THE CREIT BUSINESS MODEL

Simply stated, the CREIT business is to accumulate a portfolio of high-quality real estate assets… and to deliver the benefits of real estate ownership to our Unitholders.

Specifically, our goal is to provide the following four benefits of real estate ownership to our investors:

Current cash flow (a reliable monthly distribution);

Some tax deferral on the distributions;

The preservation of capital; and

Growth, in both cash flow and capital, over time.

STRATEGY

In order to deliver the benefits set out in our Business Model, CREIT has continuously built upon a strategy that incorporates three major components:

ACQUISITIONS – ACCUMULATING A PORTFOLIO OF HIGH-QUALITY, GEOGRAPHICALLY DIVERSIFIED REAL ESTATE ASSETS;

FINANCIAL MANAGEMENT – ESTABLISHING AND OPERATING WITHIN A DISCIPLINED FRAMEWORK FOR FINANCIAL MANAGEMENT; AND

PROPERTY OPERATIONS – BUILDING AN EXCEPTIONAL CORE COMPETENCY IN PROPERTY MANAGEMENT AND LEASING.

Each of these strategy components is outlined in more detail on the following pages.

Our target mix of real estate assets

RETAIL PROPERTIES

50%

INDUSTRIAL PROPERTIES

25%

OFFICE PROPERTIES

25%

Our product mix is designed to provide both income stability and income growth, which together should provide solid total returns for our Unitholders over a long-term investment horizon.

ACQUISITIONS – *Asset Quality*

The single most important thing that Management can do to secure reliable monthly distributions is to acquire high-quality real estate assets. As CREIT has grown, we have been able to continually raise the bar on asset quality.

Strong real estate assets are key to maintaining high occupancy levels – and high rental rates. Great real estate properties attract superior tenants. And superior tenants reduce risk.

Therefore, it follows that the high-quality real estate assets in CREIT's portfolio improve both the reliability of our monthly distributions and our prospects for growth.

ACQUISITIONS – *Asset Diversification*

By design, we are a diversified REIT.

We are diversified geographically. CREIT owns real estate assets in most of the major cities in Canada. This geographic diversification reduces concentration risk, thereby helping to enhance the long-term reliability of the revenue stream from our real estate portfolio. Geographic diversification also provides multiple markets for potential acquisitions.

We are also diversified by product type. Our target product mix is:

- 50% retail properties;
- 25% industrial properties; and
- 25% office properties.

Each of these real estate asset classes differs in its degree of risk, return and volatility. We use asset type diversification to maximize returns and mitigate risk.

Asset Diversification – CREIT's Retail Portfolio

Our goal is to balance our real estate portfolio such that 50% of CREIT's rental income is generated from our retail properties.

As an asset class, retail real estate essentially means shopping centres – but there are many types of shopping centres. CREIT has focused on accumulating a retail portfolio of grocery-anchored, unenclosed shopping centres and other open-air centres anchored by leading retailers on long-term leases.

We focus on the acquisition of retail properties that are located at major street intersections within prosperous residential communities. We look to acquire shopping centres that are the location of choice for retail tenants in a given neighbourhood or trade area.

When considering the acquisition of a specific shopping centre, we prefer to see barriers to entry for potentially competitive developments (for example, the lack of retail-zoned land).

Internally, we refer to shopping centres with these characteristics as proprietary retail. With proprietary retail properties, CREIT is able to achieve both high occupancy levels and high rental rates.

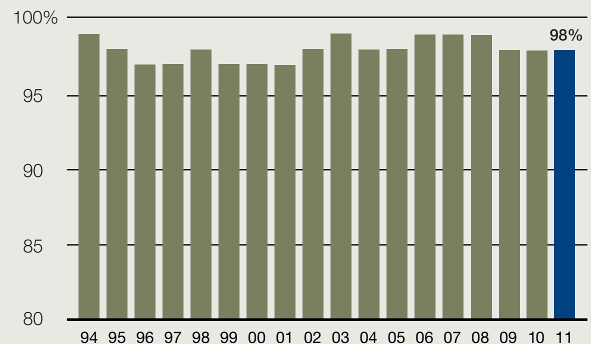
Our retail real estate portfolio is the foundation for reliable cash distributions.

