



PROPERTIES OF SUCCESS

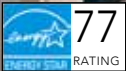
ANNUAL REPORT 2013
ARTIS REAL ESTATE INVESTMENT TRUST



ON THE COVER:
MAX AT KIERLAND, SCOTTSDALE, AZ



STAMPEDE STATION, CALGARY, AB



NORTH SCOTTSDALE CORPORATE CENTER II, SCOTTSDALE, AZ



TWO MARKETPOINTE, MINNEAPOLIS, MN

COMPANY PROFILE

Artis is one of the largest diversified commercial real estate investment trusts in Canada. Over the last 10 years, Artis has executed an aggressive but disciplined growth strategy, building a portfolio of office, retail and industrial properties in Canada and select U.S. markets with a major concentration in Western Canada.

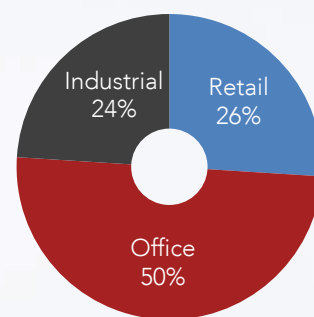
Artis' external growth strategy is to pursue high-quality accretive acquisitions, and when prudent, to invest in high-yield development opportunities in our established target markets. Artis' internal growth strategy is to extract maximum financial value from our existing commercial properties by capitalizing on below-market rent opportunities, through selective redevelopment and repositioning of well-located assets in primary markets, and from new construction and expansion of existing portfolio properties.

TABLE OF CONTENTS

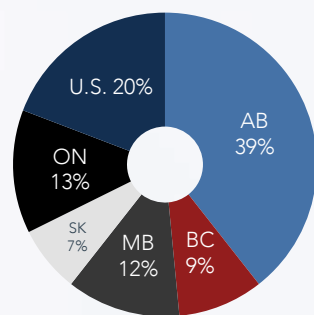
01	Message to Unitholders
03	Internal Growth Strategy
04	External Growth Strategy
06	Portfolio Assets
09	Strong Financial Position
10	Artis' Executive Team
11	Outlook
12	Artis' Trustees, Corporate Governance and Sustainability
13	Corporate Information

FINANCIAL HIGHLIGHTS

	YEAR ENDED DECEMBER 31		
	2013	2012	% CHANGE
(\$000'S EXCEPT PER UNIT AMOUNTS)			
REVENUE	463,418	372,469	24.4%
PROPERTY NET OPERATING INCOME (PROPERTY NOI)	296,882	240,409	23.5%
FUNDS FROM OPERATIONS (FFO)	183,467	140,146	30.9%
FFO PER UNIT	1.46	1.30	12.3%
FFO PAYOUT RATIO	74.0%	83.1%	9.1%
ADJUSTED FUNDS FROM OPERATIONS (AFFO)	156,761	122,702	27.8%
AFFO PER UNIT	1.26	1.15	9.6%
AFFO PAYOUT RATIO	85.7%	93.9%	8.2%
DISTRIBUTIONS PER UNIT	1.08	1.08	-
GROSS BOOK VALUE ("GBV")	5,043,254	4,380,766	15.1%
MORTGAGES, LOANS AND BANK INDEBTEDNESS TO GBV	45.4%	47.3%	1.9%



