Interim Consolidated Financial Statements of

ARTIS REAL ESTATE INVESTMENT TRUST

Three months ended March 31, 2009 and 2008
(Unaudited)

ARTIS REAL ESTATE INVESTMENT TRUST

Interim Consolidated Balance Sheets

(In thousands of dollars)

	March 31, 2009 (Unaudited)	December 31, 2008
ASSETS		
Income-producing properties (note 4)	$ 1,016,287	$ 1,030,181
Other assets (note 5)	132,493	139,217
Future income taxes (note 18)	-	11,127
Deposits on income-producing properties (note 6)	6,659	6,712
Prepaid expenses	1,824	2,332
Notes receivable (note 7)	28,414	28,830
Rent and other receivables	10,495	10,859
Cash held in trust	3,558	588
Cash and cash equivalents	9,440	13,847
	$ 1,209,170	$ 1,243,693
LIABILITIES AND UNITHOLDERS' EQUITY		
Liabilities:		
Mortgages and loans payable (note 8)	$ 669,395	$ 676,369
Convertible debentures (note 9)	45,268	44,906
Intangible liabilities (note 10)	87,132	91,186
Security deposits and prepaid rent	4,713	4,822
Accounts payable and other liabilities (note 11)	23,173	25,109
Bank indebtedness (note 12)	32,500	32,500
	862,181	874,892
Non-controlling interest (note 13)	10,242	10,258
Unitholders' equity	336,747	358,543
Commitments and guarantees (note 22)		
Subsequent events (note 26)		
	$ 1,209,170	$ 1,243,693

See accompanying notes to interim consolidated financial statements.

ARTIS REAL ESTATE INVESTMENT TRUST

Interim Consolidated Statements of Operations
Three months ended March 31, 2009 and 2008
(Unaudited)

(In thousands of dollars, except per unit amounts)

	2009	2008
Revenue	$ 36,577	$ 32,593
Property operating expenses	11,802	9,845
	24,775	22,748
Interest	10,284	9,580
	14,491	13,168
Expenses (Income):		
Corporate	1,201	1,140
Amortization	16,342	14,884
Unrealized (gain) loss on commodity derivatives	204	(928)
	17,747	15,096
Loss before income taxes	(3,256)	(1,928)
Future income tax (expense) recovery (note 18)	(10,898)	362
Loss before non-controlling interest and discontinued operations	(14,154)	(1,566)
Non-controlling interest (note 13)	(5)	(143)
Loss from continuing operations	(14,159)	(1,709)
Income from discontinued operations (note 21)	628	(148)
Loss and comprehensive loss for the period	$ (13,531)	$ (1,857)
Basic income (loss) per unit (note 14 (e))		
Continuing operations	$ (0.44)	$ (0.06)
Discontinued operations	$ 0.02	$ 0.00
Diluted income (loss) per unit (note 14 (e))		
Continuing operations	$ (0.44)	$ (0.06)
Discontinued operations	$ 0.02	$ 0.00

See accompanying notes to interim consolidated financial statements.

ARTIS REAL ESTATE INVESTMENT TRUST

Interim Consolidated Statements of Unitholders' Equity
Three months ended March 31, 2009 and 2008
(Unaudited)

(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	210,135	3,331	-	-	(47)	3,284
Unit-based compensation	-	-	-	-	136	136
Conversion of convertible debentures	529,402	7,260	(1,352)	-	-	5,908
Units acquired and cancelled through normal course issuer bid	(32,600)	(426)	-	(42)	-	(468)
Units acquired through normal course issuer bid, not cancelled at period end	(1,500)	(23)	-	-	-	(23)
Loss for the period	-	-	-	(1,857)	-	(1,857)
Distributions for the period	-	-	-	(8,314)	-	(8,314)
Unitholders' equity, March 31, 2008	31,863,505	432,408	10,088	(60,368)	1,607	383,735
Issuance of units	342,222	3,907	-	-	-	3,907
Unit-based compensation	-	-	-	-	431	431
Conversion of convertible debentures	307,939	4,391	(820)	-	-	3,571
Units acquired and cancelled through normal course issuer bid	(164,800)	(2,247)	-	(70)	552	(1,765)
Units acquired through normal course issuer bid, not cancelled at period end	(42,100)	(203)	-	-	-	(203)
Loss for the period	-	-	-	(5,095)	-	(5,095)
Distributions for the period	-	-	-	(26,038)	-	(26,038)
Unitholders' equity, December 31, 2008	32,306,766	438,256	9,268	(91,571)	2,590	358,543
Issuance of units	110,666	690	-	-	-	690
Unit-based compensation	-	-	-	-	61	61
Units acquired and cancelled through normal course issuer bid	(44,100)	(961)	-	-	677	(284)
Loss for the period	-	-	-	(13,531)	-	(13,531)
Distributions for the period	-	-	-	(8,732)	-	(8,732)
Unitholders' equity, March 31, 2009	32,373,332	$ 437,985	$ 9,268	$ (113,834)	$ 3,328	$ 336,747

