 %

⁽¹⁾ Calculated after adjustments for lease termination income received from tenants.

Acquisitions during 2013 and 2014, same property revenue growth and the impact of foreign exchange have contributed to the increase in revenues, Property NOI, FFO and AFFO during 2014.

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.

	December 31, 2014	December 31, 2013	December 31, 2012
Secured mortgages and loans to GBV	41.3%	45.4%	47.3%
Total long-term debt and bank indebtedness to GBV	48.4%	49.0%	51.5%
Total assets	\$ 5,478,852	\$ 5,042,037	\$ 4,380,060
Total non-current financial liabilities	2,259,101	2,187,977	\$ 2,043,026

Artis' secured mortgages and loans to GBV ratio at December 31, 2014 decreased by 4.1% to 41.3% 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 2014, the REIT recorded amortization of \$10,412 (Q4-14 - \$2,698) as a reduction in revenue from tenant incentives compared to \$9,291 (Q4-13 - \$2,919) in 2013.

Artis accounts for rent step-ups by straight-lining the incremental increases over the entire non-cancelable lease term. In 2014, straight-line rent adjustments of \$4,677 (Q4-14 - \$1,199) were recorded compared to \$5,543 (Q4-13 - \$1,172) in 2013.

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 2014, lease termination income totaled \$176 (Q4-14 - \$73) compared to \$6,484 (Q4-13 - \$219) in 2013.

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 December 31,			
	2014	2013	Change	% Change
Revenue	\$ 114,385	\$ 111,354		
Property operating expenses	46,473	45,637		
Property NOI	67,912	65,717	2,195	3.3 %
Add (deduct) non-cash revenue adjustments:				
Amortization of tenant inducements	2,633	2,859		
Straight-line rent adjustment	(597)	(985)		
Property NOI less non-cash revenue adjustments	\$ 69,948	\$ 67,591	\$ 2,357	3.5 %

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	Year ended December 31,		Change	% Change
	2014	2013		
Revenue	\$ 440,671	\$ 426,330		
Property operating expenses	170,826	161,220		
Property NOI	269,845	265,110	4,735	1.8 %
Add (deduct) non-cash revenue adjustments:				
Amortization of tenant inducements	10,283	9,198		
Straight-line rent adjustment	(2,640)	(4,922)		
Property NOI less non-cash revenue adjustments	\$ 277,488	\$ 269,386	\$ 8,102	3.0 %

Lease termination income related to significant tenants of \$nil (Q4-14 - \$nil) in 2014, compared to \$3,489 (Q4-13 - \$111) in 2013, has been excluded from revenue for purposes of the same property income calculation. The portion that covers lost revenue due to vacancy has been added back to income for the purposes of the same property income calculation.

Same Property NOI by Asset Class

	Three month period ended December 31,				Year ended December 31,			
	2014	2013	Change	% Change	2014	2013	Change	% Change
Retail	\$ 17,897	\$ 16,869	\$ 1,028	6.1 %	\$ 68,375	\$ 65,631	\$ 2,744	4.2 %
Office	35,010	33,895	1,115	3.3 %	139,875	136,673	3,202	2.3 %
Industrial	17,041	16,827	214	1.3 %	69,238	67,082	2,156	3.2 %
Total	\$ 69,948	\$ 67,591	\$ 2,357	3.5 %	\$ 277,488	\$ 269,386	\$ 8,102	3.0 %

Same Property NOI by Geographical Region

	Three month period ended December 31,				Year ended December 31,			
	2014	2013	Change	% Change	2014	2013	Change	% Change
Alberta	\$ 26,654	\$ 26,242	\$ 412	1.6 %	\$ 106,890	\$ 105,286	\$ 1,604	1.5 %
British Columbia	6,670	6,333	337	5.3 %	26,612	25,759	853	3.3 %
Manitoba	9,479	9,250	229	2.5 %	38,021	36,928	1,093	3.0 %
Ontario	8,060	8,168	(108)	(1.3)%	34,369	33,848	521	1.5 %
Saskatchewan	4,402	4,137	265	6.4 %	14,757	14,272	485	3.4 %
Minnesota	9,467	8,836	631	7.1 %	37,019	34,629	2,390	6.9 %
U.S. - Other	5,216	4,625	591	12.8 %	19,820	18,664	1,156	6.2 %
Total	\$ 69,948	\$ 67,591	\$ 2,357	3.5 %	\$ 277,488	\$ 269,386	\$ 8,102	3.0 %

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Same Property NOI by Country

	Three month period ended December 31,				Year ended December 31,			
	2014	2013	Change	% Change	2014	2013	Change	% Change
Canada	\$ 55,265	\$ 54,130	\$ 1,135	2.1 %	\$ 220,649	\$ 216,093	\$ 4,556	2.1 %
U.S.	14,683	13,461	1,222	9.1 %	56,839	53,293	3,546	6.7 %
Total	\$ 69,948	\$ 67,591	\$ 2,357	3.5 %	\$ 277,488	\$ 269,386	\$ 8,102	3.0 %

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

Same Property Occupancy Comparisons

Geographical Region	As at December 31,		Asset Class	As at December 31,	
	2014	2013		2014	2013
Alberta	95.4 %	94.7 %	Retail	95.6 %	94.3 %
British Columbia	97.1 %	93.1 %	Office	93.2 %	92.9 %
Manitoba	93.9 %	94.9 %	Industrial	94.6 %	95.8 %
Ontario	95.5 %	96.4 %	Total	94.3 %	94.5 %
Saskatchewan	92.1 %	88.9 %			
Minnesota	92.0 %	94.2 %			
U.S. - Other	95.0 %	95.9 %			
Total	94.3 %	94.5 %			

PROPERTY NOI BY ASSET CLASS

In 2014, revenues and Property NOI increased for all segments of the portfolio in comparison to 2013. The growth is primarily attributable to acquisitions during 2013 and 2014, same property revenue growth and the impact of foreign exchange. The growth in the retail and office segments was impacted by lease termination income received in 2013.

	Three month period ended December 31,					
	2014			2013		
	Retail	Office	Industrial	Retail	Office	Industrial
Revenue	\$ 30,647	\$ 72,330	\$ 28,574	\$ 27,638	\$ 67,775	\$ 27,441
Property operating expenses	10,507	30,967	10,315	9,370	28,995	9,485
Property NOI	\$ 20,140	\$ 41,363	\$ 18,259	\$ 18,268	\$ 38,780	\$ 17,956
<i>Share of Property NOI</i>	25.2 %	51.9 %	22.9 %	24.4 %	51.7 %	23.9 %

	Year ended December 31,					
	2014			2013		
	Retail	Office	Industrial	Retail	Office	Industrial
Revenue	\$ 113,534	\$ 274,605	\$ 112,165	\$ 108,420	\$ 247,392	\$ 107,507
Property operating expenses	36,905	112,350	38,455	32,506	97,568	36,462
Property NOI	\$ 76,629	\$ 162,255	\$ 73,710	\$ 75,914	\$ 149,824	\$ 71,045
<i>Share of Property NOI</i>	24.5 %	51.9 %	23.6 %	25.6 %	50.5 %	23.9 %

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PROPERTY NOI BY GEOGRAPHICAL REGION

In 2014, revenues and Property NOI increased in Alberta, Manitoba, Minnesota and US - Other in comparison to 2013. The growth is primarily attributable to Acquisitions during 2013 and 2014, same property revenue growth and the impact of foreign exchange. In 2014, revenues and Property NOI decreased in Ontario and Saskatchewan primarily due to lease termination income received in 2013 and decreased in British Columbia primarily due to the sale of a retail property.

Three month period ended December 31, 2014

	Canada					U.S.	
	AB	BC	MB	ON	SK	MN	Other
Revenue	\$ 46,988	\$ 10,301	\$ 19,363	\$ 16,089	\$ 7,010	\$ 21,021	\$ 10,779
Property operating expenses	15,766	4,307	9,444	7,122	2,461	9,392	3,297
Property NOI	\$ 31,222	\$ 5,994	\$ 9,919	\$ 8,967	\$ 4,549	\$ 11,629	\$ 7,482
Share of Property NOI	39.1 %	7.5 %	12.4 %	11.3 %	5.7 %	14.6 %	9.4 %

Three month period ended December 31, 2013

	Canada					U.S.	
	AB	BC	MB	ON	SK	MN	Other
Revenue	\$ 45,113	\$ 10,284	\$ 18,373	\$ 16,402	\$ 6,353	\$ 16,531	\$ 9,798
Property operating expenses	15,845	3,913	9,191	6,656	2,149	7,059	3,037
Property NOI	\$ 29,268	\$ 6,371	\$ 9,182	\$ 9,746	\$ 4,204	\$ 9,472	\$ 6,761
Share of Property NOI	39.0 %	8.5 %	12.3 %	13.0 %	5.6 %	12.6 %	9.0 %

Year ended December 31, 2014

	Canada					U.S.	
	AB	BC	MB	ON	SK	MN	Other
Revenue	\$ 180,163	\$ 40,573	\$ 71,232	\$ 62,657	\$ 26,559	\$ 76,469	\$ 42,651
Property operating expenses	58,521	15,233	32,856	24,776	8,921	33,615	13,788
Property NOI	\$ 121,642	\$ 25,340	\$ 38,376	\$ 37,881	\$ 17,638	\$ 42,854	\$ 28,863
Share of Property NOI	39.0 %	8.1 %	12.3 %	12.1 %	5.6 %	13.7 %	9.2 %

