

Report Date: July 28, 2006

Press Release: July 28, 2006

Previous Report: May 12, 2005








H&R Real Estate Investment Trust

RATING HISTORY

Current	2005	2004	2003	2002	2001	
STA-3 (high)	STA-3 (high)	STA-3 (high)	STA-3 (high)	NR	NR	416-593-5577 incomefunds@dbars.com

STABILITY RATING SUMMARY

Legend:  Superior  Moderate  Weak

Operating Characteristics	Asset Quality	Financial Profile	Diversification	Size and Market Position	Sponsorship and Governance	Growth
						

STABILITY RATING RATIONALE

H&R Real Estate Investment Trust's (H&R, or the Trust) rating continues to be supported by its diverse portfolio of real estate assets characterized by long average lease maturities, which provide stable cash flows. H&R has continued to grow its portfolio despite higher real estate valuations, increasing leasable area by 20% to over 37 million square feet with acquisitions totalling over \$600 million in just over a year. While these acquisitions are accretive to cash flow, per unit growth in cash available for distribution has been negatively impacted by the dilution from equity issues over the past year and higher leasing costs and maintenance capex relating to the office portfolio. As a result, H&R's payout ratio has slightly exceeded 100% over the past 12 months based on cash available for distribution, although this should decline through 2006 and into 2007 as these leasing costs and maintenance capex return to more normalized levels. The payout ratio based upon cash flow from operations now in the 88% range is higher than in the recent past, but it remains reasonable given the scale and stability of H&R's portfolio. H&R has used higher leverage in some of its more recent single-tenant property acquisitions to improve returns, with overall leverage of 63.1% based on gross book value of assets remaining within its limit of 65%. The higher leverage for some acquisitions is mitigated by long-term triple net leases of quality tenants, and with secured debt that is non-recourse to H&R. As well, H&R has continued to improve geographic diversification by increasing

its presence in the United States and Alberta over the past year. H&R has also increased its presence in the retail and industrial segments, which tend to provide more stable cash flows over the long term than multi-tenant offices. Although the increased exposure to the U.S. market (now 30% of leasable area) exposes H&R to currency risks and competitive risks, the impact of a weaker U.S. dollar has been minimized through hedging contracts. The rating confirmation also reflects the following: (1) Lease maturities are well spread out over the next five years averaging 2.6% annually, and lease terms average 12.6 years; this is among the highest for REITs.

(2) H&R has maintained consistently high occupancy across its portfolio of 99% over the past five years. This, combined with minimal lease maturities, should contribute to stable cash flows looking forward and limit the exposure to any potential weakness in market net rents over the next few years. In terms of challenges, H&R's EBITDA interest coverage ratio of 2 times is within the lower end of its peer group, although DBRS views this as manageable given its stable operating characteristics. As well, the Trust generates 50% of net operating income from office assets, which has experienced weakness within certain parts of the Greater Toronto Area. Looking forward, DBRS expects further growth through acquisitions, although higher valuations for attractive properties are likely to result in some slowdown in 2006.

RATING CONSIDERATIONS

Strengths

- Long-term leases with average terms of 12.6 years
- Diversified portfolio with high-quality tenants
- High portfolio occupancy at over 99%

Challenges

- Limited internal growth opportunities
- Coverage ratios at lower end of peer group
- Portfolio concentration in Ontario and Alberta

FINANCIAL INFORMATION

	3 mos. to	3 mos. to	12 mos. to	For the year ended December 31				
	Mar. 31	Mar. 31	Mar. 31	2005	2004	2003	2002	2001
Declared distributions per unit (\$)	0.33	0.33	1.31	1.30	1.24	1.22	1.20	1.16
Cash available for distribution per unit (\$)	0.34	0.34	1.19	1.18	1.38	1.36	1.28	1.18
Net income before extras. per unit (\$)	0.19	0.21	0.76	0.79	1.00	1.15	1.18	1.17
Total debt/total capital	67.8%	64.4%	67.8%	65.3%	66.1%	63.3%	61.8%	49.7%
Cash flow/total debt	0.06	0.07	0.06	0.06	0.06	0.06	0.08	0.11
EBITDA interest coverage	2.04	2.01	2.03	2.02	2.10	2.07	2.27	2.48
Cash flow return on average equity	13.7%	13.6%	12.8%	12.8%	13.1%	12.5%	13.2%	12.6%
Declared distributions/cash avail. for distribution	99.6%	98.1%	111.5%	111.6%	90.9%	91.2%	93.9%	98.6%
Market capitalization (CAD millions)	2,446.3	1,852.9	2,446.3	2,301.0	1,786.5	1,369.7	946.7	962.8

THE TRUST

H&R REIT owns 236 properties diversified across the office (34), industrial (113) and retail (89) segments in Canada and the U.S., totalling over 37 million square feet. The Trust also has development activities with a potential leasable area of 1.6 million square feet.

