ARTIS REIT

Management's Discussion and Analysis Q1-14

On the TSX: AX.UN AX.PR.A AX.PR.U AX.PR.E AX.PR.G AX.DB.F AX.DB.U

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis ("MD&A") of the financial condition and results of operations of Artis Real Estate Investment Trust ("Artis" or the "REIT") should be read in conjunction with the REIT's audited annual consolidated financial statements for the years ended December 31, 2013 and 2012, the unaudited interim condensed consolidated financial statements for the three month periods ended March 31, 2014 and 2013, and the notes thereto. This MD&A has been prepared taking into account material transactions and events up to and including May 8, 2014. Additional information about Artis, including the REIT's most recent Annual Information Form, has been filed with applicable Canadian securities regulatory authorities and is available at www.sedar.com or on our web site at www.artisreit.com.

FORWARD-LOOKING DISCLAIMER

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

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

NOTICE RESPECTING NON-GAAP MEASURES

Property Net Operating Income ("Property NOI"), Funds from Operations ("FFO") and Adjusted Funds from Operations ("AFFO") are non-GAAP measures commonly used by Canadian real estate investment trusts as an indicator of financial performance. "GAAP" means the generally accepted accounting principles described by the Canadian Institute of Chartered Accountants ("CICA") Handbook - Accounting, which are applicable as at the date on which any calculation using GAAP is to be made. As a publicly accountable enterprise, Artis applies the International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

Artis calculates Property NOI as revenues, measured in accordance with IFRS, less property operating expenses such as taxes, utilities, repairs and maintenance. Property NOI does not include charges for interest and amortization. Management considers Property NOI to be a valuable measure for evaluating the operating performance of the REIT's properties.

Artis calculates FFO substantially in accordance with the guidelines set out by the Real Property Association of Canada ("REALpac"), as issued in April 2014. These guidelines include certain additional adjustments to FFO under IFRS from the previous definition of FFO. Management considers FFO to be a valuable measure for evaluating the REIT's operating performance in achieving its objectives.

Artis calculates AFFO based on FFO for the period, net of allowances for normalized capital expenditures and leasing costs and excluding straight-line rent adjustments and unit-based compensation expense.

Property NOI, FFO and AFFO are not measures defined under IFRS. Property NOI, FFO and AFFO are not intended to represent operating profits for the period, or from a property, nor should any of these measures be viewed as an alternative to net income, cash flow from operating activities or other measures of financial performance calculated in accordance with IFRS. Readers should be further cautioned that Property NOI, FFO and AFFO as calculated by Artis may not be comparable to similar measures presented by other issuers.

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OVERVIEW

Artis is an unincorporated closed-end real estate investment trust, created under, and governed by, the laws of the Province of Manitoba. The REIT was created pursuant to the Declaration of Trust dated November 8, 2004, as most recently amended and restated on August 2, 2012 (the "Declaration of Trust").

Certain of the REIT's securities are listed on the Toronto Stock Exchange (the "TSX"). The REIT's trust units ("units") trade under the symbol AX.UN, the REIT's preferred units trade under the symbols AX.PR.A, AX.PR.U, AX.PR.E, AX.PR.G and the REIT's Series F and Series G convertible debentures trade under the symbols AX.DB.F and AX.DB.U, respectively. As at May 8, 2014, there were 127,889,691 units, 3,250,000 options, 13,650,000 preferred units and 205,389 restricted units of Artis outstanding (refer to the *Outstanding Unit Data* section for further details).

PRIMARY OBJECTIVES

Artis' primary objective is to maximize total returns to our unitholders. Returns include a stable, reliable and tax efficient monthly cash distribution as well as long-term appreciation in the value of Artis' units.

Artis' management employs several key strategies to meet our primary objective:

- **Portfolio Diversification.** We build stability into our cash flows through a strategy of diversification. Our commercial properties are well diversified across the industrial, retail and office asset classes. We are also geographically diversified with properties owned across western Canada, as well as Ontario and in select markets in the United States ("U.S.").

- **Portfolio Expansion.** We build growth into our cash flows through the efficient sourcing and deployment of capital into high-quality and accretive acquisition opportunities in our target markets, or into high-yield intensification or (re)development opportunities that exist within our property portfolio.

- **Managing for Value Creation.** We build value through the active management of our portfolio, leveraging off the experience and expertise of our management team. We focus on maximizing property value and cash flows over the long-term, creating additional value through the selective disposition of assets at premium prices, and reinvesting and repositioning the portfolio on an on-going basis in higher growth markets.

The Declaration of Trust provides that Artis may make monthly cash distributions to its unitholders. The amount distributed annually (currently $1.08 per unit on an annualized basis) will be set by the Trustees.

U.S. INVESTMENT STRATEGY

The U.S. is the largest economy and real estate market in the world, and Canada's primary trading partner. The U.S. economy is projected to lead the G7 group of country economies in GDP growth over the years ahead, which in turn, will have a positive impact on real estate fundamentals.

For the three month period ended March 31, 2014, 22.6% of Artis' portfolio weighting by Property NOI is in the United States. Historically, commercial real estate in the U.S. has been more expensive and offered lower unlevered yields than similar property in Canada. This has now changed, and Canadian investors are able to acquire quality U.S. properties at relatively higher yields than in Canada.

Artis' management believes that this window of opportunity will not be open for long and has adopted a disciplined approach in pursuing U.S. acquisitions while the opportunity exists, as follows:

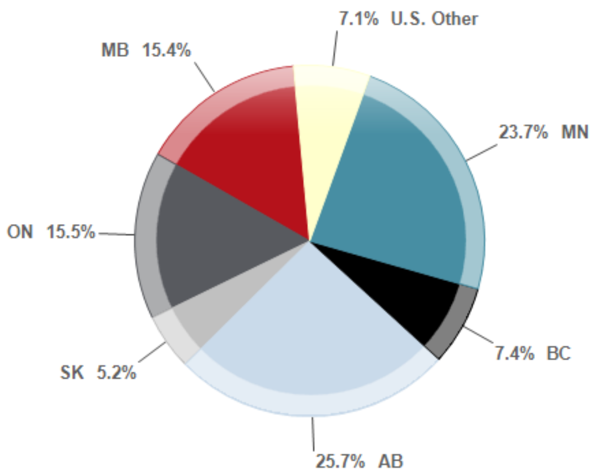
- total weighting of U.S. properties in Artis' portfolio will not exceed 30% by pro-forma Property NOI.
- unlevered yield will be accretive, and higher than that available for a comparable property in Canada.
- low interest, conventional mortgage financing will be available.
- quality local third party property management will be available.
- property will be "new generation", thus reducing the average age of Artis' overall portfolio.
- the tenant credit and lease expiry profile for the property will be more conservative than that of a comparable property in Canada, thus improving the credit profile of Artis' overall portfolio.

PORTFOLIO SUMMARY

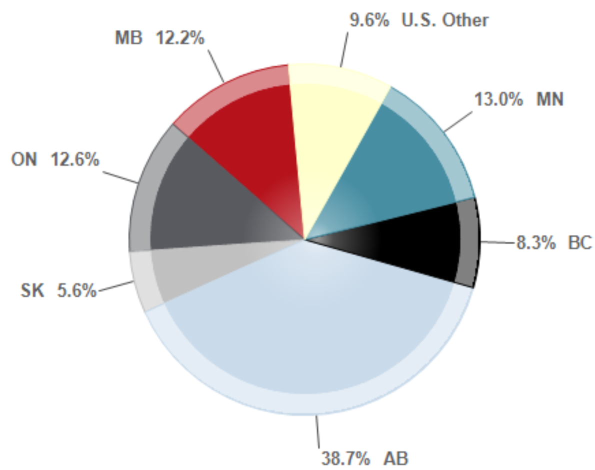
At March 31, 2014, the REIT's portfolio was comprised of 239 commercial properties totaling approximately 25.0 million square feet (S.F.) of gross leasable area ("GLA").

Diversification by Geographical Region

GLA

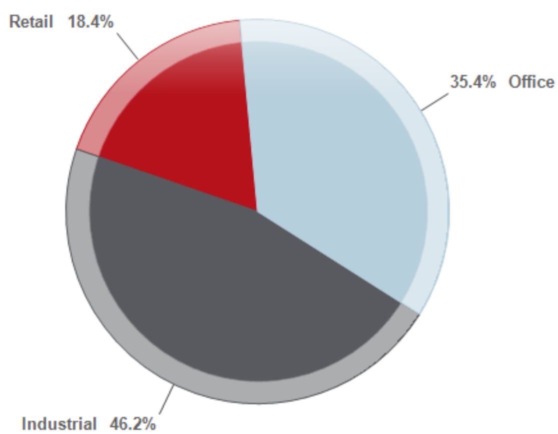


Property NOI

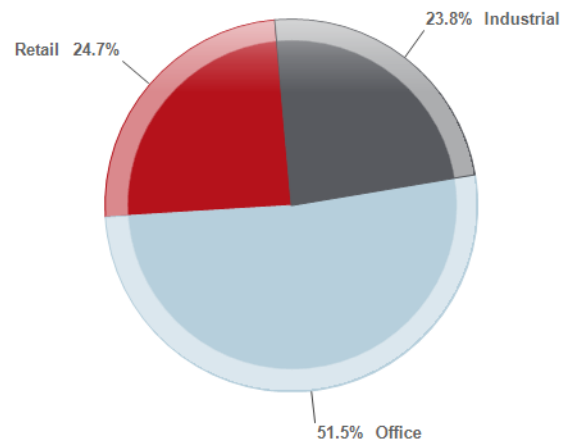


Diversification by Asset Class

GLA



Property NOI



(In thousands of Canadian dollars, unless otherwise noted)

Portfolio by Asset Class as at March 31, 2014 (in 000's of S.F.) (1)

Asset Class	City	Province / State	Number of Properties	Owned Share of Leasable Area	% of Portfolio GLA	Occupancy %	Committed % (2)
Industrial	Airdrie	AB	1	27	0.1 %	100.0 %	100.0 %
	Calgary	AB	7	597	2.4 %	98.4 %	100.0 %
	Edmonton Capital Region	AB	10	1,185	4.7 %	94.0 %	94.2 %
	Greater Toronto Area	ON	30	2,505	10.0 %	98.1 %	98.4 %
	Red Deer	AB	1	126	0.5 %	100.0 %	100.0 %
	Regina	SK	1	119	0.5 %	100.0 %	100.0 %
	Saskatoon	SK	2	269	1.1 %	100.0 %	100.0 %
	Winnipeg	MB	26	1,454	5.8 %	95.3 %	96.2 %
Industrial total			78	6,282	25.1 %	96.9 %	97.4 %
Office	Calgary	AB	20	2,530	10.0 %	93.3 %	95.3 %
	Edmonton Capital Region	AB	1	48	0.2 %	88.9 %	89.3 %
	Greater Toronto Area	ON	7	1,083	4.3 %	92.0 %	93.1 %
	Greater Vancouver Regional District	BC	5	610	2.4 %	94.4 %	94.8 %
	Nanaimo	BC	2	69	0.3 %	100.0 %	100.0 %
	Ottawa	ON	2	287	1.1 %	100.0 %	100.0 %
	Red Deer	AB	1	148	0.6 %	96.8 %	96.8 %
	Saskatoon	SK	1	64	0.3 %	100.0 %	100.0 %
	Winnipeg	MB	9	1,469	5.9 %	94.1 %	94.1 %
Office total			48	6,308	25.1 %	93.9 %	94.9 %
Retail	Calgary	AB	6	467	1.9 %	98.0 %	98.2 %
	Cranbrook	BC	1	288	1.2 %	94.4 %	96.8 %
	Edmonton Capital Region	AB	6	504	2.0 %	98.9 %	98.9 %
	Edson	AB	1	20	0.1 %	100.0 %	100.0 %
	Estevan	SK	1	38	0.2 %	100.0 %	100.0 %
	Fort McMurray	AB	8	194	0.8 %	100.0 %	100.0 %
	Grande Prairie	AB	6	378	1.5 %	91.9 %	93.6 %
	Greater Vancouver Regional District	BC	2	247	1.0 %	96.5 %	96.8 %
	Lethbridge	AB	1	53	0.2 %	95.2 %	95.2 %
	Medicine Hat	AB	1	162	0.6 %	100.0 %	100.0 %
	Moose Jaw	SK	1	38	0.2 %	100.0 %	100.0 %
	Nanaimo	BC	2	39	0.2 %	100.0 %	100.0 %
	Regina	SK	7	257	1.0 %	96.8 %	98.4 %
	Saskatoon	SK	3	218	0.9 %	97.4 %	98.3 %
	Westbank / West Kelowna	BC	3	433	1.7 %	99.6 %	99.8 %
	Whistler	BC	1	32	0.1 %	94.5 %	94.5 %
	Winnipeg	MB	5	621	2.5 %	97.4 %	97.7 %
Retail total			55	3,989	16.1 %	97.3 %	97.9 %
Total Canadian portfolio			181	16,579	66.3 %	95.8 %	96.6 %

(1) Excluding properties held for re-development.
(2) Percentage committed is based on occupancy plus commitments on vacant space as at March 31, 2014.