Year ended December 31, 2013

	Canada					U.S.	
	AB	BC	MB	ON	SK	MN	Other
Revenue	\$ 168,842	\$ 41,243	\$ 66,899	\$ 62,945	\$ 28,332	\$ 62,959	\$ 32,099
Property operating expenses	53,870	14,650	30,318	23,765	7,887	26,515	9,531
Property NOI	\$ 114,972	\$ 26,593	\$ 36,581	\$ 39,180	\$ 20,445	\$ 36,444	\$ 22,568
Share of Property NOI	38.7 %	9.0 %	12.3 %	13.2 %	6.9 %	12.3 %	7.6 %

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PORTFOLIO OCCUPANCY

Occupancy levels impact the REIT's revenues and Property NOI. Occupancy and commitments at December 31, 2014 (excluding properties currently held for re-development and new developments in process), and the previous four periods, are as follows:

Occupancy Report by Asset Class

	Q4-14 % Committed ⁽¹⁾	Q4-14	Q3-14	Q2-14	Q1-14	Q4-13
Retail	97.2 %	95.9 %	97.5 %	97.4 %	97.3 %	96.3 %
Office	95.1 %	93.9 %	94.5 %	94.0 %	93.6 %	93.6 %
Industrial	95.4 %	94.7 %	93.6 %	94.0 %	96.3 %	96.7 %
Total portfolio	95.6 %	94.6 %	94.6 %	94.6 %	95.5 %	95.5 %

Occupancy Report by Geographical Region

	Q4-14 % Committed ⁽¹⁾	Q4-14	Q3-14	Q2-14	Q1-14	Q4-13
Canada:						
Alberta	96.3 %	95.7 %	95.5 %	95.0 %	95.2 %	95.0 %
British Columbia	97.1 %	97.1 %	96.8 %	92.6 %	96.3 %	95.3 %
Manitoba	94.8 %	93.5 %	95.0 %	94.7 %	95.2 %	95.5 %
Ontario	95.9 %	95.7 %	96.0 %	95.9 %	96.5 %	96.8 %
Saskatchewan	96.3 %	93.1 %	98.6 %	98.2 %	98.6 %	99.0 %
U.S.:						
Minnesota	94.3 %	92.7 %	90.9 %	92.9 %	94.4 %	94.3 %
Other	97.1 %	96.5 %	96.3 %	96.0 %	96.0 %	96.3 %
Total portfolio	95.6 %	94.6 %	94.6 %	94.6 %	95.5 %	95.5 %

⁽¹⁾ Percentage committed is based on occupancy plus commitments on vacant space as at December 31, 2014.

PORTFOLIO LEASING ACTIVITY AND LEASE EXPIRIES

Renewal Summary

	Three month period ended December 31,		Year ended December 31,	
	2014	2013	2014	2013
Leasable area renewed	507,277	530,550	1,554,819	2,562,521
% Increase in rent rate	7.2 %	7.5 %	4.2 %	7.2 %

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.

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Lease Expiries by Asset Class (in S.F.) ⁽¹⁾

	Current Vacancy	Monthly Tenants ⁽²⁾	2015	2016	2017	2018	2019 & later	Total
Office - uncommitted	456,402	50,369	609,045	774,261	1,030,387	982,090	4,477,956	8,380,510
Office - committed	107,819	-	633,869	58,325	1,693	16,637	32,791	851,134
Total office	564,221	50,369	1,242,914	832,586	1,032,080	998,727	4,510,747	9,231,644
Retail - uncommitted	187,553	30,710	255,336	519,601	358,764	526,966	2,442,973	4,321,903
Retail - committed	59,878	-	191,463	38,456	116,805	4,267	48,836	459,705
Total retail	247,431	30,710	446,799	558,057	475,569	531,233	2,491,809	4,781,608
Industrial - uncommitted	691,867	73,227	1,469,312	2,344,517	1,578,435	898,930	3,564,518	10,620,806
Industrial - committed	285,918	-	611,827	55,650	134,462	-	69,511	1,157,368
Total industrial	977,785	73,227	2,081,139	2,400,167	1,712,897	898,930	3,634,029	11,778,174
Total - uncommitted	1,335,822	154,306	2,333,693	3,638,379	2,967,586	2,407,986	10,485,447	23,323,219
Total - committed	453,615	-	1,437,159	152,431	252,960	20,904	151,138	2,468,207
Total	1,789,437	154,306	3,770,852	3,790,810	3,220,546	2,428,890	10,636,585	25,791,426

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

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

In-Place Rents

In-place rents reflect the actual rental rate in effect for the leasable area as at December 31, 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.

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Market Rents by Asset Class ⁽¹⁾

	2015	2016	2017	2018	2019 & later	Total
Office						
In-place rents	\$ 18.69	\$ 19.15	\$ 19.25	\$ 18.78	\$ 18.56	\$ 18.75
Market rents	19.21	19.25	20.61	19.56	19.99	19.83
Change	2.8 %	0.5 %	7.1 %	4.1 %	7.7 %	5.8 %
Revenue impact ⁽²⁾	\$ 650	\$ 87	\$ 1,403	\$ 774	\$ 6,430	\$ 9,344
Retail						
In-place rents	\$ 14.12	\$ 20.33	\$ 15.79	\$ 22.80	\$ 18.55	\$ 18.54
Market rents	15.98	23.15	16.74	24.37	19.44	19.85
Change	13.2 %	13.9 %	6.0 %	6.9 %	4.8 %	7.1 %
Revenue impact ⁽²⁾	\$ 831	\$ 1,572	\$ 452	\$ 830	\$ 2,211	\$ 5,896
Industrial						
In-place rents	\$ 6.30	\$ 6.78	\$ 5.83	\$ 5.51	\$ 7.86	\$ 6.80
Market rents	6.42	7.09	6.21	5.77	8.00	7.02
Change	1.8 %	4.6 %	6.5 %	4.7 %	1.7 %	3.2 %
Revenue impact ⁽²⁾	\$ 237	\$ 746	\$ 646	\$ 233	\$ 493	\$ 2,355
Total portfolio						
In-place rents	\$ 11.31	\$ 11.49	\$ 11.60	\$ 14.75	\$ 14.90	\$ 13.33
Market rents	11.77	12.13	12.38	15.51	15.76	14.07
Change	4.0 %	5.5 %	6.7 %	5.1 %	5.8 %	5.5 %
Revenue impact ⁽²⁾	\$ 1,718	\$ 2,405	\$ 2,501	\$ 1,837	\$ 9,134	\$ 17,595

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

⁽²⁾ This impact is based on the difference between the in-place rents and the market rents for the period. This excludes the impact of any straight-line rent adjustments on revenues.

Market rents at December 31, 2014 are estimated to be 5.5% above in-place rents across the portfolio compared to 6.5% at September 30, 2014 and 7.0% at December 31, 2013. Today's market rents for the 2015 and 2016 lease expiries are estimated to be 4.0% and 5.5%, 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⁾	2015	2016	2017	2018	2019 & later	Total
AB - uncommitted	244,041	27,647	376,391	955,208	515,482	674,227	3,055,830	5,848,826
AB - committed	37,267	-	572,024	59,467	5,137	-	19,535	693,430
Total Alberta	281,308	27,647	948,415	1,014,675	520,619	674,227	3,075,365	6,542,256
BC - uncommitted	104,166	13,638	83,656	253,824	115,448	123,803	846,484	1,541,019
BC - committed	-	-	108,761	1,032	106,393	-	1,270	217,456
Total British Columbia	104,166	13,638	192,417	254,856	221,841	123,803	847,754	1,758,475
MB - uncommitted	364,389	20,355	503,675	418,644	458,797	553,759	1,121,575	3,441,194
MB - committed	107,246	-	244,389	30,306	-	2,095	50,366	434,402
Total Manitoba	471,635	20,355	748,064	448,950	458,797	555,854	1,171,941	3,875,596
ON - uncommitted	146,563	40,050	422,843	704,117	606,479	153,163	1,530,028	3,603,243
ON - committed	153,150	-	78,502	8,777	1,360	12,633	12,447	266,869
Total Ontario	299,713	40,050	501,345	712,894	607,839	165,796	1,542,475	3,870,112
SK - uncommitted	53,209	5,700	105,659	58,332	231,887	152,375	613,789	1,220,951
SK - committed	45,936	-	111,298	17,571	5,275	4,267	33,225	217,572
Total Saskatchewan	99,145	5,700	216,957	75,903	237,162	156,642	647,014	1,438,523
MN - uncommitted	368,469	43,143	808,878	1,215,682	730,239	513,316	2,180,347	5,860,074
MN - committed	99,322	-	277,951	31,099	134,795	-	32,144	575,311
Total Minnesota	467,791	43,143	1,086,829	1,246,781	865,034	513,316	2,212,491	6,435,385
U.S. - Other - uncommitted	54,985	3,773	32,591	32,572	309,254	237,343	1,137,394	1,807,912
U.S. - Other - committed	10,694	-	44,234	4,179	-	1,909	2,151	63,167
Total U.S. - Other	65,679	3,773	76,825	36,751	309,254	239,252	1,139,545	1,871,079
Total - uncommitted	1,335,822	154,306	2,333,693	3,638,379	2,967,586	2,407,986	10,485,447	23,323,219
Total - committed	453,615	-	1,437,159	152,431	252,960	20,904	151,138	2,468,207
Total	1,789,437	154,306	3,770,852	3,790,810	3,220,546	2,428,890	10,636,585	25,791,426