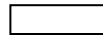
Notes: All amounts are in Canadian dollars unless otherwise noted. This rating is based on public information.

Income Fund

DOMINION BOND RATING SERVICE

Information comes from sources believed to be reliable, but we cannot guarantee that it, or opinions in this Report, are complete or accurate. This Report is not to be construed as an offering of any securities, and it may not be reproduced without our consent. DBRS ratings are not a recommendation to buy, sell or hold fund units.

OPERATING CHARACTERISTICS



Superior

Strengths

- H&R has long average lease terms of 12.6 years and lease maturities are minimal at just under 13% over the next five years in aggregate. The average lease terms are among the highest of any REIT rated by DBRS and are a key factor in H&R's stability of cash flow.
- Most of the portfolio comprises single-tenant properties under long-term triple net leases, which provide stable cash flows and assure cost recovery of almost all property expenses including maintenance capital.
- Portfolio occupancy has been consistently high at 99% for the past five years. Despite difficulties in the Canadian office market, H&R has managed to maintain a high office occupancy rate above 95% given that many of its office properties are single tenants under long-term leases.
- H&R's portfolio is diversified by asset with office at 50% of net operating income (NOI), industrial at 31% and retail at 19%. The industrial and retail segments have increased in importance in recent years now contributing together 50% of NOI (from 40% in 2002), which is positive as these tend to provide more stable cash flows over the long term.
- H&R is one of the largest REITs in Canada with a portfolio comprising 37 million square feet and market capitalization of \$2.45 billion, which has provided access to lower-cost capital to fund growth. H&R's acquisitions in recent years have translated into steadily growing cash distributions.

Challenges

- Internal growth is limited to contractual rent increases in existing leases. This could be offset by lower net rents achieved on re-leasing office space. H&R has some multi-tenant office properties that have experienced weakness and require capital investment to reposition to improve performance.
- There is also tenant concentration as Bell Canada, Bell Mobility Cellular Inc., and TransCanada PipeLines Limited account for 23% of gross rents, although the credit quality of these tenants is solid at A (low) or higher as rated by DBRS. The strong negotiating position of larger tenants in single-tenant properties may limit the ability to increase net rents. Most of these long-term leases have built-in rent steps.
- The portfolio is concentrated in Ontario and Alberta, representing 57% of the total leasable area. In particular, the office market in Ontario, at 15% of total space, has been difficult in recent years and could continue to place downward pressure on NOI growth.
- The expansion into the U.S. has been substantial over the past two years (the U.S. now represents 29% of total space), which brings risks in terms of managing the assets and understanding the local markets and tenants. H&R attempts to mitigate these risks through long-term leases with quality tenants. This also increases currency risk, which could negatively impact cash flows, although the Trust has hedged 85% of its cash flow exposure for 2006.

ASSET QUALITY



Superior

- The Superior rating for asset quality reflects H&R's commercial real estate properties, which have long operating lives and require minimal maintenance capex compared with other sectors. H&R's portfolio also benefits from a low average age of properties of 12 years.
- The Trust has a majority of tenants under triple net leases, which allows it to recover most of the property expenses including maintenance capital expenditures.
- However, over the past two years, the Trust has experienced higher tenant costs and capital requirements in its multi-tenant office properties to reposition properties in order to improve performance looking forward.

