

2008 ANNUAL REPORT 
PROPERTIES OF SUCCESS

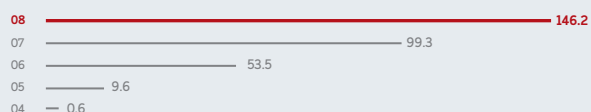


IN A FEW SHORT YEARS, WE HAVE
BUILT ARTIS INTO A **PROMINENT**
CANADIAN REAL ESTATE
INVESTMENT TRUST.

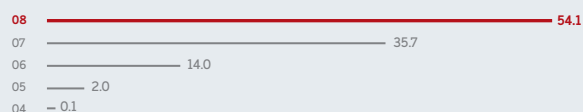


GROWTH HIGHLIGHTS 2004-2008

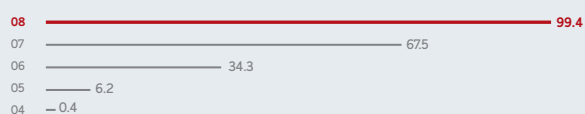
REVENUES ⁽¹⁾ (\$ millions)



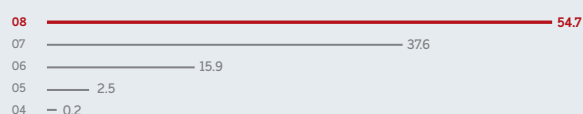
FUNDS FROM OPERATIONS (\$ millions)



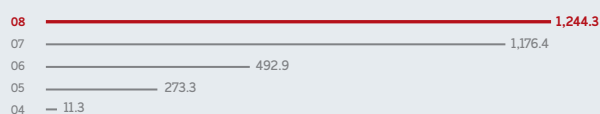
PROPERTY NOI ⁽¹⁾ (\$ millions)



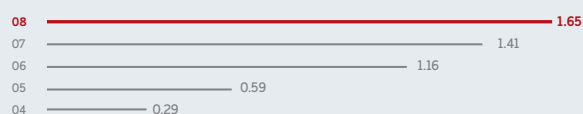
DISTRIBUTABLE INCOME (\$ millions)



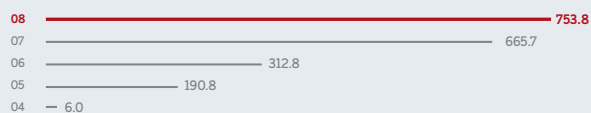
TOTAL ASSETS (\$ millions)



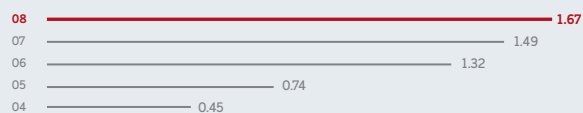
FUNDS FROM OPERATIONS (\$ per unit)



LONG-TERM DEBT AND BANK INDEBTEDNESS (\$ millions)



DISTRIBUTABLE INCOME (\$ per unit)



(1) From continuing and discontinued operations

2008 FINANCIAL HIGHLIGHTS

(\$000's, except unit and per unit amounts)		Year ended December 31	
	2008		2007
Revenues	\$ 142,976	\$	97,708
Property NOI	\$ 97,731	\$	66,657
Income from discontinued operations	\$ 115	\$	1,944
Income (loss) and comprehensive income (loss) for the year	\$ (6,790)	\$	6,157
Basic income (loss) per unit			
Continuing operations	\$ (0.22)	\$	0.17
Discontinued operations	\$ (0.01)	\$	0.08
Distributions	\$ 35,123	\$	27,106
Distributions per unit	\$ 1.07	\$	1.05
FFO	\$ 54,136	\$	35,670
FFO per unit	\$ 1.65	\$	1.41
FFO payout ratio	64.8%		74.5%
DI	\$ 54,706	\$	37,638
DI per unit	\$ 1.67	\$	1.49
DI payout ratio	64.1%		70.5%
Total assets	\$ 1,244,286	\$	1,176,448
Total long-term debt and bank indebtedness	\$ 753,775	\$	665,728
Gross book value	\$ 1,374,377	\$	1,247,047
Debt to gross book value	54.8%		53.4%