(In thousands of Canadian dollars, unless otherwise noted)

Portfolio by Asset Class as at March 31, 2014 (in 000's of S.F.) continued (1)

Asset Class	City	Province / State	Number of Properties	Owned Share of Leasable Area	% of Portfolio GLA	Occupancy %	Committed % (2)
Industrial	Phoenix Metropolitan Area	AZ	1	98	0.4 %	100.0 %	100.0 %
	Twin Cities Area	MN	31	4,803	19.2 %	95.5 %	96.9 %
Industrial total			32	4,901	19.6 %	95.6 %	96.9 %
Office	Greater Denver Area	CO	2	454	1.8 %	95.6 %	95.9 %
	New Hartford	NY	1	123	0.5 %	100.0 %	100.0 %
	Phoenix Metropolitan Area	AZ	6	1,002	4.0 %	94.8 %	94.8 %
	Tampa	FL	1	107	0.4 %	100.0 %	100.0 %
	Twin Cities Area	MN	4	863	3.4 %	87.5 %	87.5 %
Office total			14	2,549	10.1 %	93.0 %	93.0 %
Retail	Twin Cities Area	MN	6	275	1.1 %	97.1 %	97.1 %
Total U.S. portfolio			52	7,725	30.8 %	94.8 %	95.6 %
Total Canadian and U.S.			233	24,304	97.1 %	95.5 %	96.3 %

(1) Excluding properties held for re-development.
(2) Percentage committed is based on occupancy plus commitments on vacant space as at March 31, 2014.

Properties Held for Re-development (in 000's of S.F.)

Asset Class	City	Province / State	Number of Properties	Owned Share of Leasable Area	% of Portfolio GLA	Property	Committed % (1)
Industrial	Greater Vancouver Regional District	BC	1	70	0.3 %	Cliveden Building	0.0 %
Industrial	Winnipeg	MB	1	73	0.3 %	1595 Buffalo Place	42.8 %
Industrial	Winnipeg	MB	1	37	0.1 %	8-30 Plymouth Street	43.8 %
Industrial	Winnipeg	MB	1	196	0.8 %	1750 Inkster Boulevard	31.1 %
Retail	Regina	SK	1	297	1.2 %	Victoria Square Shopping Centre	71.0 %
Retail	Nanaimo	BC	1	54	0.2 %	Pleasant Valley Landing	0.0 %
Total properties held for re-development			6	727	2.9 %		43.9 %

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

Artis has completed demolition of approximately 38,000 square feet of leasable area at 1595 Buffalo Place, and has commenced construction of new generation warehouse space with higher ceilings, new front office space and improved loading in its place. Completion of this project is anticipated for Q3-14. The remainder of the building, which is newer generation construction, remains leased to a national tenant.

Artis has secured a new tenant at 1750 Inkster Boulevard, who will be leasing approximately 60,000 square feet under a seven year lease agreement. This property, previously leased to a single tenant until 2012, is undergoing extensive re-development into a multi-tenant building.

Victoria Square Shopping Centre has been classified as a re-development opportunity upon the successful negotiation of an early termination agreement and fee with Zellers Inc. Artis has secured a new tenant for 30% of the space formerly leased by Zellers Inc. and there is considerable interest in the remainder of the space from a number of well-known national tenants.

Plans are underway to re-develop Pleasant Valley Landing, a retail property in Nanaimo, British Columbia, which recently became vacant. Completion of the re-development work is anticipated for Q2-15.

New Developments In Process

Artis purchased Fourell Business Park located in Edmonton, Alberta in 2010 with an existing 400,000 square foot building and land potential for future development. Phase I, a 63,757 square foot development on the property was completed in 2012, while Phase II, an approximately 35,000 square foot development is underway; completion is anticipated in Q3-14.

(In thousands of Canadian dollars, unless otherwise noted)

Artis has a 50% ownership interest in the Centrepoint development project located in Winnipeg, Manitoba. The construction project, which is currently underway, is expected to comprise 96,165 square feet of leasable area; completion is anticipated in Q4-14.

In Q1-14, Artis acquired a 90% ownership interest in the Park Lucero joint venture arrangement. A parcel of development land was purchased in the Phoenix Metropolitan Area, Arizona. This 48 acre parcel of land is zoned and fully serviced. This land is anticipated to be developed in several phases into approximately 600,000 square feet of new generation industrial buildings.

Development Initiatives

Artis has been awarded an extension to the original one year development exclusivity agreement as a result of their successful Expression of Interest in a joint development/ownership venture for the development of an approximately 160,000 square foot Class A office building, with an additional 25,000 square feet of hospitality/retail space, a 15 storey full service hotel with 220 rooms (air rights to be sold to a hotel operator), 325 stall parkade and street level public plaza space. The project is located in downtown Winnipeg, Manitoba in the Sports, Hospitality, and Entertainment District ("SHED").

In 2013, Artis purchased an 11.93 acre parcel of land adjacent to Linden Ridge Shopping Centre, a retail property in Winnipeg, Manitoba also owned by Artis. Pre-leasing for this development opportunity is underway with the potential to develop approximately 135,000 square feet on this site.

2014 – FIRST QUARTER HIGHLIGHTS

PORTFOLIO GROWTH

Artis completed two development projects and disposed of one industrial property during Q1-14.

	Office		Retail		Industrial		Total	
	Number of Properties	S.F. (000's) [1]	Number of Properties	S.F. (000's) [1]	Number of Properties	S.F. (000's) [1]	Number of Properties	S.F. (000's) [1]
Portfolio properties at December 31, 2013	62	8,857	63	4,528	114	11,400	239	24,785
New construction	-	-	-	87	1	185	1	272
Disposition	-	-	-	-	(1)	(26)	(1)	(26)
Portfolio properties at March 31, 2014	62	8,857	63	4,615	114	11,559	239	25,031

[1] Based on owned share of total leasable area.

Property Disposition

During Q1-14, Artis sold one industrial property located in the Greater Toronto Area, Ontario. The proceeds from the sale of this property, net of costs, were $3,464.

Completed Development Projects

During Q1-14, Artis completed the construction of Midtown Business Center, a 185,407 square foot industrial building located in the Twin Cities Area, Minnesota. This building is fully leased under a ten-year agreement with annual rent escalations. Artis also completed construction of the 87,000 square foot retail development on the excess lands at the Linden Ridge Shopping Centre, located in Winnipeg, Manitoba. This new development has been fully leased to a variety of national tenants.

FINANCING ACTIVITIES

Short Form Base Shelf Prospectus

On June 15, 2012, the REIT filed a short form base shelf prospectus. The REIT may from time to time during the 25-month period that this short form base shelf prospectus is valid, offer and issue the following securities up to a maximum of $2,000,000 of initial offering price: (i) trust units of the REIT; (ii) preferred trust units, which may be issuable in series; (iii) debt securities, which may consist of debentures, notes or other types of debt and may be issuable in series; (iv) unit purchase warrants; and (v) subscription receipts to purchase trust securities. As at March 31, 2014, the REIT has issued common units under two offerings of $241,610, preferred units under four offerings for a total of $266,250 and US$75,000 and senior unsecured debentures under one offering of $125,000 under this short form base shelf prospectus.

Senior Unsecured Debenture Offering

On March 27, 2014, under the June 15, 2012 short form base shelf prospectus, Artis issued 3.753% Series A senior unsecured debentures totaling $125,000. These debentures mature on March 27, 2019.

Convertible Debenture Redemption

On January 15, 2014, $2,500 of the 5.00% Series D convertible debentures were redeemed for cash.

At-the-Market Equity Financing

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

Variable Rate Mortgage Debt

During Q1-14, Artis entered into two interest rate swaps in the total amount of US$37,228, effectively locking the interest rate on the underlying mortgage debt at a weighted-average rate of 3.91%. At March 31, 2014, the total variable rate mortgage debt less the portion protected by interest rate swaps is 8.4% of total debt.

DISTRIBUTIONS

Artis distributed a total of $38,845 to unitholders in Q1-14, of which $6,109 was paid by way of distribution reinvestment, pursuant to Artis' Distribution Reinvestment and Unit Purchase Plan ("DRIP").

(In thousands of Canadian dollars, unless otherwise noted)

SELECTED FINANCIAL INFORMATION

000's, except per unit amounts	Three month period ended March 31, 2014	2013
Revenue	$ 123,653	$ 108,779
Property NOI	77,335	71,516
Income for the period	30,986	77,577
Basic income per common unit	0.21	0.65
Diluted income per common unit	0.21	0.62
Distributions to common unitholders	$ 34,437	$ 31,078
Distributions per common unit	0.27	0.27
FFO	$ 47,631	$ 44,777
FFO per unit	0.36	0.38
FFO payout ratio	75.0 %	71.1 %
AFFO	$ 40,467	$ 38,864
AFFO per unit	0.31	0.33
AFFO payout ratio	87.1 %	81.8 %
Total assets	$ 5,200,197	$ 4,579,446
Total non-current financial liabilities	2,328,060	2,116,919

Artis has been actively acquiring and developing properties during 2013 and 2014. Due primarily to this activity as well as same property revenue growth, Q1-14 revenues increased $14,874 or 13.7% compared to Q1-13 results. Property NOI increased by $5,819, or 8.1% compared to Q1-13 results.

FFO increased $2,854, or 6.4% compared to Q1-13. This increase is primarily attributed to the acquisitions activity and same property revenue growth in 2013 and 2014. Diluted FFO per unit decreased $0.02, or 5.3% compared to Q1-13 results.

AFFO has increased $1,603, or 4.1% compared to Q1-13. AFFO per unit has decreased $0.02, or 6.1% compared to Q1-13.

Revenues, Property NOI, FFO and AFFO and related per unit amounts were impacted by lease termination income received from tenants in Q1-13 in the amount of $1,748 compared to $nil in Q1-14.

As a result of units issued from public offerings and units issued under the DRIP, basic units outstanding for the calculation of FFO and AFFO have substantially increased. This increase has diluted the impact of strong growth in revenues, Property NOI, FFO and AFFO on per unit results. Management anticipates there will be further growth in revenues, Property NOI, FFO and AFFO as acquisitions completed in 2013 contribute to operating results.

(In thousands of Canadian dollars, unless otherwise noted)

ANALYSIS OF OPERATING RESULTS

REVENUE AND PROPERTY NOI

Revenue includes amounts earned from tenants related to lease agreements, including basic rent, parking, operating cost and realty tax recoveries, as well as adjustments for the straight-lining of rents and amortization of tenant incentives.

Artis accounts for tenant incentives by amortizing the cost over the term of the tenant's lease. In Q1-14, the REIT recorded amortization of $2,446 as a reduction in revenue from tenant incentives compared to $2,011 in Q1-13.

Artis accounts for rent step-ups by straight-lining the incremental increases over the entire non-cancelable lease term. In Q1-14, straight-line rent adjustments of $1,335 were recorded compared to $1,440 in Q1-13.

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

Lease Termination Income

Lease termination income relates to payments received from tenants where the REIT and the tenant agreed to terminate a lease prior to the contractual expiry date. Lease termination income is common in the real estate industry, however, it is unpredictable and period-over-period changes are not indicative of trends. In Q1-14, lease termination income totaled $nil compared to $1,748 in Q1-13.

SAME PROPERTY NOI ANALYSIS

Same property comparison includes only stabilized investment properties owned on January 1, 2013, and excludes properties disposed subsequent to January 1, 2013 and those held for re-development.

