



2009 ANNUAL REPORT

PROPERTIES OF
SUCCESS

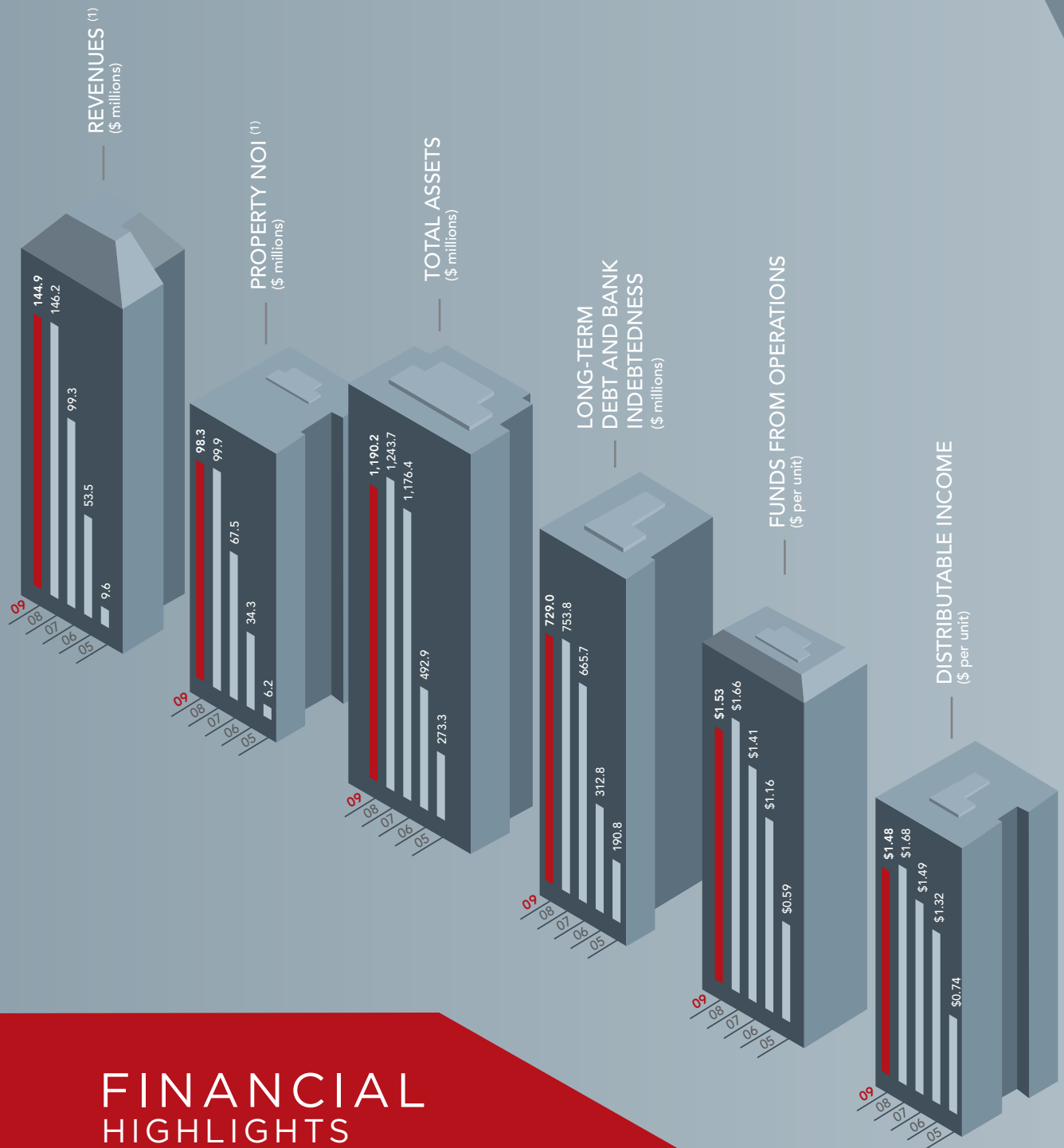


DIVERSIFICATION.

DEDICATION.

DISCIPLINE.

Message from the President and C.E.O.	1
Portfolio Summary	10
Corporate Governance	12
Corporate Information	13



FINANCIAL HIGHLIGHTS

2005 - 2009

(1) From continuing and discontinued operations

2009

FINANCIAL HIGHLIGHTS

(\$000's, except unit and per unit amounts)	Year ended December 31	
	2009	2008 ⁽²⁾
Revenues	\$ 136,853	\$ 131,632
Property NOI	\$ 93,363	\$ 91,081
Income (loss) and comprehensive income (loss) for the year	\$ (9,189)	\$ (6,952)
Basic income (loss) per unit		
Continuing operations	\$ (0.71)	\$ (0.22)
Discontinued operations	\$ 0.44	\$ –
Distributions	\$ 36,998	\$ 35,123
Distributions per unit	\$ 1.08	\$ 1.07
FFO	\$ 52,353	\$ 54,600
FFO per unit	\$ 1.53	\$ 1.66
FFO payout ratio	70.6%	64.5%
DI	\$ 50,690	\$ 55,170
DI per unit	\$ 1.48	\$ 1.68
DI payout ratio	73.0%	63.7%
Total assets	\$ 1,190,209	\$ 1,243,693
Total long-term debt and bank indebtedness	\$ 728,995	\$ 753,775
Gross book value	\$ 1,356,994	\$ 1,374,377
Debt to gross book value	53.7%	54.8%

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



(2) Results from 2008 have been restated to conform with 2009 GAAP.

2009 was a year of significant change and growth for Artis.

As the year opened, global economies, including the Canadian economy, were working through a recessionary period. With dedication and discipline, we met the challenges of the times. In the early part of 2009, we took the opportunity to reposition our portfolio through selective property dispositions. When access to the capital markets improved in the second half of 2009, we successfully raised new capital for growth. We further diversified our portfolio by deploying these proceeds into new accretive acquisitions. By the end of 2009, Artis' portfolio measured over 6.8 million square feet of gross leasable area (GLA) in 96 income-producing properties and total assets measured nearly \$1.2 billion.



ARMIN MARTENS PRESIDENT & C.E.O.

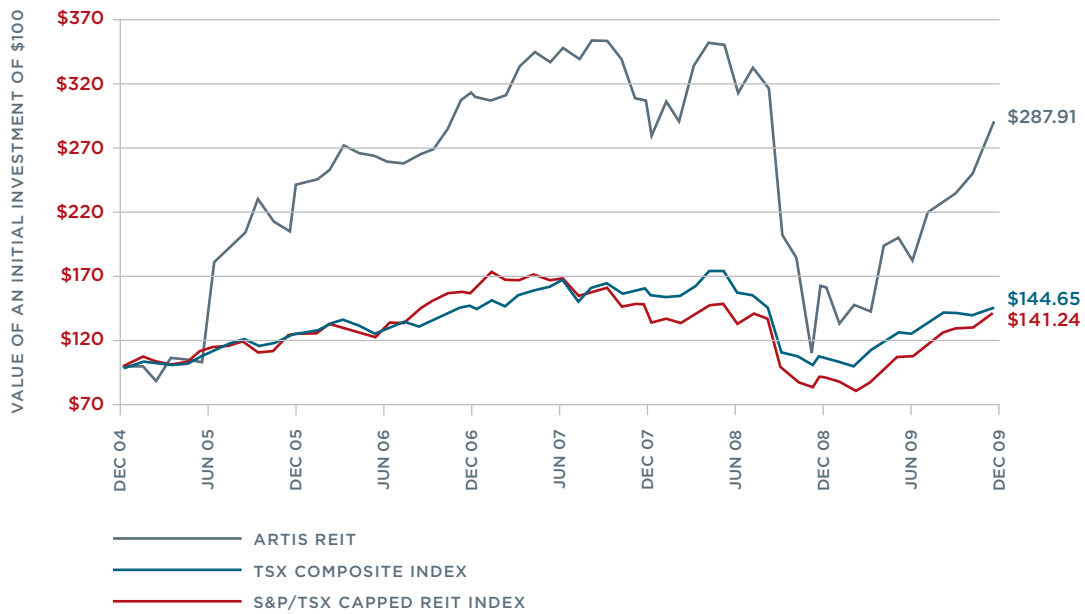
MESSAGE FROM THE PRESIDENT AND C.E.O.

Artis' continuing operations performed well in fiscal 2009, in spite of the challenges that a slowing economy presented for landlords and tenants alike. We increased revenues 4.0% and property net operating income ("NOI") 2.5%. Growth in revenues and property NOI were driven in large part by prudent acquisition decisions made in 2008 and 2009. Growth was also achieved through leasing activities, as we steadily increased rental rates to market rates over time. Through disciplined asset management practices, we kept operating costs down and occupancy levels high. Occupancy, including commitments, was 98.1% at year end, compared to 97.4%, at the end of last year.

Artis strives to produce a stable and growing stream of cash distributions for its 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 of our properties are well-diversified across primary western Canadian markets, namely Winnipeg, Regina, Saskatoon, Calgary, Edmonton, and metro Vancouver, as well as in growing secondary markets such as Vancouver Island, Kelowna, Red Deer and Fort McMurray. This geographic focus has served us well and we believe that the western Canadian economies will continue to outperform Canada as a whole in the years ahead.

Artis represents a unique opportunity for investors to participate in the western Canadian commercial real estate market. Artis units performed well through 2009, outperforming both the TSX Composite Index and the S&P/TSX Capped REIT Index.

A \$100 investment in Artis units made on January 1, 2005, would have returned \$287.91 to the holder, assuming dividend reinvestments, by December 31, 2009. In 2009, we paid our Unitholders a regular monthly distribution of \$0.09 per unit, \$1.08 on an annualized basis, up slightly from 2008 as a result of increasing the distribution rate in May of 2008. Our distribution payout ratio for the year was 70.6% of FFO.



Financing Growth

Artis successfully raised \$95.8 million of capital, net of costs, in the second half of 2009.

In July, we issued \$46.0 million of Series E five-year convertible debentures, with a coupon interest rate of 7.5% per annum. Also in July, we issued \$5.0 million of units at a price of

\$9.00 per unit by way of non-brokered private placement. In October, pursuant to a prospectus offering, we issued \$35.2 million of units at a price of \$9.00 per unit. We used the proceeds from these successful financings to funds accretive acquisitions in the last quarter of 2009 and for debt repayment and working capital purposes.





ARTIS' PORTFOLIO IS WELL DIVERSIFIED. WE OWN QUALITY RETAIL, OFFICE AND INDUSTRIAL PROPERTIES IN PRIMARY AND GROWING SECONDARY WESTERN CANADIAN MARKETS.

Repositioning the Portfolio

Artis disposed of nine properties in the first half of 2009, mainly in the Calgary office market, at a weighted-average capitalization rate of 7.7%. We realized proceeds of \$41.1 million, net of costs and related debt, and recorded gains of \$14.4 million in total. In the second half of 2009, we acquired 16 properties for aggregate purchase prices of \$71.5 million. These properties were mainly industrial properties in Manitoba and British Columbia.

As a result of these activities, our portfolio increased to over 6.8 million square feet of leasable area by the end of 2009 and we achieved meaningful repositioning of the portfolio both geographically and by asset class. The Calgary office sub-segment of the portfolio, our largest portfolio weighting at the start of the year, was reduced from 26.8% to 19.6% at year end.

Diversification of Properties by Asset Class - Number of Properties and Square Feet (in thousands)

	Office		Retail		Industrial		Total	
		S.F.		S.F.		S.F.		S.F.
Portfolio properties at December 31, 2008	26	2,749	37	2,063	26	1,736	89	6,548
Share of portfolio GLA		40.4%		32.4%		27.2%		100.0%
H1-09 Dispositions	(5)	(467)	(3)	(115)	(1)	(60)	(9)	(642)
H2-09 Acquisitions	1	91	-	-	15	817	16	908
2009 Investment Activity	(4)	(376)	(3)	(115)	14	757	7	266
Portfolio properties at December 31, 2009	22	2,373	34	1,948	40	2,493	96	6,814
Share of portfolio GLA		34.8%		28.6%		36.6%		100.0%
Change		-5.6%		-3.8%		+ 9.4%		





ARTIS REPRESENTS A UNIQUE OPPORTUNITY
FOR INVESTORS TO PARTICIPATE IN THE WESTERN
CANADIAN COMMERCIAL REAL ESTATE MARKET.



Managing the Risks

Credit risk, lease rollover risk and financing risk are top-most concerns for Artis in both good times and bad. In the early months of 2009, general market awareness of these risks was heightened as global economies slowed or contracted, and we responded.

Artis' management team is seasoned and experienced, with a proven track record as owners, managers and developers of commercial real estate, spanning a number of real estate cycles.

We believe we are well positioned to address these risks for the following reasons:

// Portfolio Diversification

Artis' portfolio is diversified both geographically and by asset class. Through prudent acquisition and disposition activities undertaken in fiscal 2009, the portfolio was repositioned to maximize performance and minimize risks through the next real estate cycle.

Diversification of Properties by Province

Province	At December 31, 2009	At December 31, 2008	Change
Manitoba	38.7%	29.7%	+ 9.0%
Saskatchewan	7.0%	7.5%	- 0.5%
Alberta	46.6%	56.8%	-10.2%
<i>Calgary Office</i>	19.6%	26.8%	- 7.2%
British Columbia	7.7%	6.0%	+ 1.7%

// Manageable Lease Expiries

Artis' forthcoming lease expiries are well diversified across the four provinces. The weighted-average term to maturity of all portfolio leases is approximately 4.8 years. For the top twenty tenants, the weighted-average term to maturity rises to 7.8 years. As at March 3, 2010, Artis has renewed or secured new lease commitments as follows:

2010 Lease Expiries and Commitments

	Expiring S.F. (000s)	Commitments Secured
Manitoba	583	26.8%
Saskatchewan	77	37.1%
Alberta	394	55.0%
British Columbia	28	23.4%
Industrial	453	38.3%
Office	316	13.2%
<i>Calgary Office</i>	73	23.7%
Retail	313	61.5%
Total Portfolio	1,082	37.7%

// Tenant Diversification

Artis' tenant base is comprised of over 1,220 tenants, covering a broad spectrum of industry segments. Approximately 64% are considered high credit rated international/national retailers or businesses, or are government tenants.

Top Twenty Tenants By Gross Revenue

Tenant	% of Total Gross Revenue
AMEC Americas Ltd	5.9%
Provincial Government Tenants	4.3%
Federal Government Tenants	4.1%
TransAlta Corp	3.6%
Birchcliff Energy	2.5%
Credit Union Central	2.2%
Sobeys	2.1%
Bell Canada	1.7%
Shoppers Drug Mart	1.5%
Civic/Municipal Government Tenants	1.4%
MTS Allstream	1.4%
Q9 Networks Inc.	1.3%
Komex International	1.2%
Cineplex Odeon	1.1%
BW Technologies (Honeywell)	0.9%
Kodak Graphic Company	0.9%
The Brick	0.9%
NOVA Chemicals Corporation	0.8%
Jysk Linen 'n Furniture	0.7%
Red River Packaging	0.7%
	39.2%

// Manageable Long-Term Debt Maturities

Artis' mortgage debt to gross book value ("GBV") ratio at December 31, 2009 was just 47.4%, down from 54.8% at the end of the prior year and total debt to GBV was 53.7% at December 31, 2009, down from 54.8% at the end of the prior year. These ratios are well within the 70% debt to GBV set out in the Declaration of Trust. Approximately 11.6% of Artis' mortgage debt matures in 2010 and 6.4% matures in 2011. To date, over 40% of the 2010 debt has already been replaced or refinanced. Artis' total debt at December 31, 2009, includes \$30.7 million related to the acquisition line of credit (which was repaid subsequent to year end) and convertible debentures. Management's view is that the credit crunch in Canada is over. There are numerous lenders competitive in the commercial market in Canada and there is appetite from investors for convertible and non-convertible debt issues as well as common equity. Artis does not foresee any challenges in securing or replacing financing on our upcoming debt maturities.



ARTIS' MANAGEMENT TEAM IS SEASONED AND EXPERIENCED, WITH A PROVEN TRACK RECORD AS OWNERS, MANAGERS AND DEVELOPERS OF COMMERCIAL REAL ESTATE.

Managing for Success

Artis increased revenues from continuing operations by 4.0% to \$136.9 million and property NOI by 2.5% to \$93.4 million in 2009. Acquisitions completed in 2008 and 2009 contributed to growth in revenues and property NOI from continuing operations, as did the increases in rental rates achieved as leases were rolled over to market rents.

Artis achieved same property NOI growth of 5.2% in 2009 (same properties are the properties owned for the full two year period commencing January 1, 2008). Growth was attributed to positive absorption in these properties, as well as increases in rental rates achieved as leases were rolled over to market rents.

Artis executed a very successful leasing program in 2009, renewing or securing new lease commitments for over 846,000 square feet of leasable area. We retained over 70% of the tenants in 2009 and achieved a weighted-average rental increase of 16.0% on renewals (10.3% on all leasing activities).

Occupancy levels increased across the portfolio to 96.6% at December 31, 2009 compared to 96.5% at December 31, 2008. Occupancy with adjustment for lease commitments on vacant units was 98.1% at the end of 2009, up from 97.4% at the end of 2008. Same property occupancy levels increased slightly to 97.3% at the end of 2009, up from 96.9% at the end of 2008.

Portfolio Occupancy Snapshot

	% Committed Q4-09	Occupied % Q4-09	Occupied Q4-08
Manitoba	98.2%	98.2%	96.9%
Saskatchewan	99.6%	99.6%	99.2%
Alberta	97.6%	96.5%	95.7%
British Columbia	100.0%	83.5%	99.0%
Industrial	99.3%	96.1%	98.5%
Office	95.8%	95.2%	93.6%
Retail	99.5%	98.8%	98.8%
Total Portfolio	98.1%	96.6%	96.5%

Same Property Occupancy

	% Occupied Q4-09	% Occupied Q4-08
Manitoba	98.2%	97.0%
Saskatchewan	99.5%	99.0%
Alberta	96.3%	96.4%
British Columbia	100.0%	100.0%
Total Portfolio	97.3%	96.9%

Looking Ahead

2009 got off to a rocky start, but by the last quarter, momentum was building in the commercial real estate markets in Canada. A number of equity and debenture offerings were announced by publicly traded real estate investment trusts and the volume of real estate transactions was on the rise. We are entering 2010 with a stronger economic outlook, greater access to the capital markets and lower lending rates. We believe this indicates that the volume of real estate transactions will continue to increase and capitalization rates will continue to compress.

2010 will be a year of internal and external growth for Artis. On January 26, 2010, we raised \$58.2 million through the public issue of \$11.00 units and on March 16, 2010, we closed a further offering of units at \$11.25 for aggregate gross proceeds of \$50.0 million.

Thus far in 2010, Artis has repaid \$20.0 million of mortgage financing related to two office properties, leaving those assets fully unencumbered, and repaid the balance on the acquisition line of credit in full. We acquired three properties in January for a total of \$48.8 million, at average going-in capitalization rates of 8.2%. In February, we announced an additional \$118.7 million of unconditional acquisitions, at average going-in capitalization rates of 8.0%. These transactions are expected to close by May of 2010.

We believe these accretive acquisitions will positively impact future earnings. And with ample cash and available room on the line of credit, we believe Artis is well positioned for further growth through accretive acquisitions in 2010.

Artis' exceptionally strong performance during challenging economic times demonstrates the strength and viability of our business model and the dedication and discipline of our experienced management team. We also benefit from the wise counsel of our Board of Trustees and the efforts of our staff. I sincerely thank them for all of their efforts.

I would also like to thank our unitholders for their continued confidence in Artis and I look forward to reporting on our continuing growth story in 2010.



Armin Martens
President & Chief Executive Officer
Artis Real Estate Investment Trust

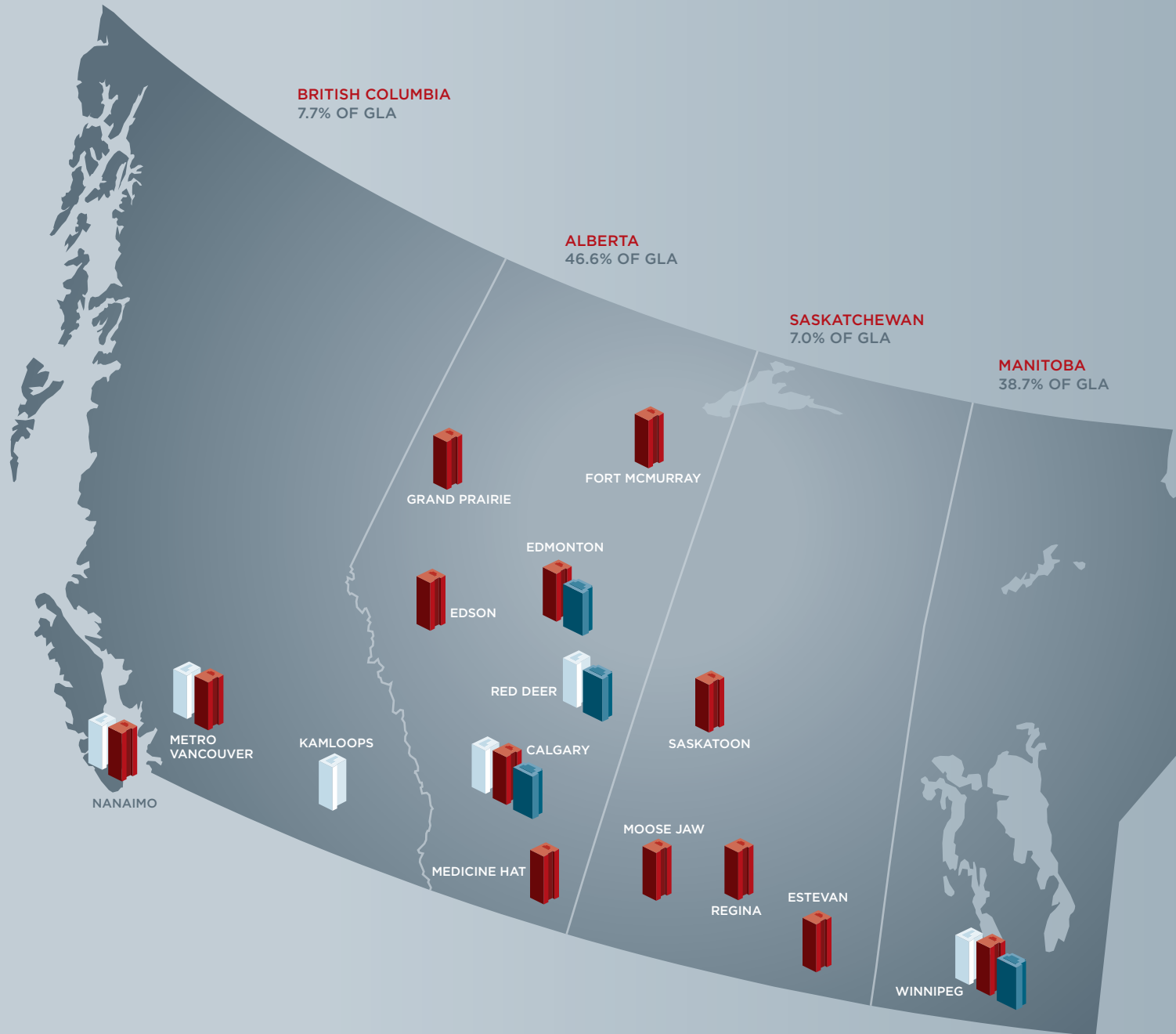


(left to right) Doug Hare, Jaclyn Koenig, Douglas McGregor, Jim Green, Armin Martens, Kirsty Stevens, Dennis Wong, Cornelius Martens

ARTIS' EXCEPTIONALLY STRONG PERFORMANCE DURING CHALLENGING ECONOMIC TIMES DEMONSTRATES THE STRENGTH AND VIABILITY OF OUR BUSINESS MODEL AND THE DEDICATION AND DISCIPLINE OF OUR EXPERIENCED MANAGEMENT TEAM.

PORTFOLIO ASSETS

AS AT DECEMBER 31, 2009



INDUSTRIAL // 36.6% OF GLA



 INDUSTRIAL

 OFFICE

 RETAIL

OFFICE // 34.8% OF GLA



RETAIL // 28.6% OF GLA



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, Marwest 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.



Armin Martens
Trustee
President & CEO



Edward Warkentin⁽²⁾⁽³⁾⁽⁴⁾
Trustee
Chairman



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 Special Committee



Management

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

Jim Green, CA
Chief Financial Officer

Cornelius Martens, P.Eng.
Executive Vice-President

Kirsty Stevens, CMA
Senior Vice-President

Douglas McGregor
Vice President – Leasing

Dennis Wong, CFA
Vice President – Portfolio Manager

Jaclyn Koenig, CA
Corporate Controller

Douglas Hare, CA
Vice President – Property Management

Head Office

300 - 360 Main Street
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
AX.DB.E – Series E 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

Deloitte & Touche 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 2009 Monthly Distributions

January	\$	0.090
February	\$	0.090
March	\$	0.090
April	\$	0.090
May	\$	0.090
June	\$	0.090

July	\$	0.090
August	\$	0.090
September	\$	0.090
October	\$	0.090
November	\$	0.090
December	\$	0.090

**ANNUAL GENERAL MEETING**

Winnipeg Square Conference Centre
Main Floor – 360 Main Street
Winnipeg, Manitoba
Friday, May 14th, 2010
11:00 am (CDT)

2009 FINANCIAL REPORT

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW	2	ANALYSIS OF FINANCIAL POSITION	19
Primary Objectives	2	Assets	19
Portfolio Summary	2	Liabilities	22
2009 - ANNUAL HIGHLIGHTS	8	Unitholders' Equity	23
Portfolio Growth	8	LIQUIDITY AND CAPITAL RESOURCES	23
Taxable Status	8	Contractual Obligations	24
Financing Activities	9	SUMMARIZED QUARTERLY INFORMATION	24
Distributions	9	RELATED PARTY TRANSACTIONS	27
SELECTED FINANCIAL INFORMATION	9	OUTSTANDING UNIT DATA	27
ANALYSIS OF OPERATING RESULTS	10	2010 OUTLOOK	28
Revenue and Property NOI	11	RISKS AND UNCERTAINTIES	29
Same Property NOI Growth	11	Real Estate Ownership	29
Property NOI by Asset Class	12	Debt Financing	29
Property NOI by Province	12	Credit Risk and Tenant Concentration	29
Portfolio Occupancy and Leasing Activity	13	Lease Rollover Risk	30
Interest	14	Tax Risk	31
Corporate Expenses	14	Other Risks	31
Amortization	15	CRITICAL ACCOUNTING ESTIMATES	31
Unrealized Gain (Loss) on Commodity Derivatives	15	Allocation of Purchase Price of Income-Producing Properties	31
Future Income Taxes	15	Impairment of Assets	31
Non-Controlling Interest	15	Amortization	31
Income from Discontinued Operations	15	Allocation of Convertible Debentures	31
Distributable Income and Distributions	16	Future Income Tax Valuation	32
Distributions	17	CHANGES IN ACCOUNTING POLICIES	32
Funds from Operations	18	International Financial Reporting Standards	32
		CONTROLS AND PROCEDURES	35
		Disclosure Controls and Procedures	35
		Internal Controls over Financial Reporting	35

CONSOLIDATED FINANCIAL STATEMENTS

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS	36	CONSOLIDATED STATEMENTS OF UNITHOLDERS' EQUITY	40
AUDITORS' REPORT	37	CONSOLIDATED STATEMENTS OF CASH FLOWS	41
CONSOLIDATED BALANCE SHEETS	38	NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	42
CONSOLIDATED STATEMENTS OF OPERATIONS	39		

MANAGEMENT'S DISCUSSION AND ANALYSIS

All amounts are in thousands of dollars, unless otherwise noted

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, 2009 and 2008, and the notes thereto. This MD&A has been prepared taking into account material transactions and events up to and including March 15, 2010. Additional information about Artis, including the REIT's most recent Annual Information Form, has been filed with applicable Canadian securities regulatory authorities and is available at www.sedar.com or on our web site at www.artisreit.com.