Artis REIT trades on the Toronto Stock Exchange under the symbol AX.UN





Armin Martens
President & CEO

In the backdrop of economic uncertainty, fiscal 2008 was our most successful year to date. As a result of strong growth in same property net operating income and a streamlined acquisition program, Artis achieved exceptional growth. Our portfolio increased from approximately 6 million to 6.6 million square feet of gross leasable area (GLA) by year end. Our gross book value of assets increased from approximately \$1.25 billion at the start of the year to \$1.37 billion at December 31, 2008.

In 2008 we continued to deliver solid improvements in our financial results. Year over year revenues increased from \$99.3⁽¹⁾ million to \$146.2⁽¹⁾ million. Year over year property net operating income ("Property NOI") increased from \$67.5⁽¹⁾ million to \$99.4⁽¹⁾ million. We consider funds from operations (FFO) per unit and distributable income (DI) per unit to be key performance indicators. In 2008 our FFO per unit increased to \$1.65, an impressive 17% increase from 2007 while our DI per unit increased by 12.1% over the previous year to end at \$1.67. Our balance sheet remains strong with a total mortgage debt to gross book value of 51.6% at year end, and our distribution payout ratio improved to just 64.8% of FFO.

Artis REIT strives to produce a stable and growing stream of cash distributions for our Unitholders from the ownership and management of high quality office, retail and industrial properties in primary and growing secondary markets in western Canada. Today, all Artis properties are located in primary western Canadian markets, namely Winnipeg, Regina, Saskatoon, Calgary, Edmonton, and metro Vancouver; as well as in growing secondary markets such as Vancouver Island, Red Deer, Grand Prairie and Fort McMurray. We are focused in the western Provinces as key economic fundamentals and positive demographics continue to outperform the rest of Canada and most submarkets in North America. Notwithstanding the current economic environment, we believe this focus will continue to provide our investors with a unique opportunity to realize the benefits of investing in the real estate market.

(1) From continuing and discontinued operations



2008 Acquisition Program

Our disciplined and focused acquisition program has been a significant driver of growth to date.

In 2008, Artis completed \$116.6 million of acquisitions, comprising nine commercial properties in western Canada.

	Office		Retail		Industrial		Total	
	# of Properties	(000's of Sq. Ft.)	# of Properties	(000's of Sq. Ft.)	# of Properties	(000's of Sq. Ft.)	# of Properties	(000's of Sq. Ft.)
Portfolio properties at December 31, 2007	24	2,652	31	1,828	25	1,584	80	6,064
Total 2008 Acquisitions	2	61	6	243	1	154	9	458
Millenium Expansion	–	40	–	–	–	–	–	40
Portfolio properties at December 31, 2008	26	2,753	37	2,071	26	1,738	89	6,562

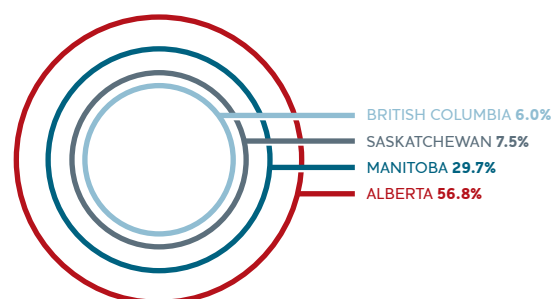
We are pleased to report that in 2008 we continued to find opportunities to acquire properties with strong embedded growth and quality tenant profiles in our target markets. These included properties such as the Maynard Technology Centre, a multi-tenant flex office/telecom building with national tenants such as Bell Canada, Siemens Canada and Q9 Networks, and the King Edward Centre, a retail and office property located in Coquitlam, British Columbia. Our portfolio provides a significant opportunity to realize substantial embedded growth. We estimate that our average in-place rent rates at December 31, 2008 were approximately 20% below current market rents. We are confident that we can continue to achieve significant growth in revenues and net operating income as we renew expiring leases at higher rental rates.