	Three month period ended March 31,	
	2014	**2013**
Revenue	$ 110,502	$ 104,506
Property operating expenses	42,873	37,809
Property NOI	67,629	66,697
Add (deduct) non-cash revenue adjustments:		
Amortization of tenant inducements	2,430	2,001
Straight-line rent adjustment	(874)	(1,420)
Property NOI less non-cash revenue adjustments	$ 69,185	$ 67,278

In Q1-14, Artis achieved an increase of $932, or 1.4% of Property NOI over Q1-13. In Q1-14, Artis achieved an increase of $1,907, or 2.8% of Property NOI less non-cash revenue adjustments over Q1-13. Lease termination income related to significant tenants of $nil in Q1-14, compared to $1,703 in Q1-13, has been excluded from revenue for purposes of the same property income calculation. The portion that covers lost revenue due to vacancy has been added back to income for the purposes of the same property income calculation.

(In thousands of Canadian dollars, unless otherwise noted)

Same Property by Asset Class

	Three month period ended March 31,					
	Same Property NOI less Non-Cash Revenue Adjustments				Occupancy	
	2014	2013	Change	% Change	2014	2013
Retail	$ 16,958	$ 16,308	$ 650	4.0 %	97.1 %	97.2 %
Office	34,727	34,448	279	0.8 %	93.1 %	95.3 %
Industrial	17,500	16,522	978	5.9 %	96.2 %	95.6 %
Total	$ 69,185	$ 67,278	$ 1,907	2.8 %	95.3 %	95.8 %

Same Property NOI by Geographical Region

	Three month period ended March 31,					
	Same Property NOI less Non-Cash Revenue Adjustments				Occupancy	
	2014	2013	Change	% Change	2014	2013
Alberta	$ 26,665	$ 26,232	$ 433	1.7 %	94.9 %	96.3 %
British Columbia	6,677	6,703	(26)	(0.4)%	96.3 %	97.6 %
Manitoba	9,472	9,372	100	1.1 %	95.2 %	95.3 %
Ontario	8,634	8,449	185	2.2 %	96.4 %	96.6 %
Saskatchewan	3,446	3,369	77	2.3 %	98.4 %	99.0 %
Minnesota	9,294	8,550	744	8.7 %	94.1 %	93.6 %
U.S. - Other	4,997	4,603	394	8.6 %	95.9 %	97.1 %
Total	$ 69,185	$ 67,278	$ 1,907	2.8 %	95.3 %	95.8 %

Same Property NOI by Country

	Three month period ended March 31,					
	Same Property NOI less Non-Cash Revenue Adjustments				Occupancy	
	2014	2013	Change	% Change	2014	2013
Canada	$ 54,894	$ 54,125	$ 769	1.4 %	95.7 %	96.5 %
U.S.	14,291	13,153	1,138	8.7 %	94.4 %	94.1 %
Total	$ 69,185	$ 67,278	$ 1,907	2.8 %	95.3 %	95.8 %

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

(In thousands of Canadian dollars, unless otherwise noted)

PROPERTY NOI BY ASSET CLASS

In Q1-14, revenues and Property NOI increased for all asset class segments of the portfolio in comparison to Q1-13. The growth is primarily attributable to acquisition activity and same property revenue growth.

	Three month period ended March 31, 2014			2013		
	Retail	Office	Industrial	Retail	Office	Industrial
Revenue	$ 27,863	$ 66,904	$ 28,751	$ 25,575	$ 56,542	$ 26,620
Property operating expenses	8,823	27,120	10,375	7,565	20,507	9,191
Property NOI	$ 19,040	$ 39,784	$ 18,376	$ 18,010	$ 36,035	$ 17,429
Share of Property NOI	*24.7 %*	*51.5 %*	*23.8 %*	*25.2 %*	*50.4 %*	*24.4 %*

PROPERTY NOI BY GEOGRAPHICAL REGION

	Three month period ended March 31, 2014						
	Canada					U.S.	
	AB	BC	MB	ON	SK	MN	Other
Revenue	$ 44,570	$ 10,233	$ 17,598	$ 15,919	$ 6,441	$ 18,030	$ 10,727
Property operating expenses	14,681	3,798	8,216	6,209	2,099	7,978	3,337
Property NOI	$ 29,889	$ 6,435	$ 9,382	$ 9,710	$ 4,342	$ 10,052	$ 7,390
Share of Property NOI	*38.7 %*	*8.3 %*	*12.2 %*	*12.6 %*	*5.6 %*	*13.0 %*	*9.6 %*

	Three month period ended March 31, 2013						
	Canada					U.S.	
	AB	BC	MB	ON	SK	MN	Other
Revenue	$ 38,329	$ 10,462	$ 15,513	$ 15,811	$ 6,417	$ 15,271	$ 6,934
Property operating expenses	11,574	3,524	6,467	5,387	1,888	6,467	1,956
Property NOI	$ 26,755	$ 6,938	$ 9,046	$ 10,424	$ 4,529	$ 8,804	$ 4,978
Share of Property NOI	*37.4 %*	*9.7 %*	*12.7 %*	*14.6 %*	*6.3 %*	*12.3 %*	*7.0 %*

(In thousands of Canadian dollars, unless otherwise noted)

PORTFOLIO OCCUPANCY

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

Occupancy Report by Asset Class

	Q1-14 % Committed [1]	Q1-14	Q4-13	Q3-13	Q2-13	Q1-13
Retail	97.9 %	97.3 %	96.3 %	96.8 %	95.7 %	96.3 %
Office	94.4 %	93.6 %	93.6 %	94.3 %	92.5 %	95.2 %
Industrial	97.2 %	96.3 %	96.7 %	96.7 %	96.9 %	96.0 %
Total portfolio	96.3 %	95.5 %	95.5 %	95.8 %	95.1 %	95.8 %

Occupancy Report by Geographical Region

	Q1-14 % Committed [1]	Q1-14	Q4-13	Q3-13	Q2-13	Q1-13
Canada:						
Alberta	96.3 %	95.2 %	95.0 %	96.5 %	94.4 %	95.9 %
British Columbia	97.0 %	96.3 %	95.3 %	95.4 %	95.4 %	96.4 %
Manitoba	95.6 %	95.2 %	95.5 %	95.2 %	95.9 %	96.4 %
Ontario	97.0 %	96.5 %	96.8 %	97.2 %	95.7 %	96.7 %
Saskatchewan	99.2 %	98.6 %	99.0 %	98.7 %	98.5 %	98.8 %
U.S.:						
Minnesota	95.5 %	94.4 %	94.3 %	94.1 %	94.1 %	93.6 %
U.S. - Other	96.1 %	96.0 %	96.3 %	96.2 %	95.8 %	97.1 %
Total portfolio	96.3 %	95.5 %	95.5 %	95.8 %	95.1 %	95.8 %

[1] Percentage committed is based on occupancy plus commitments on vacant space as at March 31, 2014.

(In thousands of Canadian dollars, unless otherwise noted)

PORTFOLIO LEASING ACTIVITY AND LEASE EXPIRIES

Renewal Summary

	Three month period ended March 31, 2014	2013
Leasable area renewed	401,418	733,424
% Increase in rent rate	2.4 %	6.9 %

The percentage change on renewal activity is calculated by comparing the rental rate in place at the end of the expiring term to the rental rate in place at the commencement of the new term. In many cases, leases are negotiated or renewed such that there are contractual rent escalations over the course of the new lease term. In these cases, the average rent over the new term will be higher than the rate at commencement, which is not reflected in the above table results.

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

	Current Vacancy	Monthly Tenants [(2)]	2014	2015	2016	2017	2018 & later	Total
Office - uncommitted	498,744	68,667	435,237	949,941	714,229	945,125	4,853,721	8,465,664
Office - committed	66,690	-	175,304	74,025	54,146	-	20,087	390,252
Total office	565,434	68,667	610,541	1,023,966	768,375	945,125	4,873,808	8,855,916
Retail - uncommitted	230,372	52,028	159,900	417,066	544,166	325,525	2,549,057	4,278,114
Retail - committed	58,442	-	144,896	2,490	22,892	105,199	3,589	337,508
Total retail	288,814	52,028	304,796	419,556	567,058	430,724	2,552,646	4,615,622
Industrial - uncommitted	576,875	125,943	1,007,020	1,634,937	2,197,313	1,555,589	3,618,895	10,716,572
Industrial - committed	164,816	-	443,985	227,275	7,300	-	-	843,376
Total industrial	741,691	125,943	1,451,005	1,862,212	2,204,613	1,555,589	3,618,895	11,559,948
Total - uncommitted	1,305,991	246,638	1,602,157	3,001,944	3,455,708	2,826,239	11,021,673	23,460,350
Total - committed	289,948	-	764,185	303,790	84,338	105,199	23,676	1,571,136
Total	1,595,939	246,638	2,366,342	3,305,734	3,540,046	2,931,438	11,045,349	25,031,486

(1) Based on owned share of total leasable area.
(2) Includes holdovers and renewals where term has not been negotiated.

(In thousands of Canadian dollars, unless otherwise noted)

In-Place Rents

In-place rents reflect the actual rental rate in effect for the leasable area as at March 31, 2014. In-place rents do not reflect either the average rate over the term of the lease or the rate in place in the year of expiry.

Market Rents

Artis reviews market rents across the portfolio on an on-going basis. Market rent estimates are based on management's best estimate for each leasable space and may take into consideration the property manager's revenue budget, recent leasing activity, current prospects, future commitments or publicly available market information. Rates applied in future expiry years do not allow for the impact of inflation, nor do they attempt to factor in anticipated higher (or lower) than normal periods of demand or market rent inflation due to specific market conditions.

Market Rents by Asset Class [(1)]

	2014	2015	2016	2017	2018 & later	Total
Office						
In-place rents	$ 18.07	$ 19.10	$ 18.77	$ 19.28	$ 18.35	$ 18.57
Market rents	19.88	20.95	19.99	20.63	19.81	20.07
Change	10.0 %	9.7 %	6.5 %	7.0 %	8.0 %	8.1 %
Revenue impact [(2)]	$ 1,105	$ 1,897	$ 936	$ 1,273	$ 7,112	$ 12,323
Retail						
In-place rents	$ 18.94	$ 14.70	$ 19.93	$ 15.50	$ 19.48	$ 18.63
Market rents	21.51	16.11	22.71	16.29	20.69	20.12
Change	13.6 %	9.6 %	13.9 %	5.1 %	6.2 %	8.0 %
Revenue impact [(2)]	$ 783	$ 590	$ 1,576	$ 339	$ 3,093	$ 6,381
Industrial						
In-place rents	$ 6.83	$ 5.81	$ 6.79	$ 5.81	$ 7.56	$ 6.74
Market rents	6.96	6.07	7.25	6.26	7.67	7.01
Change	1.9 %	4.5 %	6.7 %	7.8 %	1.5 %	3.9 %
Revenue impact [(2)]	$ 192	$ 487	$ 1,009	$ 705	$ 398	$ 2,791
Total portfolio						
In-place rents	$ 11.29	$ 11.05	$ 11.50	$ 11.58	$ 15.08	$ 13.13
Market rents	12.17	11.95	12.49	12.37	16.04	14.06
Change	7.8 %	8.1 %	8.7 %	6.8 %	6.4 %	7.1 %
Revenue impact [(2)]	$ 2,080	$ 2,974	$ 3,521	$ 2,317	$ 10,603	$ 21,495

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

Market rents at March 31, 2014 are estimated to be 7.1% above in-place rents across the portfolio compared to 7.0% at December 31, 2013. Today's market rents for the 2014 and 2015 lease expiries are estimated to be 7.8% and 8.1% respectively, above in-place rents. The office portfolio is still expected to be the strongest contributor to incremental rental revenue over the long term.