FORWARD-LOOKING DISCLAIMER

This MD&A contains forward-looking statements. For this purpose, any statements contained herein that are not statements of historical fact may be deemed to be forward-looking statements. Particularly, statements regarding the REIT's future operating results, performance and achievements are forward-looking statements. Without limiting the foregoing, the words "expects", "anticipates", "intends", "estimates", "projects", and similar expressions are intended to identify forward-looking statements.

Artis is subject to significant risks and uncertainties which may cause the actual results, performance or achievements of the REIT to be materially different from any future results, performance or achievements expressed or implied in these forward-looking statements. Such risk factors include, but are not limited to, risks associated with real property ownership, availability of cash flow, general uninsured losses, future property acquisitions, environmental matters, tax related matters, debt financing, unitholder liability, potential conflicts of interest, potential dilution, reliance on key personnel, changes in legislation and changes in the tax treatment of trusts. Artis cannot assure investors that actual results will be consistent with any forward-looking statements and Artis assumes no obligation to update or revise such forward-looking statements to reflect actual events or new circumstances. All forward-looking statements contained in this MD&A are qualified by this cautionary statement.

NOTICE RESPECTING NON-GAAP MEASURES

Property Net Operating Income ("Property NOI"), Distributable Income ("DI") and Funds from Operations ("FFO") are non-GAAP measures commonly used by Canadian income trusts as an indicator of financial performance. "GAAP" means the generally accepted accounting principles described by the Canadian Institute of Chartered Accountants which are applicable as at the date on which any calculation using GAAP is to be made.

Artis calculates Property NOI as revenues, prepared in accordance with GAAP, 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 DI to reflect distributable cash which is defined in the REIT's Declaration of Trust as net income in accordance with GAAP, subject to certain adjustments as set out in the Declaration of Trust, including: (i) adding back amortization (excluding leasing costs) and accretion to the carrying value of debt and (ii) excluding gains or losses on the disposition of any asset, and (iii) adding or deducting other adjustments as determined by the Trustees at their discretion. Given that one of the REIT's objectives is to provide stable cash flows to investors, management believes that DI is an indicative measure for evaluating the REIT's operating performance in achieving its objectives.

Artis calculates FFO, substantially in accordance with the guidelines set out by the Real Property Association of Canada ("RealPAC"). Management considers FFO to be a valuable measure for evaluating the REIT's operating performance in achieving its objectives.

Property NOI, DI and FFO are not measures defined under GAAP. Property NOI, DI and FFO are not intended to represent operating profits for the year, 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 GAAP. Readers should be further cautioned that DI, Property NOI and FFO as calculated by Artis may not be comparable to similar measures presented by other issuers.

MANAGEMENT'S DISCUSSION AND ANALYSIS

All amounts are in thousands of dollars, unless otherwise noted

OVERVIEW

Artis is an unincorporated open-end real estate investment trust created under, and governed by, the laws of the province of Manitoba. On February 15, 2007, Artis underwent a name change from "Westfield Real Estate Investment Trust" to "Artis Real Estate Investment Trust". On May 14, 2009, unitholders authorized the trustees of Artis to implement certain amendments to Artis' declaration of trust which, if implemented, would have the effect of converting Artis to a closed-end trust. As at March 15, 2010, the trustees of Artis have not yet implemented such amendments.

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, and the REIT's Series A, Series B, Series C and Series E convertible debentures trade under the symbols AX.DB.A, AX.DB.B, AX.DB.C, and AX.DB.E respectively. As at March 15, 2010, there were 44,187,568 units, and 490,286 options of Artis outstanding (refer to the Outstanding Unit Data section for further details).

PRIMARY OBJECTIVES

Artis focuses on primary and growing secondary markets in western Canada. The REIT focuses exclusively on commercial properties; retail, office and industrial, with strong tenancies in place.

The REIT's primary objectives are:

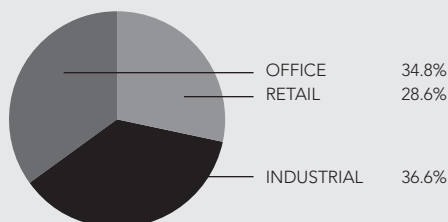
- to provide unitholders with stable and growing cash distributions, payable monthly and, to the maximum extent practicable, income tax deferred, from investments in a diversified portfolio of income-producing office, retail and industrial properties located in western Canada;
- to enhance the value of the REIT's assets and maximize long term unit value through the active management of its assets; and
- to expand the REIT's asset base and increase its distributable income through acquisitions in western Canada.

The Declaration of Trust provides that Artis make monthly cash distributions to its unitholders. The amount distributed in each year (currently \$1.08 per unit on an annualized basis effective May 31, 2008) will be the amount of distributable income set down in a policy by the Trustees.

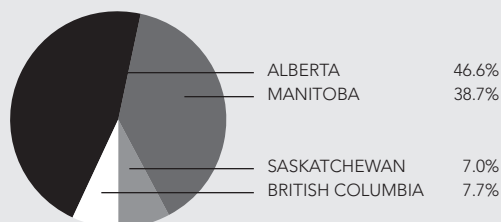
PORTFOLIO SUMMARY

At December 31, 2009, the REIT's portfolio was comprised of 96 commercial properties located across western Canada totaling approximately 6.81 million square feet (s.f.) of gross leasable area ("GLA").

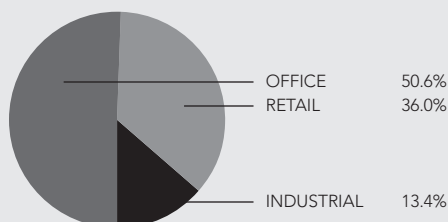
GLA by Asset Class



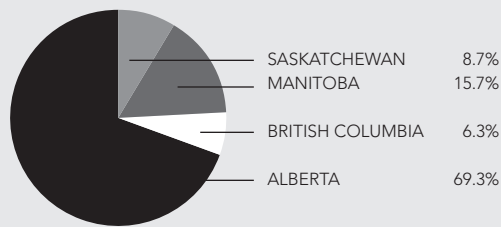
GLA by Province



Property NOI by Asset Class



Property NOI by Province



Occupancy Report by Province

Province	Q4-08	Q1-09 ⁽¹⁾	Q2-09 ⁽¹⁾	Q3-09 ⁽¹⁾	Q4-09 ⁽¹⁾	% Committed ^{(1) (2)}
Alberta	95.7%	95.0%	95.4%	95.2%	96.5%	97.6%
British Columbia	99.0%	89.9%	89.9%	100.0%	83.5%	100.0%
Manitoba	96.9%	97.1%	97.8%	97.2%	98.2%	98.2%
Saskatchewan	99.2%	99.8%	100.0%	99.6%	99.6%	99.6%
Total Portfolio	96.5%	95.8%	96.2%	96.4%	96.6%	98.1%

Occupancy Report by Asset Class

Asset Class	Q4-08	Q1-09 ⁽¹⁾	Q2-09 ⁽¹⁾	Q3-09 ⁽¹⁾	Q4-09 ⁽¹⁾	% Committed ^{(1) (2)}
Industrial	98.5%	98.5%	99.2%	98.1%	96.1%	99.3%
Office	93.6%	93.2%	93.4%	93.1%	95.2%	95.8%
Retail	98.8%	96.6%	97.3%	99.1%	98.8%	99.5%
Total Portfolio	96.5%	95.8%	96.2%	96.4%	96.6%	98.1%

⁽¹⁾ Excluding properties currently being redeveloped.

⁽²⁾ % Committed is based on occupancy and executed leases on vacant units.

Lease Expiries by Province (in 000's of s.f.) ^{(1) (2)}

	Alberta		British Columbia		Manitoba		Saskatchewan	
	GLA	%	GLA	%	GLA	%	GLA	%
2010	394	12.4%	28	5.3%	583	22.1%	77	16.2%
2011	519	16.3%	11	2.1%	399	15.1%	53	11.1%
2012	248	7.8%	82	15.7%	299	11.4%	14	3.0%
2013	471	14.8%	22	4.2%	362	13.7%	120	25.2%
2014	246	7.8%	49	9.4%	463	17.6%	78	16.4%
2015 & later	1,160	36.5%	209	40.0%	404	15.3%	132	27.7%
	3,038	95.6%	401	76.7%	2,510	95.2%	474	99.6%
Month-to-month	4	0.1%	–	0.0%	17	0.6%	–	0.0%
Vacancies	135	4.3%	122	23.3%	111	4.2%	2	0.4%
Total GLA	3,177	100.0%	523	100.0%	2,638	100.0%	476	100.0%
Commitments								
2010		55.0%		23.4%		26.8%		37.1%
2011		17.4%		0.0%		16.6%		0.0%
Expiring Rents								
2010		\$ 11.80		\$ 16.60		\$ 7.84		\$ 13.42
2011		\$ 15.60		\$ 13.57		\$ 7.92		\$ 15.40
2012		\$ 19.27		\$ 16.47		\$ 7.25		\$ 18.36
2013 & later		\$ 17.33		\$ 15.69		\$ 7.24		\$ 17.58
Total		\$ 16.48		\$ 15.85		\$ 7.49		\$ 16.68
Market Rents								
2010		\$ 13.51		\$ 17.79		\$ 8.41		\$ 15.32
2011		\$ 16.26		\$ 14.79		\$ 8.51		\$ 16.48
2012		\$ 17.63		\$ 17.46		\$ 8.60		\$ 19.56
2013 & later		\$ 19.81		\$ 18.05		\$ 7.82		\$ 19.17
Total		\$ 18.21		\$ 17.82		\$ 8.16		\$ 18.26
Uplift								
2010		14.5%		7.2%		7.3%		14.2%
2011		4.2%		9.0%		7.4%		7.0%
2012		(8.5)%		6.0%		18.6%		6.5%
2013 & later		14.3%		15.0%		8.0%		9.0%
Total		10.5%		12.4%		8.9%		9.5%

⁽¹⁾ Based on Artis' proportionate share of total leasable area.

⁽²⁾ Based on expiries without deduction for future lease commitments.

MANAGEMENT'S DISCUSSION AND ANALYSIS

All amounts are in thousands of dollars, unless otherwise noted

Lease Expiries by Asset Class (in 000's of s.f.) ⁽¹⁾⁽²⁾

	Office		Retail		Industrial		Total	
	GLA	%	GLA	%	GLA	%	GLA	%
2010	316	13.3%	313	16.1%	453	18.2%	1,082	15.9%
2011	406	17.1%	234	12.0%	342	13.7%	982	14.4%
2012	235	9.9%	181	9.3%	227	9.1%	643	9.4%
2013	361	15.2%	253	13.0%	361	14.5%	975	14.3%
2014	120	5.1%	244	12.5%	472	18.9%	836	12.3%
2015 & later	789	33.3%	668	34.3%	448	18.0%	1,905	28.0%
	2,227	93.9%	1,893	97.2%	2,303	92.4%	6,423	94.3%
Month-to-month	13	0.5%	1	0.0%	7	0.3%	21	0.3%
Vacancies	133	5.6%	54	2.8%	183	7.3%	370	5.4%
Total GLA	2,373	100.0%	1,948	100.0%	2,493	100.0%	6,814	100.0%
Commitments								
2010		13.2%		61.5%		35.8%		37.7%
2011		38.5%		0.0%		0.0%		15.9%
Expiring Rents								
2010		\$ 14.28		\$ 12.02		\$ 5.02		\$ 9.90
2011		\$ 15.81		\$ 16.43		\$ 5.74		\$ 12.45
2012		\$ 17.18		\$ 18.13		\$ 5.46		\$ 13.31
2013 & later		\$ 17.98		\$ 17.20		\$ 6.96		\$ 13.89
Total		\$ 16.98		\$ 16.30		\$ 6.25		\$ 12.93
Market Rents								
2010		\$ 15.84		\$ 13.35		\$ 5.59		\$ 11.00
2011		\$ 15.08		\$ 19.25		\$ 6.57		\$ 13.11
2012		\$ 14.90		\$ 20.68		\$ 6.21		\$ 13.45
2013 & later		\$ 19.48		\$ 20.06		\$ 8.01		\$ 15.66
Total		\$ 17.68		\$ 18.86		\$ 7.14		\$ 14.24
Uplift								
2010		10.9%		11.1%		11.4%		11.1%
2011		(4.6)%		17.2%		14.5%		5.3%
2012		(13.3)%		14.1%		13.7%		1.1%
2013 & later		8.3%		16.6%		15.1%		12.7%
Total		4.1%		15.7%		14.2%		10.1%

Lease Expiries for Calgary Office Segment (in 000's of s.f.) ⁽¹⁾⁽²⁾

	Calgary Office		Other Office		Total Office	
	GLA	%	GLA	%	GLA	%
2010	73	5.5%	243	23.5%	316	13.3 %
2011	264	19.7%	142	13.7%	406	17.1 %
2012	134	10.0%	101	9.7%	235	9.9 %
2013	292	21.8%	69	6.7%	361	15.2 %
2014	50	3.7%	70	6.7%	120	5.1 %
2015 & later	447	33.5%	342	33.0%	789	33.3 %
	1,260	94.2%	967	93.3%	2,227	93.9 %
Month-to-month	2	0.2%	11	1.1%	13	0.5 %
Vacancies	75	5.6%	58	5.6%	133	5.6 %
Total GLA	1,337	100.0%	1,036	100.0%	2,373	100.0 %
Commitments						
2010		23.7%		7.7%		13.2 %
2011		34.1%		16.3%		38.5 %
Calgary Office						
		Expiring Rents		Market Rents		Uplift
2010		\$ 14.72		\$ 14.73		0.1 %
2011		\$ 16.99		\$ 15.60		(8.2) %
2012		\$ 20.26		\$ 13.99		(30.9) %
2013 & later		\$ 19.35		\$ 20.97		8.4 %
Total		\$ 18.69		\$ 18.74		0.3 %

⁽¹⁾ Based on Artis' proportionate share of total leasable area.

⁽²⁾ Based on expiries without deduction for future lease commitments.

Property by City as at December 31, 2009 (in 000's of s.f.)

City	Property ⁽¹⁾	Asset Class	Leasable Area	Owned %	Owned Share of Leasable Area	Occupancy %	Committed % ⁽²⁾
Burnaby	Kincaid Building	Office	182	50%	91	100.0%	100.0%
Burnaby total			182		91	100.0%	100.0%
Calgary	417-14th Street Building	Office	18	100%	18	100.0%	100.0%
	Britannia Building	Office	132	100%	132	92.4%	93.8%
	Campana Place	Office	50	100%	50	93.9%	96.0%
	Centre 15	Office	76	100%	76	81.9%	86.7%
	Centre 70 Building	Office	132	85%	112	89.1%	92.3%
	Heritage Square	Office	315	100%	315	98.5%	98.5%
	Hillhurst Building	Office	63	100%	63	68.8%	72.6%
	Honeywell Building	Industrial	62	100%	62	100.0%	100.0%
	Horizon Heights	Retail	74	100%	74	95.8%	95.8%
	Maynard Technology Centre	Industrial	153	100%	153	100.0%	100.0%
	McCall Lake Industrial	Industrial	91	100%	91	100.0%	100.0%
	Northwest Centre I & II	Office	78	100%	78	100.0%	100.0%
	Paramount Building	Office	68	100%	68	98.5%	98.5%
	Sierra Place	Office	89	100%	89	87.6%	89.4%
	Southwood Corner	Retail	121	100%	121	92.0%	100.0%
	Sunridge Home Outfitters	Retail	51	100%	51	100.0%	100.0%
	Sunridge Spectrum	Retail	129	100%	129	100.0%	100.0%
	TransAlta Place	Office	337	100%	337	100.0%	100.0%
Calgary total			2,039		2,019	95.6%	96.8%
Coquitlam	King Edward Centre	Retail	82	100%	82	100.0%	100.0%
Coquitlam total			82		82	100.0%	100.0%
Delta	Cliveden Building	Industrial	139	50%	70	0.0%	100.0%
	Delta Shoppers Mall	Retail	75	100%	75	100.0%	100.0%
Delta total			214		145	51.8%	100.0%
Edmonton	8220 Davies Road	Industrial	14	100%	14	100.0%	100.0%
	Clareview Town Centre	Retail	56	100%	56	100.0%	100.0%
	Delta Centre	Industrial	35	100%	35	100.0%	100.0%
	Mayfield Industrial Plaza	Industrial	24	100%	24	89.2%	100.0%
	North City Centre	Retail	105	100%	105	100.0%	100.0%
Edmonton total			234		234	98.9%	100.0%
Edson	Edson Shoppers	Retail	20	100%	20	100.0%	100.0%
Edson total			20		20	100.0%	100.0%
Estevan	Estevan Sobeys	Retail	38	100%	38	100.0%	100.0%
Estevan total			38		38	100.0%	100.0%
Fort McMurray	100 Signal Road	Retail	14	100%	14	100.0%	100.0%
	Northern Lights Shopping Centre-I	Retail	18	100%	18	100.0%	100.0%
	Northern Lights Shopping Centre-II	Retail	31	100%	31	100.0%	100.0%
	Signal Centre	Retail	15	100%	15	100.0%	100.0%
	Tide Centre	Retail	18	100%	18	100.0%	100.0%
	Woodlands Centre	Retail	63	100%	63	100.0%	100.0%
Fort McMurray total			159		159	100.0%	100.0%
Grand Prairie	Brick Centre	Retail	46	100%	46	100.0%	100.0%
	Gateway Power Centre	Retail	61	100%	61	100.0%	100.0%
	Sears Centre	Retail	131	100%	131	100.0%	100.0%
Grand Prairie total			238		238	100.0%	100.0%
Medicine Hat	Southview Centre	Retail	162	100%	162	100.0%	100.0%
Medicine Hat total			162		162	100.0%	100.0%
Moose Jaw	Moose Jaw Sobeys	Retail	38	100%	38	100.0%	100.0%
Moose Jaw total			38		38	100.0%	100.0%
Nanaimo	488 Albert Street	Office	30	100%	30	100.0%	100.0%
	6475 Metral Drive	Office	39	100%	39	100.0%	100.0%
	Aulds Corner	Retail	36	100%	36	100.0%	100.0%
Nanaimo total			105		105	100.0%	100.0%
Nisku	Pepco Building	Industrial	23	100%	23	100.0%	100.0%
Nisku total			23		23	100.0%	100.0%

MANAGEMENT'S DISCUSSION AND ANALYSIS

All amounts are in thousands of dollars, unless otherwise noted

Property by City as at December 31, 2009 (in 000's of s.f.) (continued)

City	Property ⁽¹⁾	Asset Class	Leasable Area	Owned %	Owned Share of Leasable Area	Occupancy %	Committed % ⁽²⁾
Red Deer	Bower Centre	Industrial	126	100%	126	97.0%	100.0%
	Millennium Centre	Office	149	100%	149	92.0%	92.0%
Red Deer total			275		275	94.3%	95.7%
Regina	Capital City Centre	Retail	44	100%	44	100.0%	100.0%
	East Landing Mall	Retail	41	100%	41	95.3%	95.3%
	East Landing Plaza	Retail	24	100%	24	100.0%	100.0%
	Fleet Street Crossing	Retail	38	100%	38	100.0%	100.0%
	Shoppers Landmark Centre	Retail	49	100%	49	100.0%	100.0%
	Strathcona Shoppers Centre	Retail	22	100%	22	100.0%	100.0%
	West Landing Mall	Retail	39	100%	39	100.0%	100.0%
Regina total			257		257	99.3%	99.3%
Saskatoon	Canarama Mall	Retail	66	100%	66	100.0%	100.0%
	Circle 8 Centre	Retail	77	100%	77	100.0%	100.0%
Saskatoon total			143		143	100.0%	100.0%
St. Albert	Liberton Square	Retail	21	100%	21	85.1%	100.0%
St. Albert total			21		21	85.1%	100.0%
Winnipeg	100 Omands Creek Boulevard	Industrial	50	100%	50	100.0%	100.0%
	1000-1020 Powell Ave. & 1499-1501 King Edward Street	Industrial	27	100%	27	100.0%	100.0%
	1093 Sherwin Road	Industrial	175	100%	175	100.0%	100.0%
	120-144 Bannister Road	Industrial	32	100%	32	62.5%	62.5%
	1420 Clarence Avenue	Industrial	17	100%	17	100.0%	100.0%
	1431 Church Avenue	Industrial	51	100%	51	100.0%	100.0%
	1475 King Edward Street	Industrial	5	100%	5	100.0%	100.0%
	1595 Buffalo Place	Industrial	73	100%	73	100.0%	100.0%
	1658-1680 Church Avenue	Industrial	91	100%	91	100.0%	100.0%
	1681-1703 Dublin Avenue	Industrial	22	100%	22	100.0%	100.0%
	1717 Dublin Avenue	Industrial	30	100%	30	100.0%	100.0%
	1750 Inkster Boulevard	Industrial	196	100%	196	100.0%	100.0%
	1810 Dublin Avenue	Industrial	22	100%	22	100.0%	100.0%
	1832 King Edward Street	Industrial	74	100%	74	100.0%	100.0%
	2030 Notre Dame Avenue	Industrial	108	100%	108	100.0%	100.0%
	2061 & 2065 Notre Dame Ave.	Industrial	51	100%	51	100.0%	100.0%
	2110-2130 Notre Dame Ave.	Industrial	82	100%	82	94.0%	94.0%
	27-81 Plymouth Street	Industrial	91	100%	91	100.0%	100.0%
	500 Berry Street	Industrial	8	100%	8	100.0%	100.0%
	530-538 Berry Street	Industrial	11	100%	11	100.0%	100.0%
	8-30 Plymouth Street	Industrial	37	100%	37	100.0%	100.0%
	850 Empress Street	Industrial	26	100%	26	100.0%	100.0%
	951-977 Powell Avenue	Industrial	54	100%	54	100.0%	100.0%
	CDI College Building	Office	24	100%	24	100.0%	100.0%
	Grain Exchange Building	Office	236	100%	236	91.2%	91.2%
	Hamilton Building	Office	66	100%	66	100.0%	100.0%
	Johnston Terminal	Office	72	100%	72	99.9%	99.9%
	Keewatin Distribution Centre	Industrial	202	100%	202	100.0%	100.0%
	MTS Call Centre Building	Office	76	100%	76	100.0%	100.0%
	Poplar Industrial Park	Industrial	71	100%	71	100.0%	100.0%
	Prudential Business Park 1	Industrial	42	100%	42	100.0%	100.0%
Prudential Business Park 2	Industrial	39	100%	39	100.0%	100.0%	
Prudential Business Park 3	Industrial	48	100%	48	100.0%	100.0%	
Reenders Square	Retail	66	100%	66	96.2%	96.2%	
West Logan Place	Industrial	68	100%	68	100.0%	100.0%	
Winnipeg Square	Office	547	38%	208	98.1%	98.1%	
	Winnipeg Square	Retail	57	38%	22	90.2%	90.2%
Winnipeg total			2,947		2,573	98.2%	98.2%
Total			7,177		6,623	96.6%	98.1%

⁽¹⁾ Excluding properties in redevelopment.

⁽²⁾ Percentage committed is based on committed leases at December 31, 2009.

Portfolio by Asset Class as at December 31, 2009 (in 000's of s.f.)

Asset Class	City	Number of Properties	Owned share of Leasable Area	% of Portfolio GLA	Occupancy %	Committed % ⁽¹⁾
Industrial	Calgary	3	306	4.5%	100.0%	100.0%
	Delta	1	70	1.0%	0.0%	100.0%
	Edmonton	3	73	1.1%	96.5%	100.0%
	Nisku	1	23	0.3%	100.0%	100.0%
	Red Deer	1	126	1.8%	97.0%	100.0%
	Winnipeg	29	1,804	26.6%	99.1%	99.1%
Industrial total		38	2,402	35.3%	96.1%	99.3%
Office	Burnaby	1	91	1.3%	100.0%	100.0%
	Calgary	11	1,338	19.6%	94.4%	95.4%
	Nanaimo	2	68	1.0%	100.0%	100.0%
	Red Deer	1	149	2.2%	92.0%	92.0%
	Winnipeg	6	681	10.0%	96.4%	96.4%
Office total		21	2,327	34.1%	95.2%	95.8%
Retail	Calgary	4	376	5.5%	96.6%	99.2%
	Coquitlam	1	82	1.2%	100.0%	100.0%
	Delta	1	75	1.1%	100.0%	100.0%
	Edmonton	2	161	2.3%	100.0%	100.0%
	Edson	1	20	0.3%	100.0%	100.0%
	Estevan	1	38	0.6%	100.0%	100.0%
	Fort McMurray	6	159	2.3%	100.0%	100.0%
	Grand Prairie	3	238	3.5%	100.0%	100.0%
	Medicine Hat	1	162	2.4%	100.0%	100.0%
	Moose Jaw	1	38	0.6%	100.0%	100.0%
	Nanaimo	1	36	0.5%	100.0%	100.0%
	Regina	7	258	3.8%	99.3%	99.3%
	Saskatoon	2	143	2.1%	100.0%	100.0%
	St. Albert	1	21	0.3%	85.1%	100.0%
	Winnipeg	1	87	1.3%	94.7%	94.7%
Retail total		33	1,894	27.8%	98.8%	99.5%
		92	6,623	97.2%	96.6%	98.1%

Properties in Redevelopment

Asset Class	City	Number of Properties	Owned share of Leasable Area	% of Portfolio GLA	Property	% Committed / Occupied ⁽¹⁾
Industrial	Airdrie	1	25	0.4%	Airdrie Flex-Industrial	16.7%
Office	Burnaby	1	47	0.7%	Willingdon Green	56.4%
Retail	Nanaimo	1	54	0.8%	6461 Metral Drive	40.9%
Industrial	Winnipeg	1	65	0.9%	801 Century Street	46.8%
Development properties total		4	191	2.8%		
Total portfolio		96	6,814	100.0%		

⁽¹⁾ Percentage committed is based on committed leases at December 31, 2009.