⁽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⁾

	2015	2016	2017	2018	2019 & later	Total
Alberta						
In-place rents	\$ 16.26	\$ 18.27	\$ 20.44	\$ 20.05	\$ 18.19	\$ 18.30
Market rents	16.41	19.58	21.07	21.08	19.87	19.53
Change	0.9 %	7.2 %	3.1 %	5.2 %	9.3 %	6.7 %
Revenue impact ⁽²⁾	\$ 144	\$ 1,335	\$ 325	\$ 698	\$ 5,174	\$ 7,676
British Columbia						
In-place rents	\$ 19.45	\$ 19.65	\$ 12.89	\$ 25.04	\$ 14.00	\$ 16.20
Market rents	18.19	20.12	12.86	25.16	14.34	16.31
Change	(6.5)%	2.4 %	(0.2)%	0.5 %	2.4 %	0.6 %
Revenue impact ⁽²⁾	\$ (243)	\$ 119	\$ (6)	\$ 14	\$ 287	\$ 171
Manitoba						
In-place rents	\$ 10.51	\$ 10.44	\$ 12.66	\$ 8.12	\$ 15.43	\$ 12.10
Market rents	12.33	11.77	14.92	9.24	15.88	13.33
Change	17.4 %	12.8 %	17.9 %	13.8 %	2.9 %	10.1 %
Revenue impact ⁽²⁾	\$ 1,364	\$ 598	\$ 1,037	\$ 621	\$ 528	\$ 4,148
Ontario						
In-place rents	\$ 8.63	\$ 7.88	\$ 6.74	\$ 9.08	\$ 11.45	\$ 9.41
Market rents	8.54	7.96	6.78	10.65	11.81	9.65
Change	(1.0)%	1.0 %	0.6 %	17.3 %	3.1 %	2.5 %
Revenue impact ⁽²⁾	\$ (44)	\$ 56	\$ 23	\$ 261	\$ 545	\$ 841
Saskatchewan						
In-place rents	\$ 10.23	\$ 20.08	\$ 10.13	\$ 19.42	\$ 16.33	\$ 14.81
Market rents	11.11	21.04	11.43	19.77	17.05	15.63
Change	8.5 %	4.8 %	12.8 %	1.8 %	4.4 %	5.5 %
Revenue impact ⁽²⁾	\$ 189	\$ 73	\$ 307	\$ 55	\$ 469	\$ 1,093
Minnesota						
In-place rents	\$ 6.71	\$ 5.83	\$ 6.39	\$ 11.06	\$ 8.52	\$ 7.53
Market rents	6.73	5.97	7.13	10.80	8.98	7.82
Change	0.3 %	2.4 %	11.6 %	(2.4)%	5.4 %	3.9 %
Revenue impact ⁽²⁾	\$ 24	\$ 172	\$ 639	\$ (135)	\$ 1,022	\$ 1,722
U.S. - Other						
In-place rents	\$ 23.31	\$ 25.22	\$ 19.49	\$ 18.71	\$ 22.43	\$ 21.52
Market rents	27.01	26.65	20.06	20.06	23.40	22.60
Change	15.9 %	5.7 %	2.9 %	7.2 %	4.3 %	5.0 %
Revenue impact ⁽²⁾	\$ 284	\$ 52	\$ 176	\$ 323	\$ 1,109	\$ 1,944
Total portfolio						
In-place rents	\$ 11.31	\$ 11.49	\$ 11.60	\$ 14.75	\$ 14.90	\$ 13.33
Market rents	11.77	12.13	12.38	15.51	15.76	14.07
Change	4.0 %	5.5 %	6.7 %	5.1 %	5.8 %	5.5 %
Revenue impact ⁽²⁾	\$ 1,718	\$ 2,405	\$ 2,501	\$ 1,837	\$ 9,134	\$ 17,595

⁽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 December 31, 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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Lease Expiries for Calgary Office Segment (in S.F.) ⁽¹⁾

	Current Vacancy	Monthly Tenants ⁽²⁾	2015	2016	2017	2018	2019 & later	Total
Calgary - uncommitted	116,880	13,876	113,800	249,686	255,782	236,193	1,151,986	2,138,203
Calgary - committed	27,659	-	310,361	54,146	-	-	4,248	396,414
Total Calgary office	144,539	13,876	424,161	303,832	255,782	236,193	1,156,234	2,534,617
Other - uncommitted	339,522	36,493	495,245	524,575	774,605	745,897	3,325,970	6,242,307
Other - committed	80,160	-	323,508	4,179	1,693	16,637	28,543	454,720
Total other office	419,682	36,493	818,753	528,754	776,298	762,534	3,354,513	6,697,027

⁽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. They do not allow for the impact of inflation. The 2015 and 2016 Calgary office market rents were revised at Q4-14 to reflect management's estimate of the impact of the recent decline in oil prices on the Calgary office market.

Market Rents for Calgary Office Segment ⁽¹⁾

	2015	2016	2017	2018	2019 & later	Total
Calgary office						
In-place rents	\$ 20.80	\$ 23.72	\$ 24.11	\$ 22.97	\$ 20.90	\$ 21.79
Market rents	19.51	21.86	24.54	23.18	24.36	23.08
Change	(6.2)%	(7.9)%	1.8 %	0.9 %	16.6 %	5.9 %
Revenue impact ⁽²⁾	\$ (548)	\$ (566)	\$ 109	\$ 48	\$ 4,011	\$ 3,054
Other office						
In-place rents	\$ 17.59	\$ 16.52	\$ 17.65	\$ 17.49	\$ 17.76	\$ 17.59
Market rents	19.06	17.76	19.32	18.44	18.48	18.59
Change	8.3 %	7.5 %	9.4 %	5.4 %	4.1 %	5.7 %
Revenue impact ⁽²⁾	\$ 1,198	\$ 653	\$ 1,294	\$ 726	\$ 2,419	\$ 6,290

⁽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.

Calgary office properties represent 17.7% of the Q4-14 Property NOI and 9.8% of the overall portfolio by GLA. 41.2% of the Calgary office GLA is located downtown, 36.1% is suburban and 22.7% is beltline. Overall direct vacancy in the Calgary office market, as reported by CBRE, was 7.0% at December 31, 2014, an increase from 6.6% at September 30, 2014. At December 31, 2014, the Calgary office segment of Artis' portfolio was 94.3% occupied, decreased from 95.9% at September 30, 2014. Artis has commitments in place for 19.1% of the unoccupied space. In 2015, 424,161 square feet comes up for renewal, which represents 1.6% of the portfolio's GLA; 73.2% has been renewed or committed to new leases. Approximately 45.6% of the Calgary office GLA expires in 2019 or later.

The Twin Cities Area industrial properties represent 7.7% of the Q4-14 Property NOI and 19.3% of the overall portfolio by GLA. Direct vacancy in this industrial market, as reported by CBRE, increased from 5.2% at September 30, 2014 to 5.3% at December 31, 2014, with 516,328 square feet of positive absorption reported for the quarter. As per CBRE, this was the eighteenth consecutive quarter of positive absorption for this market. Average asking market lease rate was \$4.98 per square foot compared to \$4.99 per square foot at September 30, 2014. Occupancy in this segment of the portfolio was 93.2% at December 31, 2014 compared to 90.9% at September 30, 2014. Artis has commitments in place for 11.3% of the unoccupied space. In 2015, 960,217 square feet comes up for renewal, which represents 3.7% of the portfolio's GLA; commitments are in place for 28.1% of the expiring space.

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Winnipeg office properties represent 6.7% of the Q4-14 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 direct vacancy in the Winnipeg office market, as reported by CBRE, was 9.7% at December 31, 2014, which was a decrease from 10.5% at September 30, 2014. At December 31, 2014, the Winnipeg office segment of Artis' portfolio was 93.1% occupied, down from 94.6% at September 30, 2014. In 2015, 327,553 square feet comes up for renewal, which represents 1.3% of the portfolio's GLA; 42.5% has been renewed or committed to new leases. Approximately 41.1% of the Winnipeg office GLA expires in 2019 or later.

CORPORATE EXPENSES

	Three month period ended December 31,		Year ended December 31,	
	2014	2013	2014	2013
Accounting, legal and consulting	\$ 589	\$ 456	\$ 1,669	\$ 1,410
Public company costs	391	293	1,537	1,234
Unit-based compensation	378	489	1,640	1,827
Salaries and benefits	784	764	3,125	2,482
Depreciation	146	154	575	511
General and administrative	394	548	1,715	2,249
Total corporate expenses	\$ 2,682	\$ 2,704	\$ 10,261	\$ 9,713

Corporate expenses in 2014 were \$10,261 (Q4-14 - \$2,682), or 2.0% (Q4-14 - 2.0%) of gross revenues compared to \$9,713 (Q4-13 - \$2,704), or 2.1% (Q4-13 - 2.2%) of gross revenues in 2013.

INTEREST EXPENSE

	Three month period ended December 31,		Year ended December 31,	
	2014	2013	2014	2013
Mortgages and other loans ⁽¹⁾	\$ 22,409	\$ 23,441	\$ 91,107	\$ 90,775
Debentures ⁽¹⁾	4,413	2,567	14,491	10,268
Other ⁽¹⁾	61	144	534	908
Foreign exchange	\$ 26,883	\$ 26,152	\$ 106,132	\$ 101,951
Total interest expense	\$ 27,668	\$ 26,443	\$ 108,546	\$ 102,615

⁽¹⁾ Amounts shown are in Canadian and US dollars.