(In thousands of Canadian dollars, unless otherwise noted)

Lease Expiries by Geographical Region (in S.F.) (1)

	Current Vacancy	Monthly Tenants (2)	2014	2015	2016	2017	2018 & later	Total
AB - uncommitted	236,800	21,609	464,069	733,616	943,269	462,901	3,257,421	6,119,685
AB - committed	70,327	-	121,018	66,852	59,467	2,351	-	320,015
Total Alberta	307,127	21,609	585,087	800,468	1,002,736	465,252	3,257,421	6,439,700
BC - uncommitted	174,974	33,029	77,386	212,619	274,089	100,017	825,345	1,697,459
BC - committed	11,469	-	31,390	-	-	100,046	-	142,905
Total British Columbia	186,443	33,029	108,776	212,619	274,089	200,063	825,345	1,840,364
MB - uncommitted	353,464	37,056	331,617	600,909	421,448	393,985	1,420,490	3,558,969
MB - committed	76,069	-	204,487	2,490	-	-	8,522	291,568
Total Manitoba	429,533	37,056	536,104	603,399	421,448	393,985	1,429,012	3,850,537
ON - uncommitted	110,372	20,567	427,015	462,453	699,292	606,584	1,493,262	3,819,545
ON - committed	24,361	-	11,633	-	7,300	-	12,633	55,927
Total Ontario	134,733	20,567	438,648	462,453	706,592	606,584	1,505,895	3,875,472
SK - uncommitted	94,196	11,203	18,880	66,886	55,003	206,829	614,699	1,067,696
SK - committed	40,245	-	63,787	105,600	17,571	2,802	2,521	232,526
Total Saskatchewan	134,441	11,203	82,667	172,486	72,574	209,631	617,220	1,300,222
MN - uncommitted	265,714	101,934	278,938	875,099	1,040,929	732,211	2,134,329	5,429,154
MN - committed	66,363	-	323,443	121,675	-	-	-	511,481
Total Minnesota	332,077	101,934	602,381	996,774	1,040,929	732,211	2,134,329	5,940,635
U.S. - Other - uncommitted	70,471	21,240	4,252	50,362	21,678	323,712	1,276,127	1,767,842
U.S. - Other - committed	1,114	-	8,427	7,173	-	-	-	16,714
Total U.S. - Other	71,585	21,240	12,679	57,535	21,678	323,712	1,276,127	1,784,556
Total - uncommitted	1,305,991	246,638	1,602,157	3,001,944	3,455,708	2,826,239	11,021,673	23,460,350
Total - committed	289,948	-	764,185	303,790	84,338	105,199	23,676	1,571,136
Total	1,595,939	246,638	2,366,342	3,305,734	3,540,046	2,931,438	11,045,349	25,031,486

(1) Based on owned share of total leasable area.
(2) Includes holdovers and renewals where term has not been negotiated.

(In thousands of Canadian dollars, unless otherwise noted)

Market Rents by Geographical Region [1]

	2014	2015	2016	2017	2018 & later	Total
Alberta						
In-place rents	$ 15.57	$ 16.47	$ 17.69	$ 19.58	$ 18.92	$ 18.13
Market rents	17.46	17.97	20.01	20.68	20.67	19.90
Change	12.2 %	9.1 %	13.1 %	5.6 %	9.2 %	9.8 %
Revenue impact [2]	$ 1,110	$ 1,203	$ 2,328	$ 512	$ 5,698	$ 10,851
British Columbia						
In-place rents	$ 24.18	$ 18.31	$ 19.29	$ 11.52	$ 14.81	$ 16.25
Market rents	23.68	18.92	19.71	11.64	15.37	16.67
Change	(2.0)%	3.3 %	2.2 %	1.1 %	3.8 %	2.6 %
Revenue impact [2]	$ (53)	$ 130	$ 115	$ 25	$ 464	$ 681
Manitoba						
In-place rents	$ 10.62	$ 11.48	$ 10.61	$ 13.11	$ 12.53	$ 11.87
Market rents	11.77	13.08	12.08	15.82	13.30	13.16
Change	10.8 %	13.9 %	13.9 %	20.6 %	6.1 %	10.9 %
Revenue impact [2]	$ 617	$ 964	$ 622	$ 1,066	$ 1,098	$ 4,367
Ontario						
In-place rents	$ 9.70	$ 8.13	$ 7.82	$ 6.82	$ 11.72	$ 9.50
Market rents	9.92	8.28	7.96	6.88	12.14	9.75
Change	2.2 %	1.9 %	1.8 %	0.8 %	3.6 %	2.6 %
Revenue impact [2]	$ 96	$ 71	$ 101	$ 34	$ 629	$ 931
Saskatchewan						
In-place rents	$ 17.74	$ 11.34	$ 20.39	$ 10.25	$ 17.25	$ 15.33
Market rents	20.58	12.43	21.09	11.10	18.17	16.38
Change	16.1 %	9.7 %	3.4 %	8.3 %	5.3 %	6.9 %
Revenue impact [2]	$ 235	$ 189	$ 51	$ 178	$ 563	$ 1,216
Minnesota						
In-place rents	$ 5.45	$ 5.52	$ 5.45	$ 6.15	$ 8.96	$ 6.92
Market rents	5.49	5.68	5.70	6.91	9.25	7.21
Change	0.6 %	2.8 %	4.7 %	12.3 %	3.3 %	4.3 %
Revenue impact [2]	$ 21	$ 156	$ 267	$ 554	$ 623	$ 1,621
U.S. - Other						
In-place rents	$ 22.43	$ 22.93	$ 24.32	$ 20.31	$ 21.43	$ 21.31
Market rents	26.77	27.49	26.00	20.14	22.63	22.40
Change	19.4 %	19.9 %	6.9 %	(0.8)%	5.6 %	5.1 %
Revenue impact [2]	$ 54	$ 261	$ 37	$ (52)	$ 1,528	$ 1,828
Total portfolio						
In-place rents	$ 11.29	$ 11.05	$ 11.50	$ 11.58	$ 15.08	$ 13.13
Market rents	12.17	11.95	12.49	12.37	16.04	14.06
Change	7.8 %	8.1 %	8.7 %	6.8 %	6.4 %	7.1 %
Revenue impact [2]	$ 2,080	$ 2,974	$ 3,521	$ 2,317	$ 10,603	$ 21,495

[1] Based on owned share of total leasable area.
[2] This impact is based on the difference between the in-place rents and the market rents for the period. This excludes the impact of any straight-line rent adjustments on revenues.

Artis' real estate is diversified across five Canadian provinces and five U.S. states, and across the office, retail and industrial asset classes. At March 31, 2014, the three largest segments of the REIT's portfolio (by Property NOI) are Calgary office properties, Twin Cities Area industrial properties and Winnipeg office properties.

(In thousands of Canadian dollars, unless otherwise noted)

Calgary office properties represent 18.1% of the Q1-14 Property NOI and 10.0% 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 Avison Young, was 8.4% at March 31, 2014, an increase from 7.8% at December 31, 2013. At March 31, 2014, the Calgary office segment of Artis' portfolio was 93.3% occupied (92.2% occupied at December 31, 2013). Artis has commitments in place for 29.7% of the unoccupied space. In 2014, 202,762 square feet comes up for renewal, which represents 0.8% of the portfolio's GLA; 29.5% has been renewed or committed to new leases. Approximately 48.5% of the Calgary office GLA expires in 2018 or later.

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

	Current Vacancy	Monthly Tenants (2)	2014	2015	2016	2017	2018 & later	Total
Calgary - uncommitted	118,548	11,414	142,908	353,368	228,657	217,794	1,226,601	2,299,290
Calgary - committed	50,044	-	59,854	66,852	54,146	-	-	230,896
Total Calgary office	168,592	11,414	202,762	420,220	282,803	217,794	1,226,601	2,530,186
Other - uncommitted	380,196	57,253	292,329	596,573	485,572	727,331	3,627,120	6,166,374
Other - committed	16,646	-	115,450	7,173	-	-	20,087	159,356
Total other office	396,842	57,253	407,779	603,746	485,572	727,331	3,647,207	6,325,730

(1) Based on owned share of total leasable area.
(2) Includes holdovers and renewals where term has not been negotiated.

The market rents reported in the below table are reflective of management's estimates for today's market rent rates and they do not allow for the impact of inflation, nor do they attempt to factor in anticipated higher (or lower) than normal periods of demand or market rent inflation due to specific market conditions.

Market Rents for Calgary Office Segment (1)

	2014	2015	2016	2017	2018 & later	Total
Calgary office						
In-place rents	$ 18.98	$ 20.54	$ 23.56	$ 23.91	$ 21.41	$ 21.53
Market rents	22.46	22.65	24.53	25.03	25.12	24.37
Change	18.3 %	10.3 %	4.1 %	4.7 %	17.3 %	13.2 %
Revenue impact (2)	$ 706	$ 887	$ 275	$ 244	$ 4,551	$ 6,663
Other office						
In-place rents	$ 17.62	$ 18.09	$ 15.99	$ 17.90	$ 17.32	$ 17.38
Market rents	18.60	19.77	17.35	19.32	18.02	18.35
Change	5.6 %	9.3 %	8.5 %	7.9 %	4.1 %	5.5 %
Revenue impact (2)	$ 399	$ 1,010	$ 661	$ 1,029	$ 2,561	$ 5,660

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

The Twin Cities Area industrial properties represent 7.5% of the Q1-14 Property NOI and 19.2% of the overall portfolio by GLA. Direct vacancy in this industrial market, as reported by CBRE, was 5.0% at March 31, 2014, a decrease from 5.2% at December 31, 2013, with 215,488 square feet of positive absorption reported for the quarter. As per CBRE, this was the fifteenth consecutive quarter of positive absorption for this market. Average asking market lease rates increased to $5.10 per square foot, up from $4.73 per square foot at December 31, 2013. Occupancy in this segment of the portfolio was 95.5% at March 31, 2014 slightly up from 95.4% at December 31, 2013. Artis has commitments in place for 30.7% of the unoccupied space. In 2014, 577,374 square feet comes up for renewal, which represents 2.3% of the portfolio's GLA; commitments are in place for 55.5% of the expiring space.

(In thousands of Canadian dollars, unless otherwise noted)

Winnipeg office properties represent 7.2% of the Q1-14 Property NOI and 5.9% of the overall portfolio by GLA. Artis' office properties are located in the downtown Winnipeg area, with several buildings on or adjacent to the intersection of Portage and Main. Overall vacancy in the Winnipeg office market, as reported by Cushman and Wakefield, was 8.6% at March 31, 2014, slightly up from 8.4% at December 31, 2013. At March 31, 2014, the Winnipeg office segment of Artis' portfolio was 94.1% occupied, slightly down from 94.5% at December 31, 2013. In 2014, 235,274 square feet comes up for renewal, which represents 0.9% of the portfolio's GLA; 30.8% has been renewed or committed to new leases. Approximately 38.0% of the Winnipeg office GLA expires in 2018 or later.

CORPORATE EXPENSES

	Three month period ended March 31,	
	2014	2013
Accounting, legal and consulting	$ 332	$ 285
Public company costs	442	372
Unit-based compensation	473	443
Salaries and benefits	607	512
Depreciation	138	88
General and administrative	538	633
Total corporate expenses	$ 2,530	$ 2,333

Corporate expenses in Q1-14 were $2,530, or 2.0% of gross revenues compared to $2,333, or 2.1% of gross revenues in Q1-13.

INTEREST EXPENSE

The current period's interest expense is attributable to mortgages and other loans secured against the investment properties, as well as debentures outstanding. Interest expense of $26,590 in Q1-14 has increased $1,949 over Q1-13 primarily due to additional mortgage financing obtained in connection with acquisitions completed in 2013. Financing costs on mortgages and other loans and senior unsecured debentures are netted against the related debt, and amortized on an effective interest basis over the expected life of the debt.

The REIT's weighted-average effective rate at March 31, 2014 on mortgages and other loans secured by properties was 4.27%, unchanged from December 31, 2013. The weighted-average nominal interest rate at March 31, 2014 was 4.11% changed slightly from 4.10% at December 31, 2013.

Artis recorded interest expense on debentures outstanding in Q1-14 of $2,664, compared to $2,563 in Q1-13.

The REIT's interest coverage ratio, defined as total revenues less property operating expenses and corporate expenses divided by interest expense, is 2.83 times for the three months ended March 31, 2014, unchanged from the three month period ended March 31, 2013.

INCOME FROM INVESTMENTS IN JOINT VENTURES

Artis recorded income from investments in joint ventures of $754 in Q1-14 compared to $nil in Q1-13. The increase over the prior year is primarily due to the acquisition of 1700 Broadway in Q2-13. This income includes revenue earned from the REIT's joint ventures, net of property operating expenses, interest expense and the fair value gain on investment properties.