FINANCIAL PROFILE



Moderate

	3 mos. to	3 mos. to	12 mos. to	For the year ended December 31				
	Mar. 31	Mar. 31	Mar. 31	2005	2004	2003	2002	2001
(CAD thousands)	2006	2005	2006					
Net income (before extras.)	14,581	14,127	54,968	54,514	67,486	84,603	81,032	66,314
Depreciation and amortization	26,768	20,427	98,864	92,523	66,012	23,799	19,457	13,693
Other non-cash (incl. non-controlling interest)	1,334	2,022	6,394	7,082	1,618	0	0	0
Cash Flow from Operations	42,683	36,576	160,226	154,119	135,116	108,402	100,489	80,007
Leasing costs and maintenance capex (1)	(4,719)	(3,395)	(32,516)	(31,192)	(10,155)	(6,756)	(10,681)	(11,293)
Cash Available for Distribution	37,964	33,181	127,710	122,927	124,961	101,646	89,808	68,714
Gross cash distributions (2)	(37,336)	(32,237)	(140,304)	(135,205)	(112,698)	(92,499)	(84,318)	(67,770)
Cash Available after Distributions	628	944	(12,594)	(12,278)	12,263	9,147	5,490	944
Change in working capital	10,000	(11,134)	(26,609)	(47,743)	(3,078)	(6,761)	(12,229)	(3,900)
Free Cash Flow	10,628	(10,190)	(39,203)	(60,021)	9,185	2,386	(6,739)	(2,956)
(Acquisitions)/dispositions	(271,586)	(73,910)	(555,765)	(358,089)	(420,797)	(351,433)	(363,687)	(170,640)
Other investments	(17,467)	(936)	5,510	22,041	(24,400)	(35,191)	(7,283)	8,179
Cash Flow Before Financing	(278,425)	(85,036)	(589,458)	(396,069)	(436,012)	(384,238)	(377,709)	(165,417)
Equity financing (net)	5,701	100,062	167,643	262,004	63,700	214,035	13,043	242,966
Debt financing (net)	283,638	(15,090)	435,471	136,743	359,402	179,536	350,543	(55,711)
Net Change in Cash	10,914	(64)	13,656	2,678	(12,910)	9,333	(14,123)	21,838

Key Financial Ratios

Total debt/total capital	67.8%	64.4%	67.8%	65.3%	66.1%	63.3%	61.8%	49.7%
Total debt/gross book value	63.1%	60.7%	63.1%	61.1%	62.6%	60.9%	59.3%	48.0%
Cash flow/total debt	0.06	0.07	0.06	0.06	0.06	0.06	0.08	0.11
EBITDA interest coverage	2.04	2.01	2.03	2.02	2.10	2.07	2.27	2.48
EBIT interest coverage	1.39	1.44	1.39	1.40	1.56	1.84	2.02	2.22

(1) Includes leasing costs and non-recoverable maintenance capex.

(2) Includes cash distributions to unitholders and Class B Master LP units.

Summary

- Despite the growth in cash flows from acquisitions, H&R's cash available for distribution declined in 2005 due to higher than usual leasing costs and maintenance capex. This resulted in a temporary shortfall in cash available after distributions, although this is expected to turn positive again in 2006 and 2007 as capital spending returns to more normal levels.
- H&R's leasing costs (including tenant inducements) were approximately \$24 million last year while non-recoverable maintenance capex was \$7.2 million. The higher than normal costs were due to upgrades of multi-tenant office properties and leasing costs associated with lease extensions of major office tenants including Bell Mobility, Bell Canada and TELUS.
- H&R's leverage has increased in recent years as it continues to expand through acquisitions. Debt-to-gross book value of 63% remains acceptable within H&R's limit of 65%. H&R also financed acquisitions through two equity issues in 2005 totalling \$250 million and another \$125 million in April 2006.
- EBITDA interest coverage of just over 2.0 times is at the lower end of comparable REITs but is acceptable given the scale and stability in cash flows from H&R's portfolio.

- H&R's payout ratio based on cash flow from operations has increased to closer to 88% in Q1 2006 from 83% in 2004, reflecting a 5% increase in distributions in 2005 and a 2% increase in early 2006. This payout ratio is expected to be sustainable as leasing costs and maintenance capex fall to more historical levels in 2006 and 2007 and acquisitions result in higher cash flows.

Outlook

- DBRS expects H&R to maintain leverage between 60% and 65% of gross book value, which should result in EBITDA interest coverage in the 2 times range looking forward.
- Leasing costs are expected to fall to approximately \$5 million to \$6 million in 2006, and maintenance capex is expected to be approximately \$15.4 million in 2006 and then to decline in 2007 to closer to \$10 million.
- This is expected to result in positive free cash flow after distributions in 2006 despite the slight increase in distributions. This should reduce the payout ratio based upon cash available to just under 100%.