See accompanying notes to interim consolidated financial statements.

ARTIS REAL ESTATE INVESTMENT TRUST

Interim Consolidated Statements of Cash Flows
Three months ended March 31, 2009 and 2008
(Unaudited)

(In thousands of dollars)

	2009	2008
Cash provided by (used for):		
Operating activities:		
Loss for the period	$ (13,531)	$ (1,857)
Adjustments for non-cash items:		
Amortization:		
Income-producing properties	7,480	6,926
Office equipment	25	2
Above-market rent	73	69
Acquired in-place leases	8,451	8,624
Customer relationships	2	5
Below-market rent	(4,032)	(3,831)
Tenant inducements and leasing costs	705	261
Tenant inducements amortized to revenue	65	-
Above- and below-market mortgages, net	(45)	(49)
Accretion on liability component of convertible debentures	362	376
Straight-line rent adjustment	(409)	(562)
Gain on disposal of income-producing property	(591)	-
Unrealized (gain) loss on commodity derivatives	204	(928)
Unit-based compensation expense	61	136
Amortization of financing costs included in interest	204	91
Future income tax expense (recovery)	11,127	(417)
Non-controlling interest (note 13)	33	138
	10,184	8,984
Changes in non-cash operating items (note 16)	(2,475)	1,303
	7,709	10,287
Investing activities:		
Acquisition of income-producing properties, net of related debt and issuance of units (note 3)	-	(14,660)
Disposition of income-producing properties, net of mortgage and costs	2,763	-
Additions to income-producing properties	(89)	(2,155)
Deposits on income-producing properties held for sale (notes 11 and 21)	(1,957)	-
Notes receivable principal repayments	416	419
Additions to office equipment and software	55	(17)
Additions to tenant inducements and leasing costs	(2,960)	(1,354)
Change in deposits on income-producing properties	53	2,883
	(1,719)	(14,884)
Financing activities:		
Issuance of units, net of issue costs	690	1,208
Purchase of units under normal course issuer bid	(284)	(491)
Bank indebtedness	-	10,200
Distributions paid on REIT units	(8,732)	(8,314)
Distributions paid on Class B units, charged to non-controlling interest (note 13)	(49)	(46)
Mortgages and loans principal repayments	(3,366)	(2,682)
Advance of mortgage payable	1,343	-
	(10,398)	(125)
Decrease in cash and cash equivalents	(4,408)	(4,722)
Cash and cash equivalents at beginning of period	13,847	29,386
Cash and cash equivalents at end of period	$ 9,440	$ 24,664
Supplemental cash flow information:		
Interest paid, net of interest received	$ 8,520	$ 7,953

See accompanying notes to interim consolidated financial statements.

(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) Basis of presentation:

The disclosure requirements for interim financial statements do not conform in all material respects with the requirements of Canadian generally accepted accounting principles ("GAAP") for annual statements. These interim consolidated financial statements should be read in conjunction with the consolidated financial statements of the REIT as at, and for the year ended, December 31, 2008.

These interim consolidated financial statements follow the same accounting policies and methods of their application as used in the December 31, 2008 financial statements, except as described in note 2(b).

(b) Changes in accounting policies:

The 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. 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 recovererable 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 three month period ended March 31, 2008, operating expenses have been reduced by $80 and amortization expense has been increased by $126, with a resultant increase to the REIT's net loss for the period of $46.