Artis' Properties by GLA

By Asset Class



By Province

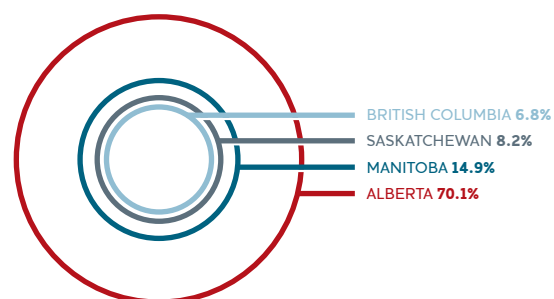


Artis' Properties by Property NOI

By Asset Class



By Province



(right) Millennium Centre, Red Deer, Alberta
(inset) Millennium Centre under construction



MESSAGE FROM THE PRESIDENT AND C.E.O.

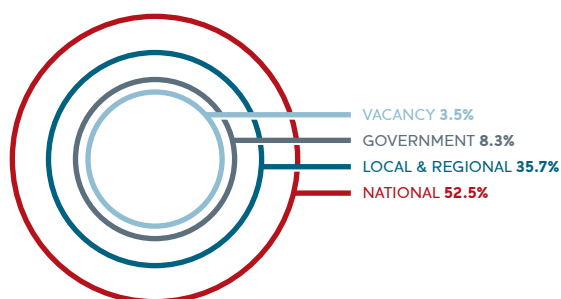


Artis' Top Tenants

Tenant	% of Portfolio Leaseable Sq. Ft.
TransAlta Corp	5.1%
Red River Packaging	3.0%
Reliance Products	2.7%
AMEC	2.6%
Sobeys	2.3%
Shoppers Drug Mart	1.6%
Sears	1.6%
Credit Union Central	1.3%
Bell Canada	1.2%
MTS Allstream	1.2%
Komunik	1.2%
JYSK	1.1%
Cineplex Odeon	1.0%
The Brick	1.0%
BW Technologies (Honeywell)	0.9%
Birchcliff Energy	0.9%
Komex International	0.8%
Rosedale Transport	0.8%
Metro Waste Paper Recycling	0.8%
Portage Cartage	0.8%
	31.9%

Government Tenants	% of Portfolio Leaseable Sq. Ft.
Federal Government	3.0%
Provincial Government	4.1%
Civic or Municipal Government	1.3%
	8.4%

Portfolio Tenant Mix by GLA



Internal Growth in 2008

Acquisition-driven growth is only one part of our success to date. Internal growth, achieved from rental rate increases and the active management of our portfolio, has evolved into one of our most significant sources of growth for our Unitholders. Our leasing program was highly effective in 2008 as we surfaced significant embedded value from our portfolio, resulting in solid growth in all of our key performance metrics.

- Occupancy rates across the portfolio remain healthy at 96.5% at the close of 2008 (97.4% including committed space). These results account for the 40,000 square feet of newly developed space at the Millennium Centre in Red Deer, Alberta, as unoccupied; lease commitments for over 36,000 square feet of that space are already in place.
- Year-over-year same Property NOI growth increased an impressive 7.9% as a result of positive absorption of space in the properties and rate increases achieved on lease rollovers.
- In 2008, over 923,000 square feet of office space expired; the weighted-average in place rental rate at expiry was \$11.27. The weighted-average rental rate achieved on new lease renewals was \$16.46, representing an increase of 46.1%.

	Expiring GLA (000's of Sq. Ft.)	Increase in Weighted-Average Rental Rates
Q1-08	183	20.9%
Q2-08	142	7.8%
Q3-08	437	74.2%
Q4-08	161	45.8%

Developments and Dispositions

We continue to selectively pursue new project development opportunities. Additional new development opportunities exist within our current portfolio that will serve to improve the overall internal rate of return for our investors. One example is the two-storey, 40,000 square foot addition to the Millennium Building in Red Deer, Alberta, that was completed in 2008 and is expected to achieve an unlevered yield of 10%.

