

2011 ANNUAL REPORT
PROPERTIES OF SUCCESS



\$3.2 Billion in Assets

17.0 Million Square Feet of Leasable Area

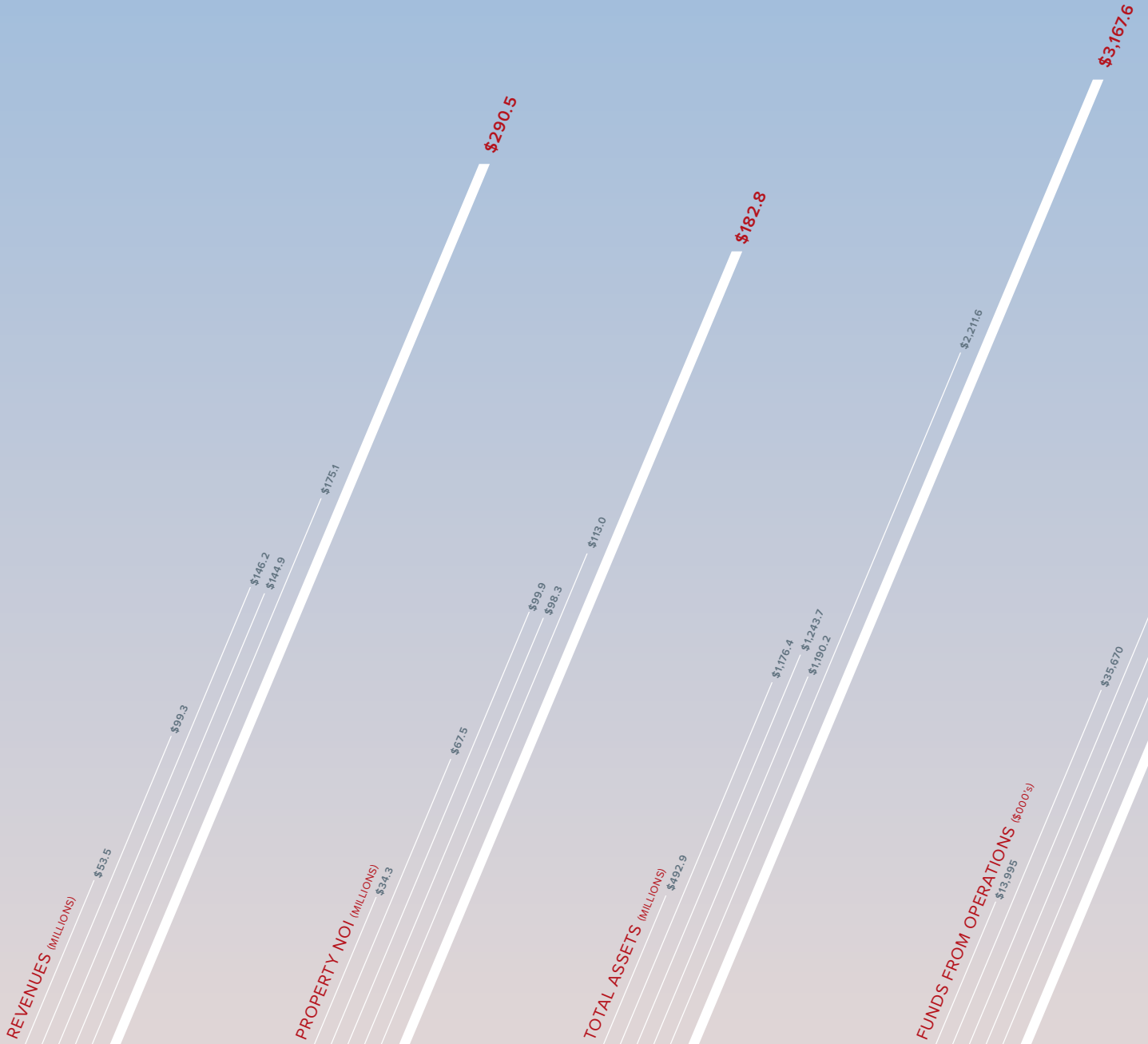
\$1.2 Billion of Market Capitalization

Internalization of Property and Asset Management

DIVERSIFICATION.
GROWTH.
VALUE CREATION.