Interest expense in 2014 has increased primarily due to the Series A senior unsecured debentures issued on March 27, 2014 and on September 10, 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 December 31, 2014 on mortgages and other loans secured by properties was 4.18%, decreased from 4.27% at December 31, 2013. The weighted-average nominal interest rate at December 31, 2014 was 4.04% decreased from 4.10% at December 31, 2013.

The REIT's interest coverage ratio, defined as total revenues less property operating expenses and corporate expenses divided by interest expense, is 2.80 times for the year ended December 31, 2014 (Q4-14 - 2.80 times) compared to 2.82 times for the year ended December 31, 2013 (Q4-13 - 2.75 times).

NET (LOSS) INCOME FROM INVESTMENTS IN JOINT VENTURES

Artis recorded a net loss from investments in joint ventures of \$3,987 (Q4-14 - net loss of \$4,104) in 2014 compared to net income of \$7,456 (Q4-13 - net income of \$5,581) in 2013. This includes revenue earned from the REIT's joint ventures, net of property operating expenses, interest expense and the fair value gains or losses on investment properties. Artis recorded a fair value loss on investment properties in joint ventures of \$7,355 (Q4-14 - loss of \$5,068) in 2014, compared to a gain of \$5,893 (Q4-13 - gain of \$5,040) in 2013. Fair value losses in 2014 are primarily due to delays to lease commencement dates, increased construction costs and revised cash flow projections for the Centrepont development project.

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FAIR VALUE GAIN ON INVESTMENT PROPERTIES

The changes in fair value of investment properties, year-over-year, are recognized as fair value gains and losses in the statement of operations. Fair values of the investment properties are determined through either the discounted cash flow method or the overall capitalization method, which are generally accepted appraisal methodologies. External valuations are performed quarterly on a rotational basis over a four year cycle. In 2014, the fair value gain on investment properties is \$38,831 (Q4-14 - gain of \$19,248) compared to a gain of \$4,385 (Q4-13 - loss of \$56,588) in 2013. 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. Capitalization rate compression in the Saskatchewan retail segment and Alberta industrial market have contributed to the fair value gain in Q4-14.

FOREIGN CURRENCY TRANSLATION LOSS

In 2014, 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 \$21,890 (Q4-14 - \$4,295) in 2014, compared to a loss of \$7,569 (Q4-13 - \$2,915) in 2013. The foreign currency translation loss in 2014 is primarily due to the strengthening of the US dollar and its effect on the net liability position of the REIT's assets and liabilities denominated in US dollars and the realization of foreign currency swap contracts on cash invested in the U.S.

TRANSACTION COSTS

During 2014, \$2,490 (Q4-14 - \$844) of transaction costs were expensed compared to \$5,685 (Q4-13 - \$314) in 2013. Transaction costs are primarily attributable to the acquisition of investment properties and joint ventures.

(LOSS) GAIN ON FINANCIAL INSTRUMENTS

The REIT holds a number of interest rate swaps to effectively lock the interest rate on a portion of floating rate debt. The REIT recorded an unrealized loss on the fair value adjustment of the interest rate swaps outstanding of \$8,558 (Q4-14 - loss of \$3,330) in 2014, compared to an unrealized gain of \$5,981 (Q4-13 - gain of \$1,164) in 2013. The REIT anticipates holding the mortgages and interest rate swap contracts until maturity.

OTHER COMPREHENSIVE INCOME

Other comprehensive income includes the unrealized foreign currency translation gain in 2014 of \$66,844 (Q4-14 - \$25,466) compared to a gain of \$27,100 (Q4-13 - \$14,563) in 2013. Foreign currency translation gains relate to the REIT's net investment in 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 U.S. subsidiaries are REITs for U.S. income tax purposes. The subsidiaries intend to distribute all of their U.S. taxable income to Canada and are 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. subsidiaries are 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 December 31, 2014	Year ended December 31, 2014	Year ended December 31, 2013	Year ended December 31, 2012
Cash flow from operations	\$ 54,008	\$ 204,705	\$ 194,507	\$ 151,738
Net income	56,611	197,886	191,155	340,339
Distributions declared	41,215	161,330	146,459	117,948
Excess of cash flow from operations over distributions declared	12,793	43,375	48,048	33,790
Excess of net income over distributions declared	15,396	36,556	44,696	222,391

Artis' primary objective is to provide stable, reliable and tax efficient monthly cash distributions. Cash flow from operations has exceeded distributions declared for the past ten consecutive quarters and net income has exceeded distributions declared for the past three quarters. Previously, shortfalls in net income over distributions declared have been primarily due to the impact of non-cash fair value losses on investment properties.

For the year ended December 31, 2014, cash flow from operations exceeded distributions declared by \$43,375 (Q4-14 - \$12,793) and net income exceeded distributions declared by \$36,556 (Q4-14 - \$15,396).

Artis declared distributions of \$161,330 (Q4-14 - \$41,215) to unitholders in 2014, of which \$25,332 (Q4-14 - \$6,412) 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.

Reconciliation of Cash Flows from Operations to FFO

000's, except per unit amounts	Three month period ended December 31,			Year ended December 31,		
	2014	2013	% Change	2014	2013	% Change
Cash flow from operations	\$ 54,008	\$ 42,354		\$ 204,705	\$ 197,241	
Add (deduct):						
Depreciation of property and equipment	(146)	(154)		(575)	(511)	
Amortization of above- and below-market mortgages, net	419	459		1,787	1,801	
Straight-line rent adjustment	1,199	1,172		4,677	5,543	
Adjustment for investments in joint ventures	894	566		3,132	1,601	
Realized foreign currency translation (gain) loss	(289)	(148)		13,825	1,634	
Unrealized foreign currency (loss) gain from U.S. operations	(2,815)	73		(11,963)	(4,016)	
Unit-based compensation expense	(378)	(489)		(1,640)	(1,827)	
Accretion on liability component of debentures	166	85		475	327	
Amortization of financing costs included in interest	(770)	(761)		(3,018)	(3,143)	
Other long-term employee benefits	(844)	-		(844)	-	
Transaction costs on acquisitions	844	314		2,490	5,685	
Changes in non-cash operating items	1,316	6,299		(3,252)	(6,863)	
Incremental leasing costs	472	-		1,324	-	
Preferred unit distributions	(4,461)	(4,366)		(17,662)	(14,005)	
FFO	\$ 49,615	\$ 45,404	9.3 %	\$ 193,461	\$ 183,467	5.4 %
Deduct:						
Lease termination income received from tenants	(73)	(219)		(176)	(6,484)	
FFO after adjustments	\$ 49,542	\$ 45,185	9.6 %	\$ 193,285	\$ 176,983	9.2 %
FFO per unit						
Basic	\$ 0.36	\$ 0.36	- %	\$ 1.46	\$ 1.50	(2.7)%
Diluted	\$ 0.36	\$ 0.35	2.9 %	\$ 1.42	\$ 1.46	(2.7)%
FFO per unit after adjustments						
Basic	\$ 0.36	\$ 0.36	- %	\$ 1.46	\$ 1.45	0.7 %
Diluted	\$ 0.36	\$ 0.35	2.9 %	\$ 1.42	\$ 1.41	0.7 %
Weighted-average number of common units outstanding:						
Basic	136,055	126,728		132,554	122,406	
Diluted ⁽¹⁾	146,600	137,322		143,116	133,071	

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

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In 2014, FFO after adjustments has increased due to acquisitions during 2013 and 2014, same property revenue growth and the impact of foreign exchange.

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.

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

Diluted Common Units Reconciliation

	Three month period ended December 31,	
	2014	2013
Basic units	136,055	126,728
Add:		
Options ⁽¹⁾	110	76
Debentures ⁽¹⁾	10,200	10,426
Restricted units ⁽¹⁾	233	92
Deferred units ⁽¹⁾	2	-
Diluted units	146,600	137,322

Diluted FFO Reconciliation

	Three month period ended December 31,	
	2014	2013
FFO	\$ 49,615	\$ 45,404
Add:		
Options ⁽¹⁾	-	-
Debentures ⁽¹⁾	2,640	2,601
Restricted units ⁽¹⁾	(55)	11
Deferred units ⁽¹⁾	(2)	-
Diluted FFO	\$ 52,198	\$ 48,016

⁽¹⁾ All in-the-money options, convertible debenture series, restricted units and deferred units are dilutive in Q4-14. All in-the-money options, convertible debenture series and restricted units are dilutive in Q4-13.