ASSET CLASS DIVERSIFICATION⁽¹⁾



GEOGRAPHICAL DIVERSIFICATION⁽¹⁾

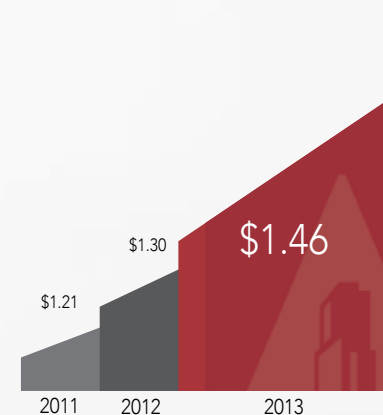
(1) share of 2013 annual property NOI

INVESTOR HIGHLIGHTS

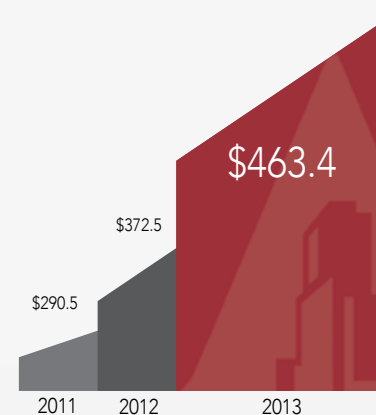
- WELL DIVERSIFIED CANADIAN COMMERCIAL REIT
 - 25 MILLION SQUARE FEET OF OFFICE, RETAIL AND INDUSTRIAL SPACE
 - OVER 230 PROPERTIES IN WESTERN CANADA, CENTRAL CANADA AND SELECT U.S. MARKETS
- TSX-LISTED REIT OFFERING A SELECTION OF EQUITY INVESTMENT OPTIONS FOR INVESTORS
 - TRUST UNITS EARN A STABLE AND TAX-EFFICIENT MONTHLY DISTRIBUTION OF \$1.08 PER UNIT PER ANNUM
 - PREFERRED UNITS EARN A STABLE TAX-EFFICIENT QUARTERLY DISTRIBUTION, IN CANADIAN AND IN SOME CASES U.S. DOLLARS
- PROVEN TRACK RECORD OF ACCRETIVE GROWTH: 2011 - 2013
 - 59% INCREASE IN ASSETS
 - 60% INCREASE IN REVENUES
 - 21% INCREASE IN FUNDS FROM OPERATIONS PER UNIT
- STRONG FINANCIAL POSITION
 - INVESTMENT GRADE CREDIT RATING OF BBB (L) AND PFD-3 (L) FROM DBRS
 - DECREASING LEVERAGE AND PAYOUT RATIOS
 - AMPLE CASH AND BORROWING CAPACITY

GROWTH HIGHLIGHTS

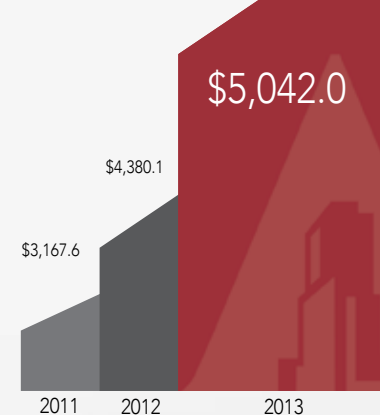
FUNDS FROM OPERATIONS PER UNIT



REVENUES MILLIONS



TOTAL ASSETS MILLIONS



The information in this Annual Report should be read in conjunction with the REIT's audited annual consolidated financial statements and management's discussion and analysis for the years ended December 31, 2013 and 2012. These documents are available at www.sedar.com or on our web site at www.artisreit.com.





MESSAGE TO UNITHOLDERS:

ARTIS' GROWTH STRATEGY HAS DELIVERED EXCEPTIONAL RESULTS.

2013 has been another outstanding year for Artis. In an effort to deliver exceptional results for our Unitholders, Artis has continued to pursue a disciplined growth strategy which has resulted in the successful acquisition of Canadian and U.S. commercial assets for \$321.1 million and US\$212.4 million respectively. These acquisitions significantly increased funds from operations ("FFO"), revenues, and total assets while further diversifying our commercial real estate portfolio both geographically and by asset class.

Artis has a best in class management team who successfully acquired over \$1.5 billion in commercial real estate over the last two years. We have expanded the reach of our asset management platform with a newly opened U.S. office, and have fully developed property management offices operating in Edmonton, Calgary, Winnipeg and Toronto.

Successful execution of our external and internal growth strategy led to improvements in virtually all of our key financial metrics in 2013. This includes key per unit earnings metrics, payout ratios, and overall leverage and interest coverage ratios. Notably, in 2013 we earned our investment grade credit rating from DBRS, a significant accomplishment as there are only a select few REITs and real estate operating companies in Canada with an investment grade credit rating.