However, this type of retail real estate is not expected to deliver the income growth required to achieve CREIT's objectives because many of the large tenants have long-term lease contracts at fixed rental rates. While the retail portfolio provides income stability, we expect the industrial and office assets in our real estate portfolio to deliver better income growth.

The year-end occupancy percentage of CREIT's retail portfolio, over the past 18 years, is outlined in the graph below. Occupancy in our retail real estate portfolio has remained exceptionally strong over time, demonstrating low volatility and high reliability.

Retail Occupancy (%)

YEAR-END RETAIL PORTFOLIO OCCUPANCY



Asset Diversification – CREIT's Industrial Portfolio
Our goal is to balance our real estate portfolio such that 25% of CREIT's rental income is generated from our industrial properties.

Industrial real estate includes distribution facilities and buildings used for general warehousing, light manufacturing or flex-space facilities (both office and industrial space within the same rental unit).

We look for industrial properties that are of a size and configuration that will readily accommodate the diverse needs of a broad range of commercial tenants.

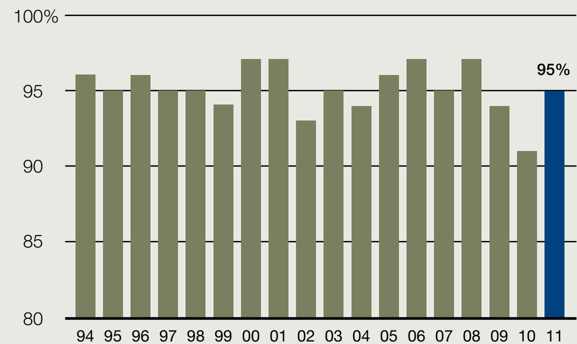
Our objective is to accumulate an industrial portfolio of high-quality generic assets, located in target markets where we can build critical mass. Generic properties appeal to a wider range of potential tenants than special purpose industrial properties. As a result, the time frame to lease any vacant industrial space in our portfolio should be minimized. Critical mass in each market is important in order to directly accommodate the ongoing expansion or contraction requirements of our industrial tenants and to provide property management and leasing efficiencies.

CREIT's industrial real estate provides a good degree of reliability in occupancy. However, it has greater occupancy volatility than our retail real estate because the average lease term is shorter. The shorter lease terms allow us to adjust rental rates more frequently and, as a result, income growth possibilities are generally better in our industrial portfolio than in our retail portfolio.

The year-end occupancy percentage of CREIT's industrial portfolio, over the past 18 years, is outlined in the graph below.

Industrial Occupancy (%)

YEAR-END INDUSTRIAL PORTFOLIO OCCUPANCY



Asset Diversification – CREIT's Office Portfolio
Our goal is to balance our real estate portfolio such that 25% of CREIT's rental income is generated from our office buildings.

CREIT has focused on the acquisition of well-located, high-quality office buildings in large Canadian cities, with an emphasis on a purchase price at or preferably below the replacement cost. Replacement cost is the cost of fully developing a new office property in the current environment.

Acquiring existing office properties at below replacement cost allows CREIT to successfully compete on rental rates in the current market and, over time, increase rental rates when new construction begins in a specific market. A developer of a new office building must achieve a rental rate high enough to provide an economic return on the full replacement cost. Generally, all rental rates for existing properties rise when new construction takes place in any given market, assuming that the new construction is driven by tenant demand that exceeds the existing supply.

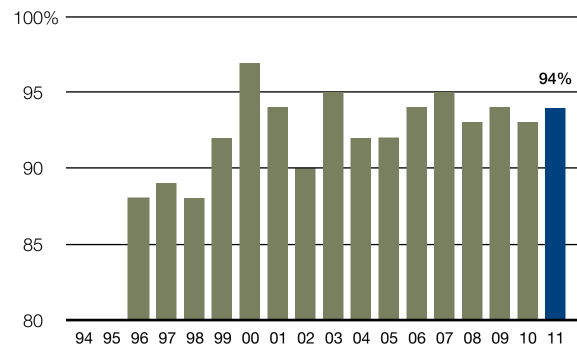
Whereas most of our office property acquisitions have been at a price well below current replacement costs, we believe that our office portfolio has potential for significant income growth over time.

