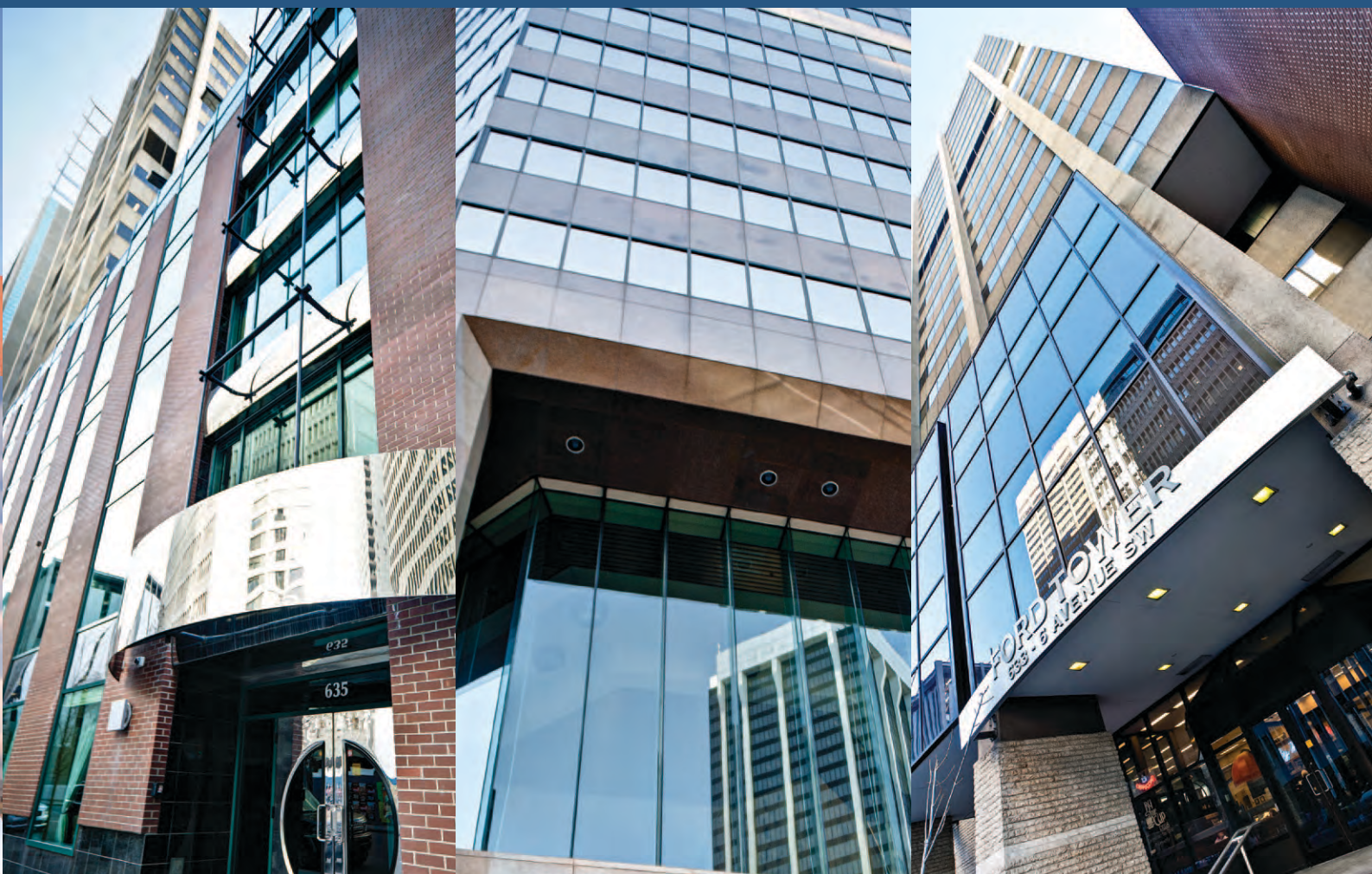


PROPERTIES OF SUCCESS



2012 ANNUAL REPORT



Message from the President & C.E.O. **1**