DEBT MATURITIES AND BANK LINES

(As at Mar. 31, 2006)	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>Thereafter</u>	<u>Total</u>
Maturing debt (\$ thousands)	77.1	122.0	152.3	116.8	100.5	2,025.6	2,594.4
% of maturing debt	3.0%	4.7%	5.9%	4.5%	3.9%	78.1%	100.0%

- H&R's debt comprises mainly secured mortgage debt with mostly fixed rates and an average interest rate of 6.6%. H&R has low average debt maturities due to its relatively long-term debt with an average remaining term to maturity of 11.5 years, which is closely aligned to average lease maturities.
- Approximately 51% of total debt is non-recourse to the Trust, which limits exposure of the remainder of the assets in the portfolio. H&R currently uses a higher

leverage of 70% for properties secured using non-recourse debt.

- Debt that is recourse to the Trust is limited to 60% of the gross book value of those assets in order to limit overall risk to the rest of the portfolio.
- H&R currently has drawn \$146 million on its \$180 million bank facility for recent acquisitions, although this is expected to be largely repaid with proceeds of a \$125 million equity issue in April 2006.

DIVERSIFICATION


Moderate

(As at March 31, 2006)	<u>Office</u>	<u>Industrial</u>	<u>Retail</u>	<u>Total</u>	<u>% of total</u>
Ontario	5,420	10,042	987	16,449	44%
United States	258	6,716	3,769	10,743	29%
Alberta	1,406	2,764	571	4,741	13%
Québec	452	2,435	782	3,669	10%
Other	198	736	772	1,706	5%
Total	7,734	22,693	6,881	37,308	100%
% of total	20.7%	60.8%	18.4%	100.0%	

- The Trust includes some concentration in the following areas:
 - Geographically the portfolio is focused on Ontario and Alberta where over 70% of the net operating income is generated.
 - Bell Canada, TransCanada PipeLines Limited and Bell Mobility Cellular Inc. are the dominant tenants for the Trust and represent 23% of the rental revenue.

- The Trust, however, mitigates this through strong property diversification, having one of the largest portfolios in Canada with 236 properties comprising 37 million square feet, which reduces exposure to any one property and enhances cash flow stability.
- H&R is also diversified by asset type with exposure to office (50% of NOI), industrial (31%) and retail (19%).

SIZE & MARKET POSITION


Superior

- The Trust is one of the largest REITs in Canada, with a market capitalization of about \$2.45 billion and a portfolio of 236 properties comprising over 37 million square feet of leasable area.
- The industrial portfolio has a large scale of properties with about 22.7 million square feet, allowing it to accommodate changing tenant requirements.

- The office portfolio is moderate in size, while the retail portfolio is relatively small compared with other Canadian REITs. The retail portfolio continues to grow, especially in the United States.
- The Trust's large size improves diversification and provides better access to capital.

SPONSORSHIP & GOVERNANCE


Moderate

- There are currently six trustees, five of whom are independent of the Trust and provide third-party advice.
- The Trust has an external property management agreement with H&R Property Management Ltd., which provides property services to the Trust for prescribed fees. Looking forward, H&R will benefit from recently reduced fees as follows: (a) property management fees were reduced to 2% of gross rental revenue (from 3%), and (b) asset management fees are

now two-thirds of 1% (from 1%) of the value of acquisitions and project development.

- Management of H&R as a group owns approximately 1% of the outstanding Trust units. Thomas Hofstedter, President and CEO, owns or controls approximately 0.5 million units and indirectly has an interest in 0.7 million Class B units (exchangeable into units at any time).