3. Acquisitions of income-producing properties:

Acquisitions:

The REIT did not acquire any properties during the three months ended March 31, 2009.

The REIT acquired the following properties during the three months ended March 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

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

(In thousands of dollars, except unit and per unit amounts)

3. Acquisitions of income-producing properties (continued):

Acquisitions (continued):

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:

	Three Months Ended March 31, 2009 (Unaudited)	Three Months Ended March 31, 2008 (Unaudited)
Land	$ -	$ 11,600
Buildings	-	22,009
Parking lots	-	300
Improvements	-	2,627
Acquired in-place leases	-	7,712
Above-market rent	-	9
Below-market rent	-	(3,149)
Long-term debt including acquired above- and below-market mortgages	-	(24,348)
Total consideration		16,760
Issuance of units (note 14)	-	(2,100)
Cash consideration	$ -	$ 14,660
Acquisition costs included above	$ -	$ 599

Disposition:

The REIT disposed of the following property during the three months ended March 31, 2009.

Property	***Location***	***Disposition Date***	***Type***
Plainsman Building	301 Victoria Street, Kamloops, BC	March 31, 2009	Office

The proceeds from the sale of the Plainsman Building, net of costs, were $7,891. Consideration received was the assumption, by the purchaser, of the existing mortgage in the amount of $5,128 and cash in the amount of $2,763. The assets, intangible assets and liabilities associated with the property were removed from the books and a gain on sale of property in the amount of $591 was recorded as part of discontinued operations.

(In thousands of dollars, except unit and per unit amounts)

4. Income-producing properties:

		March 31, 2009 (Unaudited)	
	Cost	Accumulated amortization	Net book value
Land	$ 248,985	$ -	$ 248,985
Buildings and building improvements	705,608	36,529	669,079
Leasehold interest	8,015	742	7,273
Tenant improvements	56,980	23,214	33,766
Parking lots	22,000	2,126	19,874
Property under development (note 26)	2,725	-	2,725
	1,044,313	62,611	981,702
Income-producing properties held for sale (note 21)	37,107	2,522	34,585
	$ 1,081,420	$ 65,133	$ 1,016,287

		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 (note 26)	2,725	-	2,725
	1,071,849	57,848	1,014,001
Income-producing properties held for sale (note 21)	16,933	753	16,180
	$ 1,088,782	$ 58,601	$ 1,030,181

5. Other assets:

		March 31, 2009 (Unaudited)	
	Cost	Accumulated amortization	Net book value
Acquired in-place leases	$ 187,325	$ 73,599	$ 113,726
Above-market rent	1,778	882	896
Customer relationships	105	88	17
Tenant inducements and leasing costs	16,217	2,986	13,231
Office equipment and software	497	45	452
	205,922	77,600	128,322
Other assets held for sale (note 21)	7,275	3,104	4,171
	$ 213,197	$ 80,704	$ 132,493

(In thousands of dollars, except unit and per unit amounts)

5. Other assets (continued):

	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 (note 21)	3,721	1,373	2,348
	$ 211,300	$ 72,083	$ 139,217

6. Deposits on income-producing properties:

	Three Months Ended March 31, 2009 (Unaudited)	Year Ended December 31, 2008
Deposit on income-producing property (notes 13 and 26):		
Balance, beginning of period	$ 6,712	$ 7,330
Property rent	(300)	(1,200)
Costs incurred	-	-
Distributions on 543,781 Class B units of AX L.P.	147	582
	6,559	6,712
Deposits on other income-producing properties	100	-
	$ 6,659	$ 6,712

7. Notes receivable:

	March 31, 2009 (Unaudited)	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.	$ 28,124	$ 30,187
Note receivable maturing in November 2010, bearing interest at 5.06% per annum, repayable in blended monthly instalments of principal and interest of $2 and is unsecured. The note was received as partial consideration for the sale of Royal Square.	290	307
	$ 28,414	$ 30,494

(In thousands of dollars, except unit and per unit amounts)

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 5.51% at March 31, 2009, a weighted-average nominal rate of 5.41% at March 31, 2009 (effective and nominal at March 31, 2008, 5.53% and 5.44%, respectively), and maturity dates ranging from July 1, 2009 to June 1, 2024.