Diluted Common Units Reconciliation

	Year ended December 31,	
	2014	2013
Basic units	132,554	122,406
Add:		
Options ⁽¹⁾	145	173
Debentures ⁽¹⁾	10,200	10,426
Restricted units ⁽¹⁾	217	66
Deferred units ⁽¹⁾	-	-
Diluted units	143,116	133,071

Diluted FFO Reconciliation

	Year ended December 31,	
	2014	2013
FFO	\$ 193,461	\$ 183,467
Add:		
Options ⁽¹⁾	-	-
Debentures ⁽¹⁾	10,333	10,231
Restricted units ⁽¹⁾	(51)	(11)
Deferred units ⁽¹⁾	(2)	-
Diluted FFO	\$ 203,741	\$ 193,687

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

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Reconciliation of GAAP Net Income to FFO

	Three month period ended December 31,		Year ended December 31,	
	2014	2013	2014	2013
Net income	\$ 56,611	\$ (6,702)	\$ 197,886	\$ 191,155
Add amortization on:				
Tenant inducements amortized to revenue	2,698	2,919	10,412	9,291
Add (deduct):				
Fair value (gain) loss on investment properties	(19,248)	56,588	(38,831)	(4,385)
Foreign currency translation loss	4,295	2,915	21,890	7,569
Transaction costs on acquisitions	844	314	2,490	5,685
Adjustment for investments in joint ventures	5,123	(5,015)	7,515	(5,855)
Unrealized loss (gain) on financial instruments	3,281	(1,249)	8,437	(5,988)
Incremental leasing costs	472	-	1,324	-
Preferred unit distributions	(4,461)	(4,366)	(17,662)	(14,005)
FFO	\$ 49,615	\$ 45,404	\$ 193,461	\$ 183,467
Deduct:				
Termination income received from tenants	(73)	(219)	(176)	(6,484)
FFO after adjustments	\$ 49,542	\$ 45,185	\$ 193,285	\$ 176,983

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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 December 31,			Year ended December 31,		
	2014	2013	% Change	2014	2013	% Change
FFO after adjustments	\$ 49,542	\$ 45,185		\$ 193,285	\$ 176,983	
Add (deduct):						
Capital expenditures reserve	(1,344)	(1,247)		(5,105)	(4,417)	
Leasing costs reserve	(5,373)	(4,987)		(20,418)	(18,489)	
Straight-line rent adjustments ⁽¹⁾	(1,232)	(1,200)		(4,817)	(5,627)	
Unit-based compensation	378	489		1,640	1,827	
AFFO ⁽²⁾	\$ 41,971	\$ 38,240	9.8 %	\$ 164,585	\$ 150,277	9.5 %
AFFO per unit						
Basic	\$ 0.31	\$ 0.30	3.3 %	\$ 1.24	\$ 1.23	0.8 %
Diluted	\$ 0.31	\$ 0.30	3.3 %	\$ 1.23	\$ 1.21	1.7 %

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

⁽²⁾ Calculated after adjustments for lease termination income received from tenants.

In 2014, AFFO has increased due to acquisitions during 2013 and 2014, same property revenue growth and the impact of foreign exchange.

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ANALYSIS OF FINANCIAL POSITION

ASSETS

	December 31, 2014	December 31, 2013	Increase (decrease)
Non-current assets:			
Investment properties and investment properties under development	\$ 5,283,171	\$ 4,899,158	\$ 384,013
Investments in joint ventures	98,072	42,434	55,638
Other non-current assets	21,644	21,613	31
Current assets:			
Cash, cash equivalents and cash held in trust	55,780	53,775	2,005
Other current assets	20,185	25,057	(4,872)
	\$ 5,478,852	\$ 5,042,037	\$ 436,815

Investment Properties and Investment Properties Under Development

The change in investment properties and investment properties under development is a result of the following:

	Investment properties	Investment properties under development	Total
Balance, December 31, 2013	\$ 4,851,877	\$ 47,281	\$ 4,899,158
Additions:			
Acquisitions	187,028	14,560	201,588
Capital expenditures	21,522	21,178	42,700
Leasing costs	8,240	1,146	9,386
Dispositions	(20,407)	-	(20,407)
Reclassification of investment properties under development	2,338	(2,338)	-
Foreign currency translation gain	97,707	1,089	98,796
Straight-line rent adjustment	4,655	22	4,677
Tenant inducement additions, net of amortization	8,816	510	9,326
Contingent consideration adjustment	(884)	-	(884)
Fair value gain (loss)	40,597	(1,766)	38,831
Balance, December 31, 2014	\$ 5,201,489	\$ 81,682	\$ 5,283,171

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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 December 31,		Year ended December 31,	
	2014	2013	2014	2013
Cash consideration	\$ 54,932	\$ 3,496	\$ 141,205	\$ 274,485
Long-term debt, including acquired above- and below-market mortgages, net of financing costs	20,159	13	60,383	223,479
Total	\$ 75,091	\$ 3,509	\$ 201,588	\$ 497,964

Capital expenditures:

Investment properties include certain capital expenditures related to sustaining building improvements not related to a specific lease or tenancy. Revenue enhancing capital expenditures increase the revenue generating potential of the property. Non-revenue enhancing capital expenditures primarily relate to exterior and interior upgrades, roof replacements, HVAC replacements and parking lot improvement. Recoverable capital expenditures are recoverable from tenants in future periods.

	Three month period ended December 31,		Year ended December 31,	
	2014	2013	2014	2013
Revenue enhancing	\$ 7,410	\$ 16,747	\$ 22,765	\$ 41,887
Recoverable from tenants	5,113	2,644	10,397	8,092
Non-recoverable	2,654	2,179	9,538	9,650
Total capital expenditures	\$ 15,177	\$ 21,570	\$ 42,700	\$ 59,629

Leasing costs and tenant inducements:

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 December 31,		Year ended December 31,	
	2014	2013	2014	2013
Tenant inducements	\$ 5,614	\$ 6,961	\$ 19,738	\$ 18,431
Leasing costs	3,266	2,516	9,386	8,472
Total	\$ 8,880	\$ 9,477	\$ 29,124	\$ 26,903

Dispositions:

During 2014, Artis sold an industrial property in the Greater Toronto Area, Ontario, an industrial property in the Twin Cities Area, Minnesota and a retail property located in the Greater Vancouver Regional District, British Columbia. The aggregate sale price of these properties was \$21,125. The cash proceeds, net of costs of \$718 and related debt of \$2,311, were \$18,096. These properties were sold as a result of unsolicited offers.

Foreign currency translation gain:

In 2014, the foreign currency translation gain on investment properties was \$98,796 (Q4-14 - \$40,992) due to the change in the year end US dollar to Canadian dollar exchange rate from 1.0636 at December 31, 2013 to 1.1601 at December 31, 2014.

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Fair value gain (loss) on investment properties:

In 2014, the REIT recorded a gain on the fair value of investment properties of \$38,831 (Q4-14 - gain of \$19,248). In 2013, the REIT recorded a gain of \$4,385 (Q4-13 - loss of \$56,588). The year-over-year increase in the fair value gain is primarily due to capitalization rates for Class B buildings in the Calgary downtown office market expanding through the latter part of 2013 and remaining relatively stable through 2014, as well as capitalization rate compression in the REIT's U.S. portfolio. From December 31, 2013 to December 31, 2014, the REIT reflected approximately 18 basis points of compression in the weighted-average capitalization rates across the U.S. portfolio. In comparison, from December 31, 2012 to December 31, 2013, the REIT reflected approximately seven basis points of compression in the weighted-average capitalization rates across the U.S. portfolio. The fair value gain for Q4-14 is primarily attributed to capitalization rate compression in the Saskatchewan retail segment and Alberta industrial market. The fair value loss for Q4-13 was primarily attributed to capitalization rate expansion in Class B buildings in the Calgary downtown office market, as well as adjustments to expected market rents and increases to forecasted capital expenditures and tenant inducements across the Canadian portfolio.

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 4.5% 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.

	December 31, 2014			December 31, 2013		
	Maximum	Minimum	Weighted-average	Maximum	Minimum	Weighted-average
Office:						
U.S.	8.50%	6.00%	6.85%	8.50%	6.00%	7.00%
Canada	8.00%	5.25%	6.19%	7.75%	5.25%	6.15%
Office total	8.50%	5.25%	6.34%	8.50%	5.25%	6.32%
Industrial:						
U.S.	8.00%	6.00%	6.88%	8.00%	6.50%	7.12%
Canada	7.75%	4.50%	6.33%	7.50%	5.75%	6.48%
Industrial total	8.00%	4.50%	6.50%	8.00%	5.75%	6.68%
Retail:						
U.S.	8.75%	6.00%	7.12%	8.75%	6.00%	7.28%
Canada	8.25%	5.50%	6.24%	7.50%	5.50%	6.31%
Retail total	8.75%	5.50%	6.29%	8.75%	5.50%	6.36%
Total:						
U.S. portfolio	8.75%	6.00%	6.88%	8.75%	6.00%	7.06%
Canadian portfolio	8.25%	4.50%	6.23%	7.75%	5.25%	6.26%
Total portfolio	8.75%	4.50%	6.37%	8.75%	5.25%	6.41%

Investments in Joint Ventures

At December 31, 2014, the REIT had \$98,072 invested in joint ventures, compared to \$42,434 at December 31, 2013. The increase is primarily due to the REIT acquiring an interest in and contributing cash to Park Lucero, Hudson's Bay Centre and Corridor Park during 2014.

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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 December 31, 2014 is \$20,748 compared to \$20,464 at December 31, 2013.

Cash and Cash Equivalents

At December 31, 2014, the REIT had \$49,807 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

	December 31, 2014	December 31, 2013	Increase (decrease)
Non-current liabilities:			
Mortgages and loans payable	\$ 1,868,857	\$ 2,006,614	\$ (137,757)
Senior unsecured debentures	199,527	-	199,527
Convertible debentures	189,573	181,282	8,291
Other non-current liabilities	1,144	81	1,063
Current liabilities:			
Current portion of mortgages and loans payable	393,197	280,983	112,214
Current portion of convertible debentures	-	3,982	(3,982)
Other current liabilities	97,249	84,848	12,401
Bank indebtedness	300	-	300
	\$ 2,749,847	\$ 2,557,790	\$ 192,057

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' secured mortgages and loans to GBV ratio at December 31, 2014 was 41.3%, compared to 45.4% at December 31, 2013.

