

Our benchmark for success

## On the cover



110 Yonge Street, Toronto, Ontario



1801 Hollis Street, Halifax, Nova Scotia



Hérons' Hill, Toronto, Ontario



1010 Sherbrooke Street West, Montreal, Quebec

The properties shown on the cover and above are examples of the quality assets acquired by CREIT in 2001. During the year, CREIT completed a total of \$143 million in property acquisitions, each being accretive to net income.

### Profile

Canadian Real Estate Investment Trust (CREIT) is dedicated to building wealth for its Unitholders through reliable and, over time, growing monthly income and long-term value enhancement. CREIT owns a quality portfolio of more than 100 retail, office and industrial properties. Its disciplined approach minimizes risk while delivering attractive long-term returns.

Our benchmark for success

# CREIT's benchmark for success

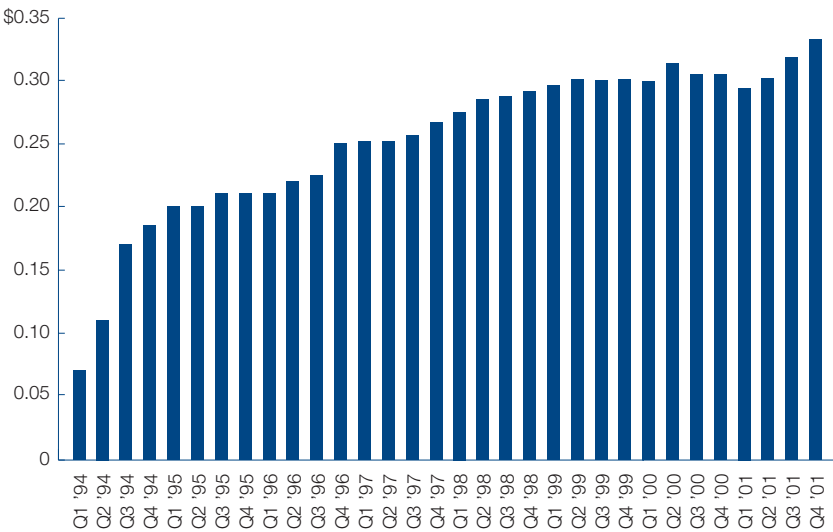
At CREIT, we are committed to growing value over the long term, with rock-solid reliability along the way. Our goal is to deliver steady returns to Unitholders, year after year after year, with no disruptions to cash distributions and a minimum of volatility in our performance from period to period.

It's an ambitious objective, but we believe that CREIT is the ideal vehicle to deliver it. Our track record (see chart below) demonstrates that we can do it.

Pages 5 to 13 of this report outline how CREIT intends to continue to deliver on this commitment.

Quarterly distributable income per Unit since 1994

The amount of CREIT income that is available to distribute to Unitholders has been remarkably reliable, with a steady improving trend.



## My fellow Unitholders:

In 2001, CREIT again turned in a steady, solid performance. We improved our results, expanded our portfolio and, most importantly, built on our track record of delivering reliable returns to our investors.

As pages 5 to 13 of this annual report explain, CREIT has a simple benchmark for success. We place a high value on reliability. We are committed to providing an investment vehicle that investors can depend on for reliable cash distributions and steady growth.

In 2001, all of our initiatives were focused in this direction. As our cost of capital declined, we took advantage of the opportunity to raise new money and to acquire quality properties that benefit the Trust today and will continue to do so into the future.

We also increased our focus on managing our properties effectively. We intend to build on our capacity to improve returns from our existing assets. To this end, we are continuing to invest heavily in information systems and staff training.

Our goal is to continue to deliver a dependable yield to our Unitholders, while building value over time through trusted, proven strategies in acquisitions and operations.

### Operations

Distributable income per Unit increased 2.5% to \$1.25 in 2001 as a result of acquisitions made during the year, improved performance from existing assets and a lower cost of debt. Portfolio occupancy of 96% at December 31, 2001 compares to 97% a year earlier.

Distribution levels remained stable at \$1.17 for the year. The percentage of distributable income that CREIT paid to Unitholders declined to 93.8% from 95.9% a year earlier, improving the reliability and sustainability of distributions. The Trust intends to stabilize distributions at between 90% and 95% of distributable income.

During the year, CREIT raised gross equity of \$108 million in two issues, one in March and the other in December. Proceeds were used in a number of acquisitions including the purchase of:

- Herons' Hill, a 280,000 square foot office complex in suburban Toronto for \$37.5 million;
- a two-building multi-tenant industrial project in Richmond Hill, Ontario for \$10.5 million;
- a 214,000 square foot office building in the central business district of Halifax, Nova Scotia for \$25 million;
- 1010 Sherbrooke Street West, a 328,000 square foot office building in downtown Montreal for \$36 million;



- 110 Yonge Street, a 149,000 square foot office building in downtown Toronto for \$30.2 million; and
- a 66,000 square foot industrial building in Markham, Ontario for \$3.8 million.

In total, CREIT completed \$143 million in property acquisitions during the year. Each was accretive to net income and we expect to increase the contribution these properties make to the Trust's performance in the coming years.

During the year, CREIT also divested four properties – two apartment buildings, comprising 287 units, in Pointe-Claire, Quebec; an industrial building in Vaughan, Ontario; and a small retail centre in Edmonton, Alberta.

The net result of these acquisitions and divestitures was a significant change in CREIT's portfolio mix. In the fourth quarter of 2001, 32.5% of income was generated from office properties compared to 16.8% in the same quarter in 2000, while retail's share declined to 49.0% compared to 57.2% in 2000.

Our objective is to achieve an asset mix comprising 50% retail, 25% industrial and 25% office, a blend that we believe best combines strong returns with security of income. From time to time, these ratios may become skewed as we take advantage of market opportunities, but it is our intention to achieve our desired asset mix over time.

CREIT's overall indebtedness as a percentage of total adjusted assets (total assets plus accumulated depreciation) was 44.8% at December 31, 2001, compared to 48.8% a year earlier.

### Strategy

Over the past few years, CREIT has been putting into place the critical elements to facilitate reliable, steady growth. Self-management is one of these. In January 2001, the Trust assumed internal control of its property management activities, following the assumption of control over asset management in 1999.

CREIT is now one of a small group of Canadian REITs that is fully self-managed, allowing for greater control over costs and providing additional operating flexibility. For instance, our fully internalized structure has allowed us to pursue opportunities in "co-investment". In 2001, we completed our second and third co-investment transactions with the sale of a 50% interest in the Norwester Distribution Centre in Edmonton and the purchase of 50% of a 198,000 square foot office building in suburban Halifax.

CREIT maintains full management and leasing responsibilities for these buildings, providing the Trust with additional income. By sharing investments with institutional investment partners, co-investment also allows us to access additional acquisition opportunities while achieving greater diversity.

Co-investment and internal property management are two important elements that will allow CREIT to improve returns from its property assets. At the same time, we will continue to pursue growth by acquisition, as long as financial markets remain accommodating and we can identify value in the properties we purchase.

We expect that we will be able to continue to access the capital markets in 2002, and given current economic conditions, we anticipate another year of growth in our assets and capital base. The downturn has been milder than we anticipated. While the office leasing market has softened, there has been no serious pressure on portfolio occupancy. However, we remain cautious as the real estate cycle tends to lag behind the general economy.

I would like to close by reporting two important changes at the Board level. Dr. Stanley Hamilton, a Trustee for the past six years, has chosen not to stand for re-election for the coming year. Stan has been a valuable contributor to the Board and we will miss his insights, his integrity and his generous character.

In addition, Morris Shohet, a Trustee, has been appointed to the newly created office of Vice Chair of the Trust. Morrie will be committing more of his time to CREIT's affairs, and the appointment gives formal recognition to the important role he will assume in the management of the Trust.

(signed)

**Stephen E. Johnson**  
President and Chief Executive Officer  
March 14, 2002

## Our benchmark for success

### *What makes for success at CREIT?*

First, there are the standard benefits that all REITs offer. REITs provide investors with a number of advantages over more traditional ways to invest in real estate – prompt liquidity, property diversification, and a high level of cash distributions.

Just as important is our commitment at CREIT to grow value over the long term, without sacrificing reliability.

We have designed a strategy aimed at delivering predictable annual returns – our current cash distributions represent a 9.2% yield at our closing price of \$12.71 on December 31, 2001. In addition, we expect to grow our distributable income by 3% to 4% annually, on average. We want our Unitholders to be confident of receiving this kind of return year after year after year, with no disruptions to cash distributions, and with a minimum of volatility in our annual performance.

Creating total returns in the low double-digit range might appear modest, but in fact, because of our commitment to providing this return consistently, this target is extremely ambitious.

Very few investments deliver returns in the double-digit range over the long term. We believe we have the ideal vehicle to do so in CREIT, and we intend to create a culture that is disciplined to do just that.

The next few pages of this annual report outline in greater detail what we mean by “disciplined”. Our track record demonstrates that we can do it. Moreover, we believe that over the next few years we will be significantly strengthening our management capacity to deliver on this ambitious vision.