MANAGEMENT'S DISCUSSION AND ANALYSIS

All amounts are in thousands of dollars, unless otherwise noted

2009 – ANNUAL HIGHLIGHTS

PORTFOLIO GROWTH

Artis acquired 16 commercial properties and disposed of 9 commercial properties in 2009.

	Office		Retail		Industrial		Total	
	Number of Properties	S.F. (000's)	Number of Properties	S.F. (000's)	Number of Properties	S.F. (000's)	Number of Properties	S.F. (000's)
Portfolio properties at December 31, 2008	26	2,749	37	2,063	26	1,736	89	6,548
Q1-09 disposition	(1)	(35)	–	–	–	–	(1)	(35)
Q2-09 dispositions	(2)	(132)	(1)	(86)	–	–	(3)	(218)
Q3-09 dispositions	(1)	(14)	(1)	(18)	–	–	(2)	(32)
Q4-09 dispositions	(1)	(286)	(1)	(11)	(1)	(60)	(3)	(357)
Q4-09 acquisitions	1	91	–	–	15	817	16	908
Total 2009	(4)	(376)	(3)	(115)	14	757	7	266
Portfolio properties at December 31, 2009	22	2,373	34	1,948	40	2,493	96	6,814

Property acquisitions:

During 2009, Artis acquired the Winnipeg Industrial Portfolio which is comprised of 13 multi-tenant light and flex-industrial properties located in Winnipeg, Manitoba. The net rentable area of the portfolio is over 721,000 square feet, and was 92.3% occupied (excluding one property considered to be in development) at acquisition. The transaction closed on October 29, 2009. Artis also acquired a 50% interest in the Cliveden and Kincaid buildings in Delta and Burnaby, British Columbia, respectively. The transaction closed on December 15, 2009.

Property dispositions:

During 2009, the REIT sold the properties known as the Plainsman Building, Airways Business Plaza and Glenmore Commerce Court, McKnight Village Mall, Albert Street Mall, Bridges Place, Willowglen Business Park, Franklin Showcase Warehouse and Raleigh Shopping Centre. The proceeds from the sale of these properties, net of costs, were \$100,545. Mortgages in the amount of \$52,717 were assumed by the purchaser, and the REIT paid out \$6,228 of existing mortgages. Consideration received on the sale of Airways Business Plaza and Glenmore Commerce Court also included a promissory note in the amount of \$1,800.

Termination of Interplex II and Interplex III agreements:

On May 11, 2009, Artis reached a settlement with the vendor of the Interplex II and Interplex III projects, and agreed to terminate both agreements. The 543,781 Class B units issued under Interplex II were converted into REIT units on May 11, 2009, and the interest of AXLP in the Interplex II project was transferred to the vendor. The 177,566 Class B units of AXLP that were issued for a 50% interest in the Interplex III lands were returned to AXLP for cancellation, and the 50% interest in the land was transferred to the vendor.

TAXABLE STATUS

During the course of 2008, the REIT undertook restructuring activities in order to meet legislation relating to the federal income taxation of publicly listed or traded units. As a result of these restructuring activities, the REIT believes that it has met the prescribed conditions throughout the fiscal year ended December 31, 2009.

FINANCING ACTIVITIES

Equity offerings:

On July 31, 2009, Artis issued 555,555 units a price of \$9.00 per unit for aggregate proceeds of \$5,000 pursuant to a non-brokered private placement agreement.

On October 6, 2009, Artis issued 3,400,000 units at a price of \$9.00 per unit for aggregate gross proceeds of \$30,600.

On October 22, 2009, the underwriting syndicate exercised its full over-allotment option and a further 510,000 units were issued for gross proceeds of \$4,590.

Series E convertible debenture offering:

On July 9, 2009, Artis issued a \$40,000 public offering of 5-year convertible unsecured subordinated debentures (the "Series E Debentures"). On July 15, 2009, an additional \$6,000 of the Series E convertible debentures were issued pursuant to the exercise of the underwriters' over-allotment option. The Series E convertible debentures pay interest at a rate of 7.5% per annum and are listed on the Toronto Stock Exchange under the trading symbol AX.DB.E.

Mortgage financing and repayments:

During 2009, Artis repaid \$41,569 of mortgages and loans payable of which \$40,000 related to the repayment of three vendor take back mortgages and obtained \$11,643 in new mortgage financing.

DISTRIBUTIONS

Artis distributed a total of \$36,737 to unitholders in 2009 and AXLP, the REIT's subsidiary, distributed \$261 to Class B unitholders in 2009.

SELECTED FINANCIAL INFORMATION

\$000's, except per unit amounts

	Year ended December 31,	
	2009	2008 ⁽¹⁾
Revenue	\$ 136,853	\$ 131,632
Property NOI	\$ 93,363	\$ 91,081
Loss for the year	\$ (9,189)	\$ (6,952)
Basic loss per unit	\$ (0.27)	\$ (0.22)
Distributions (including Class B units)	\$ 36,998	\$ 35,123
Distributions per unit	\$ 1.08	\$ 1.07
DI	\$ 50,690	\$ 55,170
DI per unit	\$ 1.48	\$ 1.68
DI payout ratio	73.0%	63.7%
FFO	\$ 52,353	\$ 54,600
FFO per unit	\$ 1.53	\$ 1.66
FFO payout ratio	70.6%	64.5%
Weighted-average units:		
Weighted-average units (basic)	33,915	32,089
Weighted-average units (basic) including Class B units	34,166	32,810

⁽¹⁾ Results for 2008 have been restated, refer to Note 2(b) of the Consolidated Financial Statements for the years ended December 31, 2009 and 2008.

MANAGEMENT'S DISCUSSION AND ANALYSIS

All amounts are in thousands of dollars, unless otherwise noted

Artis acquired 16 income-producing properties in 2009 and 9 income-producing properties in 2008. Due to this acquisition activity as well as same property revenue growth, 2009 revenues from continuing operations increased \$5,221, or 4.0% compared to 2008 results. Artis increased Property NOI from continuing operations \$2,282, or 2.5% compared to 2008 results.

DI decreased \$4,480, or 8.1% year over year. This decrease is attributed to the impact of dispositions during 2009, increased amortization of leasing costs, and reduced Property rent due to the settlement of the Interplex II agreement. FFO decreased \$2,247, or 4.1% year-over-year. This decrease is attributed to the impact of dispositions during 2009 and reduced Property rent due to the settlement of the Interplex II agreement. On a per unit basis, basic DI decreased \$0.20 or 11.9% compared to 2008 results. Basic FFO decreased \$0.13 or 7.8% compared to 2008 results. As a result of issuance of new units, units issued on exchange of Class B units and conversion of convertible debentures, net of Normal Course Issuer Bid repurchases, basic units outstanding for the calculation of DI and FFO has increased. This has contributed to the decline in per unit results for DI and FFO. Management anticipates on-going improvements in 2010, as capital is deployed into new income-producing assets.

ANALYSIS OF OPERATING RESULTS

\$000's, except per unit amounts	Three month period ended December 31,				Year ended December 31,			
	2009	% of Revenue	2008 ⁽¹⁾	% of Revenue	2009	% of Revenue	2008 ⁽¹⁾	% of Revenue
Revenue	\$ 35,243		\$ 35,143		\$ 136,853		\$ 131,632	
Property operating expenses	11,590	32.9%	11,521	32.8%	43,490	31.8%	40,551	30.8%
Property NOI	23,653	67.1%	23,622	67.2%	93,363	68.2%	91,081	69.2%
Interest	10,438	29.6%	10,100	28.7%	40,100	29.3%	38,551	29.3%
	13,215		13,522		53,263		52,530	
Expenses (Income):								
Corporate	1,330	3.8%	1,350	3.8%	4,524	3.3%	4,969	3.8%
Amortization	13,286		13,676		54,253		53,812	
Unrealized (gain) loss on commodity derivatives	(95)		68		466		(223)	
	14,521		15,094		59,243		58,558	
Loss before the undernoted	(1,306)		(1,572)		(5,980)		(6,028)	
Loss on termination of Interplex II agreement	–		–		(7,287)		–	
Future income tax expense	–		291		(10,895)		(580)	
Non-controlling interest	–		(71)		40		(268)	
Income (loss) from discontinued operations	5,446		223		14,933		(76)	
Income (loss) for the period	\$ 4,140		\$ (1,129)		\$ (9,189)		\$ (6,952)	
Basic income (loss) per unit	\$ 0.11		\$ (0.03)		\$ (0.27)		\$ (0.22)	
Diluted income (loss) per unit	\$ 0.11		\$ (0.03)		\$ (0.27)		\$ (0.22)	
Weighted-average number of units:								
Basic	37,138		32,361		33,915		32,089	
Diluted	37,138		32,361		33,915		32,089	

⁽¹⁾ Results for 2008 have been restated, refer to Note 2(b) of the Consolidated Financial Statements for the years ended December 31, 2009 and 2008.

REVENUE AND PROPERTY NOI

Revenue includes all amounts earned from tenants related to lease agreements, including basic rent, parking, operating cost and realty tax recoveries, as well as adjustments for the straight-lining of rents and above-or below-market rate adjustments recorded in accordance with GAAP.

In accordance with GAAP, Artis accounts for rent step-ups by straight-lining the incremental increases over the entire non-cancelable lease term. In 2009, straight-line rent adjustments of \$1,738 (Q4-09 - \$340) were recorded compared to \$1,960 in 2008 (Q4-08 - \$459).

On the acquisition of properties, Artis records intangible assets and liabilities resulting from above- and below-market rent leases. These intangible assets and liabilities are amortized to revenue over the term of the related leases. When a lease terminates prior to the end of the lease term, the REIT writes off the unamortized balance of these intangible assets and liabilities. Artis acquired 16 commercial properties during 2009 and 9 commercial properties in 2008; in-place rent rates in a number of the acquisitions were considered to be below-market rent rates. These increases have been offset by the disposal of 9 commercial properties during 2009. In 2009, the adjustment to market rents was \$12,303 (Q4-09 - \$2,744) compared to \$13,885 in 2008 (Q4-08 - \$3,219).

In 2009, the REIT recorded amortization of \$340 (Q4-09 - \$141) as a reduction in revenue from tenant incentives compared to \$110 in 2008 (Q4-08 - \$110).

Revenue in 2009 included interest income of \$1,865 (Q4-09 - \$483) compared to \$2,600 in 2008 (Q4-08 - \$591).

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

SAME PROPERTY NOI GROWTH

	Three month period ended December 31, ⁽¹⁾		Year ended December 31, ⁽¹⁾	
	2009	2008	2009	2008
Revenue	\$ 31,199	\$ 31,377	\$ 123,083	\$ 121,936
Property operating expenses	9,995	10,279	38,512	38,290
Property NOI	21,204	21,098	84,571	83,646
Add (deduct) non-cash revenue adjustments:				
Straight-line rent adjustment	(226)	(187)	(1,315)	(1,473)
Amortization of tenant inducements	139	108	336	108
Above- and below-market rent	(2,554)	(3,050)	(10,841)	(13,120)
Property NOI less non-cash revenue adjustments	\$ 18,563	\$ 17,969	\$ 72,751	\$ 69,161

⁽¹⁾ Same property comparison includes only income-producing properties owned on January 1, 2008, and excludes properties accounted for as discontinued operations.

In 2009, Artis achieved an increase of \$925 (Q4-09 - \$106), or 1.1% (Q4-09 - 0.5%) of Property NOI over 2008. As well, Artis also achieved an increase of \$3,590 (Q4-09 - \$594), or 5.2% (Q4-09 - 3.3%) of Property NOI less non-cash revenue adjustments over 2008. These improvements are primarily the result of rate increases achieved on lease rollovers, particularly in Alberta. Same property occupancy at December 31, 2009 increased 0.4% from 2008. These results do not include the impact of growth realized on lease turnovers in properties acquired throughout fiscal 2008.

MANAGEMENT'S DISCUSSION AND ANALYSIS

All amounts are in thousands of dollars, unless otherwise noted

Same Property Occupancy Comparison⁽¹⁾

	As at December 31,	
	2009	2008
Manitoba	98.2%	97.0%
Saskatchewan	99.5%	99.0%
Alberta	96.3%	96.4%
British Columbia	100.0%	100.0%
Total	97.3%	96.9%

⁽¹⁾ Same property comparison includes only income-producing properties owned on January 1, 2008, and excludes properties accounted for as discontinued operations.

PROPERTY NOI BY ASSET CLASS

In 2009, revenues and Property NOI from continuing operations increased for both the retail and industrial segments of the portfolio. Growth in the retail segment is primarily attributed to the acquisition of six retail properties in the first half of 2008. For the industrial segment, the growth is primarily attributed to acquisitions during 2008 and 2009, most notably the acquisition of the Winnipeg Industrial Portfolio from ING completed October 29, 2009. In the office segment, the major driver of revenue growth was the increase in rental rates achieved as leases were rolled over to market rents, particularly in the Calgary office segment. Revenue increases for the office segment were offset by additional carrying costs on higher average vacancy experienced during 2009.

	Year ended December 31,					
	2009			2008		
	Retail	Office	Industrial	Retail	Office	Industrial
Revenue	\$ 46,711	\$ 71,178	\$ 18,765	\$ 46,475	\$ 70,304	\$ 14,254
Property operating expenses	13,146	24,027	6,317	13,367	22,903	4,281
Property NOI	\$ 33,565	\$ 47,151	\$ 12,448	\$ 33,108	\$ 47,401	\$ 9,973
Share of Property NOI	36.0%	50.6%	13.4%	36.6%	52.4%	11.0%

PROPERTY NOI BY PROVINCE

In 2009, revenues from continuing operations increased in all four provinces; Property NOI increased in all but British Columbia. Acquisition activity in 2008 and in 2009 was the significant driver of growth in Manitoba, Saskatchewan and British Columbia. In British Columbia, revenue increases were offset by additional carrying costs on higher average vacancy experienced during 2009. In Alberta, the major driver of growth was the increase in rental rates achieved as leases were rolled over to market rents, particularly in the Calgary office segment.

	Year ended December 31,							
	2009				2008			
	MB	SK	AB	BC	MB	SK	AB	BC
Revenue	\$ 26,789	\$ 11,557	\$ 89,196	\$ 9,112	\$ 25,722	\$ 10,984	\$ 85,562	\$ 8,765
Property operating expenses	12,126	3,493	24,607	3,264	11,229	3,364	23,163	2,795
Property NOI	\$ 14,663	\$ 8,064	\$ 64,589	\$ 5,848	\$ 14,493	\$ 7,620	\$ 62,399	\$ 5,970
Share of Property NOI	15.7%	8.7%	69.3%	6.3%	16.0%	8.4%	69.0%	6.6%

PORTFOLIO OCCUPANCY AND LEASING ACTIVITY

Occupancy levels impact the REIT's revenues and Property NOI. In spite of the challenges posed by a general slowdown in economic growth across Canada in 2009, Artis' portfolio occupancy level at December 31, 2009 remained very high at 96.6% (excluding properties currently in redevelopment). This represents a slight increase from 96.4% at September 30, 2009, and 96.5% at December 31, 2008. At December 31, 2009, occupancy plus executed lease commitments on vacancy is 98.1%. Of the 191,000 square feet currently considered to be undergoing redevelopment, lease commitments are in place on 43.6% of the leasable area.

In 2009, Artis achieved growth in revenues and Property NOI by renewing or replacing leases at rates higher than those in place at expiry; for the year ended December 31, 2009, the weighted-average growth increase was 10.3%. In Q4-09, the industrial segment accounted for 82.0% of the new deals concluded in the period, but only 48.0% of the expiries. As industrial rent rates are generally lower than those in retail or office properties, this absorption of industrial vacancy lead to the reduction in the overall weighted-average rates for Q4-09 of 13.8%. The growth rate on renewals for 2009 was 16.0% and 9.1% for Q4-09.

	Q1-09		Q2-09		Q3-09		Q4-09		YTD 2009	
	S.F.	In-Place Rent	S.F.	In-Place Rent	S.F.	In-Place Rent	S.F.	In-Place Rent	S.F.	In-Place Rent
New/renewed	208,628	\$ 14.01	203,408	\$ 12.11	229,529	\$ 14.03	204,571	\$ 9.86	846,136	\$ 12.91
Expiring	268,070	\$ 12.28	169,812	\$ 11.20	248,901	\$ 10.47	160,196	\$ 11.44	846,979	\$ 11.70
Change		\$ 1.73		\$ 0.91		\$ 3.56		\$ (1.58)		\$ 1.21
Change %		14.1%		8.1%		34.0%		(13.8)%		10.3%
Change % on renewals only		19.9%		11.0%		20.7%		9.1%		16.0%

Artis' real estate is diversified across the four western provinces, and across the office, retail and industrial asset classes. At December 31, 2009, the three largest segments of the REIT's portfolio (by GLA) are Winnipeg industrial property, Calgary office property and Winnipeg office property.

Winnipeg industrial properties represent 27.4% of the overall portfolio by GLA. Vacancy in the Winnipeg industrial market, as reported by CBRE, was approximately 4.9% at the end of 2009 compared to 4.6% at the end of 2008. Rent rates remained stable in 2009 at \$5.76 psf. Artis has one industrial property in Winnipeg, comprising 64,690 square feet, which is considered to be in development. Approximately 47.0% of the space is committed under a new lease. Occupancy in the remainder of this segment of the portfolio was 99.1% at December 31, 2009. In 2010, 404,424 square feet comes up for renewal, which represents 5.6% of the portfolio's GLA; 36.1% has been renewed. In 2011, 257,302 square feet comes up for renewal, which represents 3.8% of the portfolio's GLA.

MANAGEMENT'S DISCUSSION AND ANALYSIS

All amounts are in thousands of dollars, unless otherwise noted

Calgary office properties represent 19.6% of the overall portfolio by GLA. Artis' office properties are Class A, B and C buildings, in downtown, beltline and suburban locations. Overall vacancy in the Calgary office market, as reported by CBRE, was 8.7% at the end of Q4-09. Although there may be variances across Calgary office sub markets, management believes the Calgary office market, in general, will continue to be under pressure for the next 18 to 24 months. Additional supply has been added to inventory and some projects have yet to be completed. At December 31, 2009, the Calgary office segment of Artis' portfolio was 94.4% occupied, with new lease commitments in place for 18.8% of the unoccupied space. In 2010, 72,709 square feet comes up for renewal, which represents 1.1% of the portfolio's GLA; 23.7% has been renewed. In 2011, 263,915 square feet comes up for renewal, which represents 4.1% of the portfolio's GLA; 34.7% has been renewed. Approximately 34.4% of the Calgary office GLA expires in 2015 or later, with 26.7% not expiring until 2020 or later.

Winnipeg office properties represent 10.0% of Artis' portfolio by GLA. Vacancy in the Winnipeg office market, as reported by CBRE, was 8.1% at the end of 2009, compared to 7.5% at September 30, 2009 and 5.4% at the end of 2008. Downtown Class A and B product experienced positive absorption, but this was offset by negative absorption in Class C downtown and suburban product. This has been largely the result of new sublet space coming to the market. The REIT's Winnipeg office portfolio performed well, with vacancy at 3.6% at the end of 2009, compared to 4.1% at September 30, 2009 and 4.2% at the end of 2008. In 2010, 174,417 square feet comes up for renewal which represents 2.6% of the portfolio's GLA; 47.4% has been renewed. In 2011, 132,850 square feet comes up for renewal, which represents 1.9% of the portfolio's GLA; 50.1% has been renewed.

INTEREST

The current year's interest expense is attributable to mortgages and other loans secured against the income-producing properties, as well as convertible debentures outstanding and the balance drawn on the credit facility. Interest expense has increased over 2008 due to additional mortgage financing obtained in connection with acquisitions during 2008 and 2009, issuance of additional convertible debentures, and amounts drawn on the credit facility. In accordance with GAAP, financing costs are netted against the related debt, and interest and financing costs are recorded on an effective interest basis.

The REIT's weighted-average effective rate for the year ending December 31, 2009 on mortgages and other debt secured by properties was 5.56% compared to 5.52% in 2008. The weighted-average nominal interest rate at December 31, 2009 was 5.45% compared to 5.42% at December 31, 2008.

At the time of issue, the convertible debentures are allocated between their equity and liability components in accordance with GAAP. Artis recorded interest expense of \$6,386 (Q4-09 - \$2,120) on the carrying value of debentures outstanding in 2009, compared to \$4,697 (Q4-08 - \$1,134) in 2008.

CORPORATE EXPENSES

	Three month period ended		Year ended	
	December 31,		December 31,	
	2009	2008	2009	2008
Accounting, legal, consulting	\$ 223	\$ 192	\$ 653	\$ 758
Advisory fees	710	656	2,813	2,514
Public company costs	159	130	621	514
Unit-based compensation	8	144	160	567
Cancellation of options	-	-	(484)	-
General and administrative	230	228	761	616
Total corporate expenses	\$ 1,330	\$ 1,350	\$ 4,524	\$ 4,969

In 2009, Artis and the holders of options agreed to cancel an aggregate of 1,212,800 options to acquire units. This resulted in a \$484 reversal of unit-based compensation expense during the year. Corporate expenses in 2009 were \$4,524 (Q4-09 - \$1,330), or 3.3% (Q4-09 - 3.8%) of gross revenues compared to \$4,969 (Q4-08 - \$1,350), or 3.8% (Q4-08 - 3.8%) of gross revenues in 2008.

AMORTIZATION

Amortization includes amortization of the income-producing properties and their related intangible assets, as well as office equipment and other assets.

At the time of acquisition, Artis allocates a portion of the purchase price of properties to income-producing properties and a portion to intangible assets. Income-producing properties are amortized on a straight-line basis over their useful lives, resulting in amortization expense of \$26,864 (Q4-09 - \$6,523) in 2009 compared to \$27,468 (Q4-08 - \$6,927) in 2008. Intangible assets, such as the value of in-place operating leases and customer relationship values, are amortized on a straight-line basis over the term of the underlying lease agreements. In 2009, Artis recorded \$26,786 (Q4-09 - \$6,074) for the amortization of intangible assets, compared to \$30,636 (Q4-08 - \$7,387) in 2008.

In 2009, amortization expense relating to tenant inducements and leasing commissions totalled \$2,723 (Q4-09 - \$675), compared to \$1,351 in 2008 (Q4-08 - \$409).

UNREALIZED GAIN (LOSS) ON COMMODITY DERIVATIVES

In accordance with GAAP, in 2009 the REIT recorded an unrealized loss on commodity derivatives of \$466 (Q4-09 - gain of \$95) compared to an unrealized gain of \$223 (Q4-08 - loss of \$68) in 2008 on utility supply contracts. The REIT anticipates holding these utility contracts until maturity.

FUTURE INCOME TAXES

The REIT currently qualifies as a mutual fund trust for Canadian income tax purposes. Prior to new legislation relating to the federal income taxation of publicly listed or traded trusts, as discussed below, income earned by the REIT and distributed annually to unitholders was not, and would not be, subject to taxation in the REIT, but was taxed at the individual unitholder level. For financial statement reporting purposes, the tax deductibility of the REIT's distributions was treated as an exception from taxation as the REIT distributed, and was committed to continue distributing, all of its taxable income to its unitholders.

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 (such legislation, as amended, referred to as the "New SIFT Rules"). A SIFT includes a publicly listed or traded partnership or trust, such as an income trust. Under the New SIFT Rules, following a transition period for qualifying SIFTs, certain distributions from a SIFT will no longer be deductible in computing a SIFT's taxable income, and a SIFT will be subject to tax on such distributions at a rate that is substantially equivalent to the general tax rate applicable to a Canadian corporation. However, distributions paid by a SIFT as returns of capital should generally not be subject to the tax. A qualifying SIFT is a trust which was a SIFT on October 31, 2006. The application of the SIFT Rules to a qualifying trust is delayed until the earlier of the trust's 2011 taxation year and the first taxation year in which it exceeds certain specified growth guidelines. In the case of the REIT, its subsequent offerings have exceeded the specified growth guidelines. Therefore, commencing on January 1, 2007, subject to the REIT's ability to meet the REIT Conditions, the REIT is subject to tax on certain income which may adversely impact the level of cash otherwise available for distribution. Please refer to the REIT's Annual Information Form for a more detailed discussion of the New SIFT Rules and their application to the REIT.

The New SIFT Rules do not apply to a "real estate investment trust" that meets prescribed conditions relating to the nature of its assets and revenue (the "REIT Conditions"). The REIT has reviewed the New 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 New SIFT Rules, the REIT believes that it has met the REIT Conditions throughout the fiscal year ended December 31, 2009. Accordingly, the future income tax asset of \$11,127 recorded in prior periods was reversed Q1-09.

NON-CONTROLLING INTEREST

Non-controlling interest represents an allocation of net income or loss to the Class B unitholders. As a result of the settlement and cancellation of the Interplex II and Interplex III agreements there are no outstanding Class B units at December 31, 2009 and there will be no further allocation to non-controlling interest.

INCOME FROM DISCONTINUED OPERATIONS

Income from discontinued operations includes income from the 9 properties known as the Plainsman Building, Airways Business Plaza, Glenmore Commerce Court, McKnight Village Mall, Albert Street Mall, Bridges Place, Willowglen Business Park, Franklin Showcase Warehouse, and Raleigh Shopping Centre which were sold during 2009, as well as the loss incurred on termination of the Interplex III agreement.

MANAGEMENT'S DISCUSSION AND ANALYSIS

All amounts are in thousands of dollars, unless otherwise noted

DISTRIBUTABLE INCOME ("DI") AND DISTRIBUTIONS

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

Reconciliation of Cash Flows from Operations to DI:

\$000's, except per unit amounts	Three month period ended December 31,		Year ended December 31,	
	2009	2008	2009	2008
Cash flow from operations	\$ 10,275	\$ (2,694)	\$ 41,113	\$ 40,963
Add (deduct) amortization of:				
Office equipment	(24)	(2)	(99)	(8)
Above-market rent	(54)	(120)	(233)	(339)
Below-market rent	2,798	3,339	12,536	14,224
Tenant inducements and leasing costs	(675)	(409)	(2,723)	(1,351)
Tenant inducements amortized into revenue	(141)	(110)	(340)	(110)
Above-market mortgage	46	45	183	178
Add: Straight-line rent adjustment	340	459	1,738	1,960
Add (deduct):				
Changes in non-cash operating items	(661)	13,440	(1,003)	(1,134)
Financing costs, non-debenture, included in interest expense	(198)	(131)	(782)	(413)
Other adjustment				
Property rent ⁽¹⁾	–	300	300	1,200
DI for the period	\$ 11,706	\$ 14,117	\$ 50,690	\$ 55,170
DI per unit				
Basic	\$ 0.32	\$ 0.43	\$ 1.48	\$ 1.68
Diluted	\$ 0.30	\$ 0.41	\$ 1.42	\$ 1.62
Weighted-average number of units				
Basic ⁽²⁾	37,138	33,082	34,166	32,810
Diluted ⁽²⁾	44,506	36,164	38,581	35,905

⁽¹⁾ Included in DI is Property rent, which is cash revenue earned pursuant to the Interplex II purchase and sale agreement not recorded as revenue in the REIT's Consolidated Statement of Operations due to the project being in the development phase.