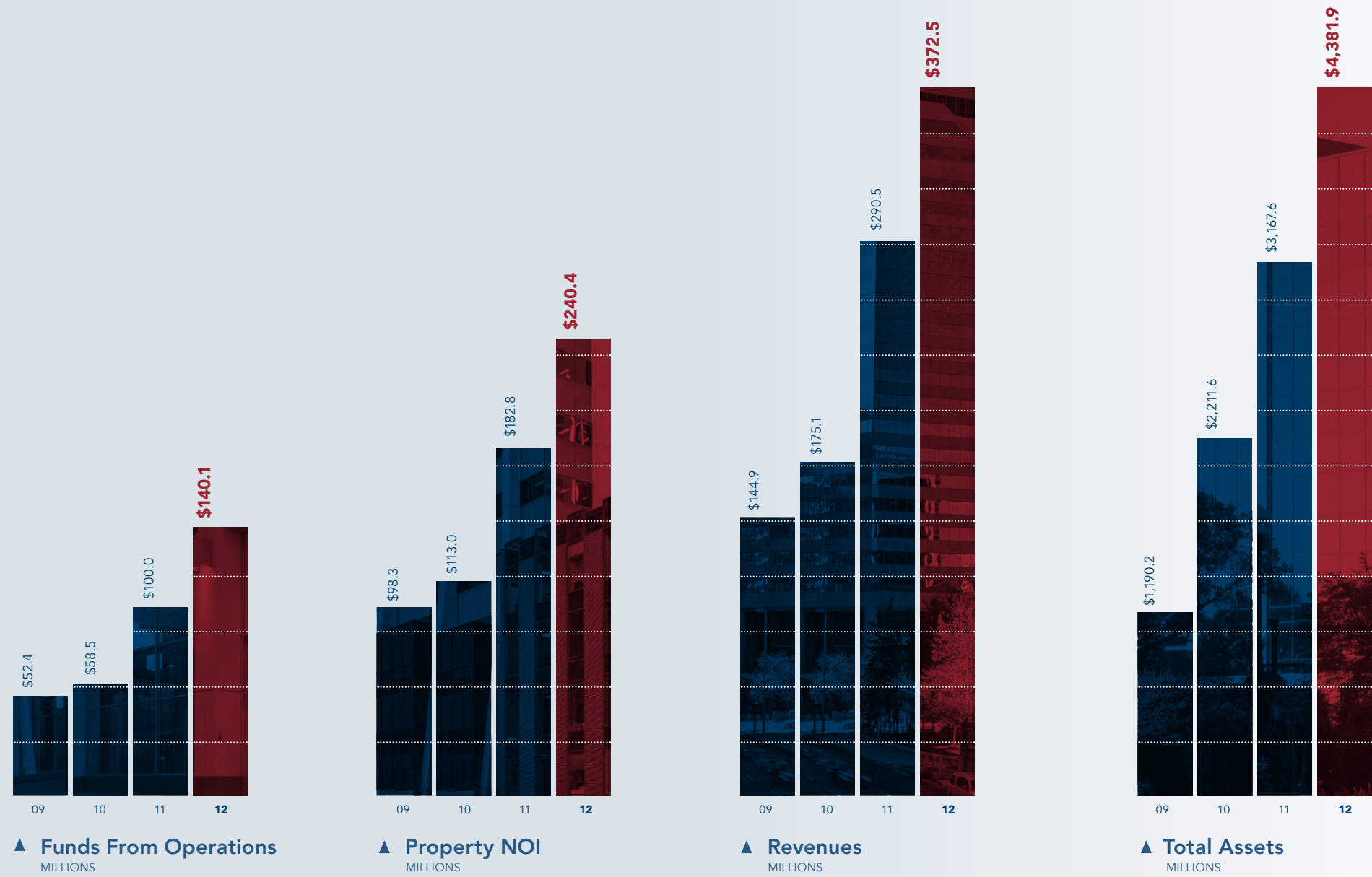
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OUTSTANDING ASSETS. OUTSTANDING PEOPLE.
OUTSTANDING RESULTS.