FAIR VALUE (LOSS) GAIN ON INVESTMENT PROPERTIES

The changes in fair value of investment properties, period-over-period, are recognized as fair value gains and losses in the statement of operations. Fair values of the investment properties are determined through either the discounted cash flow method or the overall capitalization method which are generally accepted appraisal methodologies. External valuations are performed quarterly on a rotational basis over a four year cycle. In Q1-14, the fair value loss on investment properties is $10,707 compared to a gain of $34,824 in Q1-13. Fair value changes in individual properties result from changes in the projected income and cash flow projections of those properties, as well as from changes in capitalization rates and discount rates applied. The size and mix of the Q1-14 portfolio is significantly different than the size and mix of the portfolio in Q1-13. Capitalization rate expansion in Class B buildings in the Calgary downtown office market during Q1-14 has contributed to the fair value loss.

FOREIGN CURRENCY TRANSLATION LOSS

In Q1-14, the REIT held cash, deposits and the Series G debentures in US dollars. These assets and liabilities are translated into Canadian dollars at the exchange rate in effect at the balance sheet date. This resulted in a foreign currency translation loss of $4,355 in Q1-14, compared to a loss of $1,385 in Q1-13.

TRANSACTION COSTS

During Q1-14, $88 of transaction costs were expensed, compared to $1,483 in Q1-13. The transaction costs are attributable to the acquisition of investment properties and joint ventures.

(LOSS) GAIN ON FINANCIAL INSTRUMENTS

The REIT holds a number of interest rate swaps to effectively lock the interest rate on a portion of floating rate debt. The REIT recorded an unrealized loss on the fair value adjustment of the interest rate swaps outstanding of $3,350 in Q1-14, compared to an unrealized gain of $496 in Q1-13. The REIT anticipates holding the mortgages and interest rate swap contracts until maturity.

OTHER COMPREHENSIVE INCOME

Other comprehensive income includes the unrealized foreign currency translation gain in Q1-14 of $18,502 compared to a gain of $6,269 in Q1-13. Foreign currency translation gains and losses relate to the REIT's net investment in foreign operations in the U.S.

INCOME TAX

The REIT currently qualifies as a mutual fund trust and a real estate investment trust (“REIT”) for Canadian income tax purposes. Under current tax legislation, income distributed annually by the REIT to unitholders is a deduction in the calculation of its taxable income. As the REIT intends to distribute all of its taxable income to its unitholders, the REIT does not record a provision for current Canadian income taxes.

The REIT's primary U.S. subsidiary is a REIT for U.S. income tax purposes. The subsidiary intends to distribute all of its U.S. taxable income to Canada and is entitled to deduct such distributions for U.S. income tax purposes. As a result, the REIT does not record a provision for current U.S. income taxes. The U.S. subsidiary is subject to a 30% to 35% withholding tax on distributions to Canada. Any withholding taxes paid are recorded with the related distributions.

(In thousands of Canadian dollars, unless otherwise noted)

DISTRIBUTIONS

The Trustees determine the level of cash distributions based on the level of cash flow from operations before working capital changes, less actual and planned capital expenditures. During the year, distributions are based on estimates of full year cash flow and capital spending; thus distributions may be adjusted as these estimates change. It is expected that normal seasonal fluctuations in working capital will be funded from cash resources. In addition, the distributions declared include a component funded by the DRIP.

	Three month period ended March 31, 2014	Year ended December 31, 2013	Year ended December 31, 2012
Cash flow from operations	$ 40,683	$ 194,507	$ 151,738
Net income	30,986	191,155	340,339
Distributions declared	38,845	146,459	117,948
Excess of cash flow from operations over distributions declared	1,838	48,048	33,790
(Shortfall) excess of net income over distributions declared	(7,859)	44,696	222,391

For the three months ended March 31, 2014, cash flow from operations exceeded distributions declared by $1,838. The shortfall of net income over distributions declared of $7,859 is primarily due to the impact of the fair value loss on investment properties of $10,707.

Artis distributed a total of $38,845 to unitholders in Q1-14, of which $6,109 was paid through the DRIP.

(In thousands of Canadian dollars, unless otherwise noted)

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 for the period.

Reconciliation of Cash Flows from Operations to FFO

000's, except per unit amounts	Three month period ended March 31, 2014	2013
Cash flow from operations	$ 40,683	$ 47,705
Add (deduct):		
Depreciation of property and equipment	(138)	(88)
Amortization of above- and below-market mortgages, net	459	441
Straight-line rent adjustment	1,335	1,440
Adjustment for investments in joint ventures	484	-
Realized foreign currency translation loss (gain)	8,255	(385)
Unrealized foreign currency (loss) gain from U.S. operations	(513)	44
Unit-based compensation expense	(473)	(443)
Accretion on liability component of debentures	97	78
Accretion of financing costs included in interest	(773)	(809)
Transaction costs on acquisitions	88	1,483
Changes in non-cash operating items	2,204	(2,430)
Incremental leasing costs	331	-
Preferred unit distributions	(4,408)	(2,259)
FFO for the period	$ 47,631	$ 44,777
FFO per unit		
Basic	$ 0.37	$ 0.39
Diluted	$ 0.36	$ 0.38
Weighted-average number of common units outstanding:		
Basic [1]	127,369	115,050
Diluted [1]	138,034	125,903

[1] Options and convertible debentures are factored into the diluted weighted-average calculation used for FFO, to the extent that their impact is dilutive.

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

Diluted Common Units Reconciliation

	Three month period ended March 31, 2014	2013
Basic units	127,369	115,050
Add:		
Options [1]	175	258
Restricted units [1]	205	-
Debentures [1]	10,285	10,595
Diluted units	138,034	125,903

Diluted FFO Reconciliation

	Three month period ended March 31, 2014	2013
FFO	$ 47,631	$ 44,777
Add:		
Options [1]	-	-
Restricted units [1]	31	-
Debentures [1]	2,570	2,542
Diluted FFO	$ 50,232	$ 47,319

[1] All convertible debenture series, options and restricted units are dilutive in Q1-14. All convertible debenture series and options are dilutive in Q1-13.

(In thousands of Canadian dollars, unless otherwise noted)

Reconciliation of GAAP Income to FFO

	Three month period ended March 31, 2014	2013
Income for the period	$ 30,986	$ 77,577
Add amortization on:		
Tenant inducements amortized to revenue	2,446	2,011
Add (deduct):		
Fair value loss (gain) on investment properties	10,707	(34,824)
Foreign currency translation loss	4,355	1,385
Transaction costs on acquisitions	88	1,483
Adjustment for investments in joint ventures	(98)	-
Unrealized loss (gain) on financial instruments	3,224	(596)
Incremental leasing costs	331	-
Preferred unit distributions	(4,408)	(2,259)
FFO for the period	$ 47,631	$ 44,777

In Q1-14, FFO has increased $2,854, or 6.4% over Q1-13. This increase is primarily attributed to acquisitions completed in 2013, partially offset by lease termination income received from tenants in Q1-13. Basic FFO per unit has decreased by $0.02 or 5.1% over Q1-13. On a diluted basis, FFO per unit has decreased $0.02, or 5.3% over Q1-13.

FFO for the period, excluding lease termination income received from tenants of $nil in Q1-14 and $1,748 in Q1-13, is $47,631 in Q1-14 compared to $43,029 in Q1-13, resulting in an increase of $4,602 or 10.7%. On a diluted basis, FFO per unit remains unchanged from Q1-14 compared to Q1-13 at $0.36 per unit.

As a result of units issued under the DRIP and units issued from public offerings, basic units outstanding for the calculation of FFO has substantially increased. This increase has diluted the impact of strong growth in FFO on per unit results. Management anticipates there will be further growth in FFO as acquisitions completed in 2013 contribute to operating results.

(In thousands of Canadian dollars, unless otherwise noted)

ADJUSTED FUNDS FROM OPERATIONS ("AFFO")

Artis calculates AFFO based on FFO for the period, net of allowances for normalized capital expenditures and leasing costs and excluding straight-line rent adjustments and unit-based compensation expense.

Actual capital expenditures, which are neither revenue enhancing nor recoverable from tenants in future periods, are by nature variable and unpredictable. The allowance applied in the calculation of AFFO reflects management's best estimate of a reasonable annual capital expenditure on a long-term basis, based on the asset class mix and age and quality of the Artis portfolio properties.

Actual leasing costs, which include tenant improvements that are not capital in nature, tenant allowances and commissions, are also variable in nature. Leasing costs will fluctuate depending on the square footage of leases rolling over, in-place rates at expiry, tenant retention and local market conditions in a given year. The allowance applied in the calculation of AFFO reflects management's estimate of normalized leasing costs over the long-term, based on the asset class mix, tenant mix and conditions in Artis' target markets.

Reconciliation of FFO to AFFO

000's, except per unit amounts	Three month period ended March 31, 2014	2013
FFO for the period after adjustments	$ 47,631	$ 44,777
Add (deduct):		
Capital expenditures reserve	(1,256)	(819)
Leasing costs reserve	(5,023)	(4,097)
Straight-line rent adjustments [1]	(1,358)	(1,440)
Unit-based compensation	473	443
AFFO for the period	$ 40,467	$ 38,864
AFFO per unit		
Basic	$ 0.32	$ 0.34
Diluted	$ 0.31	$ 0.33

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

In Q1-14, AFFO has increased $1,603 or 4.1% over Q1-13. This increase was partially offset by lease termination income received from tenants in Q1-13. AFFO per unit has decreased by $0.02 or 5.9%. Diluted AFFO per unit has decreased by $0.02 or 6.1% over Q1-13.

AFFO for the period, excluding lease termination income received from tenants of $nil in Q1-14 and $1,748 in Q1-13, is $40,467 in Q1-14 compared to $37,116 in Q1-13, resulting in an increase of $3,351 or 9.0%. On a diluted basis, AFFO per unit is $0.31 in Q1-14 compared to $0.32 in Q1-13, a decrease of $0.01 or 3.1%.

(In thousands of Canadian dollars, unless otherwise noted)

ANALYSIS OF FINANCIAL POSITION

ASSETS

	March 31, 2014	December 31, 2013	Increase (decrease)
Non-current assets:			
Investment properties and investment properties under development	$ 4,935,186	$ 4,899,158	$ 36,028
Investments in joint ventures	54,819	42,434	12,385
Other non-current assets	21,196	21,613	(417)
Current assets:			
Cash, cash equivalents and cash held in trust	159,699	53,775	105,924
Other current assets	29,297	25,057	4,240
	$ 5,200,197	$ 5,042,037	$ 158,160

Investment Properties and Investment Properties Under Development

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

	Investment properties	Investment properties under development	Total
Balance, December 31, 2013	$ 4,851,877	$ 47,281	$ 4,899,158
Additions:			
Capital expenditures	1,288	5,465	6,753
Leasing costs	2,057	-	2,057
Disposition	(3,464)	-	(3,464)
Reclassification of investment properties under development	43,122	(43,122)	-
Foreign currency translation gain	38,109	551	38,660
Straight-line rent adjustment	1,335	-	1,335
Tenant inducements, net of amortization	1,340	54	1,394
Fair value (loss) gain	(10,777)	70	(10,707)
Balance, March 31, 2014	$ 4,924,887	$ 10,299	$ 4,935,186

(In thousands of Canadian dollars, unless otherwise noted)

Capital expenditures:

Investment properties include certain capital expenditures related to sustaining building improvements not related to a specific lease or tenancy. Capital expenditures in Q1-14 totaled $6,753 compared to $6,350 in Q1-13. In Q1-14, revenue enhancing capital expenditures were $6,051. The remaining $702 of capital expenditure primarily relate to elevator modernizations, roof replacements and fire system upgrades. Approximately $513 of these capital expenditures are recoverable from tenants in future periods.

Leasing costs and tenant inducements:

In Q1-14, Artis incurred $5,897 of tenant inducements and leasing costs compared to $5,775 in Q1-13. Tenant inducements include costs incurred to improve the space that primarily benefit the tenant, as well as allowances paid to tenants. Leasing costs are primarily brokers' commissions.

	Three month period ended March 31, 2014	2013
Tenant inducements	$ 3,840	$ 3,916
Leasing costs	2,057	1,859
Total	$ 5,897	$ 5,775

Disposition:

In Q1-14, Artis sold an industrial property in the Greater Toronto Area, Ontario. The proceeds from the sale of this property, net of costs, were $3,464. This property was sold as a result of an unsolicited offer.

Completed properties under development:

During Q1-14, Artis completed the construction of Midtown Business Center, an industrial building located in the Twin Cities Area, Minnesota. Artis also completed construction of the retail development on the excess lands at the Linden Ridge Shopping Centre, located in Winnipeg, Manitoba.