I would like to take this opportunity to thank our employees for making Artis an award-winning Top 25 Employer in Manitoba. I would also like to thank our management team and Board of Trustees for their contribution in delivering another year of outstanding results, and look forward to reporting on our progress next year.

Armin Martens, P.Eng., MBA
President & C.E.O.





PRODUCTION COURT, BURNABY, BC

REPORTED HEALTHY
SAME-PROPERTY
NOI GROWTH OF
3.3% IN 2013



1700 BROADWAY, DENVER, CO

INTERNAL GROWTH STRATEGY

Artis is focused on generating internal growth from our existing portfolio by capitalizing on below-market rent opportunities and maintaining occupancy levels, as well as through efficient and cost-effective property management and leasing practices. As Artis has grown, we are increasingly focused on internal growth opportunities generated by the selective re-development and repositioning of well-located assets in primary markets and from new construction and expansions on existing portfolio properties.

As a part of Artis' internal growth strategy, we were able to capitalize on positive leasing activity through increases in renewal rent rates in 2013 which were up 7.5% and 7.2% in Q4 and year-over-year, respectively. 2013 Same-Property NOI growth was 3.3%, and notably, Same-Property NOI growth increased over the course of 2013, from 2.4% in Q1-13 to 3.7% in Q4-13. At year end, management estimates that market rents for leases expiring in 2014 and 2015 are approximately 7.1% and 7.9% above existing in-place rents. We believe this is an excellent indicator of potential revenue growth to be gained from future leasing activities.

The management team continues to work diligently to maintain occupancy over 95% consistently, and at December 31, 2013, occupancy plus commitments was a very healthy 96.2%. We take a focused and pro-active approach with the leasing program, managing Artis' lease expiry schedule well ahead of time. In 2014, only 11.4% of leasable area expires, of which over 36% has already been renewed or committed to new leases.

In 2013 we increased our focus on revenue enhancing re-developments and new development projects on excess lands in the portfolio. These improvements may result in new rentable area and revenue streams, or may enhance the overall quality or attractiveness of the property, thus increasing revenues, Property NOI and ultimately asset values in the long run.

The Linden Ridge Shopping Centre expansion is an excellent example: 87,000 square feet of new retail was developed on excess lands in a vibrant and expanding retail node in south Winnipeg, Manitoba. This new retail development has been fully leased to national tenants, including Marshalls, PetSmart, SportChek and Dollar Tree, and will be fully occupied by Q1-14. In addition to improving our Property NOI, the new tenants will increase traffic flows to the pre-existing retail strip, thus improving leasing prospects and the long-term viability of the shopping centre.

MARKET RENTS ARE
ESTIMATED TO BE 7%
ABOVE CURRENT
IN-PLACE RENTS

EXTERNAL GROWTH STRATEGY

Artis has achieved a leading market position in the commercial REIT sector, with its vastly diversified portfolio of retail, office and industrial assets in Canada and the U.S. As at December 31, 2013, Artis' commercial real estate portfolio consists of 24.8 million square feet of leasable area in 232 properties in five Canadian provinces and five U.S. states.

Artis' external growth strategy is to pursue high-quality accretive acquisition opportunities in our established markets, and when prudent, to invest in high-yield development opportunities in those markets. In 2013, we delivered on that strategy, acquiring 13 properties in Canada and the U.S., adding nearly 1.8 million square feet of leasable area to the portfolio.

Notable 2013 acquisitions included the acquisition of the Quarry Park Portfolio, a 282,327 square foot newly constructed Class A, LEED Certified office portfolio in Calgary, Alberta, and the acquisition of the DirecTV Building, a 256,767 square foot Class A trophy office building located in the Greater Denver Area, Colorado. Artis also participated in the development of a 185,407 square foot industrial property in the Twin Cities Area,

Minnesota, which is now fully leased for a 10-year term with annual rent escalators to a stable and high credit-rated tenant.