⁽²⁾ The weighted-average number of units used in the calculation of basic and diluted DI per unit included Class B units issued by the REIT's subsidiary, AXLP. Options and convertible debentures are factored into the diluted weighted-average calculation, to the extent that their impact is dilutive.

Reconciliation of GAAP Income (Loss) to DI:

\$000's, except per unit amounts	Three month period ended December 31,		Year ended December 31,	
	2009	2008	2009	2008
Income (loss) for the period	\$ 4,140	\$ (1,129)	\$ (9,189)	\$ (6,952)
Add (deduct):				
Amortization (excluding amortized leasing costs)	12,597	14,314	53,650	58,104
Accretion on liability component of convertible debentures	516	355	1,724	1,464
Unit-based compensation expense	8	144	160	567
Cancellation of options	–	–	(484)	–
Loss on termination of Interplex II agreement	–	–	7,287	–
(Gain) loss on disposal of income-producing properties	(5,460)	197	(14,442)	197
Future income tax expense (recovery)	–	(211)	11,127	548
Other adjustments				
Property rent ⁽¹⁾	–	300	300	1,200
Non-controlling interest ⁽²⁾	–	79	91	265
Unrealized (gain) loss on commodity derivatives ⁽³⁾	(95)	68	466	(223)
DI for the period	\$ 11,706	\$ 14,117	\$ 50,690	\$ 55,170

⁽¹⁾ Included in DI is Property rent, which is cash revenue earned pursuant to the Interplex II purchase and sale agreement not recorded as revenue in the REIT's Consolidated Statement of Operations due to the project being in the development phase.

⁽²⁾ Included in DI is income allocated to the non-controlling interest, as it relates to Class B units that are included in the weighted-average units outstanding for the purpose of this calculation.

⁽³⁾ Included in (excluded from) DI is an unrealized (gain) loss on the change in fair value of commodity derivatives.

In 2009, DI decreased \$4,480 (Q4-09 - \$2,411), or 8.1% (Q4-09 - 17.1%) over 2008. This decrease is attributed to the impact of dispositions during 2009, increased amortization of leasing costs, and reduced Property rent due to the settlement of the Interplex II agreement. Basic DI per unit decreased \$0.20 (Q4-09 - \$0.11), or 11.9% (Q4-09 - 25.6%) over 2008. On a diluted basis, DI has decreased \$0.20 (Q4-09 - \$0.11), or 12.3% (Q4-09 - 26.8%) over 2008.

2009 DI may not be indicative of future results due to the impact of the disposition of income-producing properties, the issuance of new units and convertible debentures. Management anticipates on-going improvements in 2010, as capital is deployed into new income-producing assets.

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 distribution reinvestment and unit purchase plan (the "DRIP").

	Three month period ended December 31,		Year ended	Year ended
	2009	2009	December 31,	December 31,
Cash flow from operations	\$ 10,275	\$ 41,113	\$ 40,963	\$ 28,586
Net income (loss)	\$ 4,140	\$ (9,189)	\$ (6,952)	\$ 6,157
Distributions declared	\$ 10,109	\$ 36,998	\$ 35,123	\$ 27,106
Excess of cash flow from operations over distributions declared	\$ 166	\$ 4,115	\$ 5,840	\$ 1,480
Excess of distributions declared over net income (loss)	\$ (5,969)	\$ (46,187)	\$ (42,075)	\$ (20,949)

MANAGEMENT'S DISCUSSION AND ANALYSIS

All amounts are in thousands of dollars, unless otherwise noted

For the year ended ended December 31, 2009, cash flow from operations exceeded distributions declared by \$4,115 (Q4-09 - \$166).

For the three months and year ended December 31, 2009, distributions declared exceeded net income (loss). These differences are mainly comprised of amortization and other non-cash adjustments.

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 (loss) for the period.

Reconciliation of Cash Flows from Operations to FFO:

\$000's, except per unit amounts	Three month period ended December 31,		Year ended December 31,	
	2009	2008	2009	2008
Cash flow from operations	\$ 10,275	\$ (2,694)	\$ 41,113	\$ 40,963
Add (deduct) amortization of:				
Office equipment	(24)	(2)	(99)	(8)
Above-market rent	(54)	(120)	(233)	(339)
Below-market rent	2,798	3,339	12,536	14,224
Above-market mortgages	46	45	183	178
Add:				
Straight-line rent adjustment	340	459	1,738	1,960
Deduct:				
Accretion on liability component of convertible debentures	(516)	(355)	(1,724)	(1,464)
Unit-based compensation expense	(8)	(144)	(160)	(567)
Cancellation of options	–	–	484	–
Amortization of financing costs included in interest	(198)	(131)	(782)	(413)
Changes in non-cash operating items	(661)	13,440	(1,003)	(1,134)
Other adjustment				
Property rent ⁽¹⁾	–	300	300	1,200
FFO for the period	\$ 11,998	\$ 14,137	\$ 52,353	\$ 54,600
FFO per unit				
Basic	\$ 0.32	\$ 0.43	\$ 1.53	\$ 1.66
Diluted	\$ 0.31	\$ 0.42	\$ 1.49	\$ 1.64
Weighted-average number of units:				
Basic ⁽²⁾	37,138	33,082	34,166	32,810
Diluted ⁽²⁾	42,551	34,209	36,625	33,950

⁽¹⁾ Included in FFO is Property rent, which is cash revenue earned pursuant to the Interplex II purchase and sale agreement not recorded as revenue in the REIT's Consolidated Statements of Operations due to the project being in the development phase.

⁽²⁾ The weighted-average number of units used in the calculation of FFO per unit included Class B units issued by the REIT's subsidiary, AXLP. Options and convertible debentures are factored into the diluted weighted-average calculation, to the extent that their impact is dilutive.

Reconciliation of GAAP Income (Loss) to FFO:

	Three month period ended December 31,		Year ended December 31,	
	2009	2008	2009	2008
Income (loss) for the period	\$ 4,140	\$ (1,129)	\$ (9,189)	\$ (6,952)
Add amortization on:				
Income-producing properties	6,523	6,927	26,864	27,468
Acquired in-place leases	6,073	7,385	26,779	30,618
Customer relationships	1	2	7	18
Tenant inducements and leasing costs	675	409	2,723	1,351
Tenant inducements amortized to revenue	141	110	340	110
Loss on termination of Interplex II agreement	-	-	7,287	-
(Gain) loss on disposal of income-producing properties	(5,460)	197	(14,442)	197
Future income tax expense (recovery)	-	(211)	11,127	548
Other adjustments				
Property rent ⁽¹⁾	-	300	300	1,200
Non-controlling interest ⁽²⁾	-	79	91	265
Unrealized (gain) loss on commodity derivatives ⁽³⁾	(95)	68	466	(223)
FFO for the period	\$ 11,998	\$ 14,137	\$ 52,353	\$ 54,600

⁽¹⁾ Included in FFO is Property rent, which is cash revenue earned pursuant to the Interplex II purchase and sale agreement not recorded as revenue in the REIT's Consolidated Statements of Operations due to the project being in the development phase.

⁽²⁾ Included in FFO is income allocated to the non-controlling interest, as it relates to Class B units that are included in the weighted-average units outstanding for the purpose of this calculation.

⁽³⁾ Included in (excluded from) FFO is an unrealized (gain) loss on the change in fair value of commodity derivatives.

In 2009, FFO has decreased \$2,247 (Q4-09 - \$2,139), or 4.1% (Q4-09 - 15.1%) over 2008. This decrease is attributed to the impact of dispositions during 2009 and reduced Property rent due to the settlement of the Interplex II agreement. Basic FFO per unit has decreased by \$0.13 (Q4-09 - \$0.11), or 7.8% (Q4-09 - 25.6%), over 2008. On a diluted basis, FFO per unit has decreased \$0.15 (Q4-09 - \$0.11), or 9.1% (Q4-09 - 26.2%) over 2008.

2009 FFO may not be indicative of future results due to the impact of the disposition of income-producing properties, the issuance of new units and convertible debentures. Management anticipates on-going improvements in 2010, as capital is deployed into new income-producing assets.

ANALYSIS OF FINANCIAL POSITION
ASSETS

	December 31,	December 31,	Increase (decrease)
	2009	2008	
Income-producing properties	\$ 991,700	\$ 1,030,181	\$ (38,481)
Other assets, including intangibles	162,247	199,077	(36,830)
Cash, cash equivalents and cash held in trust	36,262	14,435	21,827
	\$ 1,190,209	\$ 1,243,693	\$ (53,484)

MANAGEMENT'S DISCUSSION AND ANALYSIS

All amounts are in thousands of dollars, unless otherwise noted

Income-producing properties and related intangible assets:

The decrease in assets is a result of the disposition of 9 commercial properties during the year ended December 31, 2009, the removal of property under development as a result of the settlement of the Interplex III agreement, in addition to amortization recorded during the year.

The decrease in the REIT's income-producing properties and related intangible assets was offset by the acquisition of the following properties:

Property	Location	Acquisition Date	Type
Airdrie Flex Industrial	3 Kingsview Road, Airdrie, AB	October 1, 2009	Industrial
Winnipeg Industrial Portfolio ⁽¹⁾	Various locations in Winnipeg, MB	October 29, 2009	Industrial
Cliveden Building ⁽²⁾	1608 Cliveden Avenue, Delta, BC	December 15, 2009	Industrial
Kincaid Building ⁽²⁾	4225 Kincaid Street, Burnaby, BC	December 15, 2009	Office

⁽¹⁾ The Winnipeg Industrial Portfolio is comprised of 13 multi-tenant properties.

⁽²⁾ The Cliveden Building and the Kincaid Building were acquired as a portfolio. The REIT acquired a 50% interest in this portfolio, which is proportionately consolidated in the accounts of the REIT.

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 by the purchase method, with a portion of the purchase price allocated to income-producing properties and a portion allocated to intangible assets and liabilities, as noted below.

	Year ended December 31,	
	2009	2008
Cash consideration	\$ 35,092	\$ 46,411
Issuance of units	–	2,100
New or assumed mortgages including above- and below-market mortgages	36,422	68,121
Net assets acquired	\$ 71,514	\$ 116,632
Allocated to income-producing properties	\$ 63,684	\$ 96,482
Allocated to other assets	11,882	26,280
Allocated to intangible liabilities	(4,052)	(6,130)
Net assets acquired	\$ 71,514	\$ 116,632

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 instalments of principal and interest. The note is transferable at the option of the REIT and matures in May, 2023. The REIT has four additional notes receivable arising from the acquisition and disposition of income-producing properties.

Capital expenditures:

Income-producing properties includes certain capital expenditures related to sustaining building improvements not related to a specific lease or tenancy. These improvements are amortized over the estimated useful life of the relevant assets.

Capital expenditures in 2009 totalled \$4,847 (Q4-09 - \$1,930) compared to \$15,887 in 2008 (Q4-08 - \$5,561). This includes revenue enhancing capital expenditures of \$2,690 related to concrete slab restoration on two parkades that are ancillary to existing portfolio office properties in Winnipeg, Manitoba and Calgary, Alberta, completion of the 40,000 square foot two-storey addition at Millennium Centre in Red Deer, Alberta that was started in 2008 and construction of a new 3,500 square foot retail development at North City Centre in Edmonton, Alberta. Artis has pre leased 100% of the new space at North City Centre. The remaining \$2,157 of capital expenditures primarily relate to roof repairs at two properties and exterior envelope upgrades at a retail property.

Tenant inducements and leasing costs:

Other assets of the REIT at December 31, 2009 include \$14,180 of unamortized tenant inducement and leasing costs related to the leasing or re-leasing of space, compared to \$11,693 at December 31, 2008. Tenant inducements include costs incurred to improve the space, as well as allowances paid to tenants. Leasing costs are primarily brokers' commissions. These costs are amortized over the terms of the underlying leases.

In 2009, Artis incurred \$7,178 (Q4-09 - \$1,484) of tenant inducements and leasing costs compared to \$7,255 in 2008 (Q4-08 - \$2,470).

	Year ended December 31,	
	2009	2008
Tenant inducements	\$ 4,647	\$ 3,459
Leasing commissions	2,531	3,796
Total	\$ 7,178	\$ 7,255

Future income tax assets:

The REIT believes that it has met the REIT Conditions effective January 1, 2009. Accordingly, the future income tax asset recorded in prior periods was reversed in Q1-09. In respect of assets and liabilities of the REIT, and its flow through entities, the tax basis of net assets exceeds their net book value for accounting purposes by approximately \$39,032 at December 31, 2009 (December 31, 2008, \$43,045).

Deposits on income-producing properties:

Artis had a deposit of \$6,712 at December 31, 2008 relating to the Interplex II agreement which was settled during 2009. At December 31, 2009, Artis had made \$1,350 of deposits on other income-producing properties, compared to \$nil at December 31, 2008.

Cash and cash equivalents:

At December 31, 2009, the REIT had \$35,907 of cash and cash equivalents on hand, compared to \$13,847 at December 31, 2008. The balance is anticipated to be invested in income-producing properties in subsequent periods, or used for working capital purposes. All of the REIT's cash and cash equivalents are held in current accounts and/or bank guaranteed investment certificates.

MANAGEMENT'S DISCUSSION AND ANALYSIS

All amounts are in thousands of dollars, unless otherwise noted

LIABILITIES

	December 31, 2009	December 31, 2008	Decrease
Long-term debt	\$ 698,295	\$ 721,275	\$ (22,980)
Other liabilities	100,308	121,117	(20,809)
Bank indebtedness	30,700	32,500	(1,800)
	\$ 829,303	\$ 874,892	\$ (45,589)

Long-term debt is comprised of mortgages and other loans related to properties as well as the carrying value of convertible debentures issued by the REIT. In accordance with GAAP, the REIT's convertible debentures on issue are separated into a liability and an equity component; with the liability component, or "carrying value" included in long-term debt of the REIT.

Under the terms of the REIT's Declaration of Trust, the total indebtedness of the REIT (excluding indebtedness related to the convertible debentures) is limited to 70% of gross book value ("GBV"). GBV is calculated as the consolidated net book value of the consolidated assets of the REIT, adding back the amount of accumulated amortization of the income-producing properties and other assets (including intangible assets) as disclosed in the balance sheet and notes thereto.

Artis' debt (excluding convertible debentures) to GBV ratio at December 31, 2009 was 47.4%, compared to 51.6% at December 31, 2008.

	December 31, 2009	December 31, 2008
GBV	\$ 1,356,994	\$ 1,374,377
Mortgages, loans and bank indebtedness	642,963	708,869
Mortgages, loans and bank indebtedness to GBV	47.4%	51.6%
Carrying value of convertible debentures	\$ 86,032	\$ 44,906
Total long-term debt and bank indebtedness	728,995	753,775
Total long-term debt and bank indebtedness to GBV	53.7%	54.8%

At the 2009 Annual and Special Meeting of Unitholders', the REIT received Unitholder approval to amend its Declaration of Trust to authorize Artis to create and issue a new class of preferred equity securities ("Preferred Units"). Artis believes that Preferred Units would be an attractive investment for certain investors in the current economic and market conditions. The issuance of Preferred Units would enable the REIT to attract new investors as well as to potentially provide Artis with an opportunity to reduce its cost of capital. The issuance of such Preferred Units is conditional on support and demand for such a security in the market. The REIT is in receipt of a favourable tax ruling from the Canada Revenue Agency regarding any potential future issuance.

Artis REIT is currently committed to maintaining a total debt to GBV ratio of 60% or lower. In the event that the REIT issues Preferred Units, the Trustees have approved a guideline stipulating that for purposes of calculating the debt to GBV ratio, Preferred Units (although considered equity under Canadian GAAP) would be included in the debt component of the calculation.

Mortgages:

Artis finances acquisitions in part through the assumption of mortgage financing and consequently, substantially all of the REIT's income-producing properties are pledged as security under mortgages and other loans. In 2009, \$12,367 (Q4-09 - \$3,080) of principal repayments were made, compared to \$12,773 in 2008 (Q4-08 - \$4,612).

During 2009, debt added on acquisition of income-producing properties was \$36,500 and debt eliminated on the disposition of income-producing properties was \$58,945. The REIT also repaid three vendor take-back mortgages in the aggregate amount of \$40,000 and obtained new mortgage financing in the amount of \$11,643.

The weighted-average term to maturity at December 31, 2009 is 4.5 years, compared to 5.0 years at December 31, 2008.

Convertible debentures:

Artis has five series of convertible debentures outstanding as at December 31, 2009, as follows:

	Issued	Maturity	Face rate	December 31, 2009		December 31, 2008	
				Carrying value	Face value	Carrying value	Face value
Series A	4-Aug-05	4-Aug-10	7.75%	\$ 595	\$ 620	\$ 555	\$ 620
Series B	9-Nov-05	9-Nov-10	7.50%	2,175	2,313	2,034	2,313
Series C	4-May-06	31-May-13	6.25%	24,535	29,920	23,336	29,920
Series D	30-Nov-07	30-Nov-14	5.00%	16,257	17,000	18,981	20,000
Series E	9-July-09	30-June-14	7.50%	42,470	45,384	–	–
				\$ 86,032	\$ 95,237	\$ 44,906	\$ 52,853

The carrying value of convertible debentures has increased by \$41,126 from December 31, 2008. This increase is due primarily to the issuance of Series E convertible debentures, which was offset by a repayment on the Series D convertible debentures and conversion of Series E convertible debentures. Also included in the carrying value is interest and financing costs which are amortized on an effective interest basis. The weighted-average effective rate of the debentures at December 31, 2009 was 10.04%, a decrease from the rate of 10.33% at December 31, 2008.

Other liabilities and bank indebtedness:

Other liabilities includes the unamortized below-market rent intangible liability of \$81,523 at December 31, 2009. This decreased \$9,663 from \$91,186 at December 31, 2008, as a result of amortization, and the properties disposed of during the year. This decrease was offset by the acquisition of 16 income-producing properties in Q4-09. Included in other liabilities are security deposits paid by tenants, rents prepaid by tenants at December 31, 2009, accounts payable and accruals, as well as the December 31, 2009 distribution payable to unitholders of \$3,377, subsequently paid on January 15, 2010. Bank indebtedness relates to the balance drawn on the REIT's revolving term credit facility. At December 31, 2009, Artis had drawn \$30,700 on its credit facility in conjunction with 2008 acquisitions. The loan bears interest at a floating rate equal to Canadian dollar bankers' acceptances with a term to maturity of 30 days, plus 3.40% per annum.

UNITHOLDERS' EQUITY

Unitholders' equity increased overall by \$2,363 between December 31, 2009 and December 31, 2008. The increase was primarily due to the issuance of units for \$40,564 and the exchange of Class B units for \$8,059. This increase was offset by the net loss for the year of \$9,189 and the distributions made to unitholders of \$36,737.

LIQUIDITY AND CAPITAL RESOURCES

In 2009, Artis generated \$41,113 (Q4-09 - \$10,275) of cash flows from operating activities compared to \$40,963 in 2008 (Q4-08 - \$(2,694)). Cash flows from operations assisted in funding distributions to unitholders of \$36,737 (Q4-09 - \$10,109), distributions to Class B unitholders of \$65 (Q4-09 - \$nil), and for principal repayments on mortgages and loans of \$12,367 (Q4-09 - \$3,080).

Cash of \$12,025 (Q4-09 - \$3,414) was used for capital building improvements and for tenant inducements and leasing costs compared to \$23,142 in 2008 (Q4-08 - \$8,031).

At December 31, 2009, Artis had \$35,907 of cash and cash equivalents on hand. Management anticipates that the cash on hand will be invested in income-producing properties in subsequent periods, or used for working capital purposes.

On September 28, 2008, Artis entered into an agreement to renew its revolving term credit facility for a total amount of \$60,000 which may be utilized to fund acquisitions of office, retail and industrial properties. The credit facility matures on September 28, 2010. \$10,000 of the facility can be utilized for general corporate purposes; \$10,000 may be utilized to provide mezzanine financing; and \$7,500 can be utilized to purchase units under the REIT's NCIB. As at December 31, 2009, the REIT had incurred bank indebtedness of \$30,700. Subsequent to December 31, 2009, the REIT repaid the balance drawn on the revolving term credit facility.

To its knowledge, Artis is not in default or arrears on any of its obligations, including distributions to unitholders, interest or principal payments on debt or any debt covenants for the year ended December 31, 2009.

The REIT's management expects to meet all of its short-term obligations and capital commitments with respect to properties through funds generated from operations, from the proceeds of mortgage refinancing, from the issuance of new debentures or units, and from the available credit facility and cash on hand.

MANAGEMENT'S DISCUSSION AND ANALYSIS

All amounts are in thousands of dollars, unless otherwise noted

CONTRACTUAL OBLIGATIONS

	Total	Less than 1 year	1 - 3 years	4 - 5 years	After 5 years
Mortgages, loans and bank indebtedness	\$ 644,318	\$ 106,738	\$ 160,694	\$ 134,701	\$ 242,185
Convertible debentures ⁽¹⁾	95,237	2,933	–	92,304	–
Total	\$ 739,555	\$ 109,671	\$ 160,694	\$ 227,005	\$ 242,185

⁽¹⁾ It is assumed that none of the convertible debentures are converted or redeemed prior to maturity and that they are paid out in cash on maturity.

At December 31, 2009, obligations due within one year include \$64,503 of mortgages. Currently, 40% of these mortgages have either been repaid or refinanced.

At December 31, 2009 obligations due within one year also include \$30,700 drawn on the revolving term credit facility, and principal repayments on mortgages of \$11,535. On February 1, 2010, the REIT repaid the balance drawn on the revolving term credit facility.

SUMMARIZED QUARTERLY INFORMATION

\$000's, except per unit amounts ^{(1) (2)}

	Q4-09	Q3-09	Q2-09	Q1-09	Q4-08	Q3-08	Q2-08	Q1-08
Revenue	\$ 35,243	\$ 33,517	\$ 33,487	\$ 34,606	\$ 35,143	\$ 33,241	\$ 32,427	\$ 30,821
Property operating expenses	11,590	10,487	10,393	11,020	11,521	10,149	9,723	9,158
Property NOI	23,653	23,030	23,094	23,586	23,622	23,092	22,704	21,663
Interest	10,438	10,029	9,766	9,867	10,100	9,682	9,558	9,211
	13,215	13,001	13,328	13,719	13,522	13,410	13,146	12,452
Expenses (income):								
Corporate	1,330	705	1,288	1,201	1,350	1,137	1,342	1,140
Amortization	13,286	12,523	12,862	15,582	13,676	13,094	13,137	13,905
Unrealized (gain) loss on commodity derivatives	(95)	297	60	204	68	1,092	(455)	(928)
	14,521	13,525	14,210	16,987	15,094	15,323	14,024	14,117
Loss before the undernoted	(1,306)	(524)	(882)	(3,268)	(1,572)	(1,913)	(878)	(1,665)
Loss on termination of Interplex II agreement	–	–	(7,287)	–	–	–	–	–
Non-controlling interest	–	–	45	(5)	(71)	(31)	(16)	(150)
Loss before income taxes and discontinued operations	\$ (1,306)	\$ (524)	\$ (8,124)	\$ (3,273)	\$ (1,643)	\$ (1,944)	\$ (894)	\$ (1,815)
Future income tax (expense) recovery	–	–	–	(10,895)	291	(125)	(1,038)	292
Income (loss) from discontinued operations	5,446	616	8,234	637	223	83	(48)	(334)
Income (loss) for the period	\$ 4,140	\$ 92	\$ 110	\$ (13,531)	\$ (1,129)	\$ (1,986)	\$ (1,980)	\$ (1,857)
Basic income (loss) per unit	\$ 0.11	\$ 0.00	\$ 0.00	\$ (0.42)	\$ (0.03)	\$ (0.06)	\$ (0.06)	\$ (0.06)
Diluted income (loss) per unit	\$ 0.11	\$ 0.00	\$ 0.00	\$ (0.42)	\$ (0.03)	\$ (0.06)	\$ (0.06)	\$ (0.06)

⁽¹⁾ The above summarized quarterly information has been reclassified to reflect discontinued operations.

⁽²⁾ Results for 2008 have been restated, refer to Note 2(b) of the Consolidated Financial Statements for the years ended December 31, 2009 and 2008.

Artis acquired 16 income-producing properties in Q4-09. Due to this acquisition activity, Artis increased revenues and Property NOI from continuing operations in Q4-09.

Reconciliation of GAAP Income (Loss) to DI:

 \$000's, except per unit amounts ⁽¹⁾

	Q4-09	Q3-09	Q2-09	Q1-09	Q4-08	Q3-08	Q2-08	Q1-08
Income (loss) for the period	\$ 4,140	\$ 92	\$ 110	\$ (13,531)	\$ (1,129)	\$ (1,986)	\$ (1,980)	\$ (1,857)
Add:								
Amortization (excluding amortized leasing costs)	12,597	12,175	12,945	15,933	14,314	13,922	14,313	15,555
Accretion on liability component of debentures	516	473	373	362	355	349	384	376
Unit-based compensation expense	8	37	54	61	144	143	144	136
Cancellation of options	-	(484)	-	-	-	-	-	-
Unrealized (gain) loss on commodity derivatives	(95)	297	60	204	68	1,092	(455)	(928)
Loss on termination of Interplex II agreement	-	-	7,287	-	-	-	-	-
(Gain) loss on disposal of income-producing properties	(5,460)	(403)	(7,988)	(591)	197	-	-	-
Future income tax expense (recovery)	-	-	-	11,127	(211)	156	1,020	(417)
Other adjustments								
Property rent ⁽²⁾	-	-	-	300	300	300	300	300
Non-controlling interest ⁽³⁾	-	-	58	33	79	34	14	138
Distributable income (DI)	\$ 11,706	\$ 12,187	\$ 12,899	\$ 13,898	\$ 14,117	\$ 14,010	\$ 13,740	\$ 13,303
DI per unit								
Basic	\$ 0.32	\$ 0.37	\$ 0.39	\$ 0.42	\$ 0.43	\$ 0.42	\$ 0.42	\$ 0.41
Diluted	\$ 0.30	\$ 0.34	\$ 0.38	\$ 0.41	\$ 0.41	\$ 0.41	\$ 0.40	\$ 0.40
Weighted-average number of units:								
Basic ⁽⁴⁾	37,138	33,364	33,019	33,107	33,082	33,000	32,780	32,346
Diluted ⁽⁴⁾	44,506	40,793	36,101	36,189	36,164	36,152	35,983	35,782

⁽¹⁾ Results for 2008 have been restated, refer to Note 2(b) of the Consolidated Financial Statements for the years ended December 31, 2009 and 2008.

⁽²⁾ Included in DI is Property rent, which is cash revenue earned pursuant to the Interplex II purchase and sale agreement not recorded as revenue in the REIT's Consolidated Statements of Operations due to the project being in the development phase.