Foreign currency translation gain:

In Q1-14, the foreign currency translation gain on investment properties was $38,660 due to the change in the period end US dollar to Canadian dollar exchange rate from 1.0636 at December 31, 2013 to 1.1053 at March 31, 2014.

Fair value (loss) gain on investment properties:

In Q1-14, the REIT recorded a loss on the fair value of investment properties of $10,707, compared to a gain of $34,824 in Q1-13. From December 31, 2013 to March 31, 2014, the REIT reflected approximately one basis point of expansion in the weighted-average capitalization rates across the portfolio. In comparison, from December 31, 2012 to March 31, 2013, the REIT reflected approximately six basis points of compression in the weighted-average capitalization rates across the portfolio.

The fair value loss for Q1-14 is primarily attributed to capitalization rate expansion in the Calgary Class B downtown office market. The fair value gain for Q1-13 was primarily attributed to capitalization rate compression in the Grande Prairie retail, Vancouver office, Winnipeg office and Winnipeg retail segments.

(In thousands of Canadian dollars, unless otherwise noted)

Artis determines the fair value of investment properties based upon either the discounted cash flow method or the overall capitalization method, which are generally accepted appraisal methodologies. Capitalization rates are estimated using market surveys, available appraisals and market comparables. Under the overall capitalization method, year one income is stabilized and capitalized at a rate deemed appropriate for each investment property. Individual properties were valued using capitalization rates in the range of 5.25% to 8.75%. Additional information on the average capitalization rates and ranges used for the portfolio properties, assuming all properties were valued using an overall capitalization method, broken out by asset class and country are set out in the table below.

	March 31, 2014			December 31, 2013		
	Maximum	Minimum	Weighted-average	Maximum	Minimum	Weighted-average
Office:						
U.S.	8.50%	6.00%	6.94%	8.50%	6.00%	7.00%
Canada	7.75%	5.25%	6.19%	7.75%	5.25%	6.15%
Office total	8.50%	5.25%	6.34%	8.50%	5.25%	6.32%
Industrial:						
U.S.	7.75%	6.50%	7.18%	8.00%	6.50%	7.12%
Canada	7.50%	5.75%	6.48%	7.50%	5.75%	6.48%
Industrial total	7.75%	5.75%	6.69%	8.00%	5.75%	6.68%
Retail:						
U.S.	8.75%	6.00%	7.14%	8.75%	6.00%	7.28%
Canada	7.50%	5.50%	6.31%	7.50%	5.50%	6.31%
Retail total	8.75%	5.50%	6.35%	8.75%	5.50%	6.36%
Total:						
U.S. portfolio	8.75%	6.00%	7.04%	8.75%	6.00%	7.06%
Canadian portfolio	7.75%	5.25%	6.28%	7.75%	5.25%	6.26%
Total portfolio	8.75%	5.25%	6.42%	8.75%	5.25%	6.41%

Investments in Joint Ventures

At March 31, 2014, the REIT had $54,819 invested in joint ventures, compared to $42,434 at December 31, 2013. The increase is primarily due to the REIT acquiring a 90% interest in Park Lucero in Q1-14.

Notes Receivable

In conjunction with the 2007 acquisition of TransAlta Place, the REIT acquired a note receivable in the amount of $31,000. The note bears interest at 5.89% per annum and is repayable in varying blended monthly installments of principal and interest. The note is transferable at the option of the REIT and matures in May 2023. The balance outstanding on all notes receivable at March 31, 2014 is $20,037 compared to $20,464 at December 31, 2013.

Cash and Cash Equivalents

At March 31, 2014, the REIT had $153,303 of cash and cash equivalents on hand, compared to $48,222 at December 31, 2013. The balance is anticipated to be invested in investment properties in subsequent periods, used for working capital purposes or for debt repayment. All of the REIT's cash and cash equivalents are held in current accounts and/or bank guaranteed investment certificates.

(In thousands of Canadian dollars, unless otherwise noted)

LIABILITIES

	March 31, 2014	December 31, 2013	Increase (decrease)
Non-current liabilities:			
Mortgages and loans payable	$ 2,018,881	$ 2,006,614	$ 12,267
Senior unsecured debentures	124,140	-	124,140
Convertible debentures	184,954	181,282	3,672
Other non-current liabilities	85	81	4
Current liabilities:			
Current portion of mortgages and loans payable	273,764	280,983	(7,219)
Current portion of convertible debentures	1,495	3,982	(2,487)
Other current liabilities	90,819	84,848	5,971
	$ 2,694,138	$ 2,557,790	$ 136,348

Long-term debt is comprised of mortgages and other loans related to properties as well as the carrying value of senior unsecured debentures and convertible debentures issued by the REIT.

Under the terms of the REIT’s Declaration of Trust, the total indebtedness of the REIT (excluding indebtedness related to the convertible debentures) is limited to 70% of gross book value (“GBV”). GBV is calculated as the consolidated net book value of the consolidated assets of the REIT, adding back the amount of accumulated depreciation of property and equipment as disclosed in the balance sheet and notes thereto.

Artis' mortgages, loans and bank indebtedness to GBV ratio at March 31, 2014 was 44.1%, compared to 45.4% at December 31, 2013.

	March 31, 2014	December 31, 2013
GBV	$ 5,201,552	$ 5,043,254
Mortgages, loans and bank indebtedness	2,292,645	2,287,597
Mortgages, loans and bank indebtedness to GBV	44.1 %	45.4 %
Preferred shares liability	$ 85	$ 81
Carrying value of debentures	310,589	185,264
Total long-term debt and bank indebtedness	2,603,319	2,472,942
Total long-term debt and bank indebtedness to GBV	50.0 %	49.0 %

Artis REIT has an internal policy of maintaining a total debt to GBV ratio of 70% or lower. The Trustees have approved a guideline stipulating that for purposes of compliance with this policy, preferred units would be added to the debt component of the calculation. At March 31, 2014, the ratio of total long-term debt, bank indebtedness and preferred units to GBV was 56.3%.

(In thousands of Canadian dollars, unless otherwise noted)

Mortgages and Loans Payable

Mortgage financing:

Artis finances acquisitions in part through the arrangement or assumption of mortgage financing and consequently, substantially all of the REIT's investment properties are pledged as security under mortgages and other loans. In Q1-14, $14,697 of principal repayments were made compared to $13,059 in Q1-13.

During Q1-14, Artis entered into two interest rate swaps in the total amount of US$37,228, effectively locking the interest rate on the underlying mortgage debt at a weighted-average rate of 3.91%, for a weighted-average term of 6.3 years.

The weighted-average term to maturity on all mortgages and loans payable at March 31, 2014 is 4.3, unchanged from December 31, 2013.

Variable rate mortgage debt:

Management believes that a percentage of variable rate debt is prudent in managing a portfolio of debt. At various times, management feels that 5% to 15% of the portfolio could be held in variable rate instruments and provide the benefit of lower interest rates, while keeping the overall risk at a moderate level. With the exception of the line of credit, all the REIT's variable rate debt is term debt and cannot be called on demand. The REIT has the ability to refinance, or use interest rate swaps, at any given point without incurring penalties.

At March 31, 2014, the REIT is a party to $588,338 of variable rate mortgage debt compared to $575,463 at December 31, 2013. The change is primarily due the effect of foreign exchange of $15,845, offset by principal repayments during the period of $2,970.

At March 31, 2014, the REIT had entered into interest rate swaps to hedge the interest rate risk associated with $369,731 of variable rate mortgage debt (December 31, 2013, $323,489). The variable rate mortgage debt less the portion protected by interest rate swaps is $218,607 or 8.4% of total debt.

Senior Unsecured Debentures

At March 31, 2014, the carrying value of the senior unsecured debentures was $124,140, compared to $nil at December 31, 2013. This increase is due to the issuance of the Series A senior unsecured debentures on March 27, 2014.

Convertible Debentures

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

				March 31, 2014		December 31, 2013	
	Issued	Maturity	Face rate	Carrying value	Face value	Carrying value	Face value
Series D	30-Nov-07	30-Nov-14	5.00%	$ 1,495	$ 1,500	$ 3,982	$ 4,000
Series F	22-Apr-10	30-June-20	6.00%	85,070	86,170	85,034	86,170
Series G	21-Apr-11	30-June-18	5.75%	99,884	97,266	96,248	93,597
				$ 186,449	$ 184,936	$ 185,264	$ 183,767

The carrying value of convertible debentures has increased by $1,185 from December 31, 2013. This increase is primarily due to the change in the period end US dollar to Canadian dollar exchange rate, partially offset by the $2,500 redemption of Series D debentures on January 15, 2014.

(In thousands of Canadian dollars, unless otherwise noted)

Other Current Liabilities

Included in other current liabilities are accounts payable and accrued liabilities, security deposits and prepaid rent, as well as the March 31, 2014 distributions payable to unitholders of $12,158, of which $11,495 was subsequently paid on April 15, 2014 and the remainder on April 30, 2014. At March 31, 2014, there is no balance drawn on the REIT's revolving term credit facility. Amounts drawn on the facility bear interest at prime plus 1.00% or at the bankers' acceptance rate plus 2.00%. The credit facility is secured by a first charge on certain investment properties with a carrying value of $155,549 at March 31, 2014.

UNITHOLDERS' EQUITY

Unitholders' equity increased overall by $21,812 between December 31, 2013 and March 31, 2014. The increase was primarily due to income for the period of $30,986, an unrealized foreign currency translation gain included in other comprehensive income of $18,502 and the issuance of units for $11,071. This increase was partially offset by distributions made to unitholders of $38,845.

LIQUIDITY AND CAPITAL RESOURCES

In Q1-14, Artis generated $40,683 of cash flows from operating activities. Cash flows from operations assisted in funding distributions to unitholders of $38,775. Cash of $14,697 was used for principal repayments on mortgages and loans.

Cash of $12,650 was used for capital building improvements, tenant inducements and leasing costs in Q1-14.

At March 31, 2014, Artis had $153,303 of cash and cash equivalents on hand. Management anticipates that the cash on hand will be invested in investment properties in subsequent periods, used for working capital purposes or for debt repayment.

The REIT has a revolving term credit facility in the amount of $80,000 which may be utilized for general corporate operating purposes, including the acquisition of commercial properties and the issuance of letters of credit. As at March 31, 2014, the REIT had no balance drawn on the 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 period ended March 31, 2014.

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

CONTRACTUAL OBLIGATIONS

	Total	Less than 1 year	1 - 3 years	4 - 5 years	After 5 years
Bank indebtedness	$ -	$ -	$ -	$ -	$ -
Accounts payable and other liabilities [1]	67,783	67,783	-	-	-
Convertible debentures [2]	184,936	1,500	-	97,266	86,170
Senior unsecured debentures [2]	125,000	-	-	125,000	-
Mortgages and loans payable [1]	2,332,066	275,057	765,322	672,159	619,528
Total	$ 2,709,785	$ 344,340	$ 765,322	$ 894,425	$ 705,698

[1] This includes balances included in the REIT's investments in joint ventures.
[2] It is assumed that none of the debentures are converted or redeemed prior to maturity and that they are paid out in cash on maturity.

At March 31, 2014, obligations due within one year include $67,783 of accounts payable and other liabilities, $1,500 of convertible debentures, $216,854 of mortgages and principal repayments on mortgages of $58,203.