▼ GROWTH HIGHLIGHTS 2009-2012



▼ FINANCIAL HIGHLIGHTS

	Year ended December 31	
	2012	2011
Revenue	\$ 372,469	\$ 290,512
Property Net Operating Income ("Property NOI")	\$ 240,409	\$ 182,813
Income for the period	\$ 340,339	\$ 321,289
Funds from operations ("FFO") ⁽¹⁾	\$ 140,146	\$ 99,955
FFO per unit ⁽¹⁾⁽²⁾	\$ 1.30	\$ 1.21
Distributions per unit	\$ 1.08	\$ 1.08
FFO payout ratio	83.1%	89.3%
Mortgages, loans and bank indebtedness	\$ 2,073,607	\$ 1,605,299
Gross book value ("GBV")	\$ 4,382,620	\$ 3,167,941
Mortgages, loans and bank indebtedness to GBV	47.3%	50.7%

(1) Calculated after adjustments for transactions costs, current tax expense and the loss on equity securities.
(2) Diluted.

\$4.4 BILLION IN ASSETS
23.4 MILLION SQUARE FEET OF LEASABLE AREA
\$1.8 BILLION OF MARKET CAPITALIZATION
INTERNALIZATION OF PROPERTY AND ASSET MANAGEMENT



MESSAGE FROM THE PRESIDENT & C.E.O.



Fellow Unitholders:

2012 WAS AN OUTSTANDING YEAR FOR ARTIS ON ALL FRONTS.

During the course of our first year operating as a fully internalized REIT, we acquired close to one billion in assets, thus increasing our revenues, Property NOI and cash flows significantly, while further diversifying our portfolio geographically and by asset class. At the same time, we improved virtually all of our key financial metrics; including key per unit earnings metrics, our payout ratio, overall leverage, and interest coverage ratios. Our efforts were rewarded with an Investment Grade credit rating from DBRS, and as we close 2012, I am pleased to report that Artis is a bigger, better and more financially sound REIT than ever before!

ARMIN MARTENS PRESIDENT & C.E.O.



MESSAGE FROM THE PRESIDENT & C.E.O.

In 2012, we acquired a total of 58 commercial properties, comprising 6.3 million square feet of leasable area for \$990.2 million, reaching a GBV of \$4.4 billion. We continued to find outstanding acquisition opportunities in the United States (the "U.S.") in 2012, closing on US\$288.6 million of institutional quality properties in our key Minnesota and Arizona markets. These acquisitions included two portfolio acquisitions aggregating 2.49 million square feet of industrial property in the Minneapolis/St. Paul Metropolitan Area, which consolidated Artis' position as a top landlord in that market. We also acquired two Class A, LEED certified, newly constructed office properties – one in Phoenix, and one in North Scottsdale, Arizona – at a weighted-average capitalization rate of 7.0%. These U.S. acquisitions were home runs for Artis; there were simply no opportunities to acquire this caliber of real estate in any major market in Canada in 2012 at these pricing levels.

In spite of the competitive Canadian investment environment, Artis' deal team successfully closed on \$694.0 million of retail, office and industrial properties, in major urban and thriving secondary markets in Canada. Significant transactions included the acquisition of the four-building LaSalle Office Portfolio in downtown Calgary, and Trimac House, a Class A downtown Calgary office property. Calgary has historically been a key market for Artis and we continue to feel bullish about the long-term economic growth prospects for this major Canadian market.

Ontario's greater Toronto metropolitan area (the "GTA") is another market where we have increased our focus in recent years. We acquired nearly 1.8 million square feet of industrial property in three separate transactions during the year, including the acquisition of 17 institutionally owned and managed properties for \$95.5 million in July.

Growing the portfolio through prudent investments in our target markets has been fundamental to building our portfolio to its current size. However, Artis never pursues growth for growth's sake. Every year we set the benchmarks higher in terms of the caliber of the real estate opportunities we pursue. We are continuously improving the diversity, stability and quality of our portfolio, one acquisition at a time.

"In 2012, we acquired a total of 58 commercial properties, comprising 6.3 million square feet of leasable area for \$990.2 million, reaching a GBV of \$4.4 billion."

OUTSTANDING ASSETS

During the course of our first year operating as a fully-internalized REIT, we acquired close to **one billion in assets**.