⁽³⁾ Included in DI is income allocated to the non-controlling interest, as it relates to Class B units that are included in the weighted-average units outstanding for the purpose of this calculation.

⁽⁴⁾ The weighted-average number of units used in the calculation of DI per unit included Class B units issued by the REIT's subsidiary, AXLP, beginning in Q4-06. Options and convertible debentures are factored into the diluted weighted-average calculation, to the extent that their impact is dilutive.

MANAGEMENT'S DISCUSSION AND ANALYSIS

All amounts are in thousands of dollars, unless otherwise noted

Reconciliation of GAAP Income (Loss) to FFO:

\$000's, except per unit amounts ⁽¹⁾

	Q4-09	Q3-09	Q2-09	Q1-09	Q4-08	Q3-08	Q2-08	Q1-08
Income (loss) for the period	\$ 4,140	\$ 92	\$ 110	\$ (13,531)	\$ (1,129)	\$ (1,986)	\$ (1,980)	\$ (1,857)
Add amortization on:								
Income-producing properties	6,523	6,332	6,529	7,480	6,927	6,906	6,709	6,926
Acquired in-place leases	6,073	5,841	6,414	8,451	7,385	7,011	7,598	8,624
Customer relationships	1	2	2	2	2	5	6	5
Tenant inducements and leasing costs	675	731	612	705	409	374	307	261
Tenant inducements amortized into revenue	141	71	63	65	110	–	–	–
Unrealized (gain) loss on commodity derivatives	(95)	297	60	204	68	1,092	(455)	(928)
Loss on termination of Interplex II agreement	–	–	7,287	–	–	–	–	–
(Gain) loss on disposal of income-producing properties	(5,460)	(403)	(7,988)	(591)	197	–	–	–
Future income tax expense (recovery)	–	–	–	11,127	(211)	156	1,020	(417)
Other adjustments								
Property rent ⁽²⁾	–	–	–	300	300	300	300	300
Non-controlling interest ⁽³⁾	–	–	58	33	79	34	14	138
Funds from operations (FFO)	\$ 11,998	\$ 12,963	\$ 13,147	\$ 14,245	\$ 14,137	\$ 13,892	\$ 13,519	\$ 13,052
FFO per unit								
Basic	\$ 0.32	\$ 0.39	\$ 0.40	\$ 0.43	\$ 0.43	\$ 0.42	\$ 0.41	\$ 0.40
Diluted	\$ 0.31	\$ 0.36	\$ 0.39	\$ 0.42	\$ 0.42	\$ 0.42	\$ 0.41	\$ 0.40
Weighted-average number of units:								
Basic ⁽⁴⁾	37,138	33,364	33,019	33,107	33,082	33,000	32,780	32,346
Diluted ⁽⁴⁾	42,551	38,838	34,146	34,234	34,209	34,197	34,020	33,519

⁽¹⁾ Results for 2008 have been restated, refer to Note 2(b) of the Consolidated Financial Statements for the years ended December 31, 2009 and 2008.

⁽²⁾ Included in FFO is Property rent, which is cash revenue earned pursuant to the Interplex II purchase and sale agreement not recorded as revenue in the REIT's Consolidated Statements of Operations due to the project being in the development phase.

⁽³⁾ Included in FFO is income allocated to the non-controlling interest, as it relates to Class B units that are included in the weighted-average units outstanding for the purpose of this calculation.

⁽⁴⁾ The weighted-average number of units used in the calculation of FFO per unit included Class B units issued by the REIT's subsidiary, AXLP, beginning in Q4-06. Options and convertible debentures are factored into the diluted weighted-average calculation, to the extent that their impact is dilutive.

During 2009, Artis disposed of 9 commercial properties which has resulted in a decrease in DI and FFO. In Q4-09 this decrease was further impacted as a result of a new equity offering, which diluted per unit results. Management anticipates on-going improvements in 2010, as capital is deployed into new income-producing assets.

RELATED PARTY TRANSACTIONS

	Year ended December 31,	
	2009	2008
Legal fees expensed	\$ 494	\$ 151
Capitalized legal fees	1,286	480
Advisory fees	2,813	2,514
Capitalized acquisition fees	352	535
Property management fees	5,312	5,056
Capitalized leasing commissions	1,278	3,796
Capitalized building improvements	3,577	11,862
Tenant inducements	139	114
Services fee	198	–
Consulting fees	150	–

The REIT incurred legal fees with a law firm associated with a trustee of the REIT in connection with the prospectus offerings, the property acquisitions and general business matters. The amount payable at December 31, 2009 is \$150 (December 31, 2008, \$nil).

The REIT incurred advisory fees and acquisition fees under the asset management agreement with Marwest Management Canada Ltd. ("Marwest"), a company owned and controlled by certain trustees and officers of the REIT. The amount payable at December 31, 2009 is \$38 (December 31, 2008, \$nil). Under the asset management agreement, Marwest is entitled to an annual advisory fee equal to 0.25% of the adjusted cost base of the REIT's assets and an acquisition fee equal to 0.5% of the cost of each property acquired.

Artis has the option to terminate the asset management agreement in certain circumstances, including at any time on 120 days' notice to Marwest in the event that the REIT decides to internalize its management, with no termination fee or penalty payable (unless such termination occurs following a take-over bid of the REIT, in which case Marwest is entitled to receive a termination fee equal to the anticipated fees payable until the end of the term). Marwest and its affiliated companies (collectively, the "Marwest Group") have granted a right of first refusal to Artis with respect to office, retail and industrial properties which are presented to or developed by a member of the Marwest Group. The right of first refusal remains in effect for so long as Marwest is the asset manager of the REIT.

The REIT incurred property management fees, leasing commission fees, and tenant improvement fees under the property management agreement with Marwest. The amount payable at December 31, 2009 is \$136 (December 31, 2008, \$546). Marwest acts as the general property manager for the REIT's properties and is entitled to management fees, leasing renewal commissions and tenant improvement fees at commercially reasonable rates.

The REIT incurred costs for building improvements and tenant inducements paid to Marwest Construction Ltd., a company related to certain trustees and officers of the REIT. The amount payable at December 31, 2009 is \$302 (December 31, 2008, \$292).

The services fee represents work done for all services rendered in anticipation of the purchase of the Interplex II and Interplex III properties, and the termination of said agreements. The balance payable at December 31, 2009 is \$nil (December 31, 2008, \$nil).

The consulting fees represent work performed by Marwest on the International Financial Reporting Standards implementation project. The amount payable at December 31, 2009 is \$75 (December 31, 2008, \$nil).

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.

OUTSTANDING UNIT DATA

The balance of units outstanding as of March 15, 2010 is as follows:

Units outstanding at December 31, 2009	37,522,381
Share issuance	4,600,000
Over-allotment	690,000
Units issued (DRIP)	70,797
Units issued on conversion of debentures	1,304,390
Units outstanding at March 15, 2010	44,187,568

The balance of options outstanding as of March 15, 2010 is as follows:

	Options outstanding	Options exercisable
\$11.25 options, issued December 8, 2005	217,036	217,036
\$11.28 options, issued February 25, 2010	273,250	–
	490,286	217,036

MANAGEMENT'S DISCUSSION AND ANALYSIS

All amounts are in thousands of dollars, unless otherwise noted

2010 OUTLOOK

According to the Conference Board of Canada, real GDP in Canada is forecast to grow 2.9% in 2010. The western Canadian outlook remains positive, with Manitoba expected to achieve 2.0% GDP growth in 2010 and Alberta, British Columbia and Saskatchewan all forecast to achieve GDP growth in the 3.3% to 3.5% range in 2010.

The last quarter of 2009 was a period of strong activity for publicly listed real estate entities in Canada with significant new debt and equity capital raised. In 2010, real estate transactions continue to be announced and completed, with capitalization rate compression observed over the past three to six months. Spreads on mortgage financing have also been tightening, with banks, credit unions and insurers all in the market competing for deals. These trends, together with indications that the central banks will maintain a stable interest rate environment, suggest that there will be steady volume and further price contractions in the commercial real estate investment markets in 2010.

At December 31, 2009, Artis had \$35,907 of cash and cash equivalents on hand, and had \$29,300 available on the line of credit. On January 26, 2010, Artis issued a further 5,290,000 units at a price of \$11.00 per unit pursuant to a prospectus offering and concurrent exercise of the overallotment offering, realizing gross proceeds of \$58,190.

Subsequent to December 31, 2009, the following transactions took place:

- On January 14, 2010, Artis acquired Westbank Zellers, a 100% occupied 105,670 square foot retail building in West Kelowna, British Columbia. The purchase price of \$10,000 was satisfied with cash on hand and from the proceeds of new five-year mortgage financing of \$6,000 bearing interest at a rate of 5.14% per annum.
- On January 21, 2010, Artis repaid the \$20,000 mortgage balance on the Britannia and Sierra buildings, leaving the assets fully unencumbered.
- On January 29, 2010, Artis acquired the Maple Leaf Building, at 100% occupied 163,418 square foot industrial building in Saskatoon, Saskatchewan. The building consists of 140,000 square feet of freezer and cooler space and 23,418 square feet of office space. The purchase price of \$25,500 was satisfied with cash on hand and from the assumption of \$17,300 of existing mortgage financing, which matures in 2014 and bears interest at a rate of 5.0% per annum.
- On January 29, 2010, Artis acquired Sherwood Centre a 100% occupied 162,860 square foot multi-tenant industrial property in Edmonton, Alberta. The purchase price of \$13,300 was satisfied with cash on hand and from the proceeds of new five-year mortgage financing of \$8,645 bearing interest at a rate of 5.06% per annum.
- On February 1, 2010, Artis repaid the balance on the line of credit.
- On March 2, 2010, the REIT completed the refinancing of the mortgage related to Canarama Mall. The mortgage is for \$8,840, with an interest rate of 4.97% and a term of 5 years. The refinancing replaces the previous mortgage of \$5,672, which carried interest at 5.45%.
- On March 10, 2010, the REIT filed a final prospectus with respect to a public offering of 4,450,000 units at a price of \$11.25 per unit for aggregate gross proceeds of \$50,063. The offering is anticipated to close on March 16, 2010. Artis has granted to the underwriters an option, exercisable for a period of 30 days from the date of closing, to purchase up to an additional 667,500 units at \$11.25 per unit.

Subsequent to December 31, 2009, Artis has entered into additional conditional and unconditional agreements to acquire properties, as follows:

- Tamarack Mall in Cranbrook, British Columbia. Artis has entered into an unconditional agreement to acquire this 96.7% occupied 287,741 square foot enclosed mall for \$27,660. The purchase price is expected to be financed with cash on hand and from the proceeds of new mortgage financing of \$19,600 bearing interest at 5.5% per annum. The transaction is expected to close on April 15, 2010.
- Alberta Industrial Portfolio. Artis has entered into an unconditional agreement to acquire four industrial properties (one in Calgary, one in Edmonton and two in Acheson, Alberta) for an aggregate purchase price of \$85,200. The purchase price is expected to be financed with cash on hand and from the proceeds of new mortgage financing of \$53,800 bearing interest at a rate expected to be less than 5% per annum, based on current government of Canada bond yields. The transaction is expected to close on March 30, 2010.
- Eagle Ridge Corner in Fort McMurray, Alberta. Artis has entered into an unconditional agreement to acquire this 100% occupied 12,695 square foot retail property for \$5,800. The purchase price is expected to be financed with cash on hand and from the proceeds of new mortgage financing of \$4,000 bearing interest at a rate expected to be less than 5% per annum, based on current government of Canada bond yields. The transaction is expected to close on April 1, 2010.
- Sunrise Towne Square in Spruce Grove, Alberta. Artis has entered into an unconditional agreement to acquire this 111,978 square foot retail property for \$22,725. The purchase price is expected to be satisfied from cash on hand and from the proceeds of new mortgage financing of \$14,800 bearing interest at a rate of 4.661% per annum. The transaction is expected to close on April 1, 2010.
- Visions Building in Calgary, Alberta. Artis has entered into an unconditional agreement to acquire this 50,045 square foot retail property for \$11,300. The purchase price is expected to be satisfied from cash on hand and from the proceeds of new five-year mortgage financing of \$7,400 bearing interest at a rate that is expected to be less than 5% per annum, based on current government of Canada bond yields. The transaction is expected to close April 12, 2010.

- Winnipeg Square Parkade/360 Main Street/Shops of Winnipeg Square. Artis has entered into a conditional agreement to acquire a 49% interest in the Winnipeg Square Parkade which services the Shops of Winnipeg Square and 360 Main Street office tower. In conjunction with that transaction, Artis expects to acquire an additional 11% interest in the 360 Main Street office tower and Shops of Winnipeg Square property, in which it already holds 38% interest. The purchase price for the transaction is \$24,300 which is expected to be financed with cash on hand and from the proceeds of \$15,800 of new and existing mortgage financing. The transaction is expected to close on April 30, 2010.

With available cash and room on the line of credit, management believes that Artis is well positioned to pursue additional accretive acquisitions in 2010 and further enhance future earnings.

Management believes that a return to economic growth will have a positive impact on leasing activity in most of its market segments. The Calgary office market will likely be the most challenged leasing market as new inventory is delivered into the market. Across the portfolio, growth may be realized as leases expire and are renewed or re-leased at higher market rates. Artis reviews the current market rents across its portfolio on an on-going basis. Management estimates that the weighted-average market rent rates at December 31, 2009 for the 2010 and 2011 lease expiries are approximately 11.1% and 5.3% higher than the rates in place at expiry.

Credit risk, lease rollover risk and financing risk continue to be the top most concerns. Artis believes it is well positioned to address these challenges for the following reasons:

- The REIT's largest tenant is AMEC Americas Ltd. which accounts for 5.9% of the REIT's gross revenues. No other tenant in the portfolio accounts for more than 5.0% of gross revenues. At December 31, 2009, approximately 64.1% of the REIT's portfolio is occupied by national or government tenants.
- At December 31, 2009, 15.9% of the portfolio's leasable area is set to expire in 2010 and 14.4% in 2011. As of today's date, 45.3% of the 2010 and 15.9% of the 2011 leasing programs are complete. The tenant retention ratio for 2010 thus far is 83.3%.
- The REIT's ratio of mortgages, loans and bank indebtedness to GBV is 47.4%, down from 51.6% at December 31, 2008. Approximately 11.6% of Artis' maturing debt comes up for renewal in 2010, and 6.4% in 2011. As at today's date, 40% of the 2010 maturities have either been repaid or refinanced. Management is currently in discussion with various lenders with respect to the 2010 and 2011 refinancings.

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 western Canada, with a significant majority of our properties, measured by gross leasable area, located in the province of Alberta. As a result, our properties are impacted by factors specifically affecting the real estate markets in Alberta, British Columbia, Saskatchewan and Manitoba. These factors may differ from those affecting the real estate markets in other regions of Canada. If real estate conditions in western Canada were to decline relative to real estate conditions in other regions, this could more adversely impact our revenues and results of operations than those of other more geographically diversified REITs in Canada. Our ability to manage risk through geographical diversification is currently limited.

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 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.

CREDIT RISK AND TENANT CONCENTRATION

Artis is exposed to risk as tenants may be unable to pay their contracted rents. Management mitigates this risk by seeking to acquire properties across several asset classes. As well, management seeks to acquire properties with strong tenant covenants in place. As at December 31, 2009, government tenants contribute 9.8% to the REIT's overall gross revenue and occupy 7.6% of total GLA. The REIT's ten top tenants (excluding government tenants) are primarily high credit rated national retailers or businesses. As indicated below, the largest tenant by gross revenue is AMEC Americas Ltd., a global supplier of consultancy, engineering and project management services to the energy, power and process industries. AMEC Americas Ltd. is a London Exchange listed entity with 2008 annual revenues in excess of £2.6 billion. The second largest tenant by gross revenue is TransAlta Corporation, a Standard & Poor's BBB rated multi-national corporation with a market capitalization of over \$4.4 billion.

MANAGEMENT'S DISCUSSION AND ANALYSIS

All amounts are in thousands of dollars, unless otherwise noted

Top Twenty Tenants By Gross Revenue

Tenant	% of total Gross Revenue	GLA	% of total GLA	Weighted-Average Remaining Lease Term
AMEC Americas Ltd	5.9%	199,672	2.9%	3.67
TransAlta Corporation	3.6%	336,041	4.9%	13.42
Birchcliff Energy	2.5%	58,769	0.9%	7.92
Credit Union Central	2.2%	90,053	1.3%	2.00
Sobeys	2.1%	150,156	2.2%	10.60
Bell Canada	1.7%	76,017	1.1%	6.50
Shoppers Drug Mart	1.5%	85,397	1.3%	6.34
MTS Allstream	1.4%	75,986	1.1%	17.01
Q9 Networks Inc.	1.3%	34,720	0.5%	6.67
Komex International	1.2%	52,073	0.8%	1.91
Cineplex Odeon	1.1%	64,830	1.0%	10.59
BW Technologies (Honeywell)	0.9%	61,847	0.9%	6.96
Kodak Graphic Comm. Canada Company	0.9%	91,219	1.3%	9.71
The Brick	0.9%	62,747	0.9%	7.26
NOVA Chemicals Corporation	0.8%	36,001	0.5%	0.66
Jysk Linen 'n Furniture	0.7%	69,260	1.0%	4.21
Red River Packaging	0.7%	196,254	2.9%	4.75
Geological Systems	0.7%	30,411	0.4%	2.83
Canadian Back Institute Ltd.	0.7%	27,407	0.4%	7.02
Aikins	0.6%	22,801	0.3%	4.83
Total	31.4%	1,821,661	26.6%	7.81

Government Tenants By Gross Revenue

Tenant	% of total Gross Revenue	GLA	% of total GLA	Weighted-Average Remaining Lease Term
Provincial Government	4.3%	197,801	2.9%	3.59
Federal Government	4.1%	224,039	3.3%	1.93
Civic or Municipal Government	1.4%	97,716	1.4%	6.36
Total	9.8%	519,556	7.6%	3.42

Weighted-Average Term to Maturity (Entire Portfolio) 4.81

LEASE ROLLOVER RISK

The value of income-producing 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 economy would negatively impact demand for space in retail, office and industrial properties across Canada, 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					Calgary Office	Total
	British Columbia	Saskatchewan	Manitoba	Alberta	Only	
2010	0.4%	1.1%	8.6%	5.8%	1.1%	15.9%
2011	0.2%	0.8%	5.8%	7.6%	3.9%	14.4%
2012	1.2%	0.2%	4.4%	3.6%	2.0%	9.4%
2013	0.3%	1.8%	5.3%	6.9%	4.3%	14.3%
2014	0.7%	1.1%	6.9%	3.6%	0.7%	12.3%
2015 & later	3.1%	2.0%	5.9%	17.0%	6.6%	28.0%
Month-to-month	0.0%	0.0%	0.2%	0.1%	0.0%	0.3%
Vacant	1.8%	0.0%	1.6%	2.0%	1.1%	5.4%
Total GLA	522,958	476,230	2,638,120	3,176,406	1,345,019	6,813,714

Artis' real estate is diversified across the four western provinces, and across the office, retail and industrial asset classes. At December 31, 2009, the portfolio by GLA is weighted towards Manitoba and Alberta properties. By city and asset class, the three largest segments of the REIT's portfolio by GLA are Winnipeg industrial property, Calgary office property and Winnipeg office property.

Artis' corporate leasing team carefully monitors lease expiries across the portfolio. In addition, Artis has two individuals tasked on a full-time basis to manage the Winnipeg industrial and Calgary office leasing programs. As of today's date, significant progress has been made, with approximately 36.1% of the Winnipeg industrial and 23.7% of the Calgary office lease expiries in 2010 already renewed or committed under new leases. In total, 45.3% of the 2010 and 15.9% of the 2011 leasing programs are complete, and the retention ratio thus far in 2010 is 83.0%.

TAX RISK

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

The New SIFT Rules do not apply to a "real estate investment trust" that meets prescribed conditions relating to the nature of its assets and revenue (the "REIT Conditions"). In order to meet the REIT Conditions, a trust must meet a number of technical tests that do not fully accommodate common real estate and business structures. Prior to the end of 2008, the REIT undertook various restructuring activities in order to attempt to meet the requirements of the REIT Conditions, and the REIT intends to comply with the REIT Conditions so that the New SIFT Rules will not apply to the REIT in 2009 and subsequent years. There can be no assurances, however, that the REIT will be able to satisfy the REIT Conditions such that the REIT will not be subject to the tax imposed by the New SIFT Rules.

Under the New SIFT Rules, a flow-through subsidiary of the REIT may also be a SIFT. Certain technical amendments to the SIFT definition to exclude certain flow-through subsidiaries of a SIFT that are able to meet certain ownership conditions were passed into law on March 12, 2009.

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, refinancing risks, interest rate fluctuation risks, 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 and air rights 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 and Marwest as asset manager.

CRITICAL ACCOUNTING ESTIMATES

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

ALLOCATION OF PURCHASE PRICE OF INCOME-PRODUCING PROPERTIES

The REIT has adopted the EIC Abstract 140, Accounting for Operating Leases Acquired in Either an Asset Acquisition or a Business Combination. This standard requires that where an enterprise acquired real estate in either an asset acquisition or a business combination, a portion of the purchase price should be allocated to in-place operating lease intangible assets, based on their fair value, acquired in connection with the real estate property. The adoption of this standard has given rise to intangible assets and liabilities, which are amortized using the straight-line method over the terms of the tenant lease agreements and non-cancelable renewal periods, where applicable. In the event a tenant vacates its leased space prior to the contractual termination of the lease and rental payments are not being made, any unamortized balance of the intangible asset or liability will be written off.

The allocation of the purchase price to the respective income-producing properties and intangible assets and liabilities, as well as the related amortization of the assets, is subject to management's estimations and judgment.

IMPAIRMENT OF ASSETS

Under Canadian GAAP, the REIT is required to write down to fair value an asset that is determined to have been impaired. The REIT's most significant assets consist of investments in income-producing properties.

The fair value of investments in income-producing properties is dependent upon anticipated future cash flows from operations over the anticipated holding period. The review of anticipated cash flows involves assumptions of estimated occupancy, rental rates and a residual value. In addition to reviewing anticipated cash flows, the REIT assesses changes in business climates and other factors, which may affect the ultimate value of the property. These assumptions may not ultimately be achieved.

In the event these factors result in a carrying value that exceeds the sum of the undiscounted cash flows expected to result from the direct use and eventual disposition of the property, impairment would be recognized.

AMORTIZATION

Artis REIT amortizes the costs of income-producing properties on a straight-line basis over the estimated useful life of the underlying asset. For building and leasehold interest, management's estimate is typically up to 40 years and for parking lots, 20 years. Improvements are amortized over the remaining term of the lease agreement and assumed renewal periods where applicable.

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

All amounts are in thousands of dollars, unless otherwise noted

FUTURE INCOME TAX VALUATION

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 "New SIFT Rules"). The REIT has reviewed the New 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 New SIFT Rules, the REIT believes that it has met the REIT Conditions throughout the fiscal year ended December 31, 2009. Accordingly, the future income tax asset recorded in prior periods was reversed and charged to continuing and discontinued operations in 2009.

During 2008, future income taxes were estimated based upon temporary differences between the assets and liabilities reported on the REIT's consolidated financial statements and the tax basis of those assets and liabilities as determined under applicable tax laws. Future income tax assets were recognized when it was more likely than not that they will be realized prior to their expiration. This assumption was based on management's best estimate of future circumstances and events, including the timing and amount of projected future taxable income, and was tested on a regular basis. Changes in estimates or assumptions could have affected the value of future income tax assets, resulting in an income tax expense or recovery.

CHANGES IN ACCOUNTING POLICIES

The Canadian Institute of Chartered Accountants ("CICA") has issued a new accounting standard: Handbook Section 3064, Goodwill and Intangible Assets. Section 3064 clarifies that costs can be capitalized only when they relate to an item that meets the definition of an asset. Handbook Section 1000, Financial Statement Concepts, was also amended to provide consistency with this new standard. The new and amended standards were adopted by the REIT on January 1, 2009, with retrospective adjustments made to the comparative period. The impact of the adoption of these standards was (i) to reclassify recoverable operating costs to components within income-producing properties and (ii) to reclassify the related amortization of the recoverable operating costs from property operating expenses to amortization expense.

In June 2009, the CICA amended Handbook Section 3862, Financial Instruments - Disclosures. This amendment has expanded disclosure requirements related to fair value measurements of financial instruments, including the relative reliability of the inputs used in those measurements, and liquidity risk, in light of concerns that the nature and extent of liquidity risk requirements were unclear and difficult to apply. The amendment requires using a three-level hierarchy that reflects the significance of the inputs used in making the fair value measurements. These disclosure requirements are effective for the REIT's December 31, 2009 consolidated financial statements.

INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

In February 2008, the Canadian Accounting Standards Board ("AcSB") confirmed that the adoption of International Financial Reporting Standards ("IFRS") would be effective for interim and annual periods beginning on or after January 1, 2011 for profit-oriented Canadian publicly accountable enterprises. IFRS will replace Canada's current GAAP for these enterprises. Comparative IFRS information for the previous fiscal year will also have to be reported. These new standards will be effective for the REIT on January 1, 2011.

The REIT has commenced the process to transition from current GAAP to IFRS. It has established a project team that is led by the Chief Financial Officer, and will include representatives from various areas of the organization as necessary to plan for and achieve a smooth transition to IFRS. Regular progress reporting to the Audit Committee of the Board of Trustees on the status of the IFRS implementation project has begun.

Upon commencement of the project, management created a timeline detailing the required steps in order to implement IFRS. The milestones set in this timeline have been achieved in 2009, and the project team is on target to reach full implementation for January 1, 2011. To date, management has performed an analysis of the impact of all IFRS standards and has made recommendations on the majority of the policy choices. However, there are still certain policies that are under review as there are some areas of uncertainty. The recommendations have been presented to the Audit Committee for their review and approval.

Management has also begun to work on drafting IFRS financial statements and note disclosures. This will be an on-going project throughout 2010 as decisions on accounting policies are finalized and their impact is calculated.

The REIT has ensured that employees involved in the implementation team have attended on-going education and training sessions since commencement of the project. The Audit Committee has received training during 2009 and additional training throughout 2010 has been scheduled. All employees which are part of the implementation team have access to IFRS standards and standard updates as they are released.

Information systems:

The REIT is currently in the process of reviewing its information systems and the effect of IFRS on these systems. At this point in time no major changes to the systems are expected. During 2010, the REIT will be compiling IFRS financial information utilizing its financial statement reporting software which is external to the REIT's current accounting software. Use of the financial statement reporting software will allow the REIT to incorporate IFRS adjustments in order to transition the GAAP general ledger to IFRS compliant financial information.

The REIT has selected a discounted cash flow software package which it will utilize to create internal property valuations for the fair value modelling of its investment property. The REIT has selected appropriate staff members that will be utilizing this software package and has ensured an appropriate level of training has been provided.