GROWTH



Moderate

	<u>3 mos. to</u>	<u>3 mos. to</u>	<u>12 mos. to</u>	<u>For the year ended December 31</u>				
	<u>Mar. 31</u>	<u>Mar. 31</u>	<u>Mar. 31</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
	<u>2006</u>	<u>2005</u>	<u>2006</u>					
Trust units outstanding as at (thousands)	111,195	101,809	111,195	110,624	96,306	86,198	70,911	69,771
Weighted-average trust units (basic) (thousands)	110,732	97,270	105,770	102,404	89,591	74,676	70,289	58,242
Net income before extras. per unit (\$)	0.19	0.21	0.76	0.79	1.00	1.15	1.18	1.17
Cash flow from operations per unit (\$)	0.39	0.38	1.51	1.51	1.51	1.45	1.43	1.37
Cash available for distribution per unit (\$)	0.34	0.34	1.19	1.18	1.38	1.36	1.28	1.18
Declared distributions per unit (\$)	0.33	0.33	1.31	1.30	1.24	1.22	1.20	1.16
Declared distributions/cash avail. for distribution	99.6%	98.1%	111.5%	111.6%	90.9%	91.2%	93.9%	98.6%
Declared distributions/cash flow from operations	87.5%	88.1%	87.6%	87.7%	83.4%	85.3%	83.9%	84.7%

- Cash flow from operations on a per unit basis was relatively flat in 2005 and in Q1 2006 despite significant acquisitions due to dilution from the timing of equity issues totalling \$250 million in 2005.
- The Trust's payout ratio based upon cash available for distribution exceeded 100% in 2005 due to a temporary increase in leasing costs and maintenance capex. This was mainly related to the office portfolio, which involved the negotiation of several large single-tenant leases including Bell Canada, Bell Mobility and TELUS. As well, maintenance capex has been higher because of investment in multi-tenant office properties, which have experienced some weakness.
- Despite the increase in cash distributions of about 7% over the past year, the payout ratio of 87% to 88% based upon cash flow from operations is manageable looking forward and compares well among its peers.
- The payout ratio based upon cash available for distribution is expected to decline closer to 100% in 2006 and improve further in 2007 as leasing costs and maintenance capital spending is expected to decline to more normal levels.
- Other than contractual lease rent steps, the Trust will likely have limited opportunities for internal growth given that the portfolio vacancy rate is very low at 1% and lease maturities are minimal over the next five years.

THE PORTFOLIO

(As at March 31, 2006)

	<u>Office</u>	<u>Industrial</u>	<u>Retail</u>	<u>Total</u>
Leasable area (thousands of sq. ft.)	7,734	22,693	6,881	37,308
% of leasable area	20.7%	60.8%	18.4%	100.0%
Number of properties	34	113	89	236
Occupancy	98.1%	99.5%	99.9%	99.3%
Average rent per square foot (\$)	18.04	5.31	13.02	9.37
Average age of buildings (years)	15.3	12.5	7.6	12.2

- H&R has one of the largest portfolios of any Canadian REIT. Acquisitions contributed to approximately 20% growth in leasable area year over year to just over 37 million square feet and 236 properties.
- The industrial and retail segments, which tend to be more stable through cycles, have grown in importance in recent years with both increasing leasable area by approximately 25% in 2005. However, office still represents 50% of NOI (industrial 31%, and retail 19%).
- The largest area of growth recently has been in the U.S., where H&R's portfolio grew by 47% to 10.7 million square feet, or approximately 30% of leasable area. Despite the potential increased risk from competitive pressures in the U.S., most of H&R's recent acquisitions have focused on single-tenant properties under long-term leases.
- For example, H&R acquired three industrial distribution centres (Dallas, Atlanta, Chicago) for \$169 million comprising 2.2 million square feet leased to Nestlé USA for an average of 12 years. It also acquired ten service stations and related retail stores leased to Shell Oil for an average of 18 years.
- Another major acquisition was \$229 million for two Canadian Tire distribution centres totalling 2.1 million square feet located in Brampton, Ontario, and Calgary, Alberta. The facilities are under long-term leases of approximately 20 years, which should provide stable cash flows from this quality tenant.

PORTFOLIO OCCUPANCY

	<u>Mar. 31</u>	<u>As at December 31</u>				
	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Office	98.1%	98.2%	97.5%	96.0%	97.0%	97.0%
Industrial	99.5%	99.5%	100.0%	99.0%	100.0%	100.0%
Retail	99.9%	99.9%	99.9%	100.0%	99.0%	99.0%
Total portfolio	99.3%	99.3%	99.4%	99.0%	99.0%	99.0%

- H&R has maintained consistently high occupancy levels at 99% despite difficulties in the multi-tenant office segment in southern Ontario.
- DBRS expects occupancy to remain stable given H&R's long-term average leases with many single-tenant properties.