GSA/FBI PROFESSIONAL BUILDING / Phoenix, AZ



TRIMAC HOUSE / Calgary, AB



MAX AT KIERLAND / North Scottsdale, AZ

NAMAO CENTRE
Edmonton, AB



WESTBANK HUB SHOPPING CENTRE
West Kelowna, BC



Since inception, Artis has remained focused on creating value for Unitholders through the investment in and ownership of quality commercial properties, located across western Canada, Ontario and in select markets in the U.S. At the close of 2012, Artis' portfolio measured nearly 23.4 million square feet of leasable area in 220 properties. Our properties are well-diversified geographically, and well-balanced across the retail, office and industrial asset classes.

MESSAGE FROM THE PRESIDENT & C.E.O.

Largely as a result of all our acquisition activity, Artis reported substantial year-over-year increases in our top line revenues, Property NOI and FFO of 28.2%, 31.5% and 40.2%, respectively. At the same time, we also increased our diluted year-over-year FFO per unit by 7.4% to \$1.30 and decreased our year-over-year FFO payout ratio by 6.2% to 83.1%. We initiated AFFO reporting at December 31, 2012, reporting AFFO per unit of \$1.15 for 2012, which translated to a very respectable AFFO payout ratio of 93.9%, (90.0% for the last quarter of 2012). We accredit these outstanding results to our disciplined investment approach: we focus on sourcing and deploying our capital efficiently and effectively, with minimal dilution, into the best quality accretive acquisitions opportunities in our target markets.

Artis accessed the capital markets a number of times in 2012, raising \$378.5 million of equity in four public offerings of units. We also raised \$86.3 million of equity in our inaugural offering of Series A preferred units and raised an additional US\$75.0 million of equity by way of an offering of Series C preferred units, denominated in U.S. dollars, a unique security in the Canadian REIT landscape. In 2012, we replaced our \$60.0 million revolving acquisition line of credit with a new two-year \$80.0 million revolving credit facility. We worked diligently in 2012 to improve the strength of our balance sheet, and successfully decreased our ratio of mortgages, loans and bank indebtedness to GBV and our total debt to GBV at December 31, 2012, to 47.3% and 51.5%, respectively. At the same time, we reduced our weighted-average effective rate of interest by 37 basis points to 4.42% and increased the weighted-average term to maturity of mortgages and loans payable from 4.0 years to 4.4 years at year end.

On February 28, 2013, in conjunction with the release of our 2012 annual results, we were pleased to report that Artis and its preferred units had qualified for BBB (Low) and Pfd-3 (Low) ratings; institutional grade credit ratings from DBRS.

2012 FINANCIAL HIGHLIGHTS

Annual FFO per unit increased 7.4% to \$1.30

FFO payout ratio decreased 6.2% to 83.1%

Reported AFFO payout ratio of 93.9%

Raised \$464.8 million and US\$75.0 million of equity and preferred equity

Increased GBV 38.3% to \$4.4 billion

Reduced total debt to GBV by 6.6% to 51.5%

Improved annual interest coverage ratio to 2.5x from 2.2x

OUTSTANDING RESULTS

Artis qualified for an Investment Grade Credit Rating in 2012: DBRS BBB (Low) - Stable



TWO MARKETPOINTE / Minneapolis, MN / LEED Gold

MESSAGE FROM THE PRESIDENT & C.E.O.

OUR PRIMARY OBJECTIVE IS TO MAXIMIZE
TOTAL RETURNS TO UNITHOLDERS

Economic fundamentals in Artis’ target markets in Canada and the U.S. are healthy. Artis’ occupancy levels and leasing activities have been stable, and performed in accordance with our expectations for the individual market segments. We reported occupancy of 95.6% (96.3% including commitments on vacant space) and achieved a weighted-average increase in rental rates on renewals of 2.6%. We have good visibility on prospects for internal growth in the portfolio, with market rents for leases expiring in 2013 and 2014 being approximately 6.2% and 7.9%, above the existing in-place rents. Nearly 75% of the 2013 leasing program is complete at this time.

2012 was a significant year for Artis on another front as well: it was our first year of operations as a fully internalized asset management and property management business.

This transition period was exciting and exhilarating, and we have focused on building an organization that is experienced, efficient, nimble and dynamic. We are pleased with the progress made in 2012 and have many outstanding people on our team to thank for the growth and results achieved thus far.