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GROWTH HIGHLIGHTS 2006-2011



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\$54,600
\$52,353

\$58,539

\$99,955

FINANCIAL HIGHLIGHTS

(\$000's, except per unit amounts)	Year ended December 31	
	2011	2010
Revenue	\$ 290,512	\$ 175,075
Property NOI	\$ 182,813	\$ 113,043
Income for the period	\$ 321,289	\$ 33,224
Funds from operations ("FFO")	\$ 99,955	\$ 58,539
FFO per unit	\$ 1.25	\$ 1.03
Distributions per unit	\$ 1.08	\$ 1.08
FFO payout ratio	86.4%	104.9%
Total assets	\$ 3,167,588	\$ 2,211,596
Mortgages, loans and bank indebtedness	\$ 1,605,299	\$ 1,164,092
Gross book value	\$ 3,167,941	\$ 2,211,829
Debt to gross book value	50.7%	52.6%

MESSAGE FROM THE
PRESIDENT & C.E.O.



2011 HAS BEEN **ANOTHER MILESTONE YEAR** FOR ARTIS. We completed over \$678 Million of quality accretive acquisitions in the year. Both our debt to gross book value and FFO payout ratios have improved year-over-year. The weighted-average age of our portfolio has come down by four years, and the weighted-average lease term has increased by a year. Our market capitalization at year end was over \$1.2 Billion, and enterprise value was over \$3 Billion. As at the end of April, 2012, this has increased again to over \$1.7 Billion of market capitalization and \$3.6 Billion of enterprise value.

ARMIN MARTENS PRESIDENT & C.E.O.



MESSAGE FROM THE **PRESIDENT & C.E.O.**

Our primary objective is to maximize total returns to Unitholders. These returns include a stable, reliable and tax efficient monthly cash distribution that is intended to grow over time, as well as long-term appreciation in

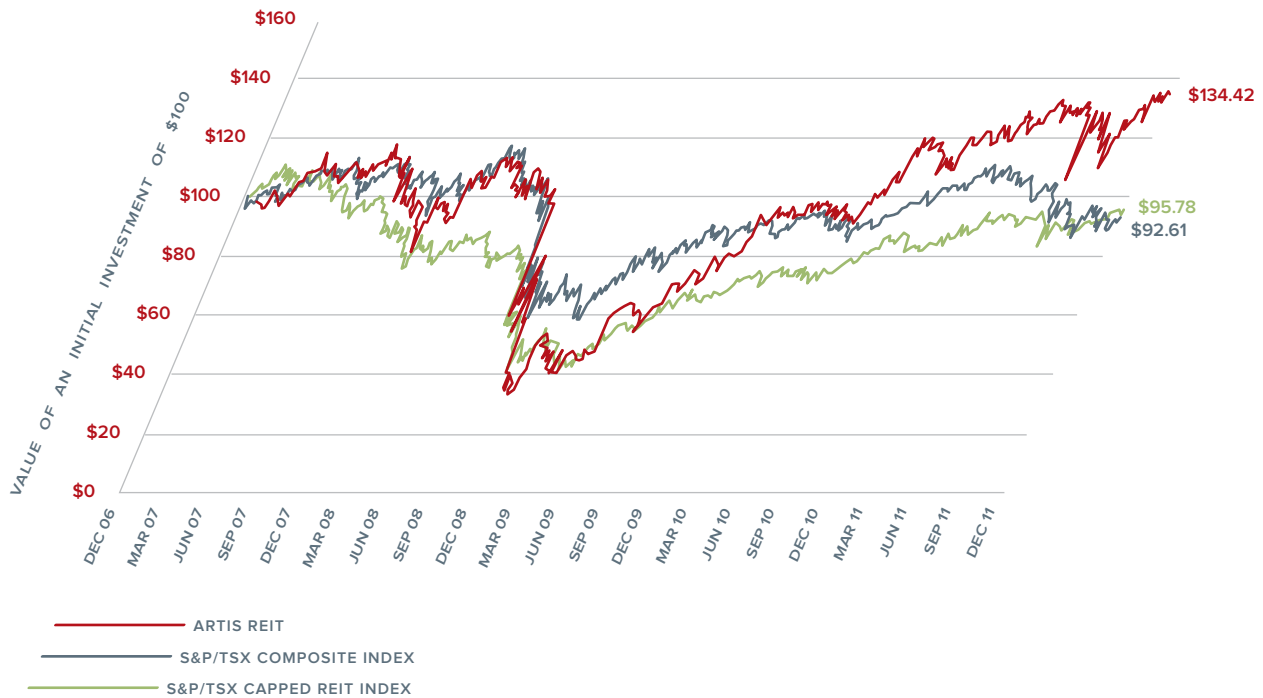
the value of Artis' units. The key strategies employed in reaching our objective include portfolio diversification, portfolio expansion, and managing for value creation.