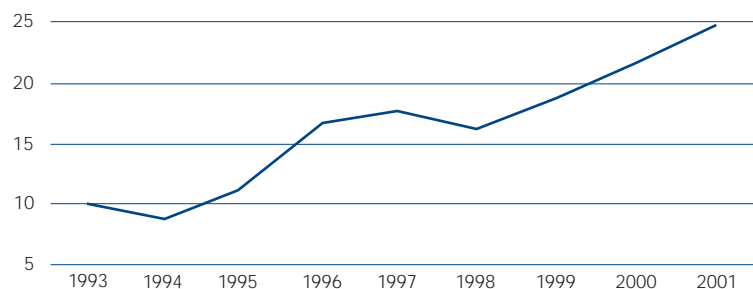
## CREIT's value model focuses on disciplined growth

At the core of CREIT's value creation model is a refusal to compromise future success for short-term benefit. Successful real estate investing is a long-term undertaking. The key lies in the reliable delivery of current cash distributions and relentless improvement in value – in small, almost imperceptible, increments.

The critical ingredient in achieving this level of success is discipline. That's why we have developed, and continue to refine, financial models that guide our acquisition strategies, and a management culture that is dedicated to delivering constantly improving performance from our existing assets.

This is not the usual approach for real estate investment, which tends to be "deal" driven. Our approach requires the development and nurturing of a different kind of corporate culture – one that values operations over "deals", and incremental success over high profile transactions. It is the strategy of the tortoise, steady and sure. It's the strategy that we believe will deliver the best results for our investors over time.

Total return on a \$10,000 investment made in 1993 *(in thousands of dollars)*







## Discipline – in acquisitions

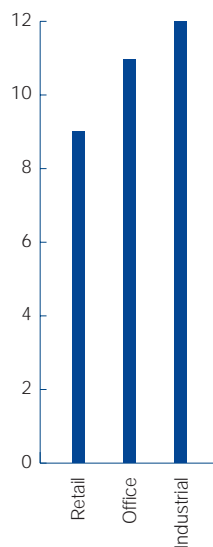
Our acquisition strategy focuses on achieving a portfolio balance with low volatility. We create balance through geographic diversification. The universe of real estate assets is in fact made up of many local markets. These local markets do not move in tandem through the economic cycles. Our challenge is to choose assets among these local markets, among different cities, and within markets in each city to construct a portfolio that resists the inevitable swings in local performance.

We are also careful to choose among asset classes – retail, office and industrial – because these asset classes differ in their degree of risk, return and volatility.

It is this balancing of asset classes, geographic localities, price and yield that creates lower portfolio volatility and more reliable growth.

To reduce volatility further, we keep our debt levels modest, at around 50%. Those Unitholders who can tolerate a higher level of risk can achieve higher returns by borrowing on their CREIT investment directly. CREIT's lower level of debt makes our distributions more secure, an important assurance for Unitholders who decide to carry more debt.

Return on book value by asset class\* (percentage)



*\*Annualized return based on net operating income as a percentage of book value before accumulated depreciation.*



## Discipline – in internal growth

An attractive – and low-risk – way for a REIT to grow is by improving the performance of the properties it already owns. This requires patience, discipline and skill, but it holds the opportunity for more reliable, yet significant, gains over time.

At CREIT we place improvement in same asset performance at the top of our list of corporate priorities. It is a critical part of our strategy to deliver consistent, dependable returns. Same asset growth is our corporate mantra.

Internal growth in a REIT can come from a number of sources. A landlord can increase rents, make property improvements that attract better-paying tenants, and reduce operating costs through better practices. On a group of properties, returns could be improved as a portfolio grows through efficiency of scale.

At CREIT, all of these apply. The fact that we are internally managed – CREIT itself is responsible for managing the maintenance and upkeep of its properties – allows us to take an uncompromising approach to improving the returns on our assets.

Internal management opens another door to value-creating opportunities. One is co-investment, whereby CREIT invites institutional investors to share ownership in certain properties. Co-investment works for CREIT in two ways: it allows us to further expand and diversify our holdings and it opens up opportunities to generate fee income through the management of these properties. We improve returns while also reducing risk.

### Top 10 CREIT tenants

Tenant	% of Gross Revenue
TD Canada Trust	3.4
Credit Suisse First Boston	2.5
Jim Pattison Industries	2.3
TJX Cos. Inc./Winners	2.2
Staples/Business Depot	2.1
Forzani Group	1.9
Canada Safeway Limited	1.8
Ontario Medical Association	1.8
Wal-Mart Canada Inc.	1.7
IPCF Properties/Weston Foods	1.7



## Discipline – in building trust

As with any investment, CREIT's performance is paramount. But strong valuations aren't built solely on good numbers.

CREIT works hard to build trust with its Unitholders and the financial markets. To a large degree, trust is based on transparency. At CREIT, we take pride in our level of financial disclosure. We are committed to clearly explaining our business strategies and how we implement them. Transparency also means we apply conservative principles in our accounting. CREIT believes in a "no surprises" approach.

Our commitment is not without a business rationale. We believe that if we explain ourselves well, if we can consistently perform to the expectations we set, we will, over time, create a level of trust that will translate into a higher sustained valuation. This, of course, means a lower cost of capital for CREIT, which allows us to acquire higher quality assets.

And that in turn allows us to improve our performance, reliably, over the long term. It's a wonderful, virtuous circle. It's very powerful, and it will work on behalf of CREIT's Unitholders.





## Schedule of properties (as of December 31, 2001)

CREIT owns a high-quality portfolio of more than 100 retail, office and industrial properties.

Retail Properties	Location	Ownership Interest	Total Area (Sq. Ft.)	Ownership (Sq. Ft.)	% Leased	Major Tenants
Island Home Centre	Victoria, BC	100%	164,417	164,417	99%	Future Shop, Sport Chek, Michaels, Sears
Discovery Harbour	Campbell River, BC	50%	389,311	194,656	98%	Canadian Tire, Zellers
Pinetree Village	Coquitlam, BC	100%	200,277	200,277	100%	Save-On Foods, Future Shop, Chapters
London Village	Coquitlam, BC	100%	67,441	67,441	96%	London Drugs, chartered bank
Maple Ridge Square	Maple Ridge, BC	100%	79,659	79,659	96%	Saan Stores, Pharmasave Drugs
Spruceland Shopping Centre	Prince George, BC	65%	141,423	91,925	98%	Overwaitea, Shoppers Drug Mart
Columbia Place Shopping Centre	Kamloops, BC	50%	129,876	64,938	99%	Overwaitea, B.C. Liquor Store
Columbia Square Shopping Centre	Kamloops, BC	50%	102,346	51,173	98%	Toys 'R' Us, Office Depot
South Trail Shopping Centre	Edmonton, AB	100%	68,116	68,116	100%	Future Shop, Winners
Clareview Towne Centre	Edmonton, AB	100%	50,829	50,829	100%	Rogers Video, Mark's Work Wearhouse
10010 – 132 Avenue	Edmonton, AB	100%	11,532	11,532	100%	Swiss Chalet
Crossroads Shopping Centre	Edmonton, AB	50%	26,765	13,383	100%	Earl's Restaurant, Burger King
South Point Shopping Centre	Edmonton, AB	50%	81,657	40,829	100%	Petsmart, Chapters
Summer Breeze Shopping Centre	Edmonton, AB	50%	52,780	26,390	100%	Business Depot, Shoppers Drug Mart
Depot 170	Edmonton, AB	100%	79,628	79,628	100%	Chapters, Petsmart, Sport Mart
St. Albert Square	St. Albert, AB	100%	58,316	58,316	100%	Staples, Chapters, Mark's Work Wearhouse
London Town Square	Calgary, AB	100%	116,798	116,798	70%	London Drugs
Shawnessy Village	Calgary, AB	100%	101,872	101,872	99%	Safeway, Blockbuster Video, A&W
Glenmore Square	Calgary, AB	100%	76,151	76,151	96%	Safeway, Shoppers Drug Mart
Cornerstone Power Centre	Medicine Hat, AB	100%	112,236	112,236	100%	IGA, Staples, Mark's Work Wearhouse
Swift Current Mall	Swift Current, SK	100%	194,530	194,530	94%	Zellers, Safeway
Winston Power Centre	Oakville, ON	100%	113,838	113,838	100%	Winners, Business Depot, Sport Chek
Halton Village	Georgetown, ON	100%	74,285	74,285	100%	Canadian Tire, Boston Pizza, Mark's Work Wearhouse
Springdale Square	Brampton, ON	100%	105,453	105,453	100%	Fortino's, Blockbuster Video, McDonald's
Gardiners Town Centre	Kingston, ON	100%	105,814	105,814	93%	A&P, Wendy's, Pizza Hut
Stafford Centre	Nepean (Ottawa), ON	100%	130,498	130,498	100%	LOEB, Winners, Mark's Work Wearhouse
Brookdale Centre	Cornwall, ON	100%	261,436	261,436	87%	Wal-Mart, Winners, LCBO, Beer Store
Hull Wal-Mart Centre	Hull, PQ	50.1%	160,013	80,166	79%	Wal-Mart, Staples, Moores The Suit People
Baie d'Urfé Plaza	Baie d'Urfé, PQ	100%	60,118	60,118	92%	Provigo
9 Champlain Drive	Dieppe, NB	100%	21,922	21,922	100%	Swiss Chalet, Mike's Restaurant
655 University Avenue	Charlottetown, PE	100%	26,043	26,043	100%	Staples
552 to 560 Sackville Drive	Halifax, NS	100%	15,160	15,160	100%	Swiss Chalet, Mike's Restaurant
135 Wyse Road	Halifax, NS	100%	10,050	10,050	100%	Credit Union Atlantic, ICI Paints
The Young-Kempt Centre	Halifax, NS	100%	29,878	29,878	100%	Burger King, Steak & Stein
The Shops at Oak Brook Place	Oak Brook, IL (U.S.)	100%	176,920	176,920	100%	T.J. Maxx, Nordstrom Rack, Old Navy
Retail Totals			3,597,388	3,076,677	97%	