ARTIS’ MANAGEMENT TEAM



Armin Martens
President and
C.E.O.

Jim Green
Chief Financial Officer
C.F.O.

Kirsty Stevens
Chief Administrative Officer
C.A.O.

Frank Sherlock
Senior Vice-President
Property Management

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

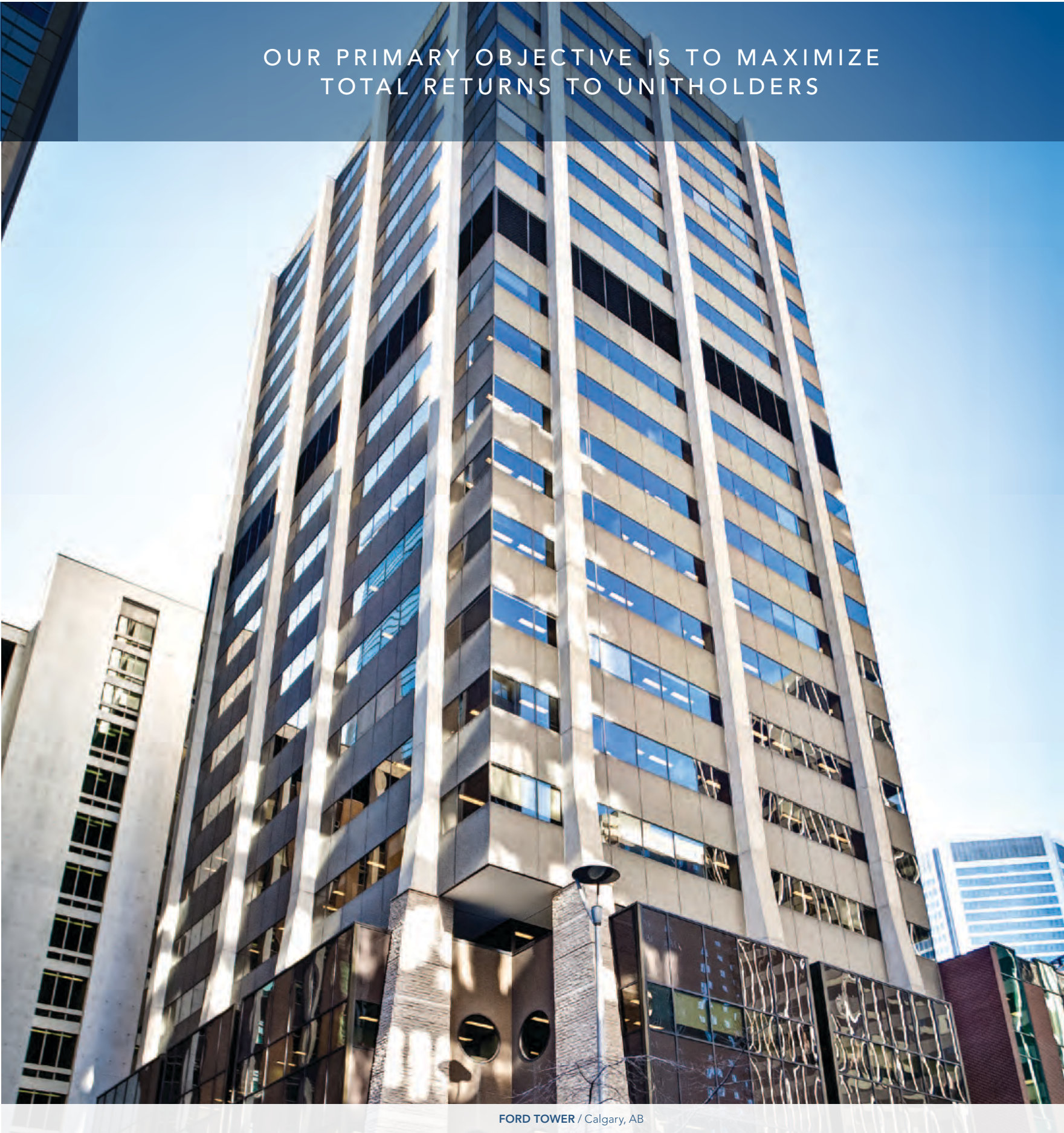


Dennis Wong
Senior Vice-President
Asset Management
(Western Region)

Doug McGregor
Senior Vice-President
Leasing
(Western Region)

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

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



FORD TOWER / Calgary, AB

MESSAGE FROM THE PRESIDENT & C.E.O.