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

2010	$	50,576
2011		94,725
2012		59,868
2013		166,561
2014		38,375
2015 and thereafter		236,566
		646,671
Net above- and below-market mortgage adjustments		736
Financing costs		(2,416)
Mortgages payable on assets held for sale (note 21)		24,404
	$	669,395

9. Convertible debentures:

Particulars of the REIT's outstanding convertible debentures as at March 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	2009 (Unaudited)	2008
Issue date	August 4, 2005	November 9, 2005	May 4, 2006	November 30, 2007		
Maturity date	August 4, 2010	November 9, 2010	May 31, 2013	November 30, 2014		
Interest rate	7.75%	7.50%	6.25%	5.00%		
Face value	$ 620	$ 2,313	$ 29,920	$ 20,000	$ 52,853	$ 52,853
Equity portion	116	457	7,570	1,125	9,268	9,268
Liability portion	504	1,856	22,350	18,875	43,585	43,585
Accretion to March 31, 2009 and December 31, 2008	88	324	2,324	181	2,917	2,590
Financing costs	(27)	(114)	(1,053)	(40)	(1,234)	(1,269)
Carrying value at March 31, 2009 and December 31, 2008	$ 565	$ 2,066	$ 23,621	$ 19,016	$ 45,268	$ 44,906

Accretion to the carrying value of the debt component was $362 (2008, $376) during the three months ended March 31, 2009. The weighted-average effective rate of the debentures at March 31, 2009 is 10.33% (March 31, 2008, 10.33%).

(In thousands of dollars, except unit and per unit amounts)

10. Intangible liabilities:

	March 31, 2009 (Unaudited)		
	Cost	Accumulated amortization	Net book value
Below-market rent on income-producing properties	$ 117,523	$ 31,238	$ 86,285
Below-market rent on assets held for sale (note 21)	1,464	617	847
Below-market rent	$ 118,987	$ 31,855	$ 87,132

	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 (note 21)	821	273	548
Below-market rent	$ 119,081	$ 27,895	$ 91,186

11. Accounts payable and other liabilities:

	March 31, 2009 (Unaudited)	December 31, 2008
Accounts payable and accrued liabilities	$ 9,694	$ 12,133
Deposits on income-producing properties held for sale (note 21)	10,500	10,000
Distributions payable (note 15)	2,979	2,976
	$ 23,173	$ 25,109

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 may be extended for an additional year at the REIT's option; if the option is not exercised, the credit facility matures on September 28, 2009. 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 March 31, 2009, the REIT had utilized $32,500 (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 will develop a Class A office building in Calgary, Alberta. The purchase and sale agreement contains 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 is to be calculated in accordance with a pre-determined formula, based on approved leases in place. Should the property be fully leased at the date of acquisition, the purchase price is estimated at $89,900. 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. The Class B units have been released to the vendors, subject to trading restrictions as set out in the purchase and sale agreement. In accordance with the agreement, the REIT receives 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 are netted against property rent and any remaining difference is recorded as a reduction to the deposit on the income-producing property. Once the purchase price is known, the remaining consideration will be required to be financed through a combination of mortgage financing and cash consideration.

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. Both the REIT and the vendor transferred their 50% interest in the lands into the co-ownership. Construction is anticipated to commence when a sufficient level of pre-leasing has been completed. To facilitate the development of the income-producing property, the REIT may be obligated to provide up to $6,500 of mezzanine financing to the co-ownership, bearing interest at a rate of ten percent per annum. 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.

(In thousands of dollars, except unit and per unit amounts)

13. Non-controlling interest (continued):

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)
Balance at December 31, 2006		10,368
Distributions on 177,566 Class B units of AXLP		(186)
Balance at December 31, 2007		10,182
Distributions on 177,566 Class B units of AXLP		(189)
Non-controlling interest from continuing operations		247
Non-controlling interest from discontinued operations (note 21)		18
Balance at December 31, 2008		10,258
Distributions on 177,566 Class B units of AXLP		(49)
Non-controlling interest from continuing operations		5
Non-controlling interest from discontinued operations (note 21)		28
Balance at March 31, 2009 (note 26) (unaudited)	$	10,242

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.