Industrial/Warehouse Properties	Location	Ownership Interest	Total Area (Sq. Ft.)	Ownership (Sq. Ft.)	% Leased	Major Tenants
Eastgate Business Park (3 properties)	Edmonton, AB	100%	266,341	266,341	100%	PMK Logistics, Berlinex, WFF Fittings
Norwester Distribution Centre	Edmonton, AB	50%	443,334	221,667	100%	Teco Westinghouse, United Auto Parts
Bonaventure Business Park	Edmonton, AB	100%	104,347	104,347	100%	Anixter Canada
11724 – 180 Street	Edmonton, AB	100%	94,681	94,681	100%	Crossroads C&I Distributors
15706 – 116 Avenue	Edmonton, AB	100%	57,696	57,696	100%	Kal Tire, Penske Canada
Foothills Industrial Park (11 properties)	Calgary, AB	100%	749,082	749,082	87%	Caytec Equipment, Globe Wood
Skyline Industrial Park (7 properties)	Calgary, AB	100%	334,488	334,488	97%	City of Calgary, Field Aviation, Primco
8100 Park Hill Drive	Milton, ON	100%	101,463	101,463	100%	Sauder Industries
Airport Business Park North (6 properties)	Mississauga, ON	100%	574,496	574,496	92%	Forzani's, McCormick Canada, ABB
45A & 45B West Wilmot	Richmond Hill, ON	100%	185,959	185,959	96%	Computer Logistics, Flexmaster, PC Outlet
90 Nolan Court	Markham, ON	100%	123,538	123,538	97%	Cameo Kitchens, Contract Furniture
951 Denison Street	Markham, ON	100%	65,678	65,678	94%	TEDA Enterprises, Black Box Canada
925 Brock Road	Pickering, ON	100%	257,824	257,824	100%	UPS, Vesco Profiles, MDC
927, 929, 931 Brock Road	Pickering, ON	100%	57,882	57,882	100%	North American Van Lines
1100 Squires Beach Road	Pickering, ON	100%	191,778	191,778	100%	RDP Fulfillment, Automodular
705 – 725 Belfast Road	Ottawa, ON	100%	55,751	55,751	100%	United Auto Parts
510 – 560 Orly Blvd.	Dorval, PQ	100%	121,361	121,361	100%	Induspac, Airport Steel & Tubing
4771 – 4825 Couture Blvd.	St. Leonard, PQ	100%	89,765	89,765	100%	Canplast
Burnside Industrial Park (15 properties)	Halifax, NS	100%	719,884	719,884	97%	Sauder Industries, Abbott Laboratories
Industrial/Warehouse Totals			4,595,348	4,373,681	98%	
Office Properties						
1185 West Georgia Street	Vancouver, BC	100%	165,720	165,720	96%	Canada Safeway, Page Fraser & Assoc.
1200 Burrard Street	Vancouver, BC	100%	68,966	68,966	96%	Chartered bank, SNC Lavalin
Royal Bank Building	Winnipeg, MB	50%	169,229	84,615	100%	Chartered bank, Agricore United
Birch-Oak Centre	Oakville, ON	100%	60,325	60,325	96%	Royal LePage, Co-operators
525 University Avenue	Toronto, ON	91%	188,359	173,290	100%	Credit Suisse/AT&T, Ontario Medical Assn.
Heron's Hill	Toronto, ON	100%	281,534	281,534	91%	BDO Dunwoody, Unisys, FinancialLinx
110 Yonge Street	Toronto, ON	100%	148,803	148,803	91%	Chartered bank
80 Micro Court	Markham, ON	100%	79,976	79,976	100%	Toyota Credit, Ace Hardware
2300 St. Laurent Blvd.	Ottawa, ON	50%	38,786	19,393	100%	ISM Information System Management
100 Alexis Nihon Blvd.	Montreal, PQ	37.5%	286,029	107,260	89%	Alis Technologies, Quintiles
1010 Sherbrooke Street West	Montreal, PQ	100%	329,181	329,181	91%	Cannacord Capital, Fournier Pharma
Young Tower	Halifax, NS	100%	139,659	139,659	100%	Rogers Cantel, Credit Union Atlantic
1801 Hollis Street	Halifax, NS	100%	214,436	214,436	87%	Burchell Haymann Barnes, William Mercer
Metropolitan Place	Dartmouth, NS	50%	203,328	101,664	97%	General Accident, Zurich Life
Office Totals			2,374,331	1,974,822	95%	
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## Management's discussion and analysis of results of operations and financial condition

Management's discussion and analysis of results of operations should be read in conjunction with the Trust's audited financial statements for the years ended December 31, 2001 and 2000.

### Overview of the Business

Canadian Real Estate Investment Trust (the "Trust") was established in 1984 and became a public real estate investment trust ("REIT") in July 1993.

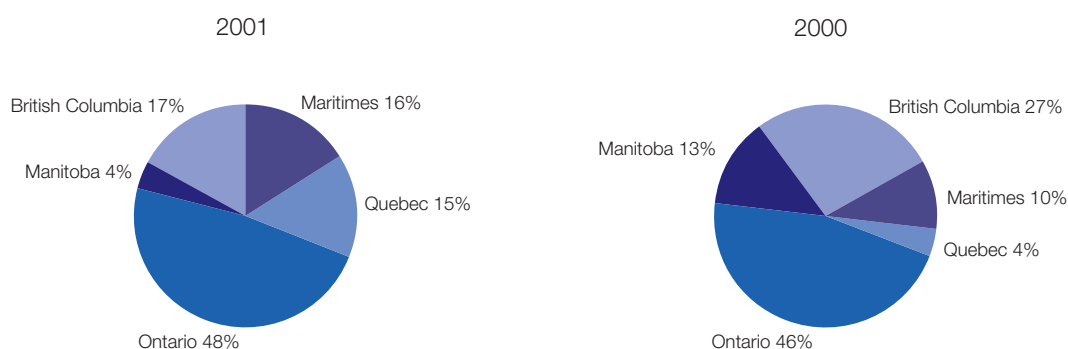
The Trust owns and manages a diversified real estate portfolio consisting of office, industrial and retail properties located throughout Canada and in the Chicago, Illinois area of the United States. The portfolio is comprised of 105 properties containing 10.6 million square feet of leasable space (the Trust's ownership interest is 9.4 million square feet).

The Trust's principal goal is to deliver a reliable and growing yield to Unitholders from a high-quality real estate portfolio. The chart below summarizes the cash distribution per Trust Unit, and the closing price of the Trust's Units on The Toronto Stock Exchange on the last trading day of each calendar year.

	2001	2000	1999	1998	1997	1996	1995
Cash distribution per Unit	\$ 1.17	\$ 1.17	\$ 1.17	\$ 1.14	\$ 1.03	\$ 0.91	\$ 0.82
Closing price	\$12.71	\$11.45	\$10.95	\$10.55	\$12.70	\$12.90	\$ 9.38

The Trust accomplishes its principal goal by acquiring well-located properties situated in demographically attractive areas. The Trust intensively manages its properties to maintain high occupancies, to achieve rental rate increases, and to operate with an efficient cost structure. The Trust manages its debt to obtain the lowest interest cost consistent with a staggered maturity schedule. The Trust also systematically disposes or redevelops non-core or dysfunctional assets.