OUTSTANDING ASSETS. OUTSTANDING PEOPLE.
OUTSTANDING RESULTS.

OUTLOOK

We expect that the investment climate for commercial properties in Canada and the U.S. will be competitive, but with capitalization rate compression leveling off, opportunities to make accretive acquisitions will still be available. We anticipate that access to debt capital will remain healthy in 2013 and that interest rates will continue to fluctuate moderately in a low trading range and that there will continue to be opportunities to term out debt at very attractive low long-term financing rates. Together with our proven ability to issue both new trust units and preferred equity and with our new larger credit facility, we expect to have significant capacity and flexibility to execute on our disciplined growth strategy again in 2013.

I thank our management team and board of trustees for their contribution in delivering our year of outstanding results, and look forward to reporting on our progress next year.



Armin Martens, P.Eng., M.B.A.
President & C.E.O.
Artis REIT

2013 TRANSACTIONS

<p>Acquisition Date: January 15, 2013 Property: 1110 Pettigrew Avenue Location: Regina, SK Property Type: Industrial GLA: 118,800 Purchase Price: \$12.2M</p>	<p>Acquisition Date: March 15, 2013 Property: 495 Richmond Road Location: Ottawa, ON Property Type: Office GLA: 106,193 Purchase Price: \$38.1M</p>
<p>Acquisition Date: February 11, 2013 / July 2013 (Two Phase closing) Property: Century Crossing III Location: Spruce Grove, AB Property Type: Retail GLA: 90,736 Purchase Price: \$26.4M</p>	<p>Acquisition Date: April 30, 2013 Property: 220 Portage Avenue Location: Winnipeg, MB Property Type: Office GLA: 170,158 Purchase Price: \$41.0M</p>