(In thousands of dollars, except unit and per unit amounts)

14. Capital contributions (continued):

(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)
Balance at December 31, 2008	32,306,766		438,256
Public offerings, net of issue costs of $34	-		(34)
Distribution Reinvestment Plan (“DRIP”)	110,666		724
Units acquired and cancelled through normal course issuer bid	(44,100)		(961)
Balance at March 31, 2009 (unaudited)	32,373,332	$	437,985

At March 31, 2009, there were 721,347 special voting units issued and outstanding (note 13). There is no value assigned to the special voting units.

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.

(c) Contributed surplus:

		Three Months Ended March 31, 2009 (Unaudited)		Year Ended December 31, 2008
Balance, beginning of period	$	2,590	$	1,518
Unit based compensation expense		61		567
Units purchased and cancelled under normal course issuer bid (note 14 (f))		677		552
Value of options exercised		-		(47)
Balance, end of period	$	3,328	$	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.

(In thousands of dollars, except unit and per unit amounts)

14. Capital contributions (continued):

(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 three months ended March 31 are as follows:

	2009		2008	
	Units	Weighted average exercise price	Units	Weighted average exercise price
Balance, beginning of period	1,458,336	$ 15.52	1,481,088	$ 15.47
Exercised	-	-	(22,752)	11.25
Balance, end of period	1,458,336	$ 15.52	1,458,336	$ 15.52
Options exercisable at end of period	855,712		468,852	

Options outstanding at March 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	1.75 years	$11.25	145,938
$14.40	380,500	2.5 years	$14.40	281,000
$15.85	269,750	2.75 years	$15.85	201,250
$17.60	319,050	3.25 years	$17.60	159,524
$17.75	272,000	3.5 years	$17.75	68,000
	1,458,336		$ 15.52	855,712

The compensation expense related to unit options granted under the unit option plan for the three months March 31, 2009 amounted to $61 (2008, $136).

(In thousands of dollars, except unit and per unit amounts)

14. Capital contributions (continued):

(e) Weighted-average units:

	Three Months Ended March 31, 2009	2008
Loss and diluted loss	$ (13,531)	$ (1,857)
The weighted-average number of units outstanding was as follows:		
Basic and diluted units	32,385,958	31,624,159
Loss per unit:		
Basic	$ (0.42)	$ (0.06)
Diluted	$ (0.42)	$ (0.06)

The computation of diluted loss per unit for the three months ended March 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, 2008, 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 3,122,697 units, representing 10% of the REIT's float of 31,226,967 on December 15, 2008. Purchases will be made at market prices through the facilities of the Exchange. The bid commenced on December 14, 2007, was extended for an additional one-year period on December 15, 2008, and will remain in effect until the earlier of December 14, 2009, or the date on which the REIT has purchased the maximum number of units permitted under the bid. During the three months ended March 31, 2009, the REIT acquired 44,100 units and cancelled 87,700 units at market prices aggregating $284. As a result of purchases that were for amounts less than stated capital, $677 was recorded to contributed surplus. Since December 14, 2007, the REIT had acquired, to March 31, 2009, 298,100 units for cancellation.

15. Distributions to unitholders:

Distributable Income, which is defined in the Declaration of Trust, means net income in accordance with generally accepted accounting principles, 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. Distributable Income is not a generally accepted accounting principles financial measure and should not be construed as an alternative to net income or cash flow from operating activities determined in accordance with generally accepted accounting principles as an indicator of the REIT's performance.

The REIT declared distributions to REIT unitholders of record in the amount of $8,732 for the three months March 31, 2009 (2008, $8,314). The REIT declared distributions to the holders of Class B units of AXLP in the amount of $196 for the three months March 31, 2009 (2008, $189). Total distributions payable at March 31, 2009 are $2,979 (December 31, 2008, $2,976).