### Office net operating income by geographic region (percentage)



## Portfolio Asset Analysis

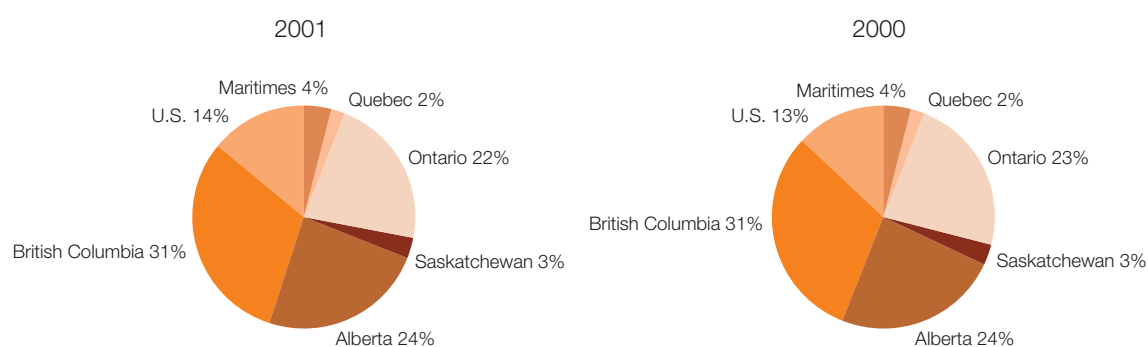
CREIT's *retail* property strategy is to focus primarily on the acquisition and long-term ownership of food-store-anchored strip plazas and other unenclosed shopping centres anchored by leading retailers. CREIT owns a 100% interest in 27 retail properties which comprise 2,516,000 square feet and at least a 50% interest in 8 other retail properties. CREIT's retail portfolio comprises 3,080,000 square feet in total.

CREIT's *industrial* property strategy is to focus on the acquisition and long-term ownership of distribution facilities, buildings used for light manufacturing and/or "flex-space" facilities whose size and configuration readily accommodate the diverse needs of a broad range of business tenants. CREIT owns a 100% interest in 55 industrial properties, and a 50% interest in one property, which comprise 4,373,000 square feet.

CREIT's *office* property strategy is to focus on the acquisition and long-term ownership of well-leased, quality office buildings in major Canadian markets. CREIT owns a 100% interest in nine office buildings which comprise 1,489,000 square feet and interests in five other partially owned office properties. CREIT's total office ownership comprises 1,974,000 square feet.

CREIT's *multi-family residential* strategy is to acquire properties in middle and high income neighbourhoods located in cities with favourable demographics. CREIT disposed of its residential properties on May 1, 2001. The high cost of multi-family residential properties and the resulting low yields were contributing factors in CREIT's decision to sell these assets. CREIT may return to this asset type when market conditions and opportunities warrant.

Retail net operating income by geographic region (percentage)



CREIT's overall investment strategy involves geographic diversification in the Trust's property portfolio. The chart below outlines the number of properties and square footage owned by the Trust in each of its geographic markets.

	Maritimes		Quebec		Ontario		Prairies	
	Properties	Sq. Ft. 000s	Properties	Sq. Ft. 000s	Properties	Sq. Ft. 000s	Properties	Sq. Ft. 000s
Office	3	456	2	436	6	763	1	85
Retail	5	103	2	140	6	791	1	195
Industrial	15	720	2	211	14	1,615	–	–
	23	1,279	6	787	26	3,169	2	280

	Alberta		British Columbia		U.S.		Total	
	Properties	Sq. Ft. 000s	Properties	Sq. Ft. 000s	Properties	Sq. Ft. 000s	Properties	Sq. Ft. 000s
Office	–	–	2	235	–	–	14	1,975
Retail	12	756	8	915	1	177	35	3,077
Industrial	25	1,828	–	–	–	–	56	4,374
	37	2,584	10	1,150	1	177	105	9,426

## Review of Financial Results

### Net Income

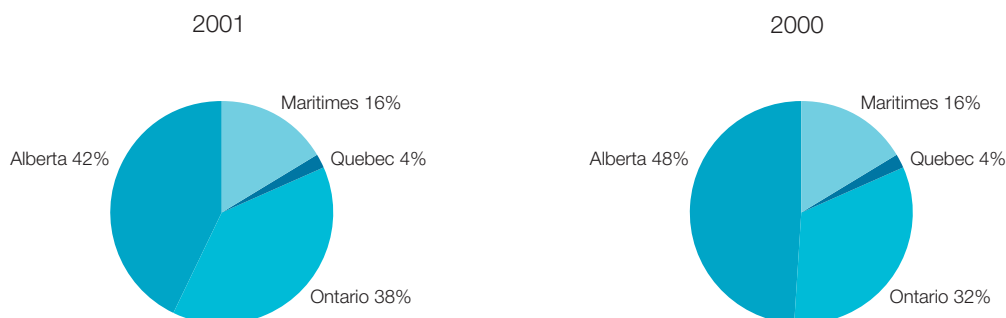
Net income of the Trust was \$38.1 million in 2001 as compared to \$39.6 million in 2000. Net income per Unit decreased to \$1.01 in 2001, compared to \$1.19 in 2000. Income before non-recurring events, as set out below, was \$40.4 million in 2001, compared to \$35.0 million in 2000, an increase of \$5.4 million, or 15%.

### Non-Recurring Events

Comparison of year-over-year results should take into account the following:

(Thousands of dollars)	2001	2000	Difference
Gain (loss) on dispositions of properties	\$ 2,613	\$ 4,595	(\$1,982)
Termination of the Property Management Agreement	(4,996)	–	(4,996)
Non-recurring events	(\$2,383)	\$ 4,595	(\$6,978)
Basic and diluted non-recurring events per Unit	(\$0.06)	\$ 0.14	(\$0.20)

### Industrial net operating income by geographic region (percentage)



## Rental Operations

Total property rental revenue increased by \$15.2 million to \$128.2 million in 2001 from \$113.0 million in 2000, while property operating costs increased by \$7.0 million to \$48.1 million from \$41.1 million in 2000.

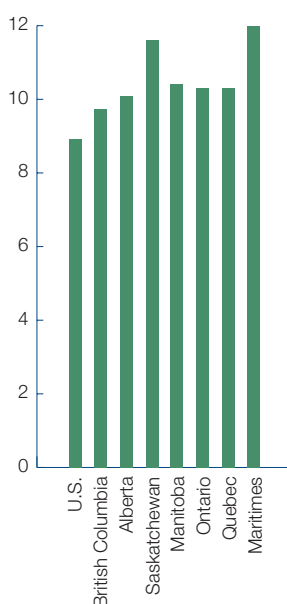
Effective January 1, 2001, the Trust became a self-advised, self-managed REIT. As a result, certain asset management costs, previously reflected as part of general and administrative costs, have been reclassified to property operations for comparative purposes.

Total property revenues less operating costs (generally referred to as "net operating income" in the real estate industry) increased 2.5% on a "same asset" basis in 2001. Same asset refers to assets that were owned and operated by the Trust as income property for the entire twelve months ended December 31, 2001 and the entire twelve months ended December 31, 2000. The same asset performance represented approximately 20% of the total year-over-year increase in net operating income. The balance of the increase is attributed to acquisition and disposition activities.

### Same Asset Change in Net Operating Income

(Thousands of dollars)	Increase (Decrease)	%
Office	\$ 1,176	11.2%
Industrial	678	4.6
Retail	(176)	(0.4)
	\$ 1,678	2.5%

### Return on book value by region\* (percentage)



\*Annualized return based on net operating income as a percentage of book value before accumulated depreciation.

## Mortgage Financing

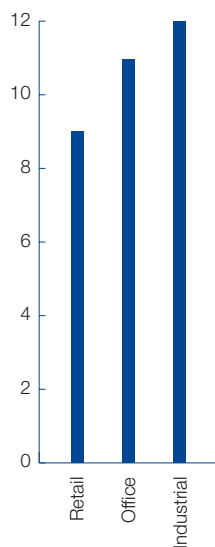
In 2001 the Trust assumed or arranged \$102.2 million of new debt secured against acquisitions, refinanced \$67.1 million of debt, retired \$76.4 million of debt upon maturity, eliminated \$22.7 million of debt through disposition of properties, and repaid \$7.9 million through amortized monthly payments.

The Trust also recorded a foreign currency translation increase of \$2.6 million in the recorded amount of debt.

The weighted average cost of mortgage debt decreased from 7.33% on December 31, 2000 to 6.92% on December 31, 2001, and the average term to maturity shortened from 4.3 years to 4.1 years.

Management has adopted a portfolio-approach strategy to its financing. The higher quality assets are generally financed with the highest amount of debt, and lesser quality assets have low debt levels or no debt at all. On a portfolio basis, the overall leverage is generally limited to 50%. By adopting this approach, management believes it has negotiated a lower cost of debt than could be obtained by leveraging each asset to 50%. During 2001, the average spread over same term Canada bonds for mortgage interest rates was 153 basis points (6.714% interest rate on mortgages). This compares to an average spread of 167 basis points for mortgage financing during 2000. The 14 basis point decrease can be attributed to a higher proportion of retail real estate financing during 2000 than during 2001. It is the Trust's experience that lenders have looked for an increased spread on retail real estate property to compensate for a higher perceived risk.

## Return on book value by asset class\* (percentage)



*\*Annualized return based on net operating income as a percentage of book value before accumulated depreciation.*

Management attempts to stagger the maturity of its debt so that the Trust is not faced with refinancing a substantial amount of debt as a percentage of the portfolio in any one year. This strategy helps to reduce exposure to interest rate fluctuations in any one period.