495 RICHMOND RD.



220 PORTAGE AVE.



CENTURY CROSSING III

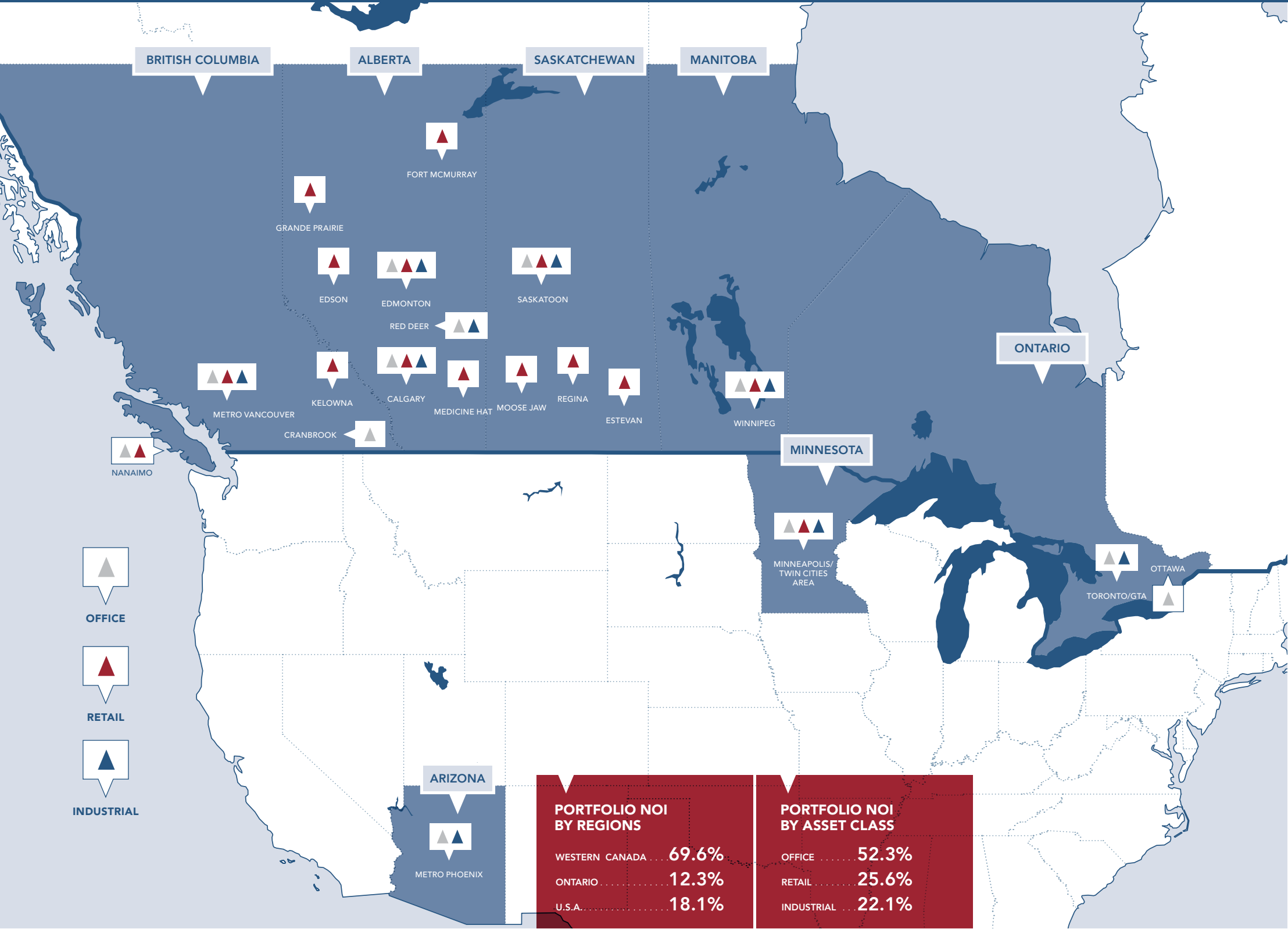


BOMA BEST 3
BOMA Earth Award Winner 2012

360 MAIN STREET / Winnipeg, MB

PORTFOLIO ASSETS

As of December 31, 2012



WEIGHTED-AVERAGE
REMAINING LEASE
TERM FOR TOP 20
TENANTS IS 7 YEARS

62% OF GROSS
REVENUE IS FROM
NATIONAL OR
GOVERNMENT
TENANTS

WEIGHTED-AVERAGE
REMAINING LEASE
TERM FOR THE
ENTIRE PORTFOLIO
IS 5 YEARS

TOP TWENTY TENANTS

Tenant	% of Total Gross Revenue	% of Total GLA
MTS Allstream	2.2%	1.4%
AMEC Americas Ltd.	2.1%	0.9%
TransAlta Corporation	1.2%	1.5%
Shoppers Drug Mart	1.1%	0.7%
Home Depot	1.0%	0.7%
TD Bank	0.9%	0.5%
IHS Energy (Canada) Ltd.	0.9%	0.3%
Sobeys	0.9%	0.8%
Fairview Health Services	0.9%	0.8%
PMC - Sierra, Inc	0.9%	0.6%
CGI Sys & Mgmt Consultants Inc.	0.9%	0.3%
Cara Operations Limited	0.8%	0.2%
CB Richard Ellis, Inc.	0.8%	0.4%
3M Canada Company	0.8%	1.4%
Birchcliff Energy	0.8%	0.3%
ABB Inc.	0.8%	1.4%
Bell Canada	0.7%	0.3%
Credit Union Central	0.7%	0.4%
Sport Alliance of Ontario	0.6%	0.4%
Cineplex Entertainment LP	0.6%	0.5%
TOTAL	19.6%	13.8%

MTS PLACE
Winnipeg, MB

HERITAGE SQUARE
Calgary, AB

TRANSALTA BUILDING
Calgary, AB

CONCORDE CORPORATE CENTRE
Toronto, ON

CARA FOODS BUILDING
Vaughan, ON

3M DISTRIBUTION FACILITY
Toronto, ON

CORPORATE GOVERNANCE

AUDIT COMMITTEE

The Audit Committee is charged with the responsibility for oversight of the annual audit, management's reporting on internal controls, annual and interim financial reporting and the review and recommendation for approval of financial statements and other public disclosures of a financial nature. All of the committee's members are independent of management.