(In thousands of dollars, except unit and per unit amounts)

16. Changes in non-cash operating items:

	Three Months Ended March 31, 2009	2008
Prepaid expenses	$ 304	$ (49)
Rent and other receivables	279	485
Cash held in trust	(513)	79
Security deposits and prepaid rent	(109)	535
Accounts payable and other liabilities	(2,436)	253
	$ (2,475)	$ 1,303

17. Related party transactions:

	Three Months Ended March 31, 2009	2008
Legal fees expensed	$ 80	$ 27
Capitalized legal fees	445	191
Advisory fees	661	585
Capitalized acquisition fees	-	199
Property management fees	1,291	1,003
Capitalized leasing commissions	566	1,244
Capitalized building improvements	287	1,773
Tenant inducements	53	-

The REIT incurred legal fees with a law firm associated with a trustee of the REIT in connection with the property acquisitions and general business matters. The amount payable at March 31, 2009 is $nil (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 March 31, 2009 is $221 (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 March 31, 2009 is $123 (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 March 31, 2009 is $23 (December 31, 2008, $292).

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 effective January 1, 2009. Accordingly, the future income tax asset recorded in prior periods was reversed and charged to continuing and discontinued operations in the current period.

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 $32,549 at March 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.

(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. 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:

	March 31, 2009 (Unaudited)	December 31, 2008
Assets	$ 68,456	$ 69,068
Liabilities	70,416	70,708

	Three Months Ended March 31, 2009	2008
Revenue	2,637	2,615
Expenses	2,973	2,999
Operating loss from properties	(336)	(384)
Cash flows provided by operating activities	888	943
Cash flows used in investing activities	(570)	(286)
Cash flows used in financing activities	(191)	(584)

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.

	Three Months Ended March 31, 2009				
	Retail	Office	Industrial	REIT	Total
Revenue	$ 12,518	$ 19,236	$ 4,804	$ 19	$ 36,577
Property operating expenses	3,653	6,455	1,694	-	11,802
	8,865	12,781	3,110	19	24,775
Interest	3,041	4,594	1,107	1,542	10,284
Corporate expenses	-	-	-	1,201	1,201
Amortization	5,268	8,807	2,231	36	16,342
Unrealized gain on commodity derivatives	-	-	-	204	204
	8,309	13,401	3,338	2,983	28,031
	556	(620)	(228)	(2,964)	(3,256)
Future income tax expense	-	-	-	(10,898)	(10,898)
Non-controlling interest	-	-	-	(5)	(5)
Income from discontinued operations	40	588	-	-	628
Income (loss) for the period	$ 596	$ (32)	$ (228)	$ (13,867)	$ (13,531)
Total assets	$ 420,460	$ 627,976	$ 145,119	$ 15,615	$ 1,209,170

(In thousands of dollars, except unit and per unit amounts)

20. Segmented information (continued):

	Three Months Ended March 31, 2008				
	Retail	Office	Industrial	REIT	Total
Revenue	$ 11,174	$ 17,921	$ 3,277	$ 221	$ 32,593
Property operating expenses	3,150	5,885	810	-	9,845
	8,024	12,036	2,467	221	22,748
Interest	2,681	4,597	820	1,482	9,580
Corporate expenses	-	-	-	1,140	1,140
Amortization	4,978	7,705	2,189	12	14,884
Unrealized gain on commodity derivatives	-	-	-	(928)	(928)
	7,659	12,302	3,009	1,706	24,676
	365	(266)	(542)	(1,485)	(1,928)
Future income tax recovery	-	-	-	362	362
Non-controlling interest	-	-	-	(143)	(143)
Loss from discontinued operations	-	-	-	(148)	(148)
Income (loss) for the year	$ 365	$ (266)	$ (542)	$ (1,414)	$ (1,857)
Total assets	$ 421,596	$ 631,594	$ 112,719	$ 35,955	$ 1,201,864

21. Income from discontinued operations:

The REIT has entered into an unconditional agreement to sell two office properties in Calgary, Alberta; Airways Business Plaza and Glenmore Commerce Court. The properties will be sold for an aggregate of $24,900, to be satisfied with the assumption of mortgages payable and cash consideration, of which $10,500 has been received at March 31, 2009. The sale will result in an estimated gain of $6,376. The disposition closed on April 1, 2009. The REIT has also entered into an unconditional agreement to sell McKnight Village Mall, a retail property located in Calgary, Alberta. The property is to be sold for $23,150, to be satisfied with the assumption of a mortgage payable and cash consideration. The sale will result in an estimated gain of $2,240. The disposition is expected to close on May 15, 2009.