The table below outlines the mortgage maturity schedule of the Trust together with the weighted average interest rate on the debt maturing.

Mortgage Maturity	Principal (\$000s)	% of Total	Weighted Average Interest Rate %
2002	\$ 53,863	14%	7.27%
2003	82,154	22	6.74
2004	48,940	13	6.86
2005	53,504	14	6.76
2006	42,621	11	6.88
2007	22,636	6	6.68
2008	15,676	4	6.61
2009	20,365	5	6.71
2010	21,585	6	7.59
Thereafter	17,238	5	7.38
	\$ 378,582	100%	6.92%

Overall indebtedness as a percentage of total adjusted assets (total assets plus accumulated depreciation) decreased from 48.8% at December 31, 2000 to 44.8% at December 31, 2001.

#### Amortization of Leasing Costs

Amortization of leasing costs for 2001 increased approximately 27% to \$4.2 million from \$3.3 million in 2000. Leasing costs are deferred and amortized on a straight-line basis over the terms of the respective leases. During 2001 the Trust incurred aggregate leasing costs of \$4.7 million, as compared to \$7.0 million in 2000.

During the year CREIT completed approximately 1.5 million square feet of leasing activity, with an average cost of \$3.08 per square foot leased. This compares to approximately 2.1 million square feet of leasing activity for 2000, at an average cost of \$3.41 per square foot leased. The five-year average cost of leasing activity for the Trust is \$3.50 per square foot leased.

#### Termination of the Manager

In 1999, the Trust determined that it would be in the best interest of Unitholders of the Trust to be a self-advised, self-managed real estate investment trust. Accordingly, the Trust embarked on a two-phase Management Internalization process.

The first phase resulted in the termination of the Manager on July 2, 1999, with the Trust employing directly all former employees of the Manager.

In the second phase of internalization, economically effective January 1, 2001, the Trust terminated the Property Manager, Dorchester Oaks Property Management Inc., and employed indirectly, through its wholly-owned property management subsidiary, the former employees of the Property Manager.

The total amount paid by the Trust for the termination of the Property Management Agreement and the purchase of all of the assets of the Property Manager used in the provision of property management services to the Trust was \$5.0 million.

During 2001, the Trust expensed the termination costs, together with related professional fees and other costs associated with the termination of the Property Management Agreement.

The Trust incurred the following incremental costs as a result of the termination of the Property Management Agreement:

(Thousands of dollars)

Increase in general and administrative costs	\$ 4,023
Cost of funding termination payment	291
Fee income earned	(521)
	<u>3,793</u>

As a result of the termination of the Property Management Agreement, management estimates the Trust did not incur the following costs:

Property management fees	3,841
Leasing fees	608
Project supervision fees	427
	<u>4,876</u>
Impact of termination of the Property Management Agreement	\$ 1,083
Basic and diluted impact of termination per Unit	<u>\$ 0.03</u>

**Gain on Disposition of Property**

During 2001 the Trust disposed of (i) two residential properties located in Pointe-Claire, Quebec, at a gain of \$2.1 million; (ii) 30 Aviva Park Drive, an industrial property located in Vaughan, Ontario, at gain of \$0.9 million; (iii) a 50% interest in Norwester Distribution Centre, an industrial property located in Edmonton, Alberta, at a gain of \$0.4 million; and (iv) Duggan Shopping Centre, located in Edmonton, Alberta, at a loss of \$0.8 million. These transactions resulted in a net gain of \$2.6 million.

During 2000 the Trust disposed of 272 Queen Street, a parcel of land located in Ottawa, Ontario, an interest in a vacant parcel of land located in Montreal, Quebec, and a one-half interest in 220 Portage Avenue, an office building located in Winnipeg, Manitoba. These transactions resulted in a net gain of \$4.6 million.

**Distributable Income**

Distributable income increased 15% to \$47.0 million in 2001 (\$1.25 per weighted average Unit) from \$40.8 million in 2000 (\$1.22 per weighted average Unit).



The following table sets out the Trust's distributable income for 2001 and 2000:

(Thousands of dollars except per Unit amounts)	2001	2000	Change
Net income for the year	\$ 38,060	\$ 39,617	(\$1,557)
add:			
Termination of the Property Management Agreement	4,996	–	4,996
Depreciation	6,521	5,734	787
	49,577	45,351	4,226
deduct:			
Gain on disposition of property	(2,613)	(4,595)	1,982
Distributable income	\$ 46,964	\$ 40,756	\$ 6,208
Weighted average number of Units	37,599	33,334	4,265
Diluted weighted average number of Units	37,698	33,361	4,337
Basic and diluted distributable income per Unit	\$1.25	\$1.22	\$0.03
Distributions paid per Unit	\$1.17	\$1.17	–
Distributions paid as a percent of distributable income	94%	96%	

For taxable Canadian resident Unitholders, the distributions are treated in the following manner for tax purposes:

	2001	2000
Capital gains	7.11%	11.75%
Other income	31.42%	33.19%
Return of capital	61.47%	55.06%

### New Equity

During the first quarter of 2001 the Trust raised equity of \$57.0 million (\$54.3 million net of costs) at an issue price of \$12.00 per Unit. During the fourth quarter of 2001 the Trust raised equity of \$51.0 million (\$48.6 million net of costs) at an issue price of \$12.30 per Unit.

Given the timing of the closing of the equity issues and the ultimate placement of the funds into income producing property, the Trust experienced short-term income, distributable income and funds from operations (discussed below) dilution on a per Unit basis during the period. Distributions to Unitholders remained constant.

### Financial Condition

#### Funds from Operations

Funds from operations increased 5% to \$46.2 million (\$1.23 per Unit) in 2001 from \$44.0 million (\$1.32 per Unit) in 2000. During 2001, the Trust expensed \$5.0 million (\$0.13 per Unit) for the termination of the Property Management Agreement. This expense is non-recurring in nature.

## Liquidity and Capital Resources

Total assets of the Trust increased by \$136.9 million or 19% to \$868.2 million as at December 31, 2001 as compared to \$731.3 million as at December 31, 2000. The following table sets out the Trust's total assets by asset type:

Total Assets	December 31, 2001		December 31, 2000	
	(\$000s)	%	(\$000s)	%
Retail	\$ 442,445	51%	\$ 441,884	60%
Industrial	151,874	17	153,961	21
Office	242,940	28	103,174	14
Multi-family residential	–	–	21,898	3
Miscellaneous	–	–	8	–
Trust	30,907	4	10,335	2
	<b>\$ 868,166</b>	<b>100%</b>	<b>\$ 731,260</b>	<b>100%</b>

Total indebtedness as a percentage of total adjusted assets as at December 31, 2001 was 44.8%, which translates into a year-end leverage capacity of an additional \$339 million at the Trust's maximum permitted level of indebtedness.

At a Special Meeting of Unitholders held on August 29, 2001, Unitholders passed a resolution to remove certain restrictions on the ability of the Trust to use the full 60% of its permitted indebtedness. The primary purpose of removing this restriction was to permit the Trust to pursue larger acquisitions and portfolio transactions in a timely and competitive manner. It is the intention of management to continue to use the 50% limit as the primary benchmark for the Trust's level of debt.

The operating plan of the Trust provides for the retention of cash or debt capacity to meet the capital and leasing requirements of operations, net of amortization, for a three-year period. The Trust believes it has sufficient available commitments under its credit facilities to fund ongoing leasing maintenance and renovation activities.

Spending and amortization of leasing, non-recoverable deferred maintenance and financing costs ("non-recoverable expenditures") are summarized in the table below:

(Thousands of dollars)	2001	2000
Amortization:		
Amortization of leasing costs	\$ 4,210	\$ 3,265
Amortization of non-recoverable maintenance costs	193	149
Amortization of financing costs	733	746
	<b>5,136</b>	<b>4,160</b>
Spending:		
Deferred leasing costs	4,668	7,022
Deferred non-recoverable maintenance costs	209	936
Deferred financing costs	604	860
	<b>5,481</b>	<b>8,818</b>
Amortization less spending	<b>(\$345)</b>	<b>(\$4,658)</b>

One operating goal established by management of the Trust has been to strive for "self-funding" as it relates to non-recoverable expenditures. "Self-funding" refers to a situation in which the annual spending does not exceed the annual amortization.

For the year ended December 31, 2001, spending exceeded amortization by approximately \$0.3 million.

The Trust has made significant strides towards self-funding over the past several years.

## Risk Management

All income property investments are subject to a degree of risk and uncertainty. Income property is affected by various factors including general economic conditions and local market circumstances. Local business circumstances particularly affect income property investment. Such investments are subject to local risks such as oversupply of space or a reduction in demand. Management attempts to manage these risks through geographic diversification in the Trust's property portfolio. As at December 31, 2001, the Trust held 105 properties located in nine provinces of Canada and one state in the United States.