Internal controls over financial reporting and disclosure:

The REIT has not yet begun its analysis on internal controls over financial reporting and disclosure relating to the IFRS conversion. This will be an on-going process as accounting policies are finalized and controls are developed during the year, and will be completed by end of the fourth quarter of 2010. Thereafter, changes to internal controls will be assessed in conjunction with changes to IFRS.

Impact of IFRS conversion on accounting policies:

The REIT has identified the following key IFRS standards which will result in significant accounting policy changes upon implementation. At this time, management cannot quantify the impact of the following changes in accounting policies on the REIT's financial statements. The following accounting policies are also likely to result in changes to both the REIT's consolidated balance and consolidated statement of operations.

Investment property:

Under International Accounting Standard ("IAS") 40 - *Investment property* ("IAS 40"), investment property is defined as property held to earn rentals or for capital appreciation rather than for use in the production or supply of goods or services, for administrative purpose or for sale in the ordinary course of business. Under IAS 40, an entity may choose as its accounting policy either the fair value model or the cost model and should apply that policy to all of its investment property.

Under the fair value model, the REIT would present the investment properties at the fair value as determined using valuations of each of the investment properties to reflect market conditions at the end of the reporting period. The fair value of the investment properties would be presented on the consolidated balance sheet and the change due to revaluation each period would be recognized in the consolidated statement of operations. As the investment properties would be recorded at fair value, no amortization expense would be required to be recorded.

The cost model under IAS 40 is similar to Canadian GAAP in that the investment property is carried on the consolidated balance sheet at its cost less accumulated amortization. If the REIT chooses to carry its investment properties using the cost model, the fair value of such investment properties would be disclosed in the notes to the consolidated financial statements.

Under IFRS 1 - *First time adoption of IFRS* ("IFRS 1"), the REIT may elect to adopt either the fair value model or the cost model to account for its investment properties. IFRS 1 also allows the REIT to choose to use the fair value as the deemed cost of the investment property upon initial conversion to IFRS whether it chooses the fair value or cost model.

The REIT has analyzed IAS 40 and reviewed the differences that would arise under each of the fair value and cost models. The REIT has not yet finalized which model will be applied to investment property, however, management anticipates that the policy decision will be made in the second quarter of 2010. As noted above, fair value information will be required under either model.

The REIT has commenced the valuation process in order to address the requirement to provide fair value information. The REIT has retained an external valuation firm to assist in developing the fair values of the REIT's investment property. The external valuations will be done on a rotational basis over a 4 year cycle to ensure that each property will have been externally valued once during the cycle. During the 4 year cycle, the investment property that is not evaluated externally will be valued through the REIT's internal valuation process.

Impairment:

Under GAAP, only if events or circumstances indicate that the carrying value of the income-producing property may be impaired, a recoverability analysis is performed based upon estimated undiscounted cash flows to be generated from the income-producing property. If the analysis indicates that the carrying value is not recoverable from future cash flows, the income-producing property is written down to estimated fair value and an impairment loss is recognized.

Under IAS 36 - *Impairment of Assets* ("IAS 36"), impairment indicators must be assessed at each reporting period, not just when events or circumstances indicate there may be an impairment. Also, the recoverability analysis is performed based on comparing carrying value to the greater of fair value less costs to sell, or value-in-use, as opposed to undiscounted future cash flows. Value-in-use is defined as the discounted present value of estimated future cash flows expected to arise from the planned use of an asset and from its disposal at the end of its useful life. This difference may result in assets being impaired under IAS 36, while there may not have been an impairment under GAAP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

All amounts are in thousands of dollars, unless otherwise noted

Leases:

GAAP requires the REIT to record tenant incentives as a reduction of rental revenue. IAS 17 - *Leases* ("IAS 17"), requires the same treatment as required under GAAP, however, the definition of tenant incentives may differ from the REIT's current application of GAAP. The REIT will be required to review the nature of existing capitalized leasing costs using the definitions of tenant incentives and tenant improvements under IAS 17. It is likely that more capitalized leasing costs will be classified as tenant incentives under IFRS than under GAAP. This difference would result in a reduction of revenue as more tenant costs would be amortized against revenue. The REIT cannot yet quantify the impact on revenue due to this difference.

A significant difference between lease accounting principles under GAAP and IFRS is that IFRS focuses more on the substance of the arrangement. IFRS uses qualitative factors in determining lease classifications where under GAAP, bright line tests are used to determine if a lease is an operating or finance lease. This difference may result in the REIT classifying a lease as a finance lease rather than operating leases. Under IFRS, in certain circumstances, land leases are considered to be finance leases. As the REIT currently treats all land leases as operating leases, a review of the leases will be required in order to determine if under IFRS, the lease would be treated as a financing or operating lease.

Co-ownerships:

Currently under GAAP, the REIT uses proportionate consolidation for its four jointly controlled properties. IAS 31 - *Interests in Joint Ventures* ("IAS 31"), allows the choice to either proportionately consolidate jointly controlled properties or account for such interests using the equity method. Currently, there would be no effect on how the REIT accounts for its co-ownerships upon conversion to IFRS. However, the IASB is currently considering Exposure Draft 9 - *Joint Arrangements*, which proposes to eliminate the option to proportionately consolidate interests in jointly controlled entities. The IASB has indicated that it expects to issue a new standard to replace IAS 31 in 2010 which is expected to be applicable for the REIT upon adoption of IFRS. The effect of this new standard would be a reclassification of the assets and liabilities of these jointly controlled properties to show as a net balance on the REIT's consolidated balance sheet and a reclassification of the revenues and expenses of these properties to show as a net balance on the REIT's consolidated statement of operations.

Business combinations:

Under GAAP, an entity shall account for each business combination by applying the purchase method, whereby the cost of acquisition includes direct, incremental acquisition related costs. IFRS 3R - *Business Combinations*, differs from GAAP in that all transactions costs are expensed immediately. As well, IFRS has a broader definition of what constitutes a business. Currently under GAAP, the REIT accounts for the acquisitions of investment properties as asset acquisitions rather than business combinations. Under IFRS, single property acquisitions may be required to be accounted for as business combinations.

The REIT is currently in the process of reviewing their property acquisitions to determine whether any meet the IFRS definition of business combinations; however, it does not expect that the implementation of this standard will have a significant impact on the REIT's consolidated financial statements.

Trust units:

GAAP has a less restrictive definition of financial liabilities than IFRS as it does not give specific guidance to settling contracts with the issuer's own equity instruments. Therefore, the REIT currently accounts for their trust units as equity. However, IAS 32 - *Financial Instruments*, has a more rigorous definition of what constitutes a financial liability which includes equity instruments if they have a contractual obligation to deliver cash or other financial assets to another entity. The Declaration of Trust currently provides that the REIT makes monthly cash distributions to unitholders of the REIT's units. The amount distributed in each year will be an amount not less than the amount of distributable income in the year as set down in a policy by the Trustees. Therefore, as the REIT currently has a contractual obligation to make cash distributions to unitholders, trust units may be considered a financial liability under IFRS.

Canadian REITs have been modifying their Declarations of Trust in order to make the distributions non-mandatory, with the consent of unitholders, in order to be able to classify their trust units as equity on their balance sheet under IFRS. The REIT intends to present this modification to the Declaration of Trust for unitholder approval at the upcoming Annual and Special Meeting.

Income taxes:

On January 1, 2009, the REIT believes it has met the SIFT rules, which has resulted in the REIT no longer being required to record future taxes. However, under IAS 12 - *Income Taxes*, it appears that the REIT would have to record deferred income taxes, despite the fact that the REIT currently meets the SIFT rules. This is an industry-wide issue which is currently under discussion.

Discontinued operations:

The definition of a discontinued operation is more restrictive under IFRS than it is under GAAP. Under IFRS 5 - *Non-current Assets Held for Sale and Discontinued Operations*, only components that represent a separate major line of business or geographical area of operations or a subsidiary acquired exclusively with a view to resale can be classified as discontinued operations. Currently under GAAP, the REIT classifies individual properties held for sale in unconditional agreements and individual properties sold as discontinued operations. Under IFRS, the REIT is less likely to disclose discontinued operations as the sale of a single property is not likely to meet the IFRS definition of a discontinued operation. The current classifications will likely change under IFRS and would result in a reclassification between income from continuing operations and income from discontinued operations, with no change to net income.

Share-based compensation:

In accordance with GAAP, the REIT accounts for unit options issued under its unit option plan using the fair value method. Under this method, compensation expense is measured at fair value at the grant date using the Black-Scholes option pricing model and recognized over the vesting period. There are no significant differences expected to this accounting policy upon transition to IFRS.

Balance sheet presentation:

Under IAS 1 - *Presentation of Financial Statements*, the REIT must present either a classified balance sheet or present its balance sheet in the order of liquidity. The REIT uses neither method when presenting its balance sheet under GAAP. The REIT is currently evaluating this decision.

IFRS 1:

The IFRS 1 standard provides guidance to entities who are adopting IFRS for the first time. Accounting changes are to be applied retrospectively to an entity's financial statements when transitioning from GAAP to IFRS. In order to facilitate the transition, IFRS 1 allows certain exemptions and exceptions to applying IFRS retrospectively. The most significant exception to the REIT has been discussed above under investment property. IFRS 1 allows the REIT to fair value its properties at the transition date, January 1, 2010, and use the fair value as its deemed cost if it were to select the cost model. Going forward, amortization of the investment property would be based on this deemed cost. This is a one-time election available to an entity at the IFRS transition date. The remaining exemptions and exceptions are either not applicable or will not have a significant impact on the REIT.

CONTROLS AND PROCEDURES**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, 2009, 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 Multilateral Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings). Based on the evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the design and operation of the REIT's disclosure controls and procedures were effective as at December 31, 2009.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. The Chief Executive Officer and Chief Financial Officer evaluated, or caused to be evaluated, the design of the REIT's internal controls over financial reporting (as defined in Multilateral Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings) as at December 31, 2009.

During the year ended December 31, 2009, no changes to internal controls over financial reporting have materially affected, or are reasonably likely to materially affect, 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.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS



The management of Artis Real Estate Investment Trust is responsible for the preparation and integrity of the consolidated financial statements contained in the annual report. These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and necessarily include some amounts that are based on management's best estimate and judgment. Management has determined such amounts on a reasonable basis and considers that the consolidated financial statements present fairly the financial position of the REIT, the results of its operations and its cash flows. Management has also prepared financial information presented elsewhere in this annual report and has ensured that it is consistent with that in the financial statements. To fulfill its responsibility, management maintains internal accounting controls and systems and establishes policies and procedures to ensure the reliability of financial information and to safeguard assets.

The Board of Trustees is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board of Trustees carries out this responsibility principally through its Audit Committee, composed entirely of outside and unrelated trustees. The Audit Committee meets regularly with management of the REIT and with the independent auditors. The consolidated financial statements have been reviewed and approved by the Board of Trustees on the recommendation of its Audit Committee.

The REIT's independent auditors, Deloitte & Touche, LLP, have been appointed by the unitholders to audit the financial statements and express an opinion thereon.

A handwritten signature in black ink, appearing to read "Armin Martens".

Armin Martens, P.Eng., MBA
PRESIDENT AND CHIEF EXECUTIVE OFFICER
March 16, 2010

A handwritten signature in black ink, appearing to read "Jim Green".

Jim Green, CA
CHIEF FINANCIAL OFFICER
March 16, 2010



Deloitte & Touche LLP
360 Main Street
Suite 2300
Winnipeg MB R3C 3Z3
Canada

Tel: 204-942-0051
Fax: 204-947-9390
www.deloitte.ca

AUDITORS' REPORT

To the Unitholders of
Artis Real Estate Investment Trust

We have audited the consolidated balance sheet of Artis Real Estate Investment Trust as at December 31, 2009 and the consolidated statement of operations, unitholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2009 and the results of its operations and its cash flows for the fiscal year then ended in accordance with Canadian generally accepted accounting principles.

The consolidated financial statements as at December 31, 2008 and for the year then ended, prior to the retrospective adjustments related to the adoption of the new Goodwill and Intangible Assets accounting standard as described in Note 2(b) and the adjustments for discontinued operations as described in Note 21, were audited by other auditors, who expressed an opinion without reservation on those statements in their report, dated March 17, 2009. We have audited the adjustments to the 2009 consolidated financial statements and in our opinion, such adjustments, in all material respects, are appropriate and have been properly applied.

Deloitte & Touche LLP

Chartered Accountants
Winnipeg, Manitoba
March 16, 2010

Member of Deloitte Touche Tohmatsu

CONSOLIDATED BALANCE SHEETS

As at December 31, 2009 and 2008

(In thousands of dollars)	2009	2008
ASSETS		
Income-producing properties (note 4)	\$ 991,700	\$ 1,030,181
Other assets (note 5)	119,874	139,217
Future income taxes (note 18)	–	11,127
Deposits on income-producing properties (note 6)	1,350	6,712
Prepaid expenses	2,613	2,332
Notes receivable (note 7)	29,062	28,830
Rent and other receivables	9,348	10,859
Cash held in trust	355	588
Cash and cash equivalents	35,907	13,847
	\$ 1,190,209	\$ 1,243,693
LIABILITIES AND UNITHOLDERS' EQUITY		
Liabilities:		
Mortgages and loans payable (note 8)	\$ 612,263	\$ 676,369
Convertible debentures (note 9)	86,032	44,906
Intangible liabilities (note 10)	81,523	91,186
Security deposits and prepaid rent	4,572	4,822
Accounts payable and other liabilities (note 11)	14,213	25,109
Bank indebtedness (note 12)	30,700	32,500
	829,303	874,892
Non-controlling interest (note 13)	–	10,258
Unitholders' equity	360,906	358,543
	\$ 1,190,209	\$ 1,243,693

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS

Years ended December 31, 2009 and 2008

(In thousands of dollars, except per unit amounts)	2009	2008
Revenue	\$ 136,853	\$ 131,632
Property operating expenses	43,490	40,551
	93,363	91,081
Interest	40,100	38,551
	53,263	52,530
Expenses (Income):		
Corporate	4,524	4,969
Amortization	54,253	53,812
Unrealized loss (gain) on commodity derivatives	466	(223)
	59,243	58,558
Loss before other items	(5,980)	(6,028)
Loss on termination of Interplex II agreement (note 13)	(7,287)	–
Future income tax expense (note 18)	(10,895)	(580)
Loss before non-controlling interest and discontinued operations	(24,162)	(6,608)
Non-controlling interest (note 13)	40	(268)
Loss from continuing operations	(24,122)	(6,876)
Income (loss) from discontinued operations (note 21)	14,933	(76)
Loss and comprehensive loss for the year	\$ (9,189)	\$ (6,952)
Basic income (loss) per unit (note 14 (e))		
Continuing operations	\$ (0.71)	\$ (0.22)
Discontinued operations	\$ 0.44	\$ 0.00
Diluted income (loss) per unit (note 14 (e))		
Continuing operations	\$ (0.71)	\$ (0.22)
Discontinued operations	\$ 0.44	\$ 0.00

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF UNITHOLDERS' EQUITY

Years ended December 31, 2009 and 2008

(In thousands of dollars, except unit amounts)	Number of Units	Capital Contributions	Equity Component of Convertible Debentures	Deficit	Contributed Surplus	Total
Unitholders' equity, December 31, 2007	31,158,068	\$ 422,266	\$ 11,440	\$ (49,724)	\$ 1,518	\$ 385,500
Adoption of new accounting policies (note 2(b))	–	–	–	(431)	–	(431)
Issuance of units	552,357	7,238	–	–	(47)	7,191
Unit-based compensation	–	–	–	–	567	567
Conversion of convertible debentures	837,341	11,651	(2,172)	–	–	9,479
Units acquired and cancelled through normal course issuer bid	(197,400)	(2,673)	–	(112)	552	(2,233)
Units acquired through normal course issuer bid, not cancelled at year end	(43,600)	(226)	–	–	–	(226)
Loss for the year	–	–	–	(6,952)	–	(6,952)
Distributions for the year	–	–	–	(34,352)	–	(34,352)
Unitholders' equity, December 31, 2008	32,306,766	438,256	9,268	(91,571)	2,590	358,543
Issuance of units	4,761,801	40,564	–	–	–	40,564
Units issued on exchange of Class B units (note 13)	543,781	8,059	–	–	–	8,059
Unit-based compensation	–	–	–	–	160	160
Cancellation of options	–	–	–	–	(484)	(484)
Issuance of convertible debentures	–	–	838	–	–	838
Conversion of convertible debentures	66,233	578	(11)	–	–	567
Repayment on convertible debenture	–	–	(169)	–	–	(169)
Units acquired and cancelled through normal course issuer bid	(156,200)	(2,457)	–	–	1,211	(1,246)
Loss for the year	–	–	–	(9,189)	–	(9,189)
Distributions for the year	–	–	–	(36,737)	–	(36,737)
Unitholders' equity, December 31, 2009	37,522,381	\$ 485,000	\$ 9,926	\$ (137,497)	\$ 3,477	\$ 360,906

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2009 and 2008

(In thousands of dollars)	2009	2008
Cash provided by (used for):		
Operating activities:		
Loss for the year	\$ (9,189)	\$ (6,952)
Adjustments for non-cash items:		
Amortization:		
Income-producing properties	26,864	27,468
Office equipment	99	8
Above-market rent	233	339
Acquired in-place leases	26,779	30,618
Customer relationships	7	18
Below-market rent	(12,536)	(14,224)
Tenant inducements and leasing costs	2,723	1,351
Tenant inducements amortized to revenue	340	110
Above- and below-market mortgages, net	(183)	(178)
Accretion on liability component of convertible debentures	1,724	1,464
Straight-line rent adjustment	(1,738)	(1,960)
Loss on termination of Interplex II agreement (note 13)	7,287	-
(Gain) loss on disposal of income-producing properties	(14,442)	197
Unrealized loss (gain) on commodity derivatives	466	(223)
Unit-based compensation expense	160	567
Cancellation of options	(484)	-
Amortization of financing costs included in interest	782	413
Future income tax expense	11,127	548
Non-controlling interest (note 13)	91	265
	40,110	39,829
Changes in non-cash operating items (note 16)	1,003	1,134
	41,113	40,963
Investing activities:		
Acquisition of income-producing properties, net of related debt and issuance of units (note 3)	(35,092)	(46,411)
Disposition of income-producing properties, net of mortgages and costs	41,101	1,139
Additions to income-producing properties	(4,847)	(15,887)
Deposits on income-producing properties held for sale (notes 11 and 21)	(10,000)	10,000
Advance of notes receivable	(1,881)	-
Notes receivable principal repayments	1,649	1,664
Net change to office equipment and software	(2)	(497)
Additions to tenant inducements and leasing costs	(7,178)	(7,255)
Change in deposits on income-producing properties	(1,864)	5,114
	(18,114)	(52,133)
Financing activities:		
Issuance of units, net of issue costs	35,574	5,115
Purchase of units under normal course issuer bid	(1,246)	(2,460)
Issuance of convertible debentures, net of issue costs	43,638	-
Issuance of units on private placement, net of issue costs	4,990	-
Repayment on convertible debenture	(3,000)	-
Bank indebtedness	(1,800)	32,500
Distributions paid on REIT units	(36,737)	(34,352)
Distributions paid on Class B units, charged to non-controlling interest (note 13)	(65)	(189)
Mortgages and loans principal repayments	(12,367)	(12,773)
Repayment of mortgages and loans payable	(41,569)	-
Advance of mortgages payable	11,643	7,790
	(939)	(4,369)
Increase (decrease) in cash and cash equivalents	22,060	(15,539)
Cash and cash equivalents at beginning of year	13,847	29,386
Cash and cash equivalents at end of year	\$ 35,907	\$ 13,847
Supplemental cash flow information:		
Interest paid, net of interest received	\$ 38,006	\$ 37,128
Non-cash investing and financing activities:		
Elimination of non-controlling interest and related exchange of Class B units for REIT units are excluded from investing and financing activities (note 13)	8,059	-
Elimination of non-controlling interest and related cancellation of Class B units are excluded from investing and financing activities (note 13)	\$ 2,226	\$ -

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2009 and 2008

In thousands of dollars, except unit and per unit amounts

1. ORGANIZATION:

Artis Real Estate Investment Trust (the "REIT") is an unincorporated open-end real estate investment trust (note 14) created under, and governed by, the laws of the province of Manitoba and was created pursuant to the Declaration of Trust dated November 8, 2004, subsequently amended and restated on October 31, 2006 (the "Declaration of Trust"). The purpose of the REIT is to directly, or indirectly, own, manage, lease and (where appropriate) develop retail, industrial and office properties in Canada.

The Declaration of Trust provides that the REIT makes monthly cash distributions to unitholders of the REIT's units. The amount distributed in each year (currently \$1.08 per unit), will be an amount not less than the amount of distributable income in the year set down in a policy by the Trustees.

2. SIGNIFICANT ACCOUNTING POLICIES:

(a) Principles of consolidation:

The consolidated financial statements include the accounts of the REIT and its subsidiaries, together with its proportionate share of the assets, liabilities, revenue and expenses of the co-ownerships in which it participates.

(b) Changes in accounting policies:

The Canadian Institute of Chartered Accountants ("CICA") has issued a new accounting standard: Handbook Section 3064, Goodwill and Intangible Assets. CICA Handbook Section 3064 clarifies that costs can be capitalized only when they relate to an item that meets the definition of an asset. CICA Handbook Section 1000, Financial Statement Concepts, was also amended to provide consistency with this new standard. The new and amended standards were adopted by the REIT on January 1, 2009, with retrospective adjustments made to the comparative period. The impact of the adoption of these standards was (i) to reclassify recoverable operating costs to components within income-producing properties and (ii) to reclassify the related amortization of the recoverable operating costs from property operating expenses to amortization expense.

As at January 1, 2009, the net book value of recoverable operating costs of \$6,174 was reclassified to components of income-producing properties. For the year ended December 31, 2008, operating expenses have been reduced by \$464 and amortization expense has been increased by \$626, with a resultant increase to the REIT's net loss for the year of \$162.

In June 2009, the CICA amended Handbook Section 3862, Financial Instruments-Disclosures. This amendment has expanded disclosure requirements related to fair value measurements of financial instruments, including the relative reliability of the inputs used in those measurements, and liquidity risk, in light of concerns that the nature and extent of liquidity risk requirements were unclear and difficult to apply. The amendment requires using a three-level hierarchy that reflects the significance of the inputs used in making the fair value measurements. Level 1 of the fair value hierarchy uses quoted prices in active markets for identical assets or liabilities to determine the fair value of assets and liabilities. Level 2 includes valuations using inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. Level 3 valuations are based on inputs for the asset or liability that are not based on observable market data. These disclosure requirements are effective for the REIT's December 31, 2009 consolidated financial statements.

(c) Financial Instruments - Recognition and Measurement:

CICA Handbook Section 3855 provides guidance on recognizing financial instruments and non-financial derivatives on the consolidated balance sheet. The standard also specifies how financial instrument gains and losses are presented. Initially, all financial assets and liabilities must be recorded on the consolidated balance sheet at fair value. Subsequent measurement is determined by the classification of each financial asset and liability. Under this standard, all financial instruments are classified as one of: (a) held-to-maturity; (b) loans and receivables; (c) held-for-trading; (d) available-for-sale or (e) other liabilities. Financial assets and liabilities held-for-trading are measured at fair value with gains and losses recognized in net income. Financial instruments classified as held-to-maturity, loans and receivables, and other liabilities are measured at amortized cost. Available-for-sale financial instruments are measured at fair value, with unrealized gains and losses recognized in other comprehensive income.

Upon adoption of this standard, the REIT designated its cash and cash equivalents and cash held in trust as held-for-trading; notes receivable and rent and other receivables as loans and receivables; mortgages and loans payable, convertible debentures, accounts payable and other liabilities, and bank indebtedness as other liabilities. The REIT has neither available-for-sale, nor held-to-maturity instruments.

Transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities are accounted for as part of the respective asset or liability's carrying value at inception and amortized over the expected life of the financial instrument using the effective interest rate method.

All derivative instruments, including embedded derivatives, are recorded in the consolidated statements of operations at fair value unless the criteria for exemption from such treatment under CICA Handbook Section 3855 is met.

(d) Other comprehensive income:

CICA Handbook Section 1530 requires a component of unitholders' equity, other comprehensive income, to be included in the REIT's consolidated financial statements. In addition, the standard requires a statement of other comprehensive income. The major components of the statement of other comprehensive income may include items such as unrealized gains and losses on financial assets classified as available-for-sale, deferred gains and losses arising from the settlement of historic cash flow hedging transactions and changes in the fair value of the effective position of cash flow hedging instruments.

The REIT had no "other comprehensive income or loss" transactions during the years ended December 31, 2009 and 2008, and no opening or closing balances of accumulated other comprehensive income or loss.

(e) Income-producing properties, other assets and intangible liabilities:

Income-producing properties include tangible and intangible assets.

Tangible assets include land, buildings, a leasehold interest, parking lots and improvements. Intangible assets include the value of in-place lease agreements, the value of the differential between original and market rents for in-place leases and the value of customer relationships.

Income-producing properties are carried at cost less accumulated amortization. If events or circumstances indicate that the carrying value of the income-producing property may be impaired, a recoverability analysis is performed based upon estimated undiscounted cash flows to be generated from the income-producing property. If the analysis indicates that the carrying value is not recoverable from future cash flows, the income-producing property is written-down to estimated fair value and an impairment loss is recognized.

Upon acquisition of income-producing properties, the purchase price is allocated based on estimated fair values to land, building, parking lots, tenant improvements and intangibles, including the value of above- and below-market leases, acquired in-place leases, and tenant relationships, if any.

Property under development includes initial acquisition costs, other direct costs and realty taxes, interest, and operating revenue and expenses during the period of development.

Amortization on income-producing properties, other assets and intangible liabilities is provided on the following basis and rates:

ASSET	BASIS	RATE/YEARS
Buildings	Straight-line	up to 40
Building improvements	Straight-line	up to 20
Tenant improvements	Straight-line	Remaining term of lease agreement and renewal years where applicable
Leasehold interest	Straight-line	40
Parking lots	Straight-line	20
Office equipment	Straight-line	5
Acquired in-place leases	Straight-line	Remaining term of lease agreement and renewal years where applicable
Above-market rent	Straight-line	Remaining term of lease agreement and fixed-rate non-cancelable renewal years
Below-market rent	Straight-line	Remaining term of lease agreement and fixed-rate non-cancelable renewal years
Tenant inducements and leasing costs	Straight-line	Term of lease agreement
Customer relationships	Straight-line	Remaining term of lease agreement and renewal years where applicable

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2009 and 2008
In thousands of dollars, except unit and per unit amounts

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

(f) Other assets:

Leasing costs, such as commissions, are amortized on a straight-line basis over the term of the related lease.

Payments to tenants under lease obligations are characterized either as tenant inducements owned by the landlord or as tenant inducements provided to the tenant. When the obligation is determined to be tenant inducements owned by the REIT, the REIT is considered to have acquired an asset. If the REIT determines that for accounting purposes it is not the owner of the tenant inducements, then the obligations under the lease are treated as incentives that reduce revenue. Tenant inducements are amortized on a straight-line basis over the term of the lease.