	December 31, 2014	December 31, 2013
GBV	\$ 5,480,644	\$ 5,043,254
Secured mortgages and loans	2,262,054	2,287,597
Secured mortgages and loans to GBV	41.3 %	45.4 %
Preferred shares liability	\$ 300	\$ 81
Carrying value of debentures	389,100	185,264
Bank indebtedness	300	-
Total long-term debt and bank indebtedness	2,651,754	2,472,942
Total long-term debt and bank indebtedness to GBV	48.4 %	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 December 31, 2014, the ratio of total long-term debt, bank indebtedness and preferred units to GBV was 54.3%.

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Artis' unencumbered assets to senior unsecured debentures ratio was 3.3 times at December 31, 2014.

	December 31, 2014	December 31, 2013
Unencumbered assets ⁽¹⁾	\$ 664,792	\$ 227,668
Senior unsecured debentures	199,527	-
Unencumbered assets to senior unsecured debentures	3.3	-

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

Mortgages and Loans Payable

Mortgage financing:

Artis finances acquisitions in part through the arrangement or assumption of mortgage financing and consequently, the majority of the REIT's investment properties are pledged as security under mortgages and other loans. In 2014, \$58,603 (Q4-14 - \$14,798) of principal repayments were made compared to \$54,705 (Q4-13 - \$14,411) in 2013.

During 2014, long-term debt including acquired above- and below-market mortgages, net of financing costs, added on acquisitions of investment properties was \$60,383 (Q4-14 - \$20,159). The weighted-average interest rate on these mortgages was 2.60% and the weighted-average term to maturity was 4.1 years.

In 2014, Artis repaid 11 maturing mortgages in the amount of \$113,506. Artis received new and upward financing on four mortgages, net of financing costs, of \$37,139. The weighted-average interest rate on new mortgage financing obtained during the year was 2.96% and the weighted-average term to maturity was 6.2 years.

The weighted-average term to maturity on all mortgages and loans payable at December 31, 2014 is 3.9 years, compared to 4.3 years at December 31, 2013.

Unhedged 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. All of the REIT's variable rate mortgage 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 December 31, 2014, the REIT is a party to \$242,582 of unhedged variable rate mortgage debt compared to \$251,974 at December 31, 2013. This decrease is primarily due to new swaps on existing mortgages of \$41,148, repayment on three variable rate mortgages in the amount of \$38,863, and by principal repayments during the year of \$5,999 offset by new variable rate mortgage financing of \$56,369 and the effect of foreign exchange of \$20,249. The unhedged variable rate mortgage debt is 9.1% of total debt at December 31, 2014 compared to 10.2% at December 31, 2013.

Senior Unsecured Debentures

At December 31, 2014, the carrying value of the senior unsecured debentures was \$199,527, 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 and September 10, 2014.

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Convertible Debentures

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

				December 31, 2014		December 31, 2013	
	Issued	Maturity	Interest rate	Carrying value	Face value	Carrying value	Face value
Series D	30-Nov-07	30-Nov-14	5.00%	\$ -	\$ -	\$ 3,982	\$ 4,000
Series F	22-Apr-10	30-June-20	6.00%	85,180	86,170	85,034	86,170
Series G	21-Apr-11	30-June-18	5.75%	104,393	102,089	96,248	93,597
				\$ 189,573	\$ 188,259	\$ 185,264	\$ 183,767

The carrying value of convertible debentures has increased by \$4,309 from December 31, 2013. This increase is primarily due to foreign exchange on the Series G debentures offset by a \$2,500 redemption of Series D debentures on January 15, 2014 and the redemption of the remaining balance of the Series D debentures of \$1,500 for cash on December 1, 2014.

Other Current Liabilities

Included in other current liabilities are accounts payable and accrued liabilities, security deposits and prepaid rent, as well as accrued distributions payable to unitholders of \$12,929, of which \$12,266 was subsequently paid on January 15, 2015 and the remainder was paid on February 2, 2015. At December 31, 2014, there is no balance drawn on the REIT's unsecured revolving term credit facilities. Amounts drawn on the facilities bear interest at prime plus 0.70% or at the bankers' acceptance rate plus 1.70%. At December 31, 2014, there is a balance of \$300 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 \$244,758 between December 31, 2013 and December 31, 2014. The increase was primarily due to net income for the period of \$197,886, the issuance of units for \$141,855 and an unrealized foreign currency translation gain included in other comprehensive income of \$66,844. This increase was partially offset by distributions made to unitholders of \$162,305.

LIQUIDITY AND CAPITAL RESOURCES

In 2014, Artis generated \$204,705 of cash flows from operating activities. Cash flows from operations funded distributions to unitholders of \$161,463. Cash of \$58,603 was used for principal repayments on mortgages and loans.

Cash of \$71,824 was used for capital building improvements, tenant inducements and leasing costs in 2014.

At December 31, 2014, Artis had \$49,807 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.

On December 17, 2014, the REIT entered into two unsecured revolving term credit facilities in the aggregate amount of \$125,000, which can be utilized for general corporate and working capital purposes, short term financing of investment property acquisitions and the issuance of letters of credit. At December 31, 2014, the REIT had no balance drawn on the facilities.

At December 31, 2014, the REIT has 41 unencumbered properties and six unencumbered parcels of development land, representing a fair value of \$664,792.

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To its knowledge, Artis is not in default or arrears on any of its obligations, including distributions to unitholders, interest or principal payments on debt or any debt covenants for the year ended December 31, 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 cash on hand.

CONTRACTUAL OBLIGATIONS

	Total	Less than 1 year	1 - 3 years	4 - 5 years	After 5 years
Bank indebtedness	\$ 300	\$ 300	\$ -	\$ -	\$ -
Accounts payable and other liabilities ⁽¹⁾	71,751	71,751	-	-	-
Convertible debentures ⁽²⁾	188,259	-	-	102,089	86,170
Senior unsecured debentures ⁽²⁾	200,000	-	-	200,000	-
Mortgages and loans payable ⁽¹⁾	2,329,164	408,963	989,401	346,594	584,206
Total	\$ 2,789,474	\$ 481,014	\$ 989,401	\$ 648,683	\$ 670,376

⁽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 December 31, 2014, the REIT's schedule of mortgage maturities, inclusive of balances in the REIT's investments in joint ventures, is as follows:

Year ended December 31,	Debt maturities	% of total principal	Scheduled principal repayments on non- matured debt	Total annual principal repayments	Weighted- average nominal interest rate
2015	\$ 351,161	17.3 %	\$ 57,802	\$ 408,963	4.42 %
2016	366,110	18.1 %	49,088	415,198	3.91 %
2017	536,953	26.5 %	37,250	574,203	4.23 %
2018	153,731	7.6 %	23,627	177,358	3.67 %
2019	142,352	7.0 %	26,884	169,236	3.33 %
2020 & later	476,000	23.5 %	108,206	584,206	3.81 %
Total	\$ 2,026,307	100.0 %	\$ 302,857	\$ 2,329,164	4.00 %

Weighted-average term to maturity in years 3.9

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SUMMARIZED QUARTERLY INFORMATION

\$000's, except per unit amounts	Q4-14	Q3-14	Q2-14	Q1-14	Q4-13	Q3-13	Q2-13	Q1-13
Revenue	\$131,584	\$125,425	\$119,896	\$123,653	\$122,870	\$121,032	\$110,737	\$108,779
Property operating expenses	51,789	46,776	42,827	46,318	47,850	42,425	38,998	37,263
Net operating income	79,795	78,649	77,069	77,335	75,020	78,607	71,739	71,516
Other income (expenses):								
Corporate expenses	(2,682)	(2,467)	(2,582)	(2,530)	(2,704)	(2,322)	(2,354)	(2,333)
Interest expense	(27,668)	(26,946)	(27,342)	(26,590)	(26,443)	(26,223)	(25,308)	(24,641)
Interest income	442	464	521	391	412	507	624	483
Net (loss) income from investments in joint ventures	(4,104)	(472)	(165)	754	5,581	769	1,106	-
Fair value gain (loss) on investment properties	19,248	11,725	18,565	(10,707)	(56,588)	(2,886)	29,035	34,824
Foreign currency translation (loss) gain	(4,295)	(4,834)	(8,406)	(4,355)	(2,915)	1,353	(4,622)	(1,385)
Transaction costs	(844)	(162)	(1,396)	(88)	(314)	(299)	(3,589)	(1,483)
(Loss) gain on financial instruments	(3,281)	860	(2,792)	(3,224)	1,249	(528)	4,671	596
Net income (loss)	56,611	56,817	53,472	30,986	(6,702)	48,978	71,302	77,577
Other comprehensive income (loss):								
Unrealized foreign currency translation gain (loss)	25,466	32,513	(9,637)	18,502	14,563	(8,515)	14,783	6,269
Comprehensive income	\$ 82,077	\$ 89,330	\$ 43,835	\$ 49,488	\$ 7,861	\$ 40,463	\$ 86,085	\$ 83,846
Net income (loss) per unit attributable to common unitholders:								
Basic	\$ 0.38	\$ 0.39	\$ 0.37	\$ 0.21	\$ (0.09)	\$ 0.36	\$ 0.56	\$ 0.65
Diluted	\$ 0.37	\$ 0.38	\$ 0.36	\$ 0.21	\$ (0.09)	\$ 0.35	\$ 0.53	\$ 0.62
Secured mortgages and loans to GBV	41.3 %	41.4 %	42.8 %	44.1 %	45.4 %	45.0 %	45.4 %	46.1 %

The quarterly trend for revenues and property NOI has been impacted by acquisition and disposition activity, the impact of foreign exchange 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. Net 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 Net Income to FFO and AFFO