From time to time we have disposed of non-core properties, realizing gains on those dispositions. In 2009 we will continue to assess our portfolio properties on an on-going basis for opportunities such as these, where capital can be recycled and reinvested when opportunities arise.



The Outlook: Disciplined Management in Uncertain Times

An economic recession is upon us, but we remain confident the economy and the capital markets will begin to recover by the end of this year.

In light of the current economic challenges, Artis is fortunate to be entering 2009 on a solid foundation. We have a quality portfolio of properties, profitable operations, and a strong financial position. We are operating well within our debt capacity and have significant room available on our line of credit to pursue further accretive acquisitions. We also continue to enjoy an outstanding embedded growth profile. At December 31, 2008, market rental rates on our 2009 lease maturities were estimated to be approximately 22% higher than rates in place at expiry.

Correspondingly, from a risk management perspective we note that only 12.5% of Artis's portfolio of leases come up for renewal in 2009 and approximately 42.6% have already been renewed at higher rental rates. Also, only 5.4% of our mortgages are due in 2009.

In a few short years we have built Artis into a prominent Canadian real estate investment trust. We have delivered four successive years of improved financial performance – increasing our DI and FFO per unit results while reducing our debt leverage and payout ratios. This exceptionally strong performance demonstrates the strength and viability of our business model. It also indicates the business acumen of our management, the wise counsel of our Board of Trustees, the diligence of our staff and the confidence placed in Artis REIT by our Unitholders. I sincerely thank them all and look forward to reporting further positive achievement of the REIT's objectives in 2009.

Armin Martens
President & CEO
Artis REIT

(left to right) Armin Martens, Kirsty Stevens, Jim Green, Douglas McGregor, Cornelius Martens, Douglas Hare, Dennis Wong