(g) Disposal of long-lived assets:

A long-lived asset, including income-producing properties and other related assets, is classified as held for sale at the point in time when it is available for immediate sale, management has committed to a plan to sell the asset and is actively locating a buyer for the asset at a sales price that is reasonable in relation to the current fair value of the asset, and the sale is probable and expected to be completed within a one-year period. Properties held for sale are stated at the lower of cost and fair value less selling costs. No further amortization is recorded on these properties once classified as held for sale. A property that is subsequently reclassified as held and in use is measured at the lower of: (i) its carrying amount before it was classified as held for sale, adjusted for any amortization expense that would have been recognized had it been continuously classified as held and in use; and (ii) its estimated fair value at the date of the subsequent decision not to sell.

The results of operations associated with properties disposed of, or classified as held for sale, are reported separately as income from discontinued operations when the REIT will have no continuing involvement with the ongoing cash flow of the assets.

(h) Cash and cash equivalents:

Cash and cash equivalents consist of cash with financial institutions and includes short-term investments with maturities of three months or less.

(i) Revenue recognition:

Revenue from income-producing properties includes rents earned from tenants under lease agreements, percentage rent, realty tax and operating costs recoveries and other incidental income and is recognized as revenue over the term of the underlying leases. All rent steps in lease agreements are accounted for on a straight-line basis over the term of the respective leases. Percentage rent is not recognized until a tenant is obligated to pay such rent.

(j) Co-ownerships:

The REIT carries out a portion of its activities through co-ownership agreements and records its proportionate share of assets, liabilities, revenues, expenses and cash flows of the co-ownerships in which it participates.

(k) Earnings per unit:

Basic earnings (loss) per REIT unit is computed by dividing net earnings (loss) by the weighted-average units outstanding during the reporting year. Diluted earnings (loss) per unit is calculated based on the weighted-average number of units outstanding during the year, plus the effect of dilutive unit equivalents such as options. The diluted per unit amounts are calculated using the treasury stock method, as if all the unit equivalents where average market price exceeds issue price had been exercised at the beginning of the reporting year, or the year of issue, as the case may be, and that the funds obtained thereby were used to purchase units of the REIT at the average trading price of the units during the year.

(l) Income taxes:

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 "New SIFT Rules"). The REIT has reviewed the New 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 New SIFT Rules, the REIT believes that it has met the REIT Conditions throughout the fiscal year ended December 31, 2009. Accordingly, the future income tax asset recorded in prior periods was reversed and charged to continuing and discontinued operations in 2009.

During 2008, income taxes were accounted for using the asset and liability method. Under this method, future income taxes were recognized for the expected future tax consequences of temporary differences between the carrying amount of balance sheet items and their corresponding tax values. Future income taxes were computed using enacted or substantively enacted income tax rates or laws for the years in which the temporary differences were expected to reverse or settle. When realization of future income tax assets does not meet the more likely than not criterion, a valuation allowance was provided for the difference.

(m) Unit-based compensation:

The REIT accounts for unit options issued under its unit option plan using the fair value method. Under this method, compensation expense is measured at fair value at the grant date using the Black-Scholes option pricing model and recognized over the vesting period.

(n) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

The significant areas of estimation include:

- Useful life of assets for the purpose of calculating amortization;
- Allocation of purchase price on the acquisition of income-producing properties;
- Valuation of future tax assets;
- Fair value of financial instruments;
- Impairment of assets; and
- Allowance for doubtful accounts.

3. ACQUISITIONS AND DISPOSITIONS OF INCOME-PRODUCING PROPERTIES:

Acquisitions:

The REIT acquired the following properties during the year ended December 31, 2009:

PROPERTY	LOCATION	ACQUISITION DATE	TYPE
Airdrie Flex Industrial	3 Kingsview Road, Airdrie, AB	October 1, 2009	Industrial
Winnipeg Industrial Portfolio ⁽¹⁾	Various locations in Winnipeg, MB	October 29, 2009	Industrial
Cliveden Building ⁽²⁾	1608 Cliveden Avenue, Delta, BC	December 15, 2009	Industrial
Kincaid Building ⁽²⁾	4225 Kincaid Street, Burnaby, BC	December 15, 2009	Office

⁽¹⁾ The Winnipeg Industrial Portfolio is comprised of 13 multi-tenant properties.

⁽²⁾ The Cliveden Building and the Kincaid Building were acquired as a portfolio. The REIT acquired a 50% interest in this portfolio, which is proportionately consolidated in the accounts of the REIT.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2009 and 2008
In thousands of dollars, except unit and per unit amounts

3. ACQUISITIONS AND DISPOSITIONS OF INCOME-PRODUCING PROPERTIES (CONTINUED):

The REIT acquired the following properties during the year ended December 31, 2008:

PROPERTY	LOCATION	ACQUISITION DATE	TYPE
King Edward Centre	15 & 25 King Edward Centre, Coquitlam, BC	January 15, 2008	Retail
Leon's Building	6461 Metral Drive, Nanaimo, BC	February 1, 2008	Retail
Estevan Sobeys ⁽¹⁾	440 King Street, Estevan, SK	March 20, 2008	Retail
Moose Jaw Sobeys ⁽¹⁾	769 Thatcher Drive East, Moose Jaw, SK	March 20, 2008	Retail
Edson Shoppers	303 - 54th Street and 2nd Avenue, Edson, AB	April 15, 2008	Retail
Raleigh Shopping Centre	686 Springfield Road, Winnipeg, MB	April 15, 2008	Retail
Maynard Technology Centre	1930 Maynard Road, Calgary, AB	August 29, 2008	Industrial
Willingdon Green Building	3175/3185 Willingdon Green, Burnaby, BC	September 2, 2008	Office
Bridges Place	736 - 1st Avenue NE, Calgary, AB	December 17, 2008	Office

⁽¹⁾ Estevan Sobeys and Moose Jaw Sobeys were acquired as a portfolio.

These acquisitions have been accounted for by the purchase method, with the results of operations included in the REIT's accounts from the date of acquisition.

The net assets acquired including acquisition costs were as follows:

	Year ended December 31, 2009	Year ended December 31, 2008
Land	\$ 19,356	\$ 24,010
Buildings	39,873	61,403
Parking lots	1,275	5,587
Tenant Improvements	3,180	5,482
Acquired in-place leases	11,657	26,042
Above-market rent	225	238
Below-market rent	(4,052)	(6,130)
Long-term debt including acquired above- and below-market mortgages	(36,422)	(68,121)
Total consideration	35,092	48,511
Issuance of units (note 14)	-	(2,100)
Cash consideration	\$ 35,092	\$ 46,411
Acquisition costs included above	\$ 1,214	\$ 1,593

Dispositions:

The REIT disposed of the following properties during the year ended December 31, 2009:

PROPERTY	LOCATION	DISPOSITION DATE	TYPE
Plainsman Building	301 Victoria Street, Kamloops, BC	March 31, 2009	Office
Airways Business Plaza ⁽¹⁾	1935 - 32nd Avenue NE, Calgary, AB	April 1, 2009	Office
Glenmore Commerce Court ⁽¹⁾	2880 Glenmore Trail SE, Calgary, AB	April 1, 2009	Office
McKnight Village Mall	5220 Falsbridge Dr. NE, Calgary, AB	May 15, 2009	Retail
Albert Street Mall	111 Albert Street, Regina, SK	July 15, 2009	Retail
Bridges Place	736 - 1st Avenue NE, Calgary, AB	July 27, 2009	Office
Willowglen Business Park	201 - 811 Manning Road, Calgary, AB	October 1, 2009	Office
Franklin Showcase Warehouse	700 - 33rd Street NE, Calgary, AB	November 1, 2009	Industrial
Raleigh Shopping Centre	686 Springfield Road, Winnipeg, MB	December 1, 2009	Retail

⁽¹⁾ Airways Business Plaza and Glenmore Commerce Court were disposed of as a portfolio.

On May 11, 2009, the REIT negotiated the termination of the agreement relating to the joint venture development known as Interplex III in Calgary, Alberta. Under the terms of the settlement, the 177,566 Class B units of a subsidiary of the REIT, AX L.P. ("AXLP"), that were issued for a 50% interest in the Interplex III lands were returned to AXLP for cancellation, and the 50% interest in land was transferred to the vendor. Property under development in the amount of \$2,725 was removed from the books, non-controlling interest in the amount of \$2,226 (note 13) was eliminated, and a loss on disposition of property in the amount of \$499 was recorded as part of discontinued operations.

During 2009, the REIT sold nine commercial properties. The proceeds from the sale of these properties, net of costs, were \$100,545. Mortgages in the amount of \$52,717 were assumed by the purchasers, and the REIT paid out \$6,228 of existing mortgages. Consideration received on the sale of Airways Business Plaza and Glenmore Commerce Court also included a promissory note in the amount of \$1,800. The assets, intangible assets and liabilities associated with the property were removed from the books and a net gain on sale of property in the amount of \$14,941 was recorded as part of discontinued operations.

During the year ended December 31, 2008, the REIT disposed of land and building, which comprised a portion of an income-producing property. The proceeds from the sale, net of costs, were paid in cash in the amount of \$1,139, which were used to reduce the outstanding mortgage. The assets associated with the land and building were removed from the books and a loss on sale of property in the amount of \$197 was recorded.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2009 and 2008

In thousands of dollars, except unit and per unit amounts

4. INCOME-PRODUCING PROPERTIES:

	December 31, 2009		
	Cost	Accumulated amortization	Net book value
Land	\$ 252,820	\$ –	\$ 252,820
Buildings and building improvements	727,672	48,303	679,369
Leasehold interest	8,015	885	7,130
Tenant improvements	57,849	25,790	32,059
Parking lots	23,122	2,800	20,322
	\$ 1,069,478	\$ 77,778	\$ 991,700

	December 31, 2008		
	Cost	Accumulated amortization	Net book value
Land	\$ 254,501	\$ –	\$ 254,501
Buildings and building improvements	733,090	35,023	698,067
Leasehold interest	8,015	692	7,323
Tenant improvements	51,218	20,227	30,991
Parking lots	22,300	1,906	20,394
Property under development (notes 13 and 21)	2,725	–	2,725
	1,071,849	57,848	1,014,001
Income-producing properties held for sale	16,933	753	16,180
	\$ 1,088,782	\$ 58,601	\$ 1,030,181

5. OTHER ASSETS:

	December 31, 2009		
	Cost	Accumulated amortization	Net book value
Acquired in-place leases	\$ 187,416	\$ 83,125	\$ 104,291
Above-market rent	1,911	953	958
Customer relationships	105	94	11
Tenant inducements and leasing costs	18,896	4,716	14,180
Office equipment and software	553	119	434
	\$ 208,881	\$ 89,007	\$ 119,874

	December 31, 2008		
	Cost	Accumulated amortization	Net book value
Acquired in-place leases	\$ 191,242	\$ 67,437	\$ 123,805
Above-market rent	1,795	821	974
Customer relationships	105	86	19
Tenant inducements and leasing costs	13,886	2,346	11,540
Office equipment and software	551	20	531
	207,579	70,710	136,869
Other assets held for sale	3,721	1,373	2,348
	\$ 211,300	\$ 72,083	\$ 139,217

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2009 and 2008
In thousands of dollars, except unit and per unit amounts

6. DEPOSITS ON INCOME-PRODUCING PROPERTIES:

	Year Ended December 31, 2009	Year Ended December 31, 2008
Deposit on income-producing property (note 13):		
Balance, beginning of year	\$ 6,712	\$ 7,330
Property rent	(300)	(1,200)
Costs incurred	618	-
Distributions on 543,781 Class B units of AX L.P.	196	582
	7,226	6,712
Forfeiture on settlement of Interplex II (note 13)	(7,226)	-
	-	6,712
Deposits on other income-producing properties	1,350	-
	\$ 1,350	\$ 6,712

7. NOTES RECEIVABLE:

	December 31, 2009	December 31, 2008
Note receivable from tenant maturing in May 2023, bearing interest at 5.894% per annum, repayable in varying blended monthly installments of principal and interest. The note is unsecured and is transferable at the option of the holder. A default under the terms of the note constitutes a default of the lease of the tenant.	\$ 26,918	\$ 28,536
Notes receivable with maturity dates ranging from November 2010 to September 2017, bearing interest at rates ranging from 5.06% to 9.50% per annum, repayable in blended monthly installments of principal and interest.	2,144	294
	\$ 29,062	\$ 28,830

8. MORTGAGES AND LOANS PAYABLE:

Substantially all of the REIT's assets have been pledged as security under mortgages and other security agreements. The mortgages and loans payable bear interest at fixed rates, with a weighted-average effective rate of 5.56% at December 31, 2009, a weighted-average nominal rate of 5.45% at December 31, 2009 (effective and nominal at December 31, 2008, 5.52% and 5.42%, respectively), and maturity dates ranging from March 1, 2010 to December 1, 2022.

Principal payment requirements on the mortgages and loans payable as at December 31, 2009 are as follows:

2010	\$	76,038
2011		46,664
2012		114,030
2013		113,981
2014		20,720
2015 and thereafter		242,185
		<hr/>
		613,618
Net above- and below-market mortgage adjustments		598
Financing costs		(1,953)
		<hr/>
	\$	612,263

9. CONVERTIBLE DEBENTURES:

In conjunction with the private placement offering that closed August 4, 2005, the REIT issued Series A convertible redeemable 7.75% debentures totaling \$15,000. Interest is paid semi-annually on February 4 and August 4. The convertible debentures are convertible into units of the REIT by the holder at \$12.60 after August 4, 2006, and redeemable for cash at the option of the REIT at any time after August 4, 2007 provided that the market price of the units exceeds 150% of the conversion price, and will be redeemable at the option of the REIT at any time after August 4, 2009 provided that the market price of the units exceeds 125% of the conversion price. Debentures that are not converted into units of the REIT are to be repaid in cash on maturity, being August 4, 2010. The convertible debentures are compound financial instruments and the proceeds of the offering, at the time of issue, were allocated between a liability and equity component in the amount of \$12,169 and \$2,831, respectively. The equity component reflects the equity value of the conversion option embedded in the convertible debentures. During the prior year, Series A convertible debentures with a face value of \$2,550 were converted and the REIT issued 202,379 units at the exercise price of \$12.60 per unit. The carrying value of the debt component was reduced by \$2,133, the equity component was reduced by \$482, future income taxes were increased by \$41, with an offsetting increase to capital contributions of \$2,656 (note 14(b)). None of the Series A convertible debentures were converted into units of the REIT in fiscal 2009.

In conjunction with the private placement offering that closed November 9, 2005, the REIT issued Series B convertible redeemable 7.5% debentures totaling \$10,862. Interest is paid semi-annually on May 9 and November 9. The convertible debentures are convertible into units of the REIT by the holder after November 9, 2007 at a price of \$13.50 per unit. The debentures are redeemable for cash at the option of the REIT (i) at any time after November 9, 2007 provided that the market price of the units exceeds 150% of the conversion price; and (ii) at any time after November 9, 2009 provided that the market price of the units exceeds 125% of the conversion price. The debentures rank pari passu with the convertible debentures issued August 4, 2005. Debentures that are not converted into units of the REIT are to be repaid in cash on maturity, being November 9, 2010. The convertible debentures are compound financial instruments and the proceeds of the offering, at the time of issue, were allocated between a liability and equity component in the amount of \$8,715 and \$2,147, respectively. The equity component reflects the equity value of the conversion option embedded in the convertible debentures. During the prior year, Series B convertible debentures with a face value of \$8,549 were converted and the REIT issued 634,962 units at the exercise price of \$13.50 per unit. The carrying value of the debt component was reduced by \$7,157, the equity component was reduced by \$1,690, future income taxes were increased by \$125, accrued interest was reduced by \$23 for units issued in lieu of interest payable, with an offsetting increase to capital contributions of \$8,995 (note 14(b)). None of the Series B convertible debentures were converted into units of the REIT in fiscal 2009.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2009 and 2008
In thousands of dollars, except unit and per unit amounts

9. CONVERTIBLE DEBENTURES (CONTINUED):

In conjunction with the prospectus that closed May 4, 2006, the REIT issued Series C convertible redeemable 6.25% debentures totaling \$30,000. Interest is paid semi-annually on May 31 and November 30. The convertible debentures are convertible into units of the REIT by the holder after May 31, 2009 at a price of \$17.25 per unit. The debentures are redeemable for cash at the option of the REIT (i) at any time after May 31, 2009 provided that the market price of the units exceeds 125% of the conversion price; and (ii) at any time after May 31, 2011. The debentures rank pari passu with the convertible debentures issued August 4, 2005 and November 9, 2005. Debentures that are not converted into units of the REIT are to be repaid in cash on maturity, being May 31, 2013. The convertible debentures are compound financial instruments and the proceeds of the offering, at the time of issue, were allocated between a liability and equity component in the amount of \$22,410 and \$7,590, respectively. The equity component reflects the equity value of the conversion option embedded in the convertible debentures. None of the Series C convertible debentures were converted into units of the REIT in fiscal 2009 or 2008.

In conjunction with the purchase of the Fort McMurray portfolio effective November 30, 2007, the REIT issued a Series D convertible redeemable 5% debenture totaling \$20,000. Interest is paid semi-annually on May 31 and November 30. The convertible debenture is convertible into units of the REIT by the holder after November 30, 2009 at a price of \$17.75 per unit. The debenture is redeemable for cash at the option of the REIT at any time prior to maturity provided that the market price of the units exceeds 120% of the conversion price. The debenture ranks pari passu with the convertible debentures issued August 4, 2005, November 9, 2005 and May 4, 2006. If the debenture is not converted into units of the REIT it is to be repaid in cash on maturity, being November 30, 2014. The convertible debenture is a compound financial instrument and the proceeds of the offering, at the time of issue, were allocated between a liability and equity component in the amount of \$18,875 and \$1,125, respectively. The equity component reflects the equity value of the conversion option embedded in the convertible debenture. During the year, the REIT repaid \$3,000 of this debenture. The carrying value of the debt component was reduced by \$2,861, and the equity component was reduced by \$169. None of the Series D convertible debenture were converted into units of the REIT in fiscal 2009 or 2008.

In conjunction with the prospectus that closed July 9, 2009, the REIT issued Series E convertible redeemable 7.5% debentures totaling \$40,000. On July 15, 2009, an additional \$6,000 of the Series E convertible debentures were issued pursuant to the exercise of the underwriters' overallotment option. Interest is paid semi-annually on June 30 and December 31. The convertible debentures are convertible into units of the REIT by the holder at any time prior to maturity, being on June 30, 2014, at a price of \$9.30 per unit. The debentures will not be redeemable by Artis prior to June 30, 2012. On or after June 30, 2012, but prior to June 30, 2013, the Series E debentures will be redeemable, in whole or in part, at a price equal to the principal amount plus accrued interest, at Artis' option on a minimum of 30 days notice, provided that the weighted-average trading price of the units is not less than 125% of the conversion price. On and after June 30, 2013, the Series E convertible debentures will be redeemable, in whole or in part, at a price equal to the principal amount plus accrued interest, at Artis' option on a minimum of 30 days notice. The debentures rank pari passu with the convertible debentures issued August 4, 2005, November 9, 2005, May 4, 2006 and November 30, 2007. The convertible debentures are compound financial instruments and the proceeds of the offering, at the time of issue, were allocated between a liability and equity component in the amount of \$45,162 and \$838, respectively. The equity component reflects the equity value of the conversion option embedded in the convertible debentures. During the year, Series E convertible debentures with a face value of \$616 were converted and the REIT issued 66,233 units at the exercise price of \$9.30 per unit. The carrying value of the debt was reduced by \$567 and the equity component was reduced by \$11, with an offsetting increase to capital contributions of \$578 (note 14(b)).

Using a term until maturity, the liability portion of the debentures at the date of issuance represents the present value of the mandatory cash payments of interest plus the present value of the principal amount due under the terms of the debentures discounted at 13%, or in the case of the Series C debentures, 11.75%, being the rate of interest that would be applicable to a debt-only instrument of comparable term and risk. The equity component, which represents the value ascribed to the conversion option issued, is calculated as the difference between the amount issued and the liability component. Interest expense is determined by applying the discount rate against the outstanding liability component of the debentures. The difference between actual interest payments and interest expense is treated as an addition to the liability component of the debentures.

Upon issuance, the Series D and Series E convertible debentures were separated into liability and equity components based on the respective estimated fair values at the date of issuance of the convertible debentures. The fair value of the liability component is estimated based on the present value of future interest and principal payments due under the terms of the convertible debenture using a discount rate for similar debt instruments without a conversion feature. The value assigned to the equity component is the estimated fair value ascribed to the holder's option to convert. Interest expense on the convertible debentures is determined by applying an effective interest rate of 6% on the Series D and 9.3% on the Series E to the outstanding liability component. The difference between actual cash interest payments and interest expense is accreted to the liability component.

Particulars of the REIT's outstanding convertible debentures as at December 31, 2009 and December 31, 2008 are as follows:

Convertible debenture issue	Series A convertible redeemable	Series B convertible redeemable	Series C convertible redeemable	Series D convertible redeemable	Series E convertible redeemable	2009	2008
Issue date	August 4, 2005	November 9, 2005	May 4, 2006	November 30, 2007	July 9, 2009		
Maturity date	August 4, 2010	November 9, 2010	May 31, 2013	November 30, 2014	June 30, 2014		
Interest rate	7.75%	7.50%	6.25%	5.00%	7.50%		
Face value	\$ 620	\$ 2,313	\$ 29,920	\$ 17,000	\$ 45,384	\$ 95,237	\$ 52,853
Equity portion	116	457	7,570	956	827	9,926	9,268
Liability portion	504	1,856	22,350	16,044	44,557	85,311	43,585
Accretion	130	460	3,104	246	66	4,006	2,590
Financing costs	(39)	(141)	(919)	(33)	(2,153)	(3,285)	(1,269)
Carrying value	\$ 595	\$ 2,175	\$ 24,535	\$ 16,257	\$ 42,470	\$ 86,032	\$ 44,906

Accretion to the carrying value of the debt component was \$1,724 (2008, \$1,464) during the year ended December 31, 2009. The weighted-average effective rate of the debentures at December 31, 2009 is 10.04% (December 31, 2008, 10.33%).

10. INTANGIBLE LIABILITIES:

	December 31, 2009		
	Cost	Accumulated amortization	Net book value
Below-market rent	\$ 120,591	\$ 39,068	\$ 81,523
	December 31, 2008		
	Cost	Accumulated amortization	Net book value
Below-market rent on income-producing properties	\$ 118,260	\$ 27,622	\$ 90,638
Below-market rent on assets held for sale	821	273	548
Below-market rent	\$ 119,081	\$ 27,895	\$ 91,186

11. ACCOUNTS PAYABLE AND OTHER LIABILITIES:

	December 31, 2009	December 31, 2008
Accounts payable and accrued liabilities	\$ 10,836	\$ 12,133
Deposits on income-producing properties held for sale	–	10,000
Distributions payable (note 15)	3,377	2,976
	\$ 14,213	\$ 25,109

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2009 and 2008
In thousands of dollars, except unit and per unit amounts

12. BANK INDEBTEDNESS:

On September 28, 2008, the REIT entered into an amended and restated loan agreement for a revolving term credit facility in the amount of \$60,000, which may be utilized to fund acquisitions of office, retail and industrial properties. \$7,500 of the credit facility is available to purchase units under the normal course issuer bid, \$10,000 may be utilized to provide mezzanine financing, and an additional \$10,000 may be used for general corporate purposes. The credit facility matures on September 28, 2010. Amounts drawn on the facility will bear interest at a floating rate equal to Canadian dollar bankers' acceptances with a term to maturity of 30 days, plus 3.40% per annum. The credit facility is secured by a first charge on Delta Centre, Grain Exchange Building, Johnston Terminal and Sears Centre. At December 31, 2009, the REIT had utilized \$30,700 (December 31, 2008, \$32,500) of the facility.

13. NON-CONTROLLING INTEREST:

Non-controlling interest represents the amount of equity related to the Class B units of a subsidiary, AX L.P. ("AXLP"). This non-controlling interest has been accounted for in accordance with EIC 151, Exchangeable Securities Issued by Subsidiaries of Income Trusts. The accounts of AXLP are consolidated in these consolidated financial statements. Class B units of AXLP are only exchangeable on a one-for-one basis, at the option of the holder, into REIT units, and are transferable to third parties with the REIT's consent.

Holders of the Class B units of AXLP are entitled to receive distributions on a per unit amount equal to a per REIT unit amount provided to holders of REIT units.

Effective October 31, 2006, the REIT entered into a purchase and sale agreement with a third party whereby the vendor would develop a Class A office building, known as Interplex II, in Calgary, Alberta. The purchase and sale agreement contained a scheduled closing date of November 1, 2008, with the vendor having the option to extend closing for up to an additional 12 months. The final purchase price of the income-producing property was to be calculated in accordance with a pre-determined formula, based on approved leases in place. In accordance with the agreement, the REIT paid \$7,800 as an interim payment towards the purchase price of the income-producing property, and recorded this amount as a deposit on income-producing properties. As consideration, the REIT issued 543,781 Class B units of AXLP at a price of \$14.34 per unit, and the REIT issued an equal number of special voting units as consideration. In accordance with the agreement, the REIT received monthly property rent of \$100 from the vendor until the closing of the purchase transaction. Distributions paid to the vendor on the Class B units were netted against property rent and any remaining difference was recorded as a reduction to the deposit on the income-producing property.

Effective November 30, 2006, the REIT acquired, through AXLP, an undivided 50% interest in certain lands located in Calgary, Alberta. AXLP entered into a co-ownership agreement with the vendor with respect to a 50% interest in, and the development of, a Class A office building to be known as Interplex III. Both the REIT and the vendor transferred their 50% interest in the lands into the co-ownership. As payment for its interest in the lands, AXLP issued 177,566 Class B units at a price of \$14.71 per unit for aggregate consideration of \$2,612. The REIT also issued an equal number of special voting units.

On May 11, 2009, Artis reached a settlement with the vendor of the Interplex II and Interplex III projects, and agreed to terminate both agreements. From the inception of the Interplex II agreement to the May 11, 2009 termination date, Artis received \$2,800 in Property rent. Under the terms of the settlement, the vendor of Interplex II retained the 543,781 Class B units of AXLP that were issued as a deposit. The Class B units were converted into REIT units at the closing of the settlement agreement, and the interest of AXLP in the Interplex II project was transferred to the vendor. Deposits on income-producing properties were forfeited in the amount of \$7,226, accounts payable and accrued liabilities increased by \$61, non-controlling interest in the amount of \$8,059 was eliminated, capital contributions increased \$8,059, and a loss of \$7,287 was recorded.

The 177,566 Class B units of AXLP that were issued for a 50% interest in the Interplex III lands were returned to AXLP for cancellation, and the 50% interest in land was transferred to the vendor. Property under development in the amount of \$2,725 was removed from the books, non-controlling interest in the amount of \$2,226 (note 13) was eliminated, and a loss on disposition of property in the amount of \$499 was recorded as part of discontinued operations.