000's, except per unit amounts	Q4-14	Q3-14	Q2-14	Q1-14	Q4-13	Q3-13	Q2-13	Q1-13
Net income (loss)	\$ 56,611	\$ 56,817	\$ 53,472	\$ 30,986	\$ (6,702)	\$ 48,978	\$ 71,302	\$ 77,577
Add (deduct):								
Tenant inducements amortized into revenue	2,698	2,733	2,535	2,446	2,919	2,202	2,159	2,011
Fair value (gain) loss on investment properties	(19,248)	(11,725)	(18,565)	10,707	56,588	2,886	(29,035)	(34,824)
Foreign currency translation loss (gain)	4,295	4,834	8,406	4,355	2,915	(1,353)	4,622	1,385
Transaction costs on acquisitions	844	162	1,396	88	314	299	3,589	1,483
Adjustment for investments in joint ventures	5,123	1,405	1,085	(98)	(5,015)	(155)	(685)	-
Unrealized loss (gain) on financial instruments	3,281	(860)	2,792	3,224	(1,249)	528	(4,671)	(596)
Incremental leasing costs	472	246	275	331	-	-	-	-
Preferred unit distributions	(4,461)	(4,423)	(4,370)	(4,408)	(4,366)	(4,026)	(3,354)	(2,259)
FFO	\$ 49,615	\$ 49,189	\$ 47,026	\$ 47,631	\$ 45,404	\$ 49,359	\$ 43,927	\$ 44,777
Deduct:								
Lease termination income received from tenants	(73)	(21)	(82)	-	(219)	(3,972)	(545)	(1,748)
FFO after adjustments	\$ 49,542	\$ 49,168	\$ 46,944	\$ 47,631	\$ 45,185	\$ 45,387	\$ 43,382	\$ 43,029
FFO per unit								
Basic	\$ 0.36	\$ 0.36	\$ 0.36	\$ 0.37	\$ 0.36	\$ 0.39	\$ 0.36	\$ 0.39
Diluted	\$ 0.36	\$ 0.35	\$ 0.35	\$ 0.36	\$ 0.35	\$ 0.38	\$ 0.35	\$ 0.38
FFO per unit after adjustments								
Basic	\$ 0.36	\$ 0.36	\$ 0.36	\$ 0.37	\$ 0.36	\$ 0.36	\$ 0.36	\$ 0.37
Diluted	\$ 0.36	\$ 0.35	\$ 0.35	\$ 0.36	\$ 0.35	\$ 0.35	\$ 0.35	\$ 0.36
Weighted-average number of common units outstanding:								
Basic	136,055	135,563	131,098	127,369	126,728	126,207	121,467	115,050
Diluted ⁽¹⁾	146,600	146,245	141,773	138,034	137,322	136,880	132,338	125,903
FFO after adjustments	\$ 49,542	\$ 49,168	\$ 46,944	\$ 47,631	\$ 45,185	\$ 45,387	\$ 43,382	\$ 43,029
Add (deduct):								
Capital expenditures reserve	(1,344)	(1,280)	(1,225)	(1,256)	(1,247)	(1,230)	(1,121)	(819)
Leasing costs reserve	(5,373)	(5,121)	(4,901)	(5,023)	(4,987)	(4,923)	(4,482)	(4,097)
Straight-line rent adjustments ⁽²⁾	(1,232)	(1,062)	(1,165)	(1,358)	(1,200)	(1,643)	(1,344)	(1,440)
Unit-based compensation	378	403	386	473	489	455	440	443
AFFO	\$ 41,971	\$ 42,108	\$ 40,039	\$ 40,467	\$ 38,240	\$ 38,046	\$ 36,875	\$ 37,116
AFFO per unit								
Basic	\$ 0.31	\$ 0.31	\$ 0.31	\$ 0.32	\$ 0.30	\$ 0.30	\$ 0.30	\$ 0.32
Diluted	\$ 0.31	\$ 0.31	\$ 0.30	\$ 0.31	\$ 0.30	\$ 0.30	\$ 0.30	\$ 0.32
Weighted-average number of common units outstanding:								
Basic	136,055	135,563	131,098	127,369	126,728	126,207	121,467	115,050
Diluted ⁽³⁾	146,256	145,848	141,383	137,654	137,154	136,802	132,062	125,645

⁽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, foreign exchange and by lease termination income received from tenants during the period.

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RELATED PARTY TRANSACTIONS

	Three month period ended December 31,		Year ended December 31,	
	2014	2013	2014	2013
Property management fees	\$ 82	\$ 81	\$ 331	\$ 323
Capitalized leasing commissions	17	15	96	49
Capitalized project management fees	1	22	15	27
Capitalized building improvements	3,039	930	7,881	3,656
Capitalized development projects	4,071	4,514	13,263	25,809
Capitalized office furniture and fixtures	344	47	758	513
Capitalized tenant inducements	1	346	498	1,109
Property tax assessment consulting fees	19	183	385	274
Rental revenues	(42)	(42)	(168)	(168)

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 December 31, 2014 is \$29 (December 31, 2013, \$27).

The REIT incurred costs for building improvements, development projects and tenant inducements paid to Marwest Construction Ltd. ("Marwest Construction") and Marwest Development Corporation, companies related to certain trustees and officers of the REIT. The amount payable at December 31, 2014 is \$3,253 (December 31, 2013, \$1,161).

The REIT incurred costs for office furniture and fixtures paid to Marwest Construction. The amount payable at December 31, 2014 is \$45 (December 31, 2013, \$nil).

The REIT incurred costs for property tax assessment consulting paid to Fairtax Realty Advocates, a company under control of close family members of key management personnel. The amount payable at December 31, 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 February 26, 2015 is as follows:

Units outstanding at December 31, 2014	136,284,463
Units issued (DRIP)	316,754
Units issued on exercise of options	125,500
Units issued on settlement of restricted units	413
Units outstanding at February 26, 2015	<u>136,727,130</u>

The balance of options outstanding as of February 26, 2015 is as follows:

	Options outstanding	Options exercisable
\$13.30 options, issued September 10, 2010	164,500	164,500
\$13.44 options, issued October 15, 2010	221,750	221,750
\$14.10 options, issued June 17, 2011	817,500	590,250
\$16.36 options, issued April 13, 2012	1,517,500	758,750
	<u>2,721,250</u>	<u>1,735,250</u>

The balance of restricted units outstanding as of February 26, 2015 is 277,082. None of these restricted units have vested.

The balance of deferred units outstanding as of November 6, 2014 is 3,599. All of these deferred units have vested, but are not yet redeemable.

As of February 26, 2015, 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 dated February 3, 2015, real GDP in Canada is forecast to grow 1.9% in 2015. Forecasted GDP growth for Manitoba, British Columbia and Ontario is 2.4%, 2.4% and 2.6% respectively, which are well above the Canadian average. GDP growth forecasts for Saskatchewan and Alberta, 1.0% and 0.9% respectively, have weakened from former predictions as a result of the recent decline in oil prices. We anticipate occupancy and rents in these markets (primarily the office market) will be impacted in the short-to-medium term, while conversely, non-resource based economies will be positively impacted by increased household spending. In addition, we expect the weaker Canadian dollar will have a positive impact on the manufacturing sector, and on Canadian exports in general.

Real GDP in the U.S. is forecast to grow 3.1% in 2015; national year-over-year unemployment at December 31, 2014 decreased to 5.6% from 6.7%. Year-over-year unemployment statistics at December 31, 2014 for Artis' key U.S. markets are as follows: Twin Cities Area, 3.4% (from 4.5%); the Greater Phoenix Area, 5.9% (from 6.5%); and Denver, 4.0% (from 6.0%). The US economy has experienced significant recovery over the last year; with this recovery and the resulting strengthening of the US dollar, GDP growth expectations, and decline in unemployment rates, we anticipate there is further growth potential that will be realized in 2015. For the three month period ended December 31, 2014, 25.1% of Artis' Property NOI including joint ventures, is derived from the U.S.

Many real estate investment trusts are trading at a discount to their consensus net asset value (NAV), and consequently there have been fewer new equity issues by REITs over the last year. Recent volatility in markets that are driven by or affected by oil prices have had an adverse impact on investor confidence towards real estate investment trusts with exposure to these markets. Artis management remains cautiously optimistic about our presence in these markets, and believe the market reaction is disproportionate relative to the risk, specifically as it relates to Artis' exposure to these markets. Nonetheless, investors continue to favour yield products like real estate investment trusts, and management anticipates unit prices will normalize in the medium term to values closer to consensus NAV estimates.

Artis continues to maintain its Investment Grade Credit Rating, BBB(low) with a Stable trend, from Dominion Bond Rating Service ("DBRS"). DBRS has also assigned a rating of Pfd-3(low) with a Stable trend to Artis' preferred units. Management anticipates, with this Investment Grade Credit Rating, the debt and equity markets will be receptive to new financing in 2015. Management further predicts interest rates will remain low in the short- to medium term, with long-term interest rate increases coming at a slow, methodical pace and well-communicated by the central banks. Given today's low interest rates in both Canada and the U.S., Artis continues to view this as 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 remained stable in recent months with a bias toward capitalization rate compression. Looking ahead, management does not expect there will be significant changes in capitalization rates in its target markets, but given the amount of capital seeking to invest in commercial real estate, the bias toward capitalization rate compression should continue. Artis will selectively pursue accretive acquisition opportunities in its target markets in Canada and the U.S. in 2015, and when prudent, invest in high-yield development opportunities in those markets.