U.S. STRATEGY

Artis' U.S. assets are located in five states, with a primary emphasis on the Phoenix Metropolitan Area in Arizona, the Twin Cities Area in Minnesota and the Greater Denver Area in Colorado. In 2013, 19.9% of Artis' Property NOI was generated by our U.S. assets; at December 31, 2013, we estimated that our pro-forma Property NOI from our U.S. assets was 22.5%. Due to our success in these markets, we recently increased our U.S. target weighting to 30% of total Property NOI.

Artis was among the first Canadian REITs to enter the U.S. commercial real estate market after the 2008/2009 financial crisis. As we looked to the U.S., we found that unlevered yields were more accretive, tenant credit and lease expiry profiles were more conservative, and asset quality was superior compared to available acquisition opportunity in Canada. Acquiring properties in the U.S. thus improved the overall caliber of our portfolio. This first mover strategy has proven to be timely. In addition to benefiting from historically low interest rates, the U.S. real estate market has rebounded significantly over the last 4 years. As a result, between January 1, 2011 and December 31, 2013, Artis recorded \$49.8 million in fair value gains on our U.S. property portfolio.

19.9% OF PROPERTY
NOI WAS
GENERATED IN
ARTIS' U.S.
PORTFOLIO



GSA PHOENIX PROFESSIONAL OFFICE BUILDING, PHOENIX, AZ



PTI BUILDING, EDMONTON, AB

Close to half of the capital used to acquire new properties in 2013 was spent on U.S. properties, at capitalization rates much better than for comparable properties in Canada. In 2013, Artis acquired commercial properties for US\$212.4 million, including our first two properties in the Greater Denver Area, as well as two properties in the Phoenix Metropolitan Area and one in the Twin Cities Area. Artis has solidified its position in the Twin Cities Area, and is now the second largest industrial landlord in that market.

CANADIAN STRATEGY

Artis owns properties in the eastern province of Ontario, and in the western provinces of Manitoba, Saskatchewan, Alberta and British Columbia. The Western Canadian provinces contributed 66.9% to our annual 2013 Property NOI. We continue to believe that Western Canada's economic fundamentals, and hence real estate fundamentals, will outperform the Canadian average in the mid- to long term.

Our goal is to continue to acquire properties in our Canadian target markets that are accretive and that will improve the diversity, stability and quality of our portfolio. In 2013, Artis acquired \$321.1 million of Canadian commercial properties, primarily in Western Canada.