### Financial Risks

The Trust is exposed to financial risks that arise from fluctuations in interest rates and in the credit quality of its tenants. Management deals with these risks as follows:

#### *Interest Rate Risk*

Floating rate debt is restricted by the terms of the Trust's operating plan generally to 10% of total adjusted assets. In addition, management attempts to structure the Trust's financings to stagger the maturities of debt, thereby mitigating the Trust's exposure to interest rate fluctuations.

#### *Credit Risk*

Credit risk arises from the possibility that tenants may experience financial difficulty and be unable to fulfill their lease commitments. Management mitigates the risk of credit loss by ensuring that the Trust's tenant mix is diversified and by limiting the Trust's exposure to any one tenant. Thorough credit assessments are conducted in respect of all new leasing. The Trust also maintains a portfolio that is diversified by property type so that exposure to individual tenants and business sectors is limited. Currently, no one tenant represents more than 3.4% of total revenues, and the top ten tenants collectively represent less than 22% of total revenues, as outlined below:

<u>% of December 2001 Gross Revenue</u>	
TD Canada Trust	3.4%
Credit Suisse First Boston	2.5%
Jim Pattison Industries	2.3%
TJX Cos. Inc./Winners	2.2%
Staples/Business Depot	2.1%
Forzani Group	1.9%
Canada Safeway Limited	1.8%
Ontario Medical Association	1.8%
Wal-Mart Canada Inc.	1.7%
IPCF Properties/Weston Foods	1.7%

Further credit risks arise in the event that borrowers default on the repayment of their mortgages to the Trust. The Trust endeavours to ensure that adequate security has been provided in support of mortgages receivable.

### ***Lease Roll-Over Risk***

Lease roll-over risk arises from the possibility that the Trust may experience difficulty renewing leases as they expire or may be faced with difficulty releasing space vacated by previous tenants.

Management attempts to stagger the lease expiry profile so that the Trust is not faced with excessive amounts of space expiring in any one year. Management further mitigates the risk by maintaining a diversified portfolio mix by asset type with differing lease expiry profiles.

The following tables set out lease expiries, by square footage, of the Trust's portfolio:

Portfolio Lease Roll-Over (Trust's proportionate share)	Sq. Ft.	%
2002	1,580,908	17%
2003	1,288,224	13
2004	1,044,170	11
2005	1,101,172	11
2006	1,069,652	11
Thereafter	3,132,420	33
Vacant (as of Dec. 31, 2001)	388,699	4
Total	9,605,245	100%

### ***Lease Roll-Over by Segment (Trust's proportionate share)***

	Retail		Office		Industrial	
	Sq. Ft.	%	Sq. Ft.	%	Sq. Ft.	%
2002	146,155	5%	342,709	16%	1,092,044	25%
2003	109,941	4	253,699	12	924,584	21
2004	200,063	6	279,840	13	564,267	13
2005	211,142	7	245,791	11	644,239	15
2006	570,293	18	271,489	13	227,870	5
Thereafter	1,745,592	57	608,988	28	777,840	18
Vacant (as of Dec. 31, 2001)	96,675	3	149,226	7	142,798	3
Total	3,079,861	100%	2,151,742	100%	4,373,642	100%

### ***Currency Risk***

The Trust is also exposed to currency risk as it relates to its foreign assets. Changes in the applicable exchange rate could impact income to Unitholders.

To mitigate this risk relating to its foreign assets, the Trust has entered into forward exchange contracts to hedge the net income after interest expense.

## Environmental Risk

The Trust is subject to various Canadian and United States laws relating to the environment which deal primarily with the costs of removal and remediation of hazardous substances. Environmental risk is relevant to the Trust's ability to sell or finance impacted assets and could potentially result in liabilities for the costs of removal and remediation of hazardous substances or claims against the Trust. Management is not aware of any material non-compliance with environmental laws or regulations with regard to the Trust's portfolio or of any pending or threatened actions, investigations or claims against the Trust relating to environmental matters.

The Trust has formal policies and procedures which deal with limiting environmental exposures in a proactive manner during every aspect of the property life cycle. In addition, as part of the Trust's risk management program, all assets are insured against environmental exposure.

## Outlook

The tragic events of September 11 have accelerated the anticipated economic slowdown. To date, the impact on the Trust's portfolio has been minor, but management detects some softening in selected markets. Management remains cautious in its outlook, since commercial property is generally impacted later in an economic downturn.

Management has designed the Trust's portfolio to be diversified, both geographically and by asset type, as a risk management measure. It is expected that this policy will demonstrate its resiliency in the face of a weakening economy.

North American equity markets have been impacted recently by reports of "financial engineering", questionable accounting practices and perhaps inadequate disclosure. Management of the Trust has always adhered to conservative accounting policies, a disciplined approach to acquisitions and an attempt to be transparent with respect to disclosure. In the face of the turmoil, confidence in the REIT industry has remained high, and the Trust's access to capital markets has not been constrained. These conditions should permit the Trust to continue to grow its income and assets in the coming year.

## Auditors' report

### To the Unitholders of Canadian Real Estate Investment Trust

We have audited the consolidated balance sheets of Canadian Real Estate Investment Trust as at December 31, 2001 and 2000 and the consolidated statements of income, Unitholders' Equity and cash flow for the years then ended. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Trust as at December 31, 2001 and 2000 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

(signed)

Chartered Accountants

Toronto, Ontario

February 11, 2002

## Management's responsibility for financial reporting

The accompanying consolidated financial statements and information included in this Annual Report have been prepared by management of the Trust, which is responsible for their consistency, integrity and objectivity. The Trust maintains appropriate systems of internal control, policies and procedures to ensure that its reporting practices and accounting administration procedures are efficient and of high quality.

Deloitte & Touche LLP, the independent auditors appointed by the Unitholders, are responsible for auditing the consolidated financial statements and giving an opinion thereon.

The consolidated financial statements have been reviewed and approved by the Board of Trustees and its Audit Committee. This Committee meets regularly with management and the auditors. The auditors have full and free access to the Committee.

(signed)

**Stephen E. Johnson**

President and Chief Executive Officer

Toronto, Ontario

(signed)

**Timothy P. McSorley**

Vice President and Chief Financial Officer

## Consolidated balance sheets

DECEMBER 31, 2001 AND 2000

(Thousands of dollars)	2001	2000
<b>ASSETS</b>		
Real estate assets		
Income properties (Note 3)	\$ 806,922	\$ 691,570
Mortgages receivable (Note 4)	9,239	7,529
	816,161	699,099
Cash and cash equivalents	20,035	2,198
Accounts receivable	7,048	6,362
Deferred charges (Note 5)	22,756	21,711
Other assets	2,166	1,890
	\$ 868,166	\$ 731,260
<b>LIABILITIES</b>		
Mortgages payable (Note 7)	\$ 378,582	\$ 313,602
Bank loan (Note 8)	21,662	52,603
Accounts payable and accrued liabilities	19,661	16,850
	419,905	383,055
<b>UNITHOLDERS' EQUITY</b>		
Unitholders' Equity (Note 10)		
Issued and outstanding Units		
(2001 – 42,545,126; 2000 – 33,361,673)	448,394	348,204
Cumulative translation (loss) gain	(133)	1
	448,261	348,205
	\$ 868,166	\$ 731,260

Approved by the Trustees:

(signed)  
Robert Hewett  
Trustee

(signed)  
Lawrence Morassutti, C.A.  
Trustee

## Consolidated statements of income

YEARS ENDED DECEMBER 31, 2001 AND 2000

(Thousands of dollars except per Unit amounts)

	2001	2000
<b>REVENUES</b>		
Property rental revenue <i>(Note 11)</i>	\$ 128,228	\$ 113,010
Interest and other income	1,614	1,453
	129,842	114,463
<b>EXPENSES</b>		
Operating costs <i>(Notes 13 and 14)</i>	48,055	41,129
Mortgage and bank loan interest	27,423	26,563
Depreciation	6,521	5,734
Amortization of leasing costs	4,210	3,265
General and administrative	2,457	2,004
Amortization of financing costs	733	746
	89,399	79,441
Income before the undernoted	40,443	35,022
Gain on dispositions of property	2,613	4,595
Termination of the Property Management Agreement <i>(Note 13(a))</i>	(4,996)	—
<b>Net income for the year</b>	<b>\$ 38,060</b>	<b>\$ 39,617</b>
<b>Basic and diluted net income per Unit</b> <i>(Note 15)</i>	<b>\$ 1.01</b>	<b>\$ 1.19</b>

## Consolidated statements of Unitholders' Equity

YEARS ENDED DECEMBER 31, 2001 AND 2000

(Thousands of dollars)

	2001	2000
Unitholders' Equity, beginning of year	\$ 348,204	\$ 348,001
Net income for the year	38,060	39,617
Subscriptions	111,251	1,276
Issue costs	(5,109)	(24)
Distributions	(44,012)	(39,001)
Units repurchased	—	(1,665)
<b>Unitholders' Equity, end of year</b>	<b>\$ 448,394</b>	<b>\$ 348,204</b>