SUMMARIZED QUARTERLY INFORMATION

$000's, except per unit amounts	Q1-14	Q4-13	Q3-13	Q2-13	Q1-13	Q4-12	Q3-12	Q2-12
Revenue	$123,653	$122,870	$121,032	$110,737	$108,779	$105,036	$ 98,466	$ 86,835
Property operating expenses	46,318	47,850	42,425	38,998	37,263	38,379	34,937	29,454
	77,335	75,020	78,607	71,739	71,516	66,657	63,529	57,381
Other income (expenses):								
Corporate expenses	(2,530)	(2,704)	(2,322)	(2,354)	(2,333)	(2,884)	(2,604)	(3,057)
Interest expense	(26,590)	(26,443)	(26,223)	(25,308)	(24,641)	(24,764)	(24,711)	(23,104)
Interest income	391	412	507	624	483	519	566	684
Income from investments in joint ventures	754	5,581	769	1,106	-	-	-	-
Fair value (loss) gain on investment properties	(10,707)	(56,588)	(2,886)	29,035	34,824	61,037	54,003	51,990
Foreign currency translation (loss) gain	(4,355)	(2,915)	1,353	(4,622)	(1,385)	(240)	4,759	(2,777)
Transaction costs	(88)	(314)	(299)	(3,589)	(1,483)	(1,511)	(4,130)	(1,698)
(Loss) gain on financial instruments	(3,224)	1,249	(528)	4,671	596	(89)	(3,874)	(1,099)
Income (loss) for the period	30,986	(6,702)	48,978	71,302	77,577	98,725	87,538	78,320
Other comprehensive income (loss):								
Unrealized foreign currency translation gain (loss)	18,502	14,563	(8,515)	14,783	6,269	2,712	(9,538)	5,270
Comprehensive income for the period	$ 49,488	$ 7,861	$ 40,463	$ 86,085	$ 83,846	$101,437	$ 78,000	$ 83,590
Income (loss) per unit attributable to common unitholders:								
Basic	$ 0.21	$ (0.09)	$ 0.36	$ 0.56	$ 0.65	$ 0.87	$ 0.79	$ 0.74
Diluted	$ 0.21	$ (0.09)	$ 0.35	$ 0.53	$ 0.62	$ 0.81	$ 0.77	$ 0.70

The quarterly trend for revenues and property NOI has been impacted by acquisition and disposition activity and lease termination income. Management anticipates there will be further growth in revenues and Property NOI as acquisitions completed in 2013 contribute to operating results. Income and per unit amounts are also impacted by the fair value gains and losses on investment properties.

(In thousands of Canadian dollars, unless otherwise noted)

Reconciliation of GAAP Income to FFO and AFFO

000's, except per unit amounts	Q1-14	Q4-13	Q3-13	Q2-13	Q1-13	Q4-12	Q3-12	Q2-12
Income (loss) for the period	$ 30,986	$ (6,702)	$ 48,978	$ 71,302	$ 77,577	$ 98,725	$ 87,538	$ 78,320
Add (deduct):								
Tenant inducements amortized into revenue	2,446	2,919	2,202	2,159	2,011	1,954	1,645	1,425
Fair value loss (gain) on investment properties	10,707	56,588	2,886	(29,035)	(34,824)	(61,037)	(54,003)	(51,990)
Foreign currency translation loss (gain)	4,355	2,915	(1,353)	4,622	1,385	240	(4,759)	2,777
Transaction costs on acquisitions	88	314	299	3,589	1,483	1,511	4,130	1,698
Adjustment for investments in joint ventures	(98)	(5,015)	(155)	(685)	-	-	-	-
Unrealized loss (gain) on financial instruments	3,224	(1,249)	528	(4,671)	(596)	89	3,874	1,099
Incremental leasing costs	331	-	-	-	-	-	-	-
Preferred unit distributions	(4,408)	(4,366)	(4,026)	(3,354)	(2,259)	(2,113)	(867)	-
FFO for the period	$ 47,631	$ 45,404	$ 49,359	$ 43,927	$ 44,777	$ 39,369	$ 37,558	$ 33,329
FFO per unit								
Basic	$ 0.37	$ 0.36	$ 0.39	$ 0.36	$ 0.39	$ 0.35	$ 0.34	$ 0.32
Diluted	$ 0.36	$ 0.35	$ 0.38	$ 0.35	$ 0.38	$ 0.34	$ 0.33	$ 0.31
Weighted-average number of common units outstanding:								
Basic [(1)]	127,369	126,728	126,207	121,467	115,050	110,947	109,993	105,468
Diluted [(1)]	138,034	137,322	136,880	132,338	125,903	121,810	120,588	116,631
FFO for the period	$ 47,631	$ 45,404	$ 49,359	$ 43,927	$ 44,777	$ 39,369	$ 37,558	$ 33,329
Add (deduct):								
Capital expenditures reserve	(1,256)	(1,247)	(1,230)	(1,121)	(819)	(792)	(742)	(656)
Leasing costs reserve	(5,023)	(4,987)	(4,923)	(4,482)	(4,097)	(3,694)	(3,467)	(3,063)
Straight-line rent adjustments [(2)]	(1,358)	(1,200)	(1,643)	(1,344)	(1,440)	(1,560)	(1,089)	(1,550)
Unit-based compensation	473	489	455	440	443	586	942	931
AFFO for the period	$ 40,467	$ 38,459	$ 42,018	$ 37,420	$ 38,864	$ 33,909	$ 33,202	$ 28,991
AFFO per unit								
Basic	$ 0.32	$ 0.30	$ 0.33	$ 0.31	$ 0.34	$ 0.31	$ 0.30	$ 0.27
Diluted	$ 0.31	$ 0.30	$ 0.33	$ 0.30	$ 0.33	$ 0.30	$ 0.30	$ 0.27
Weighted-average number of common units outstanding:								
Basic [(3)]	127,369	126,728	126,207	121,467	115,050	110,947	109,993	105,468
Diluted [(3)]	137,654	137,154	136,802	132,062	125,645	121,542	120,588	111,990

[(1)] Options, convertible debentures and restricted units are factored into the diluted weighted-average calculation, to the extent that their impact is dilutive.
[(2)] This includes straight-line rent adjustments included in the REIT's investments in joint ventures.
[(3)] Convertible debentures are factored into the diluted weighted-average calculation, to the extent that their impact is dilutive.

FFO, AFFO and per unit results are impacted by acquisition and disposition activity and by lease termination income received from tenants during the period.

(In thousands of Canadian dollars, unless otherwise noted)

RELATED PARTY TRANSACTIONS

	Three month period ended March 31, 2014	2013
Property management fees	83	80
Capitalized office furniture and fixtures	65	9
Capitalized leasing commissions	2	7
Capitalized building improvements and project management fees	4,072	4,288
Capitalized tenant inducements	1	533
Property tax assessment consulting fees	289	-
Rental revenues	(44)	(42)

The REIT incurred property management fees, leasing commission fees and project management fees under property management agreements with Marwest Management Canada Ltd. ("Marwest Management"), a company related to certain trustees and officers of the REIT, for three properties owned by the REIT. The amount payable at March 31, 2014 is $27 (December 31, 2013, $27).

The REIT incurred costs for office furniture and fixtures paid to Marwest Construction Ltd. ("Marwest Construction"), a company related to certain trustees and officers of the REIT. The amount payable at March 31, 2014 is $34 (December 31, 2013, $nil).

The REIT incurred costs for building improvements and tenant inducements paid to Marwest Construction and Marwest Development Corporation, a company related to certain trustees and officers of the REIT. The amount payable at March 31, 2014 is $978 (December 31, 2013, $1,161).

The REIT incurred costs for property tax assessment consulting paid to Fairtax Realty Advocates, a company under control of close family members of key management personnel. The amount payable at March 31, 2014 is $nil (December 31, 2013, $7).

The REIT collects office rents from Marwest Management.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

(In thousands of Canadian dollars, unless otherwise noted)

OUTSTANDING UNIT DATA

The balance of units outstanding as of May 8, 2014 is as follows:

Units outstanding at March 31, 2014	127,718,832
Units issued (DRIP)	130,984
Units issued on exercise of options	39,875
Units outstanding at May 8, 2014	127,889,691

The balance of options outstanding as of May 8, 2014 is as follows:

	Options outstanding	Options exercisable
$11.28 options, issued February 25, 2010	69,750	69,750
$13.30 options, issued September 10, 2010	227,250	137,750
$13.44 options, issued October 15, 2010	267,750	178,250
$14.10 options, issued June 17, 2011	990,250	477,250
$16.36 options, issued April 13, 2012	1,695,000	849,000
	3,250,000	1,712,000

The balance of restricted units outstanding as of May 8, 2014 is 205,389. None of these restricted units are vested at this time.

As of May 8, 2014, the balance of Series A preferred units outstanding is 3,450,000, the balance of Series C preferred units outstanding is 3,000,000, the balance of Series E preferred units outstanding is 4,000,000 and the balance of Series G preferred units outstanding is 3,200,000.

OUTLOOK

Artis continues to target high quality retail, office and industrial assets primarily in western Canada, as well as in the Greater Toronto Area (Ontario) and select markets in the U.S.

According to the Scotiabank Global Forecast Update report of March 26, 2014, real GDP in Canada is forecast to grow 2.2% in 2014. Forecast GDP growth for the Canadian provinces where Artis owns properties is also positive, as follows: Manitoba, 2.3%; Saskatchewan, 2.4% Alberta, 3.9% British Columbia, 2.2% and Ontario, 1.9%. Of note, GDP growth expectations for Alberta, which represents 38.7% of Artis' Q1-14 Property NOI, remains above the Canadian average.

Real GDP in the U.S. is forecast to grow 2.8% in 2014; national year-over-year unemployment for March 2014 decreased to 6.7% from 7.5%. Year-over-year unemployment statistics at March 31, 2014 for Artis' key U.S. markets are as follows: Twin Cities Area, 4.6% (from 5.1%); the Greater Phoenix Area, 6.4% (from 7.0%); and Denver, 6.0% (from 6.9%). For the three months ended March 31, 2014, 22.6% of Artis' Property NOI is derived from the U.S.

Artis is one of only a few REITs in Canada that has an Investment Grade Rating and the ability to issue both new trust units, preferred equity and unsecured debentures, which provides flexibility in accessing the capital markets depending on current investor sentiment and preference. DBRS has assigned an Issuer Rating of BBB (low) with a Stable trend to Artis REIT. DBRS has also assigned a rating of Pfd-3 (low) with a Stable trend to Artis' preferred units. Management anticipates that having the DBRS credit rating will be beneficial for accessing the debt and equity capital markets.

Many real estate investment trusts are trading at discounts to their consensus net asset values (NAV) and consequently there have been few new equity issues by REITs in recent months. However, investors continue to favour yield products like real estate investment trusts, and management anticipates unit prices will normalize in the short- to medium term at values closer to NAV.

Access to debt capital remains strong. Management anticipates interest rates will continue to moderately fluctuate in a low trading range, with long-term interest rate increases being slow, well-managed and well-communicated by the central banks. Rates today in both Canada and the U.S. are still low and it is still an opportune time to term out debt, or to fix existing floating debt with interest rate swaps, at very attractive low long-term financing rates. Management expects to maintain between 5% and 15% unhedged floating rate debt as a percentage of total debt.

Commercial property capitalization rates have not moved in recent months and management does not expect there will be significant capitalization rate expansion or compression in its target markets. Artis will selectively pursue accretive acquisition opportunities in its target markets in Canada and the U.S. in 2014, and when prudent, to invest in high-yield development opportunities in those markets.

Management anticipates that real estate fundamentals in Canada and the U.S. will remain stable in 2014 and that Artis' properties will perform in line with the moderate growth expectations within its target markets. We will continue to focus on internal growth opportunities, by capitalizing on below-market rent opportunities, through selective re-development and repositioning of well-located assets in primary markets, and from new construction or expansions of existing portfolio properties.

SUBSEQUENT EVENTS

As at March 31, 2014, Artis had $153,303 of cash and cash equivalents on hand and $80,000 available on the line of credit. Subsequent to March 31, 2014, the following transactions took place:

- On April 1, 2014, the REIT settled a forward contract to sell $10,999 for US$10,000.
- On April 3, 2014, the REIT repaid two mortgages on two office properties in the amount of US$34,238.
- On April 8, 2014, the REIT entered into a forward contract to sell $10,980 for US$10,000 on May 30, 2014.
- On April 15, 2014, the REIT acquired 50% of the Hudson's Bay Centre, which is located in Denver, Colorado. The property was acquired for US$20,750 and the purchase price was satisfied with cash and new 7-year mortgage financing of US$10,625, which bears interest at 3.76% per annum.

- On April 15, 2014, the REIT declared a monthly distribution of $0.09 per unit for April 2014.
- On April 15, 2014, the REIT declared a quarterly cash distribution of $0.3125 per Series G unit for the quarter ending April 30, 2014.
- On May 1, 2014, the REIT acquired Estevan Shoppers Mall which is located in Estevan, Saskatchewan. The property was acquired for $10,100 and the purchase price was satisfied with cash.
- The REIT entered into an agreement with respect to the sale of a property located in British Columbia. The sale price of this disposition is $13,700. The REIT anticipates that the disposition will close in May of 2014.