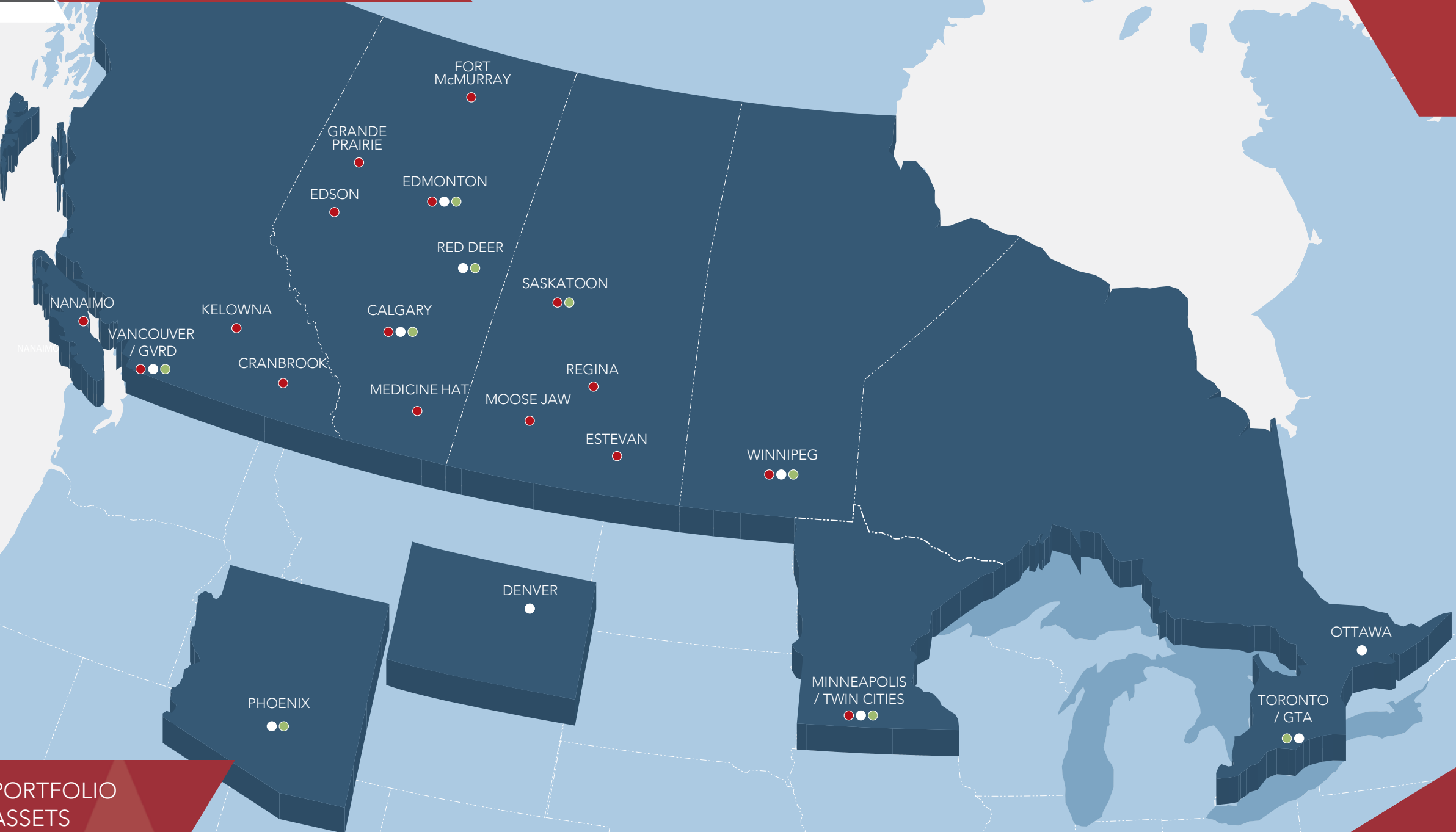
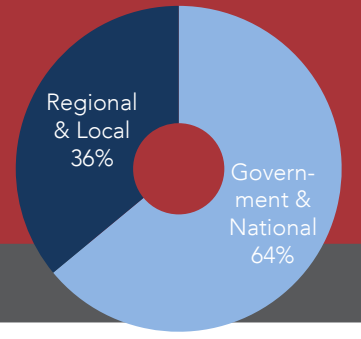
The on-going internalization of property management operations in Canada over time is also a key focus for us, as we expect this will translate to long-term operating cost efficiencies. At the close of 2013, we have fully staffed property management offices in Calgary, Edmonton, Winnipeg and Toronto, where our Canadian assets are concentrated.

IN 2013 ARTIS ACQUIRED
\$321.1 MILLION OF
CANADIAN AND
US\$212.4 MILLION OF U.S.
COMMERCIAL PROPERTIES



DIVERSIFICATION

OVER 64% OF ARTIS' TENANTS ARE GOVERNMENT OR NATIONAL



TOP TEN TENANTS BY PERCENTAGE OF GROSS REVENUE

MTS MANITOBA TELECOM SERVICES, INC.	2.0%
amec AMEC AMERICAS LTD.	1.9%
TransAlta TRANSALTA CORPORATION	1.1%
SHOPPERS DRUG MART SHOPPERS DRUG MART	1.0%
CBRE CB RICHARD ELLIS, INC.	0.9%
TELVENT TELVENT CANADA LTD.	0.9%
TD Canada Trust TD CANADA TRUST	0.9%
Stantec STANTEC CONSULTING, LTD.	0.9%
DIRECTV DIRECTV, LLC	0.9%
IHS IHS GLOBAL CANADA LTD.	0.9%