The details of the non-controlling interest are as follows:

Issuance of 543,781 Class B units of AXLP on October 31, 2006	\$	7,800
Issuance of 177,566 Class B units of AXLP on November 30, 2006		2,612
Costs relating to the issuance of Class B units of AXLP		(13)
Distributions on 177,566 Class B units of AXLP		(31)
<hr/>		
Balance at December 31, 2006		10,368
Distributions on 177,566 Class B units of AXLP		(186)
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Balance at December 31, 2007		10,182
Distributions on 177,566 Class B units of AXLP		(189)
Non-controlling interest from continuing operations		268
Non-controlling interest from discontinued operations (note 21)		(3)
<hr/>		
Balance at December 31, 2008		10,258
Distributions on 177,566 Class B units of AXLP		(64)
Non-controlling interest from continuing operations		(40)
Non-controlling interest from discontinued operations (note 21)		131
Non-controlling interest eliminated on cancellation of 177,566 Class B units of AXLP		(2,226)
Non-controlling interest eliminated on exchange of 543,781 Class B units of AXLP for 543,781 REIT units		(8,059)
<hr/>		
Balance at December 31, 2009	\$	-

14. CAPITAL CONTRIBUTIONS:

(a) Authorized:

In accordance with the Declaration of Trust, the REIT may issue an unlimited number of units, with each unit representing an equal fractional undivided beneficial interest in any distributions from the REIT, and in the net assets in the event of termination or wind-up of the REIT. All units are of the same class with equal rights and privileges. The units are redeemable at any time at the option of the holder at a price defined in the Declaration of Trust, subject to a maximum of \$30 in cash redemptions by the REIT in any one month. Redemptions in excess of this amount will be paid by way of a distribution of notes of the REIT, or the notes of a wholly-owned subsidiary of the REIT.

In accordance with the Declaration of Trust, the REIT may also issue a class of special voting units, which are non-participating voting units of the REIT, to be issued to holders of securities which are exchangeable for units of the REIT (note 13). Special voting units are cancelled on the issuance of REIT units on exercise, conversion or cancellation of the corresponding exchangeable securities.

(b) Issued and outstanding:

	Number of units		Amount
Balance at December 31, 2007	31,158,068	\$	422,266
Conversion of Series A convertible debentures	202,379		2,656
Conversion of Series B convertible debentures	634,962		8,995
Options exercised	22,752		263
Distribution Reinvestment Plan ("DRIP")	411,297		4,875
Units issued on acquisition of income-producing property	118,308		2,100
Units acquired and cancelled through normal course issuer bid	(197,400)		(2,673)
Units acquired through normal course issuer bid, not cancelled at year end	(43,600)		(226)
<hr/>			
Balance at December 31, 2008	32,306,766		438,256
Public offerings, net of issue costs of \$1,879	3,910,000		33,311
Conversion of Series E convertible debentures	66,233		578
Distribution Reinvestment Plan ("DRIP")	296,246		2,263
Units issued on exchange of Class B units	543,781		8,059
Units issued on private placement	555,555		4,990
Units acquired and cancelled through normal course issuer bid	(156,200)		(2,457)
<hr/>			
Balance at December 31, 2009	37,522,381	\$	485,000

At December 31, 2009, there were no special voting units issued and outstanding (note 13).

The REIT has a Distribution Reinvestment Plan ("DRIP") which allows Unitholders the option to elect to receive all or a portion of their regular monthly distributions in additional REIT units.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2009 and 2008
In thousands of dollars, except unit and per unit amounts

14. CAPITAL CONTRIBUTIONS (CONTINUED):

(c) Contributed surplus:

	Year ended December 31, 2009	Year ended December 31, 2008
Balance, beginning of year	\$ 2,590	\$ 1,518
Unit-based compensation expense	160	567
Cancellation of options	(484)	-
Units purchased and cancelled under normal course issuer bid (note 14 (f))	1,211	552
Value of options exercised	-	(47)
Balance, end of year	\$ 3,477	\$ 2,590

Contributed surplus includes the recording of the fair value of options granted under the unit option plan (see note 14(d)). The fair value of the options is recorded to contributed surplus as the options vest. Upon exercise, the proceeds received, as well as any balance previously recorded to contributed surplus, are credited to capital contributions.

(d) Unit options:

The REIT has a unit option plan which is administered by the Board of Trustees of the REIT with unit options granted to trustees, management, management company employees and consultants as a form of compensation. The total number of units reserved under option for issuance may not exceed 5% of the units outstanding.

A summary of the REIT's unit options for the year ended December 31 are as follows:

	2009		2008	
	Units	Weighted-average exercise price	Units	Weighted-average exercise price
Balance, beginning of year	1,458,336	\$ 15.52	1,481,088	\$ 15.47
Exercised	-	-	(22,752)	11.25
Cancelled	(1,212,800)	16.26	-	-
Expired	(28,500)	16.76	-	-
Balance, end of year	217,036	\$ 11.25	1,458,336	\$ 15.52
Options exercisable at end of year	217,036		787,212	

Effective August 21, 2009, Artis and the holders of options to acquire units agreed to cancel an aggregate of 1,212,800 options. The exercise prices of the options surrendered ranged from \$14.40 to \$17.75 per unit. The weighted-average exercise price with respect to the cancelled options was \$16.26 per unit.

Options outstanding at December 31, 2009 consist of the following:

Range of exercise prices	Number outstanding	Weighted-average remaining contractual life	Options outstanding weighted-average exercise price	Number exercisable
\$ 11.25	217,036	1.0 years	\$ 11.25	217,036

(e) Weighted-average units:

	Year ended December 31, 2009	Year ended December 31, 2008
Loss and diluted loss	\$ (9,189)	\$ (6,952)
The weighted-average number of units outstanding was as follows:		
Basic and diluted units	33,915,217	32,088,592
Loss per unit:		
Basic	\$ (0.27)	\$ (0.22)
Diluted	\$ (0.27)	\$ (0.22)

The computation of diluted loss per unit for the year ended December 31, 2009 and 2008 does not include Class B units, convertible debentures and unit options as these instruments are anti-dilutive.

(f) Normal course issuer bid:

On December 11, 2009, the REIT announced that the Toronto Stock Exchange (the "Exchange") had approved the renewal of its normal course issuer bid. Under the renewed bid, the REIT will have the ability to purchase for cancellation up to a maximum of 3,172,816 units, representing 10% of the REIT's float of 31,728,167 on December 15, 2009. Purchases will be made at market prices through the facilities of the Exchange. The bid commenced on December 14, 2007, and will remain in effect until the earlier of December 14, 2010, or the date on which the REIT has purchased the maximum number of units permitted under the bid. During the year ended December 31, 2009, the REIT acquired 156,200 units and cancelled 199,800 units at market prices aggregating \$1,246. As a result of purchases that were for amounts less than stated capital, \$1,211 was recorded to contributed surplus. Since December 14, 2007, the REIT had acquired 410,200 units for cancellation.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2009 and 2008
In thousands of dollars, except unit and per unit amounts

15. DISTRIBUTIONS TO UNITHOLDERS:

The REIT declared distributions to REIT unitholders of record in the amount of \$36,737 for the year ended December 31, 2009 (2008, \$34,352). On May 11, 2009, all outstanding Class B units were returned to AXLP for cancellation or converted into REIT units (Note 13). The REIT declared distributions on Class B units of AXLP in the amount of \$261 for the year ended December 31, 2009 (2008, \$771). Total distributions payable at December 31, 2009 are \$3,377 (December 31, 2008, \$2,976).

16. CHANGES IN NON-CASH OPERATING ITEMS:

	Year ended December 31, 2009	Year ended December 31, 2008
Prepaid expenses	\$ (616)	(783)
Rent and other receivables	2,334	(2,350)
Cash held in trust	233	94
Security deposits and prepaid rent	(250)	789
Accounts payable and other liabilities	(698)	3,384
	\$ 1,003	\$ 1,134

17. RELATED PARTY TRANSACTIONS:

	Year ended December 31, 2009	Year ended December 31, 2008
Legal fees expensed	\$ 494	\$ 151
Capitalized legal fees	1,286	480
Advisory fees	2,813	2,514
Capitalized acquisition fees	352	535
Property management fees	5,312	5,056
Capitalized leasing commissions	1,278	3,796
Capitalized building improvements	3,577	11,862
Tenant inducements	139	114
Services fee	198	-
Consulting fees	150	-

The REIT incurred legal fees with a law firm associated with a trustee of the REIT in connection with property acquisitions and general business matters. The amount payable at December 31, 2009 is \$150 (December 31, 2008, \$nil).

The REIT incurred advisory fees and acquisition fees under the asset management agreement with Marwest Management Canada Ltd. ("Marwest"), a company owned and controlled by certain trustees and officers of the REIT. The amount payable at December 31, 2009 is \$38 (December 31, 2008, \$nil). Under the asset management agreement, Marwest is entitled to an annual advisory fee equal to 0.25% of the adjusted cost base of the REIT's assets and an acquisition fee equal to 0.5% of the cost of each property acquired.

The REIT incurred property management fees, leasing commission fees, and tenant improvement fees under the property management agreement with Marwest. The amount payable at December 31, 2009 is \$136 (December 31, 2008, \$546). Marwest acts as the general property manager for the REIT's properties and is entitled to management fees, leasing renewal commissions and tenant improvement fees at commercially reasonable rates.

The REIT incurred costs for building improvements and tenant inducements paid to Marwest Construction Ltd., a company related to certain trustees and officers of the REIT. The amount payable at December 31, 2009 is \$302 (December 31, 2008, \$292).

The services fee represents work done for all services rendered in anticipation of the purchase of the Interplex II and Interplex III properties, and the termination of said agreements. The amount payable at December 31, 2009 is \$nil (December 31, 2008, \$nil).

The consulting fees represent work performed by Marwest on the International Financial Reporting Standards implementation project. The amount payable at December 31, 2009 is \$75 (December 31, 2008, \$nil).

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.

18. FUTURE INCOME TAXES:

The REIT currently qualifies as a mutual fund trust for Canadian income tax purposes. Prior to new legislation relating to the federal income taxation of publicly listed or traded trusts, as discussed below, income earned by the REIT and distributed annually to unitholders was not, and would not be, subject to taxation in the REIT, but was taxed at the individual unitholder level. For financial statement reporting purposes, the tax deductibility of the REIT's distributions was treated as an exception from taxation as the REIT distributed, and was committed to continue distributing, all of its taxable income to its unitholders. Accordingly, the REIT did not previously record a provision for income taxes or future income tax assets or liabilities.

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 "New SIFT Rules"). A SIFT includes a publicly listed or traded partnership or trust, such as an income trust.

Under the New SIFT Rules, following a transition period for qualifying SIFTs, certain distributions from a SIFT will no longer be deductible in computing a SIFT's taxable income, and a SIFT will be subject to tax on such distributions at a rate that is substantially equivalent to the general tax rate applicable to a Canadian corporation. However, distributions paid by a SIFT as returns of capital should generally not be subject to the tax.

The New SIFT Rules do not apply to a "real estate investment trust" that meets prescribed conditions relating to the nature of its assets and revenue (the "REIT Conditions"). The REIT has reviewed the New 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 New SIFT Rules, the REIT believes that it has met the REIT Conditions throughout the fiscal year ended December 31, 2009. Accordingly, the future income tax asset recorded in prior periods was reversed and charged to continuing and discontinued operations in 2009.

In respect of assets and liabilities of the REIT, and its flow-through entities, the tax basis of net assets exceeds their net book value for accounting purposes by approximately \$39,032 at December 31, 2009 (December 31, 2008, \$43,045). This balance includes non-capital losses available for carryforward in the amount of \$2,474, which may be used to offset taxable income in future periods.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2009 and 2008
In thousands of dollars, except unit and per unit amounts

19. CO-OWNERSHIP ACTIVITIES:

These consolidated financial statements include the REIT's proportionate share of assets, liabilities, revenue, expenses and cash flows of the co-ownerships in which it participates as at December 31, 2009. The REIT is contingently liable for the obligations of its associates in certain co-ownerships. Management believes that the assets of the co-ownerships are available and are sufficient for the purpose of satisfying such obligations. The REIT's proportionate share of these co-ownerships range between 38% and 85%, summarized as follows:

	December 31, 2009	December 31, 2008
Assets	\$ 88,588	\$ 66,062
Liabilities	91,901	68,264
	December 31, 2009	December 31, 2008
Revenue	10,943	11,200
Expenses	12,031	12,478
Operating loss from properties	(1,088)	(1,278)
Cash flows provided by operating activities	3,283	1,382
Cash flows used in investing activities	(15,415)	(378)
Cash flows provided by (used in) financing activities	12,222	(1,343)

20. SEGMENTED INFORMATION:

The REIT owns and operates various retail, office and industrial properties located in western Canada. Information related to these property types is presented below. REIT expenses as well as interest and amortization of financing costs relating to the convertible debentures have not been allocated to the segments.

	Year ended December 31, 2009				
	Retail	Office	Industrial	REIT	Total
Revenue	\$ 46,711	\$ 71,178	\$ 18,765	\$ 199	\$ 136,853
Property operating expenses	13,146	24,027	6,317	–	43,490
	33,565	47,151	12,448	199	93,363
Interest	11,576	16,166	4,419	7,939	40,100
Corporate expenses	–	–	–	4,524	4,524
Amortization	16,997	28,137	8,980	139	54,253
Unrealized gain on commodity derivatives	–	–	–	466	466
	28,573	44,303	13,399	13,068	99,343
	4,992	2,848	(951)	(12,869)	(5,980)
Loss on termination of Interplex II agreement	–	–	–	(7,287)	(7,287)
Future income tax expense	–	–	–	(10,895)	(10,895)
Non-controlling interest	–	–	–	40	40
Income (loss) from discontinued operations	3,746	11,040	646	(499)	14,933
Income (loss) for the year	\$ 8,738	\$ 13,888	\$ (305)	\$ (31,510)	\$ (9,189)
Total assets	\$ 379,312	\$ 583,681	\$ 191,764	\$ 35,452	\$ 1,190,209

	Year ended December 31, 2008				
	Retail	Office	Industrial	REIT	Total
Revenue	\$ 46,475	\$ 70,304	\$ 14,254	\$ 599	\$ 131,632
Property operating expenses	13,367	22,903	4,281	–	40,551
	33,108	47,401	9,973	599	91,081
Interest	11,715	17,242	3,522	6,072	38,551
Corporate expenses	–	–	–	4,969	4,969
Amortization	18,486	27,984	7,295	47	53,812
Unrealized gain on commodity derivatives	–	–	–	(223)	(223)
	30,201	45,226	10,817	10,865	97,109
	2,907	2,175	(844)	(10,266)	(6,028)
Future income tax expense	–	–	–	(580)	(580)
Non-controlling interest	–	–	–	(268)	(268)
Income (loss) from discontinued operations	130	80	(286)	–	(76)
Income (loss) for the year	\$ 3,037	\$ 2,255	\$ (1,130)	\$ (11,114)	\$ (6,952)
Total assets	\$ 419,631	\$ 654,427	\$ 147,099	\$ 22,536	\$ 1,243,693

21. INCOME FROM DISCONTINUED OPERATIONS:

Included in discontinued operations are the Plainsman Building, Airways Business Plaza, Glenmore Commerce Court, McKnight Village Mall, Interplex III, Albert Street Mall, Bridges Place, Willowglen Business Park, Franklin Showcase Warehouse and Raleigh Shopping Centre.

	Year ended December 31, 2009	Year ended December 31, 2008
Revenue	\$ 8,051	\$ 14,544
Property operating expenses	3,145	5,742
	4,906	8,802
Interest	1,833	3,059
Amortization	2,219	5,657
Net property operating income	854	86
Gain (loss) on disposal of income-producing properties	14,442	(197)
Future income tax (expense) recovery (note 18)	(232)	32
Non-controlling interest (note 13)	(131)	3
Income (loss) from discontinued operations	\$ 14,933	\$ (76)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2009 and 2008
In thousands of dollars, except unit and per unit amounts

22. COMMITMENTS AND GUARANTEES:

(a) Letters of credit:

As of December 31, 2009, the REIT had issued letters of credit in the amount of \$1,701 (December 31, 2008, \$2,215).

(b) Guarantees:

AXLP has guaranteed certain debt assumed by purchasers in connection with the dispositions of Royal Square, Airways Business Plaza, Glenmore Commerce Court and Bridges Place. These guarantees will remain until the debt is modified, refinanced or extinguished. Credit risk arises in the event that the purchaser defaults on repayment of their debt since it is guaranteed by the REIT. This credit risk is mitigated as the REIT has recourse under these guarantees in the event of default by the purchasers, in which case the REIT would have a claim against the underlying properties. The estimated amount of debt subject to the guarantees at December 31, 2009, is \$15,806 (December 31, 2008, \$1,649), with an estimated weighted-average remaining term of 3.6 years (December 31, 2008, 1.8 years). No liability in excess of the fair value of the guarantees has been recognized in these consolidated financial statements as the estimated fair value of the borrower's interests in the underlying properties is greater than the mortgages payable for which the REIT provided the guarantees.

23. CAPITAL MANAGEMENT:

The REIT's objectives when managing capital are to safeguard the ability to continue as a going concern, and to generate sufficient returns to provide unitholders with stable cash distributions. The REIT defines capital as bank indebtedness, mortgages and loans payable, convertible debentures, non-controlling interest and unitholders' equity.

The REIT's Declaration of Trust permits the REIT to incur indebtedness, provided that after giving effect to incurring or assuming any indebtedness (as defined in the Declaration of Trust), the amount of such indebtedness of the REIT is not more than 70% of the gross book value of the REIT's total assets. Gross book value is defined in the Declaration of Trust as "the consolidated book value of the assets of the REIT, plus the amount of accumulated depreciation and amortization recorded in the books and records of the REIT, plus the amount of any future income tax liability arising out of any indirect acquisitions, calculated in accordance with generally accepted accounting principles". As at December 31, 2009, the ratio of such indebtedness to gross book value was 47.4% (December 31, 2008, 51.6%), which complies with the requirement in the Declaration of Trust and is consistent with the REIT's objectives.

In addition to the covenant outlined in the Declaration of Trust, the REIT must maintain a debt to gross book value ratio of 70%, a debt service coverage ratio of 1.4, and minimum unitholders' equity of \$275,000 for the purposes of the credit facility (note 12). As at December 31, 2009, the REIT was in compliance with these requirements.

The REIT's mortgage providers also have minimum limits on debt service coverage ratios. The REIT monitors these ratios and is in compliance with these requirements.

The total managed capital for the REIT is summarized below:

	December 31, 2009	December 31, 2008
Mortgages and loans payable	\$ 612,263	\$ 676,369
Convertible debentures	86,032	44,906
Bank indebtedness	30,700	32,500
Total debt	728,995	753,775
Non-controlling interest	–	10,258
Unitholders' equity	360,906	358,543
	\$ 1,089,901	\$ 1,122,576

24. RISK MANAGEMENT AND FAIR VALUES:

(a) Risk management:

In the normal course of business, the REIT is exposed to a number of risks that can affect its operating performance. These risks, and the actions taken to manage them, are as follows:

(i) Market risk:

(a) Interest rate risk:

The REIT is exposed to interest rate risk on its borrowings. It minimizes the risk by restricting debt to 70% of gross book value and by obtaining fixed rate debt to replace short-term floating rate borrowings. The REIT has the majority of its mortgage payable and debentures in fixed rate terms. In addition, management considers

the weighted-average term to maturity of long-term debt relative to the remaining average lease terms. At December 31, 2009, the REIT is a party to \$38,440 of variable rate debt, including the outstanding balance of bank indebtedness.

The REIT periodically enters into derivative transactions in regards to non-financial items, primarily natural gas and electrical contracts, to manage the price risk arising from fluctuations in these commodities.

(ii) Credit risk:

The REIT is exposed to credit risk as an owner of real estate in that tenants may become unable to pay the contracted rents. Management mitigates this risk by carrying out appropriate credit checks and related due diligence on the significant tenants. Management has diversified the REIT's holdings so that it owns several categories of properties (retail, office and industrial) and acquires properties throughout western Canada. The allowance for doubtful accounts at December 31, 2009 was \$396, and \$336 at December 31, 2008. The credit quality of the rent and other receivables amount is considered adequate.

The REIT is also exposed to credit risk as a holder of notes receivable. Management mitigates this risk by carrying out appropriate credit checks and related due diligence on the borrowers.

(iii) Liquidity risk:

Liquidity risk is the risk that the REIT will not be able to meet its financial obligations as they come due. The REIT manages liquidity by maintaining adequate cash and by having appropriate lines of credit available. In addition, the REIT continuously monitors and reviews both actual and forecasted cash flows.

The following are the estimated maturities of the REIT's mortgages, loans, bank indebtedness and convertible debentures, with convertible debentures disclosed at their face value:

	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Mortgages, loans and bank indebtedness	\$ 644,318	\$ 106,738	\$ 160,694	\$ 134,701	\$ 242,185
Convertible debentures	95,237	2,933	–	92,304	–
	\$ 739,555	\$ 109,671	\$ 160,694	\$ 227,005	\$ 242,185

(b) Fair values:

The fair value of the REIT's rent and other receivables, accounts payable and other liabilities, and bank indebtedness approximate their carrying amounts due to the relatively short periods to maturity of these financial instruments.

The fair value of the notes receivable has been determined by discounting the cash flows of these financial assets using year end market rates for assets of similar terms and credit risks. Based on these assumptions, the fair value of notes receivable at December 31, 2009 has been estimated at \$29,581 (December 31, 2008, \$29,203), compared with the carrying value of \$29,062 (December 31, 2008, \$28,830).

The fair value of the mortgages and loans payable has been determined by discounting the cash flows of these financial obligations using year end market rates for debt of similar terms and credit risks. Based on these assumptions, the fair value of mortgages and loans payable at December 31, 2009 has been estimated at \$618,150 (December 31, 2008, \$675,918) compared with the carrying value of \$612,263 (December 31, 2008, \$676,369).

The fair value of the REIT's convertible debentures is \$103,225 (December 31, 2008, \$39,867) compared to its face value of \$95,237 (December 31, 2008, \$52,853) at December 31, 2009. Fair value is based on the market price of the debentures, or if no market price exists, fair value is determined by discounting the cash flows of these financial obligations using year end market rates for debt of similar terms and credit risks.

As at December 31, 2009, the REIT had entered into natural gas and electrical contracts with a fair value liability of \$243 (December 31, 2008, fair value asset of \$223).

Under the fair value hierarchy of financial instruments measured at fair value on the consolidated balance sheet, cash and cash equivalents and bank indebtedness are measured using a Level 1 methodology and natural gas and electrical contracts are valued using a Level 2 methodology.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2009 and 2008
In thousands of dollars, except unit and per unit amounts

25. FUTURE CHANGES IN ACCOUNTING POLICIES:

In February 2008, The Canadian Accounting Standards Board ("AcSB") confirmed that the adoption of International Financial Reporting Standards ("IFRS") would be effective for interim and annual periods beginning on or after January 1, 2011 for profit-oriented Canadian publicly accountable enterprises. IFRS will replace Canada's current GAAP for these enterprises. Comparative IFRS information for the previous fiscal year will also have to be reported. These new standards will be effective for the REIT in the first quarter of 2011.

The REIT's management is currently in the process of evaluating the potential impact of IFRS to the consolidated financial statements. This will be an on-going process as new standards and recommendations are issued by the International Accounting Standards Board and the AcSB. The REIT's consolidated financial performance and financial position as disclosed in the current GAAP financial statements may be significantly different when presented in accordance with IFRS.

26. SUBSEQUENT EVENTS:

On January 14, 2010, the REIT acquired Westbank Zellers located in West Kelowna, British Columbia. The retail property was acquired for \$10,000 and settled in cash. Artis has obtained \$6,000 of new 5-year mortgage financing bearing interest at a rate of 5.14% per annum.

On January 20, 2010, the REIT drew an additional \$8,000 of the revolving term credit facility.

On January 21, 2010, the REIT repaid a vendor take-back mortgage in the amount of \$20,000.

On January 26, 2010, the REIT issued 4,600,000 units at a price of \$11.00 per unit for aggregate gross proceeds of \$50,600, pursuant to a prospectus dated January 12, 2010.

On January 26, 2010, the REIT issued 690,000 units at a price of \$11.00 per unit for aggregate gross proceeds of \$7,590, pursuant to the underwriter's over-allotment option on the January 12, 2010 offering.

On January 29, 2010, the REIT acquired the Maple Leaf Building located in Saskatoon, Saskatchewan. The retail property was acquired for \$25,500 and the purchase price was satisfied with a combination of cash and the assumption of existing mortgage financing in the amount of \$17,300, which matures in 2014 and bears interest at a rate of 5.0% per annum.

On January 29, 2010, the REIT acquired Sherwood Centre located in Edmonton, Alberta. The multi-tenant industrial property was acquired for \$13,300 and the purchase price was satisfied with a combination of cash and new 5-year mortgage financing in the amount of \$8,645 bearing interest at a rate of 5.06% per annum.

On February 1, 2010, the REIT repaid the balance drawn on the revolving term credit facility.

On February 25, 2010, the REIT granted to its Trustees, senior officers and Marwest options to acquire an aggregate of 273,250 units at an exercise price of \$11.28, being the closing trading price of the units on the Toronto Stock Exchange on the date of the grant.

On March 1, 2010, the REIT completed the refinancing of the mortgage related to Canarama Mall. The mortgage is for \$8,840, with an interest rate of 4.97% and a term of 5 years. The refinancing replaces the previous mortgage of \$5,672, which carried interest at 5.45%.

On March 10, 2010, the REIT filed a final prospectus with respect to a public offering of 4,450,000 units at a price of \$11.25 per unit for aggregate gross proceeds of \$50,063. The offering closed on March 16, 2010. Artis has granted to the underwriters an option, exercisable for a period of 30 days from the date of closing, to purchase up to an additional 667,500 units at \$11.25 per unit.

The REIT has entered into agreements with respect to the acquisitions of properties located in British Columbia and Alberta. The total purchase price of the properties is \$152,685. The REIT anticipates that the acquisitions will close in March and April, 2010, and will be financed through a combination of cash consideration and new mortgage financing.

Artis has entered into a conditional agreement to acquire a 49% interest in the Winnipeg Square Parkade which services the Shops of Winnipeg Square and 360 Main Street office tower. In conjunction with that transaction, Artis expects to acquire an additional 11% interest in the 360 Main Street office tower and Shops of Winnipeg Square property, in which it already holds 38% interest.

Subsequent to December 31, 2009, Series E convertible debentures with a face value of \$12,131 were converted and the REIT issued 1,304,390 units at the price of \$9.30 per unit.

27. COMPARATIVE FIGURES:

Certain 2008 comparative figures have been reclassified to conform with the financial statement presentation adopted in 2009.



300 - 360 Main Street
Winnipeg, Manitoba R3C 3Z3
T 204.947.1250
F 204.947.0453
www.artisreit.com