LEASE MATURITIES BY ASSET TYPE

(As at March 31, 2006)	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>Total</u>
Office	0.3%	0.4%	1.0%	1.0%	0.8%	3.5%
Industrial	0.5%	1.1%	2.9%	3.2%	1.1%	8.8%
Retail	0.0%	0.0%	0.1%	0.1%	0.3%	0.7%
Total	0.8%	1.5%	4.1%	4.4%	2.3%	13.0%

- Lease maturities are well spread out at 1% to 4.5% per annum. The average lease term is 12.6 years, which is among the highest of any REIT in Canada.
- In 2005, overall average rent per square foot across H&R's portfolio increased by 2% to \$9.62 per square foot as each asset class experienced increases due to acquisitions or higher rents on new leases.
- Looking ahead, the minimal lease maturities should contribute to stability in cash flow and limit exposure to changes in market rents over the next few years.

TENANT PROFILE

(As at March 31, 2006)	<u>% of rental</u>	<u>Lease term to</u>
<u>Tenants</u>	<u>revenue</u>	<u>maturity (years)</u>
Bell Canada	10.0%	18.5
TransCanada PipeLines Limited	6.8%	14.8
Bell Mobility	6.0%	19.8
RONA Inc.	4.2%	15.5
Canadian Tire Corporation	4.0%	20.0
Royal Bank of Canada	3.0%	5.3
Lowe's Companies Inc.	2.8%	13.0
Nestlé Canada Inc.	2.5%	11.5
Shell Oil Products	2.0%	16.3
Purolator Courier	1.9%	15.3
Total	43.2%	

- There is some concentration among the top three tenants accounting for 23% of rental revenue, although this has decreased in recent years as H&R has increased its scale. A mitigating factor is the high credit quality of these tenants, rated A (low) or higher by DBRS.
- The remaining tenants are well diversified, are nationally recognized, and have long-term leases. The top ten tenants' average lease term is about 15 years.
- Many of the properties occupied by top tenants have non-recourse debt including TransCanada PipeLines Limited, Bell Mobility Cellular Inc., Lowes Companies Inc. and TELUS Communications Inc.

H&R Real Estate Investment Trust

Balance Sheet

(CAD millions)

	Mar. 31			As at December 31		
	2006	2005	2004	2006	2005	2004
Assets						
Cash & short-term investments	20.2	9.3	6.6			
Income properties	3,904.8	3,637.5	3,145.0			
Land under development	28.1	2.6	0.0			
Accounts receivable	78.3	65.1	4.9			
Mortgages receivable	16.0	24.0	54.8			
Other assets	86.3	88.4	89.6			
Total Assets	4,133.7	3,826.9	3,300.9			
Liabilities & Equity						
Mortgage debt	2,607.5	2,396.9	2,053.2			
Bank debt	146.7	67.1	89.5			
Other liabilities	72.3	55.1	61.6			
Non-controlling interest	122.0	116.7	119.5			
Unitholders' equity	1,185.3	1,191.1	977.1			
Total Liab. & Equity	4,133.7	3,826.9	3,300.9			

Balance Sheet &

Liquidity Ratios

	3 mos. to			For the year ended December 31				
	Mar. 31	Mar. 31	Mar. 31	2005	2004	2003	2002	2001
Total debt/total capital	67.8%	64.4%	67.8%	65.3%	66.1%	63.3%	61.8%	49.7%
Net debt/total capital	67.7%	64.3%	67.7%	65.2%	66.1%	63.0%	61.6%	48.8%
Total debt/gross book value assets	63.1%	60.7%	63.1%	61.1%	62.6%	60.9%	59.3%	48.0%
Secured debt/total debt	94.7%	98.7%	94.7%	97.3%	95.8%	96.6%	99.9%	99.7%
Cash flow/total debt	0.06	0.07	0.06	0.06	0.06	0.06	0.08	0.11

Coverage Ratios

EBITDA interest coverage	2.04	2.01	2.03	2.02	2.10	2.07	2.27	2.48
EBIT interest coverage	1.39	1.44	1.39	1.40	1.56	1.84	2.02	2.22