	Three Months Ended March 31, 2009	Three Months Ended March 31, 2008
Revenue	$ 1,556	$ 1,726
Property operating expenses	544	605
	1,012	1,121
Interest	396	398
Amortization	322	931
Net property operating income (loss)	294	(208)
Gain on disposal of income-producing property	591	-
Future income tax (expense) recovery (note 18)	(229)	55
Non-controlling interest (note 13)	(28)	5
Income (loss) from discontinued operations	$ 628	$ (148)

(In thousands of dollars, except unit and per unit amounts)

22. Commitments and guarantees:

(a) Letters of credit:

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

(b) Guarantee:

AXLP has guaranteed certain debt assumed by a purchaser in connection with the disposition of Royal Square. This guarantee 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 this guarantee in the event of default by the purchaser, in which case the REIT would have a claim against the underlying property. The estimated amount of debt subject to the guarantee at March 31, 2009, is $1,633 (December 31, 2008, $1,649), with an estimated weighted-average remaining term of 1.6 years (December 31, 2008, 1.8 years). No liability in excess of the fair value of the guarantee has been recognized in these consolidated financial statements as the estimated fair value of the borrower's interest in the underlying property is greater than the mortgage payable for which the REIT provided the guarantee.

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 March 31, 2009, the ratio of such indebtedness to gross book value was 51.8% (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 March 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:

	March 31, 2009 (Unaudited)	December 31, 2008
Mortgages and loans payable	$ 669,395	$ 676,369
Convertible debentures	45,268	44,906
Bank indebtedness	32,500	32,500
Total debt	747,163	753,775
Non-controlling interest	10,242	10,258
Unitholders' equity	336,747	358,543
	$ 1,094,152	$ 1,122,576

(In thousands of dollars, except unit and per unit amounts)

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. In addition, management considers the weighted-average term to maturity of long-term debt relative to the remaining average lease terms. At March 31, 2009, the REIT is a party to $40,240 of variable rate debt, including the outstanding balance of bank indebtedness.

(b) Other price risk:

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 March 31, 2009 was $432, 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 of 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	$ 703,575	$ 107,480	$ 154,593	$ 204,936	$ 236,566
Convertible debentures	52,853	-	2,933	29,920	20,000
	$ 756,428	$ 107,480	$ 157,526	$ 234,856	$ 256,566

24. Risk management and fair values (continued):

(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 March 31, 2009 has been estimated at $29,029 (December 31, 2008, $29,203), compared with the carrying value of $28,414 (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 March 31, 2009 has been estimated at $664,790 (December 31, 2008, $675,918) compared with the carrying value of $669,395 (December 31, 2008, $676,369).

The fair value of the REIT's convertible debentures is $44,425 (December 31, 2008, $39,867) compared to its face value of $52,853 (December 31, 2008, $52,853) at March 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 March 31, 2009, the REIT had entered into natural gas and electrical contracts with a fair value of $19.

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 ongoing 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:

The REIT has entered into conditional agreements to dispose of one property in Calgary, Alberta, and one property in Regina, Saskatchewan. The REIT anticipates that the dispositions will close in July, 2009. The sale price for one of the properties will be satisfied by cash consideration. The REIT will be responsible for the payout of the outstanding mortgage. The sale price for the second property will be satisfied by a combination of the assumption of the existing mortgage and cash consideration. The carrying value of the assets to be disposed of is $9,166.

26. Subsequent events (continued):

On May 11, 2009, Artis reached a settlement with the vendor of the Interplex II and Interplex III projects, and has agreed to terminate both agreements. From the inception of the Interplex II agreement to March 31, 2009, Artis has recorded $2,900 in Property rent. Artis will be entitled to retain $2,800 of this Property rent, and the vendor of Interplex II will be entitled to $100 of Property rent, and retain the 543,781 Class B units of AXLP that were issued as a deposit. The Class B units will be converted into REIT units at the closing of the settlement agreement, and the interest of AXLP in the Interplex II project will be transferred to the vendor. The 177,566 Class B units of AXLP that were issued for a 50% interest in the Interplex III lands will be returned to AXLP for cancellation, and the 50% interest in land will be transferred to the vendor.

27. Comparative figures:

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