## Consolidated cash flow statements

YEARS ENDED DECEMBER 31, 2001 AND 2000

(Thousands of dollars except per Unit amounts)	2001	2000
<b>Net inflow (outflow) of cash related to the following activities</b>		
<b>OPERATING</b>		
Net income for the year	\$ 38,060	\$ 39,617
Items not affecting cash		
Depreciation	6,521	5,734
Amortization of leasing costs	4,210	3,265
Gain on dispositions of property	(2,613)	(4,595)
Funds from operations	46,178	44,021
Deferred leasing costs	(4,668)	(7,022)
Deferred recoverable maintenance costs	(2,033)	(1,204)
Amortization of recoverable maintenance costs	624	478
Deferred non-recoverable maintenance costs	(209)	(936)
Amortization of non-recoverable maintenance costs	193	149
Amortization of financing costs	733	746
Changes in tenant receivables, net of allowance for bad debts	264	(286)
Changes in other non-cash operating items	1,700	(6,310)
<b>Total operating activities</b>	<b>42,782</b>	<b>29,636</b>
<b>FINANCING</b>		
Proceeds of new mortgage financing	155,450	48,377
Mortgage principal repayments	(7,915)	(6,925)
Discharge of mortgages	(76,325)	(29,363)
Net proceeds from issue of new Units	106,142	1,252
Units repurchased	–	(1,665)
Distributions to Unitholders	(44,012)	(39,001)
Deferred financing costs	(604)	(860)
Bank loan	(32,205)	(2,749)
<b>Total financing activities</b>	<b>100,531</b>	<b>(30,934)</b>
<b>INVESTING</b>		
Additions to income properties	(144,213)	(8,574)
Capital expenditures	(241)	(116)
Net proceeds from dispositions of property	19,335	6,319
Mortgages receivable, net	15	3,200
Other assets	(408)	(467)
<b>Total investing activities</b>	<b>(125,512)</b>	<b>362</b>
Foreign exchange gain on cash held in foreign currency	36	27
Increase (decrease) in cash and cash equivalents	17,837	(909)
Cash and cash equivalents, beginning of year	2,198	3,107
<b>Cash and cash equivalents, end of year</b>	<b>\$ 20,035</b>	<b>\$ 2,198</b>
<b>Basic and diluted funds from operations per Unit (Note 15)</b>	<b>\$ 1.23</b>	<b>\$ 1.32</b>

## Consolidated cash flow statements (continued)

DECEMBER 31, 2001

### Supplemental Cash Flow Disclosure

1. On April 30, 2001, 1801 Hollis Street, an office building located in Halifax, Nova Scotia, was acquired at a price of \$25 million, paid partially with an assumption of a mortgage in the amount of \$13.9 million.
2. On May 1, 2001, the Trust sold its interest in the residential properties located at 30 and 80 Lakeshore Drive, Pointe-Claire, Quebec, for a total price of \$24.7 million, with the purchaser assuming the two existing mortgages in the total amount of \$15.1 million.
3. On May 1, 2001, the Trust sold a one-half interest in the Norwester Distribution Centre, Edmonton, Alberta, for \$9.5 million, with the co-owner assuming one-half of the existing mortgage in the amount of \$3.3 million.
4. On June 1, 2001, Duggan Shopping Centre, a retail property located in Edmonton, Alberta, was sold at a price of \$2.3 million, with the Trust assuming a take-back mortgage in the amount of \$1.7 million.
5. On October 29, 2001, 30 Aviva Park Drive, an industrial building located in Vaughan, Ontario, was sold at a price of \$7.8 million, with the purchaser assuming the existing mortgage in the amount of \$4.3 million.
6. On January 28, 2000, 272 Queen Street, a property located in Ottawa, Ontario, was sold at a price of approximately \$8.0 million, with the Trust assuming a take-back mortgage in the amount of \$5.2 million.
7. The cash interest paid during the year ended December 31, 2001 was \$27.1 million (2000 – \$26.3 million).

## 1. Organization of the Trust

Canadian Real Estate Investment Trust (the "Trust") is a "closed-end" real estate investment trust created for the benefit of the Unitholders. The Trust commenced active operations on behalf of the Unitholders on April 1, 1984.

## 2. Significant Accounting Policies

The Trust's accounting policies and its standards of financial disclosure are in accordance with the recommendations of the Canadian Institute of Chartered Accountants and are substantially in accordance with recommendations of the Canadian Institute of Public and Private Real Estate Companies. The more significant of these policies are described below:

### (a) Principles of Consolidation

The consolidated financial statements include the accounts of the Trust and its wholly-owned subsidiaries.

### (b) Income Properties

Income properties are stated at the lower of cost less accumulated depreciation and net recoverable amount (cost includes the original cost of the property, due diligence costs and other acquisition-related costs). The net recoverable amount represents the undiscounted estimated future net cash flow expected to be received from the ongoing use and residual worth of the properties.

Depreciation is recorded on buildings using a 5% forty-year sinking fund basis. Under this method, depreciation is charged to income at an amount which increases annually, consisting of a fixed annual sum together with a factor compounded at the rate of 5% per annum so as to fully depreciate the buildings over a forty-year period.

Properties under development are stated at the lower of cost and economic value. Cost includes initial acquisition costs, other direct costs and realty taxes, interest, and operating revenues and expenses during the period of development.

### (c) Leasing Costs

Leasing costs, including tenant inducements and leasing commissions, are deferred and amortized on a straight-line basis over the terms of the respective leases. The unamortized balance of leasing costs is included in deferred charges.

### (d) Financing Costs

Financing costs are deferred and amortized on a straight-line basis over the term of the respective indebtedness. The unamortized balance of financing costs is included in deferred charges.

**(e) Maintenance Costs**

Maintenance and repair costs are expensed against operations, while deferred maintenance costs, which are major items of repair or replacement, are amortized on a straight-line basis over the expected useful life of such major repair or replacement. The unamortized balance of deferred maintenance costs is included in deferred charges.

**(f) Co-ownerships**

The Trust's investment in co-ownerships is accounted for using the proportionate consolidation method.

**(g) Translation of Foreign Currencies**

The Trust has self-sustaining subsidiaries in the United States, which are financially and operationally independent. Assets and liabilities of these investments are translated at the rate of exchange in effect at the balance sheet date. The resulting net gains or losses are reflected in the cumulative translation (loss) gain account in Unitholders' Equity. Revenue and expense items are translated at the average exchange rate for the year.

The Trust uses forward exchange contracts to manage its foreign exchange risk exposures. The resulting gains or losses on forward exchange contracts, which represent designated hedges of net income from the U.S. subsidiaries, are recorded in the cumulative translation account in Unitholders' Equity as an offset to the above gains or losses. Any excess gains or losses arising from differences between the notional amount of the forward exchange contracts and the actual income for the year are recorded in the Consolidated Statements of Income.

**(h) Use of Estimates**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the recorded amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**(i) Unit Option Plan**

The Trust has a Unit Option Plan, as described in Note 10. No compensation expense is recognized for the Plan when Units or Unit Options are issued to employees or Trustees. Any consideration paid by employees or Trustees on the exercise of Options or the purchase of Units is credited to Unitholders' Equity. If Units or Unit Options are repurchased from employees or Trustees, the excess of the consideration paid over the carrying amount of the Unit or Unit Option cancelled is charged to Unitholders' Equity.

### 3. Income Properties

(Thousands of dollars)

			2001	2000
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Freehold properties				
Land	\$ 131,887	\$ –	\$ 131,887	\$ 117,766
Buildings	659,331	23,795	635,536	533,926
	791,218	23,795	767,423	651,692
Leasehold properties	40,549	1,050	39,499	39,878
	\$ 831,767	\$ 24,845	\$ 806,922	\$ 691,570

### 4. Mortgages Receivable

#### (a) Hull Wal-Mart, Hull, Quebec

The mortgages receivable from the co-owner of the Hull Wal-Mart property located in Hull, Quebec, in the amount of \$2.3 million are subrogated to the first mortgage loan payable. These mortgages have been re-extended for a term expiring March 31, 2002, with two further rights to extend for a period of three months for each extension period. The Trust received a \$25,000 extension fee for extending the term to March 31, 2002, and will earn a further \$25,000 fee for each future extension. Interest for both mortgages is set at 12%, payable monthly in arrears.

#### (b) 272 Queen Street, Ottawa, Ontario

272 Queen Street was sold with the Trust assuming a take-back mortgage in the amount of \$5.2 million, bearing interest at a rate of 10% and maturing on July 28, 2002.

#### (c) Duggan Shopping Centre, Edmonton, Alberta

Duggan Shopping Centre was sold with the Trust assuming a take-back mortgage in the amount of \$1.7 million, bearing interest at a rate of 10% for the year ending May 31, 2002 and 12% during the years ending May 31, 2003 and 2004, and maturing on May 31, 2004.