RISKS AND UNCERTAINTIES

REAL ESTATE OWNERSHIP

All real property investments are subject to elements of risk. General economic conditions, local real estate markets, supply and demand for leased premises, competition from other available premises and various other factors affect such investments. The REIT's properties are located in five Canadian provinces and five U.S. states, with a significant majority of its properties, measured by GLA, located in the province of Alberta and in the state of Minnesota. As a result, our properties are impacted by factors specifically affecting their respective real estate markets. These factors may differ from those affecting the real estate markets in other regions of Canada and the U.S.

INTEREST RATE AND DEBT FINANCING

Artis will be subject to the risks associated with debt financing. There can be no assurance that Artis will be able to refinance its existing indebtedness on terms that are as or more favourable to Artis as the terms of existing indebtedness. The inability to replace financing of debt on maturity would have an adverse impact on the financial condition and results of Artis.

Management seeks to mitigate this risk in a variety of ways. First, management considers structuring the timing of the renewal of significant tenant leases on properties in relation to the time at which mortgage indebtedness on such property becomes due for refinancing. Second, management seeks to secure financing from a variety of lenders on a property by property basis. Third, mortgage terms are, where practical, structured such that the exposure in any one year to financing risks is balanced.

Artis is also subject to interest rate risk associated with the REIT's revolving term credit facility, mortgages and unsecured debentures payable due to the expected requirement to refinance such debts in the year of maturity. The REIT minimizes the risk by restricting debt to 70% of gross book value and by carefully monitoring the amount of variable rate debt. The REIT has the majority of its mortgage payable and debentures in fixed rate terms. At March 31, 2014, the REIT is a party to $588,338 of variable rate debt (December 31, 2013, $575,463). At March 31, 2014, the REIT had entered into interest rate swaps to hedge the interest rate risk associated with $369,731 of variable rate debt (December 31, 2013, $323,489). The REIT has the ability to place interest rate swaps on top of variable rate debt at any time in order to effectively fix the interest rate. At March 31, 2014, the variable rate mortgage debt less the portion protected by interest rate swaps is $218,607 or 8.4% of total debt.

The REIT’s ratio of mortgages, loans and bank indebtedness to GBV is 44.1%, down from 45.4% at December 31, 2013. Approximately 7.3% of Artis’ maturing mortgage debt comes up for renewal in 2014, and 18.2% in 2015. Management is in discussion with various lenders with respect to the renewal or refinancing of the 2014 and 2015 mortgage maturities.

(In thousands of Canadian dollars, unless otherwise noted)

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. Artis' portfolio includes 1,995 tenant leases with a weighted-average term to maturity of 4.7 years. Approximately 63.5% of the REIT's gross revenue is derived from national or government tenants. As indicated below, the largest tenant by gross revenue is Manitoba Telecom Services Inc., one of Canada's leading national communication companies providing voice services, internet and data services, and television. Manitoba Telecom Services Inc. is a TSX listed entity with 2013 annual revenues in excess of $1.6 billion. The second largest tenant by gross revenue is AMEC Americas Ltd, a global supplier of consultancy, engineering and project management services to energy, power and process industries with a market capitalization of over £3.0 billion.

Top Twenty Tenants by Gross Revenue

Tenant	% of Total Gross Revenue	Owned Share of GLA (in 000's of S.F.)	% of Total GLA	Weighted-Average Remaining Lease Term
Manitoba Telecom Services Inc.	2.0 %	322	1.3 %	8.9
AMEC Americas Ltd.	1.9 %	200	0.8 %	1.4
DirecTV, LLC	1.3 %	257	1.1 %	11.3
TransAlta Corporation	1.1 %	336	1.4 %	9.2
Shoppers Drug Mart	1.0 %	155	0.6 %	8.2
Telvent Canada Ltd.	1.0 %	98	0.4 %	9.4
Stantec Consulting, Ltd.	0.9 %	98	0.4 %	8.8
CB Richard Ellis, Inc.	0.9 %	119	0.5 %	4.5
IHS Global Canada Ltd.	0.9 %	78	0.3 %	4.8
TD Canada Trust	0.9 %	128	0.5 %	6.1
Bellatrix Exploration Ltd.	0.9 %	80	0.3 %	9.8
Home Depot	0.8 %	159	0.7 %	8.3
Sobeys	0.8 %	191	0.8 %	6.9
Canada Institute for Health Info	0.8 %	92	0.4 %	11.4
PMC Sierra, Inc.	0.8 %	134	0.6 %	2.5
CGI Sys & Mgmt Consultants, Inc.	0.8 %	64	0.3 %	1.7
Cara Operations Limited	0.8 %	100	0.4 %	14.8
Bell Canada	0.8 %	80	0.3 %	2.4
Fairview Health Services	0.8 %	179	0.7 %	9.4
Birchcliff Energy	0.7 %	59	0.3 %	3.7
Total	19.9 %	2,929	12.1 %	7.6

Government Tenants by Gross Revenue

Tenant	% of Total Gross Revenue	Owned Share of GLA (in 000's of S.F.)	% of Total GLA	Weighted-Average Remaining Lease Term
Federal Government	3.6 %	542	2.3 %	8.5
Provincial Government	3.1 %	467	1.9 %	3.8
Civic or Municipal Government	0.6 %	132	0.5 %	12.9
Total	7.3 %	1,141	4.7 %	7.1

Weighted-average term to maturity (entire portfolio)	4.7

(In thousands of Canadian dollars, unless otherwise noted)

LEASE ROLLOVER RISK

The value of investment properties and the stability of cash flows derived from those properties is dependent upon the level of occupancy and lease rates in those properties. Upon expiry of any lease, there is no assurance that a lease will be renewed on favourable terms, or at all; nor is there any assurance that a tenant can be replaced. A contraction in the Canadian or U.S. economy would negatively impact demand for space in retail, office and industrial properties, consequently increasing the risk that leases expiring in the near term will not be renewed.

Details of the portfolio's expiry schedule is as follows:

	Canada						U.S.		
Expiry Year	**AB**	**BC**	**MB**	**SK**	**ON**	***Calgary Office Only***	**MN**	**Other**	**Total**
2014	2.3 %	0.5 %	2.1 %	0.3 %	1.8 %	*0.8 %*	2.4 %	0.1 %	9.5 %
2015	3.2 %	0.8 %	2.4 %	0.7 %	1.8 %	*1.7 %*	4.1 %	0.2 %	13.2 %
2016	4.0 %	1.1 %	1.7 %	0.3 %	2.8 %	*1.1 %*	4.1 %	0.1 %	14.1 %
2017	1.9 %	0.8 %	1.6 %	0.8 %	2.4 %	*0.9 %*	2.9 %	1.3 %	11.7 %
2018	2.6 %	0.5 %	2.2 %	0.5 %	0.6 %	*0.9 %*	1.7 %	0.9 %	9.0 %
2019	2.0 %	0.7 %	0.2 %	0.1 %	1.6 %	*0.5 %*	1.6 %	0.4 %	6.6 %
2020 & later	8.4 %	2.1 %	3.3 %	1.9 %	3.9 %	*3.5 %*	5.2 %	3.7 %	28.5 %
Month-to-month	0.1 %	0.1 %	0.1 %	0.0 %	0.1 %	*0.0 %*	0.4 %	0.1 %	0.9 %
Vacant	1.2 %	0.3 %	0.7 %	0.1 %	0.5 %	*0.7 %*	1.3 %	0.3 %	4.4 %
Properties in re-development	0.0 %	0.5 %	1.1 %	0.5 %	0.0 %	*0.0 %*	0.0 %	0.0 %	2.1 %
Total	25.7 %	7.4 %	15.4 %	5.2 %	15.5 %	*10.1 %*	23.7 %	7.1 %	100.0 %

Artis' real estate is diversified across five Canadian provinces and five U.S. states, and across the office, retail and industrial asset classes. By city and asset class, the three largest segments of the REIT's portfolio (by Property NOI) are Calgary office properties, Winnipeg office properties and the Twin Cities Area industrial properties.

TAX RISK

The Tax Act contains the SIFT Rules, which are applicable to publicly traded income trusts unless the trust satisfies the REIT Exception. The REIT Exception to the SIFT Rules is comprised of a number of technical tests and the determination as to whether the REIT qualifies for the REIT Exception in any particular taxation year can only be made with certainty at the end of the taxation year. Management believes that the REIT has met the requirements of the REIT Exception in each taxation year since 2009 and that it has met the REIT Exception throughout the three month period ended March 31, 2014 and the year ended December 31, 2013. There can be no assurances, however, that the REIT will continue to be able to satisfy the REIT Exception in the future such that the REIT will not be subject to the tax imposed by the SIFT Rules.

The Tax Act also contains restrictions relating to the activities and the investments permitted by a mutual fund trust. Closed-end trusts must also comply with a number of technical tests relating to its investments and income. No assurance can be give that the REIT will be able to continue to comply with these restrictions at all times.

The REIT primarily operates in the United States through a U.S. REIT (Artis US Holdings, Inc), which is capitalized by the REIT by way of equity, debt in the form of notes owed to the REIT and preferred shares. If the Internal Revenue Service or a court were to determine that the notes and related interest should be treated differently for tax purposes, this may adversely affect the REIT's ability to flow income from the U.S. to Canada.

FOREIGN CURRENCY RISK

The REIT owns properties located in the United States, and therefore, the REIT is subject to foreign currency fluctuations that may impact its financial position and results. In order to mitigate a portion of this risk, the REIT's debt on U.S. properties as well as the Series G debentures are held in US dollars to act as a natural hedge. The REIT's Series C preferred units are also denominated in US dollars.

OTHER RISKS

In addition to the specific risks identified above, Artis REIT is subject to a variety of other risks, including, but not limited to, risks posed by the illiquidity of real property investments, risk of general uninsured losses as well as potential risks arising from environmental matters.

The REIT may also be subject to risks arising from land leases for properties in which the REIT has an interest, public market risks, unitholder liability risks, risks pertaining to the availability of cash flow, risks related to fluctuations in cash distributions, changes in legislation, and risks relating to the REIT's reliance on key personnel.

CRITICAL ACCOUNTING ESTIMATES

The policies that the REIT's management believes are the most subject to estimation and judgment are set out in the REIT's Management Discussion and Analysis for the year ended December 31, 2013.

CHANGES IN ACCOUNTING POLICIES

Accounting Policies Adopted During the Period

IAS 32 - Offsetting Financial Assets and Liabilities, as amended by the IASB in December 2011, clarifies certain aspects of offsetting and net and gross settlement, and is effective for annual periods beginning on or after January 1, 2014. This amendment did not result in a material impact on the consolidated financial statements.

IFRIC interpretation 21 - Levies was issued by the IASB in May 2013. The interpretation considers the guidance in IAS 37 - Provisions, Contingent Liabilities and Contingent Assets for the recognition of a levy liability due to an obligating event described in the legislation that brings about payment of the levy. It is effective for annual periods beginning on or after January 1, 2014. This interpretation did not result in a material impact on the consolidated financial statements.

Future Changes in Accounting Policies

In November 2013, the IASB amended IAS 19 - *Employee Benefits*. The amendment clarifies the requirements that relate to how contributions should be attributed to periods of service, and is effective for annual periods beginning on or after July 1, 2014. The REIT does not expect that this standard will result in a material impact on the consolidated financial statements.

IFRS 9 - *Financial Instruments* ("IFRS 9") will replace IAS 39 - *Financial Instruments: Recognition and Measurement* ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple classification options in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial assets. IFRS 9 was amended by the IASB in October 2010 to provide guidance on the classification and reclassification of financial liabilities, their measurement, and the presentation of gains and losses on financial liabilities designated as at fair value through profit or loss. When an entity elects to measure a financial liability at fair value, gains or losses due to changes in the credit risk of the instrument must be recognized in other comprehensive income. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The REIT is currently evaluating the impact of this new standard.

CONTROLS AND PROCEDURES

INTERNAL CONTROLS OVER FINANCIAL REPORTING

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 IFRS. 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 NI 52-109) for the period ended March 31, 2014.

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.

The REIT is working towards adopting COSO *Internal Control - Integrated Framework (2013)* framework during fiscal 2014.

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 March 31, 2014, an evaluation was carried out, under the supervision of and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the REIT's disclosure controls and procedures (as defined in NI 52-109). Based on the evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the design and operation of the REIT's disclosure controls and procedures were effective for the period ended March 31, 2014.