Chair: Delmore Crewson, FCA

Members: Allan McLeod, Victor Thielmann, Wayne Townsend

INVESTMENT COMMITTEE

The Investment Committee is responsible for reviewing all proposals regarding investments, dispositions and financings of Artis, and making recommendations to the board with a view to achieving the strategic objective of acquiring a portfolio of quality assets and delivering the benefits of such asset ownership to Unitholders. All of the committee's members are independent of management. The Investment Committee operates within the detailed investment and operating policies set out in the REIT's Declaration of Trust.

Chair: Wayne Townsend

Members: Delmore Crewson, Edward Warkentin

GOVERNANCE AND COMPENSATION COMMITTEE

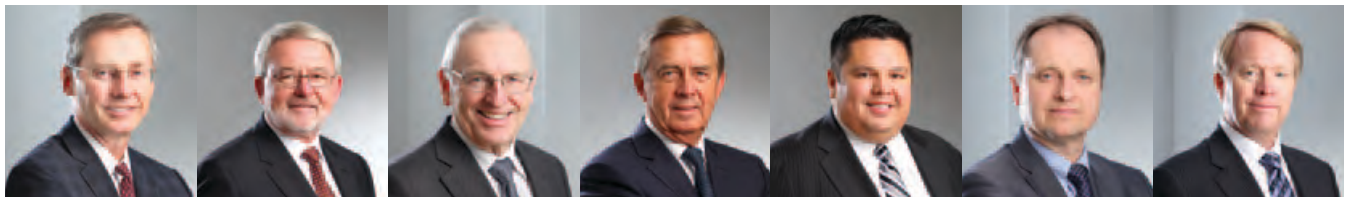
The Governance and Compensation Committee is charged with responsibility for the development of effective corporate governance practices, including matters related to trust stewardship, board size and composition, and trustees' remuneration. The committee is also responsible for management's remuneration, unit option plans and succession planning. All of the committee's members are independent of management.

Chair: Edward Warkentin

Members: Allan McLeod, Victor Thielmann

The Governance and Compensation Committee has established a sub-committee called the Disclosure Committee. The Disclosure Committee is comprised of the President and C.E.O. of Artis, the Chairman of Artis and the C.F.O. of Artis. The subcommittee has adopted a disclosure policy to address, among other things, the timely and accurate public dissemination of material information and the protection of confidential information.

ARTIS' TRUSTEES



Armin Martens
President and C.E.O.

Edward Warkentin
Chairman

Delmore Crewson

Cornelius Martens

Allan McLeod

Victor Thielmann

Wayne Townsend

CORPORATE INFORMATION

TRUSTEES

Armin Martens
President and C.E.O.

Edward Warkentin
Chairman

Delmore Crewson

Cornelius Martens

Allan McLeod

Victor Thielmann

Wayne Townsend

OFFICERS

Armin Martens, P.Eng., M.B.A.
President and C.E.O.

Jim Green, CA
C.F.O.

Kirsty Stevens, CMA
C.A.O.

TRANSFER AGENT

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canstockta.ca

INDENTURE TRUSTEE

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Phone 1.800.254.2826
Fax 1.403.538.8700
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

Convertible Debentures

Series F	AX.DB.F
Series G	AX.DB.U

DISTRIBUTIONS

Trust Units

\$0.09 per unit per month

Series A Preferred Units

\$0.212200 per unit for the initial period
ended September 30, 2012

\$0.328125 per unit for quarter
ended December 31, 2012

Series C Preferred Units

US\$0.3740 per unit for the initial period
ended December 31, 2012

2012 TAXABILITY OF DISTRIBUTIONS

100% of distributions to Unitholders
and preferred Unitholders in the taxation
year were classified as return of capital.



ANNUAL GENERAL MEETING

Main Floor Conference Centre
360 Main Street
Winnipeg, Manitoba
Thursday, June 20, 2013
11:00 a.m. C.T.

INVESTOR RELATIONS investorinquiries@artisreit.com



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