PORTFOLIO ASSETS

- INDUSTRIAL
- RETAIL
- OFFICE



ARTIS' TOP TWENTY TENANTS ACCOUNT FOR 19.4% OF GROSS REVENUE AND HAVE A 7.4 YEAR WEIGHTED-AVERAGE LEASE TERM



QUARRY PARK, CALGARY, AB



AFFO PER UNIT INCREASED AN IMPRESSIVE 9.6% OVER LAST YEAR

STRONG FINANCIAL POSITION

In 2013, we accessed the capital markets raising \$172.5 million of equity in a public offering of units and \$180.0 million through two preferred unit offerings. We finished the year with ample liquidity, including \$48.2 million of cash on hand and \$80.0 million available on our revolving term credit facility.

We have worked hard to improve the financial strength of the balance sheet and successfully decreased our ratio of mortgages, loans and bank indebtedness to GBV and our total debt to GBV as of December 31, 2013 to 45.4% and 49.0%, respectively. At the same time, we reduced our weighted-average effective rate of interest to 4.27% from 4.42% last year and improved our interest coverage ratio to 2.82 times from 2.45 times last year.

As a result of our successful acquisition program and internal growth strategy, our financial results in 2013 improved significantly. Top line revenue was up 24.4% and Property NOI was up 23.5% compared to last year. AFFO, which is a key financial measure for REITs in Canada, increased to \$1.26 per unit in 2013, an impressive 9.6% increase over last year. Artis has provided a stable monthly distribution to unitholders since inception, which is currently set at \$1.08 per annum. Our AFFO payout ratio based on our current distribution rate also improved significantly, decreasing from 93.9% in 2012 to 85.7% in 2013.

Artis is one of a select few REITs and real estate operating companies in Canada that has earned a BBB (L) & Pfd-3 (L) rating from DBRS. The basis for the rating from DBRS is a result of having an impressive financial profile and credit matrix, a fully diversified commercial portfolio by asset type and geography and having a portfolio of commercial properties that continually improve in quality with each new acquisition. Artis' portfolio has a diverse tenant roster with a majority of investment grade national and government tenants.

ARTIS IS ONE OF A SELECT FEW PUBLIC COMPANIES IN CANADA'S REAL ESTATE SECTOR WITH AN INVESTMENT GRADE CREDIT RATING





ARTIS' EXECUTIVE TEAM



Armin Martens
President and C.E.O.



Jim Green
C.F.O.



Kirsty Stevens
C.A.O.



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



Doug McGregor
Senior Vice-President
Special Projects
(Western Region)



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



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



Frank Sherlock
Senior Vice-President
Property Management



Bruce Nimmo
Vice-President
Leasing
(Western Region)



Brad Goerzen
Vice-President
Leasing
(Central Canada & U.S.
Region)



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



Kim Riley
Vice-President
Acquisitions
and Due Diligence

OUTLOOK

In 2014 and for the foreseeable future, Artis will continue to focus on internal growth opportunities, extracting maximum financial value from our existing commercial properties by capitalizing on below-market rent opportunities, through selective redevelopment and repositioning of well-located assets in primary markets, and from new construction and expansions of existing portfolio properties.

We selectively pursue opportunities to make accretive acquisitions in Canada and the U.S. in our select markets. We will continue to be deliberate in our acquisition strategy, only acquiring assets that improve the quality of the overall portfolio and continue to improve our financial performance.

We expect the debt and equity markets to be healthy in 2014. Interest rates should continue to fluctuate moderately at their historical lows and there will continue to be opportunities to term out debt at very attractive low long term financing rates.

We start 2014 with significant liquidity on the balance sheet, an investment grade credit rating, and a proven track record of raising capital efficiently. We expect Artis will have capacity and flexibility to execute on our disciplined growth strategy again in 2014.

OVER \$200 MILLION
WORTH OF
DEVELOPMENT
PROJECTS IN THE
PIPELINE

Readers are cautioned that this Annual Report may contain forward-looking statements. Artis cannot assure investors that actual results will be consistent with any forward-looking statements and 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 Annual Report are qualified by this cautionary statement. Refer to Artis' MD&A for full forward looking disclaimer.