From a leasing perspective, office buildings can be volatile in terms of occupancy levels and rental rates. To counter this, CREIT has developed a strategic initiative to sell a 50% co-ownership interest in each of its major office properties to a non-managing partner. This reduces our exposure to any single office property or office tenant. As well, with a co-owner in place (such as a pension fund) and CREIT as the managing partner, CREIT's return on invested capital is enhanced by the fee income it receives for the day-to-day management and leasing of the co-owner's interest in the property.

In its portfolio of 16 office properties as of December 31, 2011, CREIT had co-ownership arrangements on seven properties. CREIT intends to enter into co-ownership arrangements on some of its remaining office properties. However, the timely redeployment of sale proceeds into new high-quality acquisitions is dependent upon market conditions and asset availability, so the timing of each new co-ownership initiative must be appropriately managed.

The year-end occupancy percentage of CREIT's office portfolio over the past 16 years (our first office property was acquired in 1996) is outlined in the graph below. Occupancy over time reflects greater volatility than that experienced in CREIT's retail or industrial real estate portfolios.

Office Occupancy (%)
YEAR-END OFFICE PORTFOLIO OCCUPANCY



Our property management focus is on providing outstanding business accommodation for our tenants.

PROPERTY OPERATIONS – THE IMPORTANCE OF PROPERTY MANAGEMENT AND LEASING

Fundamentally, there are two ways for REITs to consistently grow earnings per unit – externally by making appropriate acquisitions and internally by improving the performance of the existing portfolio.

Improvements in the performance of the existing portfolio come primarily from escalating rents and/or higher occupancy levels. Both of these are achieved through our property management and leasing capabilities.

Over time, rental income growth from CREIT's existing assets will be the key performance driver for higher earnings because, as the portfolio grows, the additional income from each new acquisition will have relatively less impact on our results as a whole. Therefore, as we continue to grow, the strength of CREIT's property management and leasing capabilities becomes increasingly critical to drive enhanced performance.

Our property management focus is on providing outstanding business accommodation for our tenants. This requires detailed attention to how well our properties are maintained, and how efficiently they are operated. A large percentage of our employees are involved in property management and leasing, and it is important to note that approximately 90% of our employees are CREIT Unitholders.

This alignment of interests – employees who are Unitholders – helps keep the focus on tenant satisfaction. Tenant satisfaction is important to you, as an investor, because it helps keep your properties well-leased; and our objective is to build the business so that you can depend on the existing real estate portfolio for both reliability and growth in the monthly distributions. So building a distinctive core competency in property management and leasing has been an important part of our Strategy for many years.

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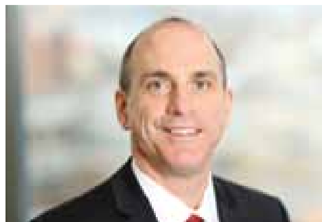

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Regional Manager, Atlantic Canada

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Executive Vice President, Investments and Leasing

FINANCIAL MANAGEMENT

CREIT has developed a disciplined framework for financial management. The three key components of this framework are:

- aligned financial reporting practices;
- a prudent level of cash distributions; and
- staggered debt maturities.

Aligned Financial Reporting Practices – CREIT has taken a conservative and long-term approach in developing financial reporting practices that align with the operational aspects of our real estate business. There are a number of places where this has an impact, but a good example is inherent in how CREIT reports Adjusted Funds from Operations (AFFO) in our public documents (see AFFO definition – page 3).

To explain this example, it is important to understand that a real estate investment trust could establish an internal policy whereby maintenance capital expenditures (for instance the cost of a roof replacement, which may be several million dollars on a large industrial or retail property) would be treated as operating capital. Alternatively, the REIT could establish a policy that would result in such expenditures being treated as investment capital. In the latter case, the expenditure is not deducted in calculating AFFO.

At CREIT, we have adopted an internal policy which requires that, for an expenditure to be considered investment capital, a new revenue stream (additional property rental income) must be created. As a result, our maintenance capital expenditures (such as the cost of a roof replacement) are treated as operating capital – and these costs are therefore deducted when we calculate our AFFO.