▶ OFFICE 42.0% OF GLA



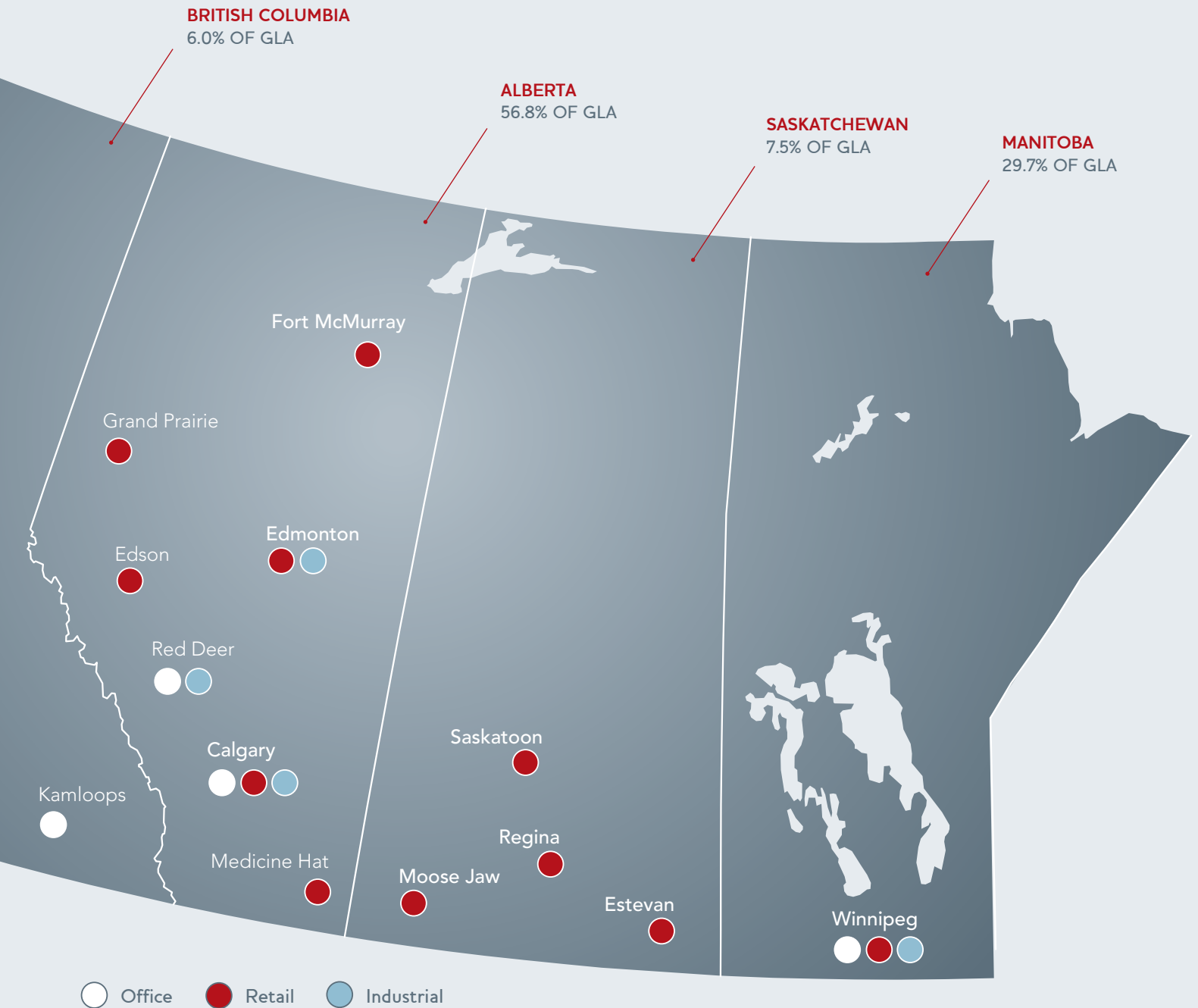
▶ RETAIL 31.5% OF GLA



▶ INDUSTRIAL 26.5% OF GLA



▶ PORTFOLIO ASSETS AS AT DECEMBER 31, 2008



Audit Committee

The Audit Committee is charged with the responsibility for oversight of the annual audit, management's reporting on internal controls, annual and interim financial reporting and the review and recommendation for approval of financial

statements and other public disclosures of a financial nature. All of the committee's members are independent of management; the committee is chaired by Mr. Crewson, FCA.

Corporate Governance and Compensation Committee

The Corporate Governance and Compensation Committee is charged with responsibility for the development of effective corporate governance practices, including matters related to trust stewardship, board size and composition, and trustees' remuneration. The Committee is also responsible for management's remuneration, unit option plans and succession planning. All of the committee's members are independent of management; the committee is chaired by Mr. Warkentin, Chairman of Artis.

The Governance and Compensation Committee has established a sub-committee called the Disclosure Committee. The Disclosure Committee is comprised of the President and CEO of Artis, the Chairman of Artis and the Chief Financial Officer of Artis. The subcommittee has adopted a disclosure policy to address, among other things, the timely and accurate public dissemination of material information and the protection of confidential information.

Investment Committee

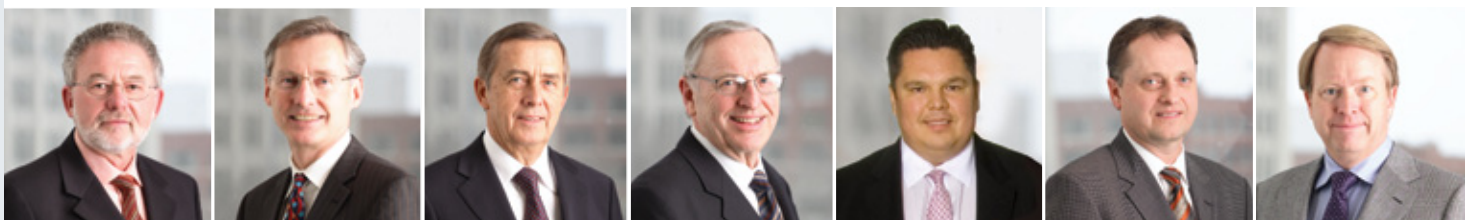
The Investment Committee is responsible for reviewing all proposals regarding investments, dispositions and financings of Artis, and making recommendations to the board with a view to achieving the strategic objective of acquiring a portfolio of quality assets and delivering the benefits of such asset ownership to Unitholders. All of the committee's