Profitability Ratios

Net rental margin	67.6%	64.6%	67.5%	66.7%	66.6%	64.5%	61.9%	63.2%
Cash flow return on average equity	13.7%	13.6%	12.8%	12.8%	13.1%	12.5%	13.2%	12.6%
Cash flow return on average capital	9.1%	9.7%	8.5%	8.7%	8.8%	9.0%	10.2%	10.4%
G&A/rental revenue	1.8%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.8%

Operating Statistics

Net interest in GLA (thousands of sq. ft.)	37,308	31,020	37,308	34,443	30,107	24,461	17,753	13,534
Portfolio occupancy rate	99.3%	99.3%	99.3%	99.3%	99.4%	99.0%	99.0%	99.0%

Income Statement

(CAD thousands)

	3 mos. to			For the year ended December 31				
	Mar. 31	Mar. 31	Mar. 31	2005	2004	2003	2002	2001
Income from properties	126,751	112,974	474,285	460,508	382,307	320,059	286,926	197,620
Operating expense	(41,085)	(40,033)	(154,308)	(153,256)	(127,863)	(113,561)	(109,398)	(72,668)
Net rental income	85,666	72,941	319,977	307,252	254,444	206,498	177,528	124,952
Interest income	442	733	1,626	1,917	8,104	7,864	6,584	13,114
General and administrative	(2,227)	(1,760)	(7,333)	(6,866)	(5,796)	(4,843)	(4,372)	(3,835)
EBITDA	83,881	71,914	314,270	302,303	256,752	209,519	179,740	134,231
Interest expense	(41,135)	(35,805)	(154,730)	(149,400)	(122,178)	(101,117)	(79,251)	(54,224)
Income before Non-Cash Items	42,746	36,109	159,540	152,903	134,574	108,402	100,489	80,007
Depreciation and amortization	(26,768)	(20,427)	(98,864)	(92,523)	(66,012)	(23,799)	(19,457)	(13,693)
Straight-line rent adjustment	6,199	6,003	25,940	25,744	22,406	1,585	1,585	1,585
Non-controlling interest	(1,397)	(1,555)	(5,708)	(5,866)	(1,076)	0	0	0
Net Income before Extraordinary Items	20,780	20,130	80,908	80,258	89,892	86,188	82,617	67,899
Discontinued operations	(59)	233	(13)	279	(35)	0	0	0
Extraordinary items	0	0	6,116	6,116	(1,076)	4,365	1,405	795
Reported Net Income	20,721	20,363	87,011	86,653	88,781	90,553	84,022	68,694
Distributions declared	(37,336)	(32,237)	(140,304)	(135,205)	(112,698)	(92,499)	(84,318)	(67,770)
Net Remaining	(16,615)	(11,874)	(53,293)	(48,552)	(23,917)	(1,946)	(296)	924

Earnings per Trust Unit (Basic)

Weighted-average trust units (basic) (thousands)	110,732	97,270	105,770	102,404	89,591	74,676	70,289	58,242
Cash available for distribution per unit (\$)	0.34	0.34	1.19	1.18	1.38	1.36	1.28	1.18
Net income before extras. per unit (\$)	0.19	0.21	0.76	0.79	1.00	1.15	1.18	1.17
Reported net income per unit (\$)	0.19	0.21	0.82	0.85	0.99	1.21	1.20	1.18
Gross cash distributions per unit (\$)	0.34	0.33	1.33	1.32	1.26	1.24	1.20	1.16
Declared distributions per unit (\$)	0.33	0.33	1.31	1.30	1.24	1.22	1.20	1.16

Earnings per Trust Unit (Diluted)

Weighted-average trust units (diluted) (thousands)	111,517	98,059	106,420	103,055	90,198	75,232	70,810	58,606
Cash available for distribution per unit (\$)	0.34	0.33	1.18	1.18	1.38	1.35	1.27	1.17
Gross cash distributions per unit (\$)	0.39	0.38	1.51	1.51	1.51	1.45	1.43	1.37

Payout Ratio

Declared distributions/cash avail. for distribution	99.6%	98.1%	111.5%	111.6%	90.9%	91.2%	93.9%	98.6%
Declared distributions/cash flow from operations	87.5%	88.1%	87.6%	87.7%	83.4%	85.3%	83.9%	84.7%