INVESTMENT PERFORMANCE

Artis' units performed well through 2011, outperforming both the TSX Composite Index and the S&P/TSX Capped REIT Index. A \$100 investment in Artis units made on

January 1, 2007, would have returned \$134.42 to the holder, assuming dividend reinvestments, by December 31, 2011.

In 2011, we paid our Unitholders a regular monthly distribution of \$0.09 per unit, \$1.08 on an annualized basis.



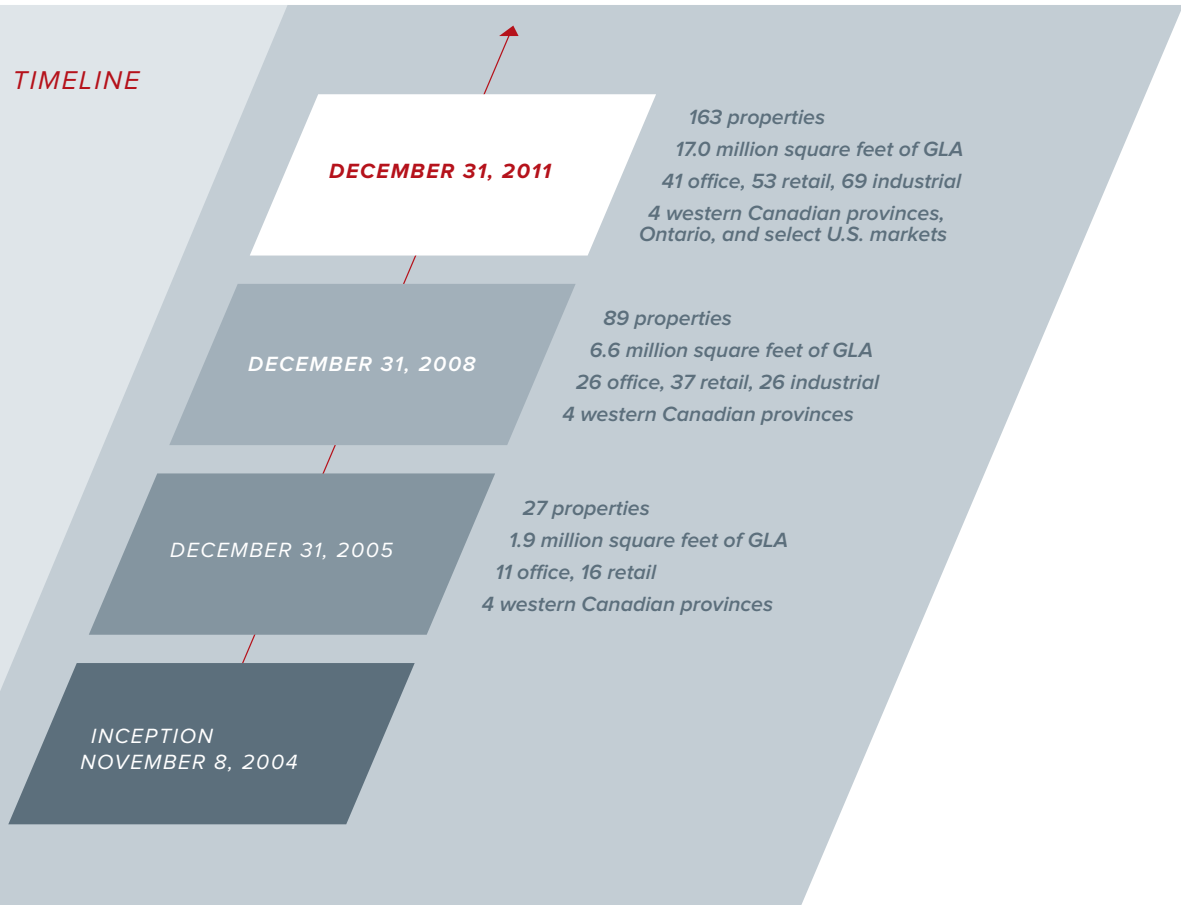
*OUR PRIMARY OBJECTIVE IS TO MAXIMIZE
TOTAL RETURNS TO UNITHOLDERS.*

BUILDING THE PORTFOLIO

During 2011, we acquired 32 properties, increasing our portfolio to 163 income-producing properties comprising approximately 17.0 million square feet of gross leasable area ("GLA").

Artis' commercial properties are well diversified across the industrial, retail and office asset classes. Our portfolio is also geographically diversified with properties owned across western Canada, as well as in Ontario and in select markets in the United States.