members are independent of management. The Investment Committee operates within the detailed investment and operating policies set out in the REIT's Declaration of Trust. The committee is chaired by Mr. Townsend.

Asset Management Special Committee

The Asset Management Special Committee ("AMSC") was established to review the existing asset management arrangements between Artis and its external asset manager, Marvest Management Canada Ltd., and consider the financial and non-financial impacts of internalization. A primary objective of the AMSC is to assist the Board

in ensuring quality and cost effective management of the assets of Artis that will result in maintaining and enhancing Unitholder value. All of the AMSC's committee members are independent of management; the AMSC is chaired by Mr. Warkentin, Chairman of Artis.



Edward Warkentin⁽²⁾⁽³⁾⁽⁴⁾
TRUSTEE
CHAIRMAN

Armin Martens
TRUSTEE
PRESIDENT & CEO

Cornelius Martens
TRUSTEE
EXECUTIVE VICE PRESIDENT

Delmore Crewson⁽¹⁾⁽³⁾⁽⁴⁾
TRUSTEE

Allan McLeod⁽¹⁾⁽²⁾⁽⁴⁾
TRUSTEE

Victor Thielmann⁽¹⁾⁽²⁾⁽⁴⁾
TRUSTEE

Wayne Townsend⁽¹⁾⁽³⁾
TRUSTEE

- (1) Member of Audit Committee
- (2) Member of Governance and Compensation Committee
- (3) Member of Investment Committee
- (4) Member of Asset Management Special Committee

**Management**

Armin Martens, P.Eng., M.B.A.
President and Chief Executive Officer

Cornelius Martens, P.Eng.
Executive Vice President

Jim Green, CA
Chief Financial Officer

Kirsty Stevens, CMA
Senior Vice President

Douglas McGregor
Vice President – Leasing

Dennis Wong, CFA
Vice President – Portfolio Manager

Douglas Hare, CA
Corporate Controller

Head Office

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Winnipeg, Manitoba, R3C 3Z3
Phone 204.947.1250
Fax 204.947.0453
info@artisreit.com

Trading Symbols

Toronto Stock Exchange
AX.UN – Units
AX.DB.A – Series A Convertible Debentures
AX.DB.B – Series B Convertible Debentures
AX.DB.C – Series C Convertible Debentures

Transfer Agent

CIBC Mellon Trust Company
Phone 416.643.5500 or 1.800.387.0825
(Toll free throughout North America)
Fax 416.643.5501
inquiries@cibcmellon.ca

Auditors

KPMG LLP

Legal Counsel

Aikins, MacAulay & Thorvaldson LLP

Principal Banker

Scotiabank

Investor Relations

Kirsty Stevens, CMA
Senior Vice President
Phone 204.947.1250
Fax 204.947.0453
kstevens@artisreit.com

Fiscal 2008 Monthly Distributions

January	\$ 0.0875
February	\$ 0.0875
March	\$ 0.0875
April	\$ 0.0875
May	\$ 0.0900
June	\$ 0.0900

July	\$ 0.0900
August	\$ 0.0900
September	\$ 0.0900
October	\$ 0.0900
November	\$ 0.0900
December	\$ 0.0900

**Annual General Meeting**

Conference Centre
Main Floor – 360 Main Street
Winnipeg, Manitoba
Thursday, May 14th, 2009
3:00pm (CST)





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