Management anticipates that, despite the impact of the recent decline in oil prices and the ensuing impact on certain oil affected markets, overall real estate fundamentals in Canada and the U.S. will remain stable in 2015 and that Artis' properties will perform in line with the moderate growth expectations within its target markets. Artis 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.

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SUBSEQUENT EVENTS

As at December 31, 2014, Artis had \$49,807 of cash and cash equivalents on hand and \$125,000 available on the revolving term credit facilities. Subsequent to December 31, 2014, the following transactions took place:

- On January 14, 2015, the REIT refinanced a maturing mortgage on an industrial property, obtaining additional financing of \$2,107.
- On January 15, 2015, the REIT declared a monthly distribution of \$0.09 per unit for January 2015.
- On January 15, 2015, the REIT declared a quarterly cash distribution of \$0.3125 per Series G Unit for the quarter ending January 31, 2015.
- On January 29, 2015, the REIT drew \$10,000 on its revolving term credit facility.
- On February 2, 2015, the REIT repaid two maturing mortgages in the amount of \$12,166.
- On February 15, 2015, the REIT declared a monthly distribution of \$0.09 per unit for February 2015.
- On February 23, 2015, the REIT refinanced a maturing mortgage on an industrial property, obtaining additional financing of \$6,401.

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 facilities, mortgages and 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. 71.9% of the REIT's mortgages and loans payable bear interest at fixed rates, and a further 17.4% of the REIT's mortgages and loans payable bear interest at variable rates with interest rate swaps in place. At December 31, 2014, the REIT is a party to \$637,842 of variable rate debt, including bank indebtedness (December 31, 2013, \$575,463). At December 31, 2014, the REIT had entered into interest rate swaps to hedge the interest rate risk associated with \$394,960 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 41.3%, down from 45.4% at December 31, 2013. Approximately 17.3% of Artis' maturing mortgage debt, inclusive of included in the REIT's investment in joint ventures, comes up for renewal in 2015, and 18.1% in 2016. Management is in discussion with various lenders with respect to the renewal or refinancing of the 2015 and 2016 mortgage maturities.

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CREDIT RISK AND TENANT CONCENTRATION

Artis is exposed to risks relating to tenants that may be unable to pay their contracted rents. Management mitigates this risk by seeking to acquire properties across several asset classes and geographical regions. As well, management seeks to acquire properties with strong tenant covenants in place. Artis' portfolio includes 2,184 tenant leases with a weighted-average term to maturity of 4.4 years. Approximately 61.7% of the REIT's gross revenue is derived from national or government tenants. As indicated below, the largest tenant by gross revenue is MTS Allstream Inc., a subsidiary of Manitoba Telecom Services Inc. which is 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 2014 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.	1.9 %	322	1.3 %	8.2
AMEC Americas Ltd.	1.8 %	200	0.8 %	0.7
DirecTV, LLC	1.3 %	257	1.0 %	10.5
Shoppers Drug Mart	1.0 %	173	0.7 %	7.0
TransAlta Corporation	1.0 %	336	1.3 %	8.4
Bellatrix Exploration Ltd.	1.0 %	94	0.4 %	9.1
Telvent Canada Ltd.	1.0 %	98	0.4 %	8.7
CB Richard Ellis, Inc.	0.9 %	119	0.5 %	3.8
TD Canada Trust	0.9 %	128	0.5 %	5.6
Stantec Consulting, Ltd.	0.8 %	98	0.4 %	8.0
IHS Global Canada Ltd.	0.8 %	78	0.3 %	4.0
Home Depot	0.8 %	158	0.6 %	7.6
Sobeys	0.8 %	190	0.8 %	6.2
Canada Institute for Health Info.	0.8 %	92	0.4 %	10.7
PMC Sierra, Inc.	0.8 %	134	0.5 %	1.8
Fairview Health Services	0.7 %	179	0.7 %	8.7
Bell Canada	0.7 %	80	0.3 %	1.6
Birchcliff Energy	0.7 %	59	0.2 %	2.9
Cara Operations Limited	0.7 %	100	0.4 %	14.0
3M Canada Company	0.7 %	319	1.3 %	5.3
Total	19.1%	3,214	12.8%	6.8

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	2.1 %	7.9
Provincial Government	2.8 %	467	1.9 %	3.5
Civic or Municipal Government	0.5 %	131	0.5 %	12.1
Total	6.7 %	1,139	4.5 %	6.6

Weighted-average term to maturity (entire portfolio)

4.4

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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	
2015	3.7 %	0.7 %	2.9 %	0.9 %	1.9 %	1.6 %	4.2 %	0.3 %	14.6 %
2016	3.9 %	0.9 %	1.7 %	0.3 %	2.8 %	1.2 %	4.9 %	0.2 %	14.7 %
2017	2.0 %	0.9 %	1.6 %	0.9 %	2.4 %	1.0 %	3.4 %	1.2 %	12.4 %
2018	2.6 %	0.5 %	2.2 %	0.6 %	0.6 %	0.9 %	2.0 %	0.9 %	9.4 %
2019	3.1 %	0.9 %	0.7 %	0.3 %	1.7 %	0.8 %	2.1 %	0.5 %	9.3 %
2020	1.0 %	0.2 %	0.3 %	0.1 %	1.6 %	0.1 %	1.4 %	1.0 %	5.6 %
2021 & later	7.9 %	2.2 %	3.6 %	2.1 %	2.1 %	3.6 %	4.9 %	3.0 %	25.8 %
Month-to-month	0.1 %	0.1 %	0.1 %	0.0 %	0.1 %	0.0 %	0.2 %	0.0 %	0.6 %
Vacant	1.1 %	0.2 %	0.9 %	0.4 %	0.6 %	0.6 %	1.8 %	0.2 %	5.2 %
Properties in re-development	0.0 %	0.2 %	1.0 %	0.0 %	1.2 %	0.0 %	0.0 %	0.0 %	2.4 %
Total	25.4 %	6.8 %	15.0 %	5.6 %	15.0 %	9.8 %	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, Twin Cities Area industrial properties and the Winnipeg office 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 year ended December 31, 2013 and the year ended December 31, 2014. 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 operates in the United States through two U.S. REITs (Artis US Holdings, Inc and Artis US Holdings II, LLC), which are 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

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

VALUATION OF INVESTMENT PROPERTIES

Investment properties include properties held to earn rental income and properties that are being constructed or developed for future use as investment properties. Investment properties are measured at fair value with any changes therein recognized in net income or loss for the period. Artis determines the fair value of investment properties based upon either the discounted cash flow method or the overall capitalization method. Under the discounted cash flow method, expected future cash flows for each investment property were discounted, generally over a term of 10 years, using weighted-average rates of approximately 7.60% at December 31, 2013 and 7.55% at December 31, 2014. Expected future cash flows for each investment property have been based upon, but not limited to, rental income from current leases, budgeted and actual expenses, and assumptions about rental income from future leases. Under the overall capitalization method, year one income was stabilized and capped at weighted-average capitalization rates of approximately 6.41% at December 31, 2013 and 6.37% at December 31, 2014.

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

VALUATION OF DEFERRED TAX ASSETS AND LIABILITIES

The REIT currently qualifies as a mutual fund trust for Canadian income tax purposes. On June 22, 2007, new legislation relating to, among other things, the federal income taxation of a specified investment flow-through trust or partnership (a "SIFT") was enacted (the "SIFT Rules"). The REIT has reviewed the SIFT Rules and has assessed their interpretation and application to the REIT's assets and revenues. While there are uncertainties in the interpretation and application of the SIFT Rules, the REIT believes it has met the REIT conditions throughout the year ended December 31, 2013 and the year ended December 31, 2014.

ALLOCATION OF CONVERTIBLE DEBENTURES

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

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CHANGES IN ACCOUNTING POLICIES

New or Revised Accounting Standards 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. The adoption of 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. The adoption of 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 amendment will result in a material impact on the consolidated financial statements.

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 amendment.

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 IASB 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 amendment.

The final version of IFRS 9 - Financial Instruments ("IFRS 9") was issued by the IASB in July 2014 and will replace IAS 39 - Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 establishes principles for the recognition, classification and measurement of financial assets and liabilities. IFRS 9 sets out 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. This approach is based on how an entity manages its financial instruments and the contractual cash flow characteristics of its financial assets. IFRS 9 retains most of the IAS 39 requirements for financial liabilities. The most significant change is 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.

CONTROLS AND PROCEDURES

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The REIT's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Management is responsible for establishing and maintaining adequate internal controls over financial reporting.

All control systems have inherent limitations, and evaluation of a control system cannot provide absolute assurance that all control issues have been detected, including risks of misstatement due to error or fraud. As a growing enterprise, management anticipates that the REIT will be continually evolving and enhancing its systems of controls and procedures.

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On December 15, 2014, the REIT adopted the "Internal Control – Integrated Framework (COSO 2013 Framework) published by the Committee of Sponsoring Organizations of the Treadway Commission. The Chief Executive Officer and Chief Financial Officer evaluated, or caused to be evaluated, the effectiveness of the REIT's internal controls over financial reporting (as defined in NI 52-109). Based on this evaluation, the CEO and CFO have concluded that, as at December 31, 2014, our internal control over financial reporting was effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS. No material weaknesses in our internal control over financial reporting were identified.

DISCLOSURE CONTROLS AND PROCEDURES

The REIT's disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by the REIT is recorded, processed, summarized and reported within the time periods specified under Canadian securities laws, and include controls and procedures that are designed to ensure that information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

As of December 31, 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 have concluded that the REIT's disclosure controls and procedures were effective as at December 31, 2014.