TIMELINE



NORTH CITY OFFICE
Edmonton, AB
Construction Completed in 2011



FOURELL BUILDING #2
Edmonton, AB
Under Construction

PORTFOLIO EXPANSION.

Artis seeks to build growth into its cash flows through the efficient sourcing and deployment of capital into high-quality and accretive acquisition opportunities in select target markets, as well as into high-yield intensification or (re)development opportunities that exist within the property portfolio.

MTS PLACE / Winnipeg, MB



NOTABLE TRANSACTIONS
IN 2011 INCLUDE:

CARA FOODS BUILDING / Vaughan, ON



3M DISTRIBUTION FACILITY / Toronto, ON



MESSAGE FROM THE **PRESIDENT & C.E.O.**

FINANCING GROWTH

In order to finance our active acquisition program, Artis closed a number of successful equity and debenture financings throughout the course of 2011. We realized US\$88.0 million of gross proceeds from the issuance of the 7-year Series G convertible debentures and \$169.1 million from the issuance of 12,119,750 new units pursuant to prospectus offerings filed throughout the course of the year. New units were issued at \$13.75 and \$14.10 per unit; the average price for the newly issued units was \$13.96.

MANAGING THE PORTFOLIO

Artis focuses on maximizing portfolio value and cash flows over the long-term, creating additional value through the selective disposition of assets at premium prices, and reinvesting and repositioning the portfolio on an on-going basis in higher growth markets. We seek to build value by selecting and managing high-performance property management teams in local markets, who understand the importance of nurturing existing tenant relationships, achieving optimal rent while maintaining high occupancy levels, and ensuring properties are well-maintained and operating at costs consistent with the local market.

<i>FINANCING FACTS</i>	December 31, 2011	December 31, 2010
Total debt to gross book value	58.1%	59.6%
Debt to gross book value, excluding convertible debt	50.7%	52.6%
Weighted-average effective interest rate on mortgages and loans payable	4.79%	5.12%

<i>PORTFOLIO OPERATIONS AND LEASING FACTS</i>		
Occupancy, including commitments, at December 31, 2011		96.1%
Same-property NOI growth for the year ended December 31, 2011		1.9%
Weighted-average rate increase on renewals in the year ended December 31, 2011		4.7%
Tenant retention in 2011		78.2%

<i>UPCOMING EXPIRIES</i>	2012	2013
Share of portfolio GLA	9.3%	12.1%
Committed, as at May 9, 2012	70.2%	26.2%



Armin Martens
President and Chief Executive Officer

Jim Green
Chief Financial Officer

Kirsty Stevens
Chief Administrative Officer

Dave Johnson
Senior Vice-President – Asset Management (Central Canada/U.S. Region)

Doug McGregor
Senior Vice President – Leasing (Western Region)



Frank Sherlock
Senior Vice President – Property Management

Dennis Wong
Senior Vice President – Asset Management (Western Region)

Doug Hare
Vice-President – Administration Property Management Division

John Mah
Vice-President – Asset Management (Eastern Region)

Philip Martens
Vice-President – Asset Management (U.S. Region)



MANAGING FOR VALUE CREATION.

Artis seeks to build value through the active management of the portfolio assets, leveraging off the experience and expertise of its management team.

MESSAGE FROM THE **PRESIDENT & C.E.O.**

CORPORATE SUSTAINABILITY INITIATIVES

Artis has a diverse portfolio comprised of office, retail and industrial space across multiple jurisdictions. In 2011, we focused our efforts on improving the standards for energy consumption and environmental performance across the portfolio. As of today, we have eight LEED certifications, one Energy Star certification and nine BOMA Best certifications. Of the BOMA Best certifications, two properties are BOMA Best Level 1, two properties are BOMA Best Level 2 and five are BOMA Best Level 3. There are in addition two Energy Star Certifications pending.

In 2012, we will continue this program and advance our efforts to certify or increase the certification levels of our properties, particularly in the office segment of our portfolio. We look forward to reporting on our progress next year, and updating our stakeholders on other initiatives that we expect to launch during the course of 2012.

LOOKING AHEAD

Artis anticipates that 2012 will be another year of significant portfolio growth. We continue to target high quality retail, office and industrial assets primarily in western Canada, as well as in Ontario and select markets in the U.S. Access

to capital is expected to remain strong as investors continue to seek investment products with a stable distribution yield, such as REIT units. We also expect to continue enjoying the benefits of a stable, low interest-rate environment.

Artis remains committed to growing our portfolio while slowly reducing our overall debt to gross book value ratio over the course of the year. Economic fundamentals remain strong, which we anticipate will translate into solid same property growth and improvements in market rent rate expectations in certain key markets, such as Calgary office and Minneapolis industrial, and stable or improving occupancy across the portfolio.