### 5. Deferred Charges

(Thousands of dollars)

	2001	2000
Deferred leasing costs (net of accumulated amortization of \$8,228; \$6,068 in 2000)	\$ 15,556	\$ 15,152
Deferred financing costs (net of accumulated amortization of \$1,247; \$1,157 in 2000)	1,566	2,248
Deferred recoverable maintenance costs (net of accumulated amortization of \$1,387; \$861 in 2000)	4,201	2,640
Deferred non-recoverable maintenance costs (net of accumulated amortization of \$453; \$285 in 2000)	1,433	1,671
	\$ 22,756	\$ 21,711

## 6. Co-ownerships

The following amounts represent the Trust's interest in co-ownerships:

(Thousands of dollars)	2001	2000
Assets	\$ 145,113	\$ 129,643
Liabilities	84,377	77,343
Revenue	23,732	19,760
Expense	16,263	14,000
Cash flow from (applied to):		
Operating activities	8,477	5,982
Financing activities	3,349	330
Investing activities	(13,104)	(4,237)

The Trust is contingently liable for the obligations of its associates in certain joint ventures. The assets of the joint ventures are available and are sufficient for the purpose of satisfying such obligations.

## 7. Mortgages Payable

Mortgages payable bear interest at a weighted average rate of 6.92% (2000 – 7.33%) per annum.

Mortgages payable are secured by first charges on the Trust's interest in income properties and contain various clauses including an assignment of leases and amounts due from property rentals.

Included in mortgages payable is a U.S. \$27.9 million (Cdn. \$44.4 million) (2000 – U.S. \$28.3 million; Cdn. \$42.5 million) mortgage obligation secured by a U.S. property which bears interest at a rate of 7.03%.

All mortgages payable bear interest at fixed rates except the first mortgage payable secured over the Hull Wal-Mart property in the amount of \$6.4 million (2000 – \$6.4 million), which bears interest at prime plus 0.75%.

The mortgages are repayable as follows:

(Thousands of dollars)	
2002	\$ 53,863
2003	82,154
2004	48,940
2005	53,504
2006	42,621
Thereafter	97,500
	<u>\$ 378,582</u>

## 8. Bank Loan

The Trust has a revolving credit facility limited to \$72 million for acquisition and operating purposes, which is secured by mortgages on 27 properties. The credit facility is subject to annual renewal. Interest under this facility is dependent upon the manner in which funds are drawn. LIBOR-based advances are based upon LIBOR plus 1.5% per annum, prime-based advances are based upon prime plus 0.5% per annum, and a stamping fee of 1.5% per annum is charged for Bankers' Acceptances. The majority of funds drawn under this facility are LIBOR and Bankers' Acceptances. As at December 31, 2001, a total of approximately \$21.7 million, including U.S. \$13.6 million, had been drawn (December 31, 2000 – a total of \$52.6 million, including U.S. \$13.4 million).

## 9. Interest on Debt

Interest incurred on all sources of financing is broken down as follows:

(Thousands of dollars)	2001	2000
Interest expensed on mortgages and bank loan	\$ 27,423	\$ 26,563
Interest capitalized on properties under redevelopment	60	81
Total interest incurred during the year	\$ 27,483	\$ 26,644

## 10. Unitholders' Equity

### (a) Units Issued and Outstanding

	2001	2000
Balance, beginning of year	33,361,673	33,417,702
Issued for cash	8,918,205	12,467
Issued for reinvested distributions	165,250	106,504
Cancellation of Units repurchased	–	(175,000)
Unit Options exercised	99,998	–
Balance, end of year	42,545,126	33,361,673

### (b) Unit Option Plan

On June 5, 1998 the Unitholders passed a resolution implementing a Unit Option Plan ("the Plan") in favour of the officers, employees and Trustees of the Trust and officers, employees and directors of Dorchester Oaks Property Management Inc. (a related party of the Trust as described in Note 13(a)) and certain subsidiaries of the Trust. Options granted under the Plan may not exceed 2,473,464 Units.

Options granted to participants of the Plan, other than Trustees of the Trust, will vest over a three-year period from the grant date. Options granted to Trustees vest on the grant date.

Pursuant to the vesting provision, participants of the Plan, other than Trustees of the Trust, are committed to invest certain minimum amounts at the time they join the Plan, in Units of the Trust over a five-year period.

Pursuant to the Plan, the following activity occurred during the years ended December 31, 2001 and 2000:

Exercise Price	Unit Options Outstanding at December 31, 2000	Unit Options Granted	Unit Options Exercised	Unit Options Cancelled	Unit Options Outstanding at December 31, 2001	Unit Options Vested at December 31, 2001	Expiry Date
\$ 9.68	219,000	–	5,666	–	213,334	68,330	April 3, 2010
\$ 9.68	2,000	–	–	–	2,000	2,000	May 4, 2003
\$10.50	120,000	–	50,000	–	70,000	70,000	December 22, 2008
\$10.50	33,332	–	33,332	–	–	–	October 27, 2003
\$10.50	13,332	–	–	–	13,332	13,332	March 15, 2003
\$11.00	200,000	–	–	–	200,000	200,000	December 22, 2008
\$11.00	48,000	–	8,000	–	40,000	40,000	November 12, 2008
\$11.00	8,000	–	–	–	8,000	8,000	May 4, 2003
\$11.17	21,000	–	3,000	–	18,000	18,000	October 5, 2010
\$11.50	255,000	–	–	–	255,000	169,996	November 17, 2009
\$11.50	25,000	–	–	16,667	8,333	8,333	July 31, 2004
\$11.82	–	14,000	–	–	14,000	14,000	May 31, 2011
\$12.05	28,000	–	–	–	28,000	28,000	June 30, 2009
\$12.05	4,000	–	–	–	4,000	4,000	May 4, 2003
\$12.35	–	421,000	–	–	421,000	21,000	December 17, 2011
	976,664	435,000	99,998	16,667	1,294,999	664,991	

Exercise Price	Unit Options Outstanding at December 31, 1999	Unit Options Granted	Unit Options Exercised	Unit Options Cancelled	Unit Options Outstanding at December 31, 2000	Unit Options Vested at December 31, 2000	Expiry Date
\$ 9.68	–	244,000	–	25,000	219,000	14,000	April 3, 2010
\$ 9.68	–	2,000	–	–	2,000	2,000	May 4, 2003
\$10.50	170,000	–	–	50,000	120,000	120,000	December 22, 2008
\$10.50	50,000	–	–	16,668	33,332	33,332	October 27, 2003
\$10.50	20,000	–	–	6,668	13,332	13,332	March 15, 2003
\$11.00	200,000	–	–	–	200,000	200,000	December 22, 2008
\$11.00	48,000	–	–	–	48,000	48,000	November 12, 2008
\$11.00	8,000	–	–	–	8,000	8,000	May 4, 2003
\$11.17	–	21,000	–	–	21,000	21,000	October 5, 2010
\$11.50	380,000	–	–	100,000	280,000	93,331	November 17, 2009
\$12.05	28,000	–	–	–	28,000	28,000	June 30, 2009
\$12.05	4,000	–	–	–	4,000	4,000	May 4, 2003
	908,000	267,000	–	198,336	976,664	584,995	



## 11. Property Rental Revenue

Included in property rental revenue are recoveries for the year ended December 31, 2001 of \$41.1 million (2000 – \$33.3 million), which represent operating costs and property taxes recovered from tenants.

## 12. Income Taxes

The Trust is taxed as a “Mutual Fund Trust” for Canadian income tax purposes. Pursuant to the Declaration of Trust, the Trustees intend to distribute or designate all taxable income to the Unitholders of the Trust and to deduct such distributions and designations for Canadian income tax purposes. Therefore, no provision for Canadian income taxes is required. The Trust is subject to taxation in the United States in connection with income earned in the United States. Such taxes paid, to the extent permitted, will be designated as a foreign tax credit to Unitholders of the Trust.

The carrying value of the Trust’s net assets at December 31, 2001 exceeds the tax basis by approximately \$96.7 million (2000 – \$78.2 million).

## 13. Related Party Transactions

- (a) Under the Internalization Agreement dated April 30, 1999 between the Trust, CREIT Management Inc. and Dorchester Oaks Property Management Inc. (an entity indirectly controlled by Stephen Johnson, President and Chief Executive Officer of the Trust, and Morris Shohet, a Trustee of the Trust, herein referred to as the Property Manager), the Trust agreed to terminate the Property Management Agreement and to directly acquire the assets of the Property Manager used in the provision of property management services to the Trust. The parties agreed that the termination would have economic effect as of January 1, 2001.

The aggregate cash consideration paid by the Trust for the termination of the Property Management Agreement and the purchase of all of the assets of the Property Manager used in the provision of property management services to the Trust was \$5 million.

- (b) During the years ended December 31, 2001 and 2000, the Trust paid the following fees to the former Property Manager and other entities under common control:

(Thousands of dollars)	2001	2000
Property management fees, development fees, leasing commissions, and salaries and administrative recoveries	\$ 177	\$ 6,859

Amounts paid in 2001 represent payments for services commenced in 2000 but not completed until 2001.

Property management fees and salaries and administrative recoveries are included in operating costs in the Consolidated Statements of Income. Payments to the former Property Manager of \$2.4 million for the year ended December 31, 2000 were included in recoverable costs from tenants at the