CREIT's approach could have a negative impact on certain reported financial results over the short term (for example, lower AFFO). However, in our view, it leads to higher-quality financial results over the long term.

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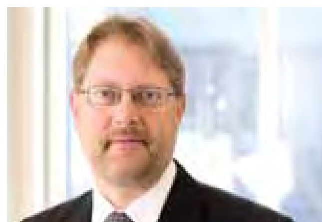
Jean Lin, B.COMM., CMA
Vice President,
Transaction Due Diligence



Archna Sharma, CA, CFA
Director, Governance

Paul Wubbolts, B.SC.
Director, Information Services

Judith Somerville, CA, MBA
Trust Secretary

Prudent Level of Cash Distributions – While we would like to pay out as much cash as is practical to our Unitholders through monthly distributions, we also want to avoid paying out so much that it impairs the operating fundamentals of the business. The practical balance is achieved with a prudent distribution policy.

Each year over the past 10 years, CREIT has increased the amount of the distribution that we pay to our Unitholders.

It is significant that, over this same period, we have also consistently increased the amount of cash from earnings that is retained in the business. This retained cash is a significant propellant for growth; it is deployed into new acquisitions that generate additional earnings.

In 2011, CREIT's payout ratio – that is, CREIT's total annual cash distribution to Unitholders as a percentage of our Funds from Operations (an earnings measure) – was 61%. CREIT has one of the lowest payout ratios among the Canadian REITs.

Our prudent payout ratio and the corresponding high cash retention make our monthly distribution to Unitholders more reliable, and the reliability of our distributions is one of our top strategic priorities.

Staggered Debt Maturities – The CREIT Strategy incorporates the efficient and prudent use of leverage as part of our capital structure. We are limited to a debt level of 60% of total adjusted assets as outlined in our Declaration of Trust.

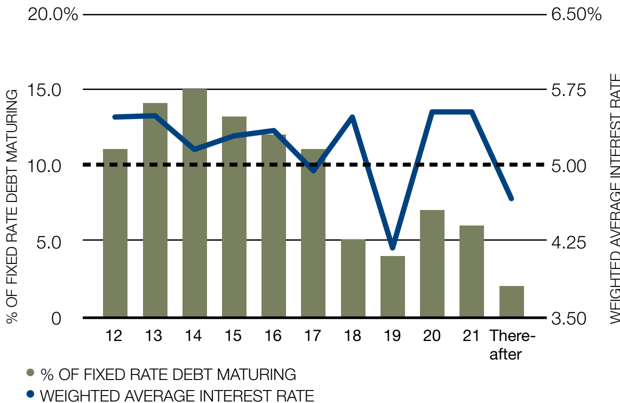
CREIT uses two forms of debt: (1) floating rate debt (primarily bank facilities with a term of less than one year); and (2) fixed rate term debt (primarily mortgages and unsecured debentures with interest rates locked in for periods generally ranging from one to 10 years).

At year-end 2011, CREIT had total debt of $1.5 billion, representing 43.2% of total adjusted assets.

For flexibility and to help manage interest rate risk, we generally keep a portion of our total debt (10% to 20%) in floating rate facilities. Where we are within this range at any point in time depends on a variety of factors, including the timing of investment transactions, our scheduled debt maturities, anticipated activities in the capital markets and the interest rate environment.

Generally 80% to 90% of our debt is fixed rate term debt, and we strive to spread the maturities for this term debt evenly over 10 years. With this approach, only 10% of our fixed rate debt is subject to an interest rate change in any one year. By staggering our debt maturities, we minimize both our interest rate risk and our refinancing risk (with respect to the availability of debt capital) in any given year.

Mortgage and Debenture Maturities



In summary, the financial framework at CREIT actually encompasses many factors. However, the key components in our approach to financial management are:

- aligned financial reporting practices;
- a prudent level of cash distributions; and
- staggered, well-managed debt maturities.

STRATEGY SUMMARY

Our Strategy is about delivering reliability – and growth.

It is not complex. We have set out to accumulate a portfolio of high-quality real estate assets; we aggressively manage and lease our portfolio; and we operate within a disciplined financial management framework.

Executed well, this Strategy should deliver reliable cash distributions to our Unitholders each month.

We also expect our Strategy to produce consistent growth over time.