We are grateful for the confidence our investors have placed in us and will work hard to produce improving results for Artis' unitholders in the forthcoming year.



Armin Martens
President & Chief Executive Officer
Artis REIT

Acquisition Date	Property	Location	Property Type	GLA (square feet)	Purchase Price (\$000's)	
January 31, 2012	North 48 Commercial Centre	Saskatoon, SK	Office	63,571	CAD	\$ 18,400
February 24, 2012	Aluma Systems Building	Edmonton, AB	Industrial	65,000	CAD	\$ 17,500
March 29, 2012	GSA Phoenix Professional Office Building	Phoenix, AZ	Office	210,202	USD	\$ 75,000
April 16, 2012	Westbank Hub Centre North ⁽¹⁾	West Kelowna, BC	Retail	62,775	CAD	\$ 12,440
April 23, 2012	Linden Ridge Shopping Centre	Winnipeg, MB	Retail	100,875	CAD	\$ 32,000
April 30, 2012	Crowfoot Corner	Calgary, AB	Retail	50,965	CAD	\$ 100,900
April 30, 2012	Trimac House	Calgary, AB	Office	238,419	CAD	\$ 35,500

⁽¹⁾ Artis purchased an additional 25% interest in this property, increasing its share to 75%.

2012 TRANSACTIONS



NORTH 48 COMMERCIAL CENTRE
Saskatoon, SK

ALUMA SYSTEMS BUILDING
Edmonton, AB

GSA PHOENIX PROFESSIONAL OFFICE BUILDING
Phoenix, AZ

CORPORATE SUSTAINABILITY.

Artis is committed to minimizing potential adverse effects on the environment and promoting the use of energy efficient tenant practices in its buildings.

TWO MARKETPOINTE / Minneapolis, MN
LEED Gold

- RETAIL
- OFFICE
- INDUSTRIAL

2011 PORTFOLIO *ASSETS*

AS AT DECEMBER 31



RETAIL 21.7% OF GLA



OFFICE 36.8% OF GLA



INDUSTRIAL 41.5% OF GLA



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



Armin Martens
Trustee
President & C.E.O.

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

Delmore Crewson⁽¹⁾⁽³⁾⁽⁴⁾
Trustee

Cornelius Martens
Trustee

Allan McLeod⁽¹⁾⁽²⁾⁽⁴⁾
Trustee

Victor Thielmann⁽¹⁾⁽²⁾⁽⁴⁾
Trustee

Wayne Townsend⁽¹⁾⁽³⁾
Trustee

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 C.E.O. 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.

Effective January 1, 2012, Artis fully internalized the asset management functions and this special committee was disbanded in 2012.

TRADING ON THE TORONTO STOCK EXCHANGE

AX.UN – Units | AX.DB.E – Series E Convertible Debentures | AX.DB.F – Series F Convertible Debentures | AX.DB.U – Series G Convertible Debentures

MANAGEMENT**Armin Martens, P.Eng., M.B.A.**

President and Chief Executive Officer

Jim Green, CA

Chief Financial Officer

Kirsty Stevens, CMA

Chief Administrative Officer

Dave JohnsonSenior Vice-President – Asset Management
(Central Canada/U.S. Region)**John Mah, M.B.A., CMA**Vice-President – Asset Management
(Eastern Region)**Philip Martens, CPA**Vice-President – Asset Management
(U.S. Region)**Dennis Wong, CFA**Senior Vice President – Asset Management
(Western Region)**Douglas McGregor**Senior Vice President – Leasing
(Western Region)**Frank Sherlock**

Senior Vice-President – Property Management

Douglas Hare, CAVice-President – Administration
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and CIBC Mellon Trust Company**Phone 1.800.254.2826
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bnymellon.com**AUDITORS****Deloitte & Touche LLP****LEGAL COUNSEL****Aikins, MacAulay & Thorvaldson LLP****PRINCIPAL BANKER****Scotiabank****FISCAL 2011 MONTHLY DISTRIBUTIONS**

January	\$	0.09
February	\$	0.09
March	\$	0.09
April	\$	0.09
May	\$	0.09
June	\$	0.09

July	\$	0.09
August	\$	0.09
September	\$	0.09
October	\$	0.09
November	\$	0.09
December	\$	0.09

**ANNUAL GENERAL MEETING**Conference Centre
Main Floor – 360 Main Street
Winnipeg, Manitoba
Wednesday, June 20, 2012
10:00 a.m. (CDT)



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