ARTIS NAMED ONE
OF MANITOBA'S
TOP 25
EMPLOYERS
FOR 2014



ARTIS' TRUSTEES



Armin Martens
President and C.E.O.
(4)



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



Delmore Crewson
(1) (2)



Cornelius Martens



Ron Rimer
(5)



Patrick Ryan
(1)



Victor Thielmann
(1) (3)



Wayne Townsend
(2) (3)

- (1) AUDIT COMMITTEE
- (2) INVESTMENT COMMITTEE
- (3) GOVERNANCE AND COMPENSATION COMMITTEE
- (4) DISCLOSURE COMMITTEE
- (5) NEW INDEPENDENT TRUSTEE, APPOINTED FEBRUARY 27, 2014

CORPORATE GOVERNANCE

Artis' Trustees are proven business leaders with significant breadth of experience in the areas of real estate, finance, securities, investments and law; they also bring other public company board experience to the table. The Board has three committees: the Audit Committee (Chaired by Delmore Crewson, FCA), the Governance and Compensation Committee (Chaired by Edward Warkentin, LL.B.), and the Investment Committee (Chaired by Wayne Townsend, CFP). Each committee's members are independent of management. The Disclosure Committee is a sub-committee of the Governance and Compensation Committee (Chaired by Edward Warkentin).

Additional information about Artis' Board, Trustees and committees, as well as key governance documents such as the Code of Conduct, Whistleblower Policy, Board Mandate and Declaration of Trust can be downloaded from the company's web site at: www.artisreit.com/about-us/corporate-governance/

CORPORATE SUSTAINABILITY

Artis is committed to minimizing potential adverse effects on the environment and promoting the use of energy efficient tenant practices in our buildings. We acquire energy certified buildings and target advancements in certification levels in our portfolio properties. The three major property certifications we pursue are:



LEED or Leadership in Energy &

Environmental Design is a green building tool that addresses the entire building lifecycle recognizing best-in-class building strategies.



ENERGY STAR is a voluntary U.S. Environmental Protection Agency (EPA)

program that certifies buildings in the U.S. for superior energy performance.



BOMA or the Building Owners and Managers Association promotes energy efficiency and sustainability

for new and existing buildings, by assigning certification levels based on achievement of energy target.

CORPORATE INFORMATION

TRANSFER AGENT

CST Trust Company
Phone: 1.416.682.3860 or 1.800.387.0825
Toll Free throughout North America
Fax 1.888.249.6189
canstockta.ca

INDENTURE TRUSTEE

BNY Trust Company of Canada
Phone 1.800.254.2826
Fax 1.416.360.1711
bnymellon.com

AUDITORS

Deloitte LLP

LEGAL COUNSEL

Aikins, MacAulay & Thorvaldson LLP

STOCK EXCHANGE LISTINGS

Toronto Stock Exchange

Trust Units	AX.UN
Preferred Units	
Series A	AX.PR.A
Series C	AX.PR.U
Series E	AX.PR.E
Series G	AX.PR.G
Convertible Debentures	
Series F	AX.DB.F
Series G	AX.DB.U

2013 DISTRIBUTIONS

Trust Units
\$0.09 per unit per month

Series A Preferred Units
\$0.328125 per unit per quarter

Series C Preferred Units
US\$0.328125 per unit per quarter

Series E Preferred Units
\$0.328600 per unit for the initial period ended June 28, 2013
\$0.296875 per unit for the quarters ended September 30, 2013 and December 31, 2013

Series G Preferred Units
\$0.321900 per unit for the initial period ended October 31, 2013

2013 TAXABILITY OF DISTRIBUTIONS

88% of distributions to Unitholders and preferred Unitholders in the taxation year were classified as return of capital. 11.64% was classified as investment income and 0.36% was classified as capital gains.



ANNUAL GENERAL MEETING

Main Floor Conference Centre
360 Main Street
Winnipeg, Manitoba

Thursday, June 19, 2014
11:00 a.m. C.T.

INVESTOR RELATIONS

investorinquiries@artisreit.com
Phone: 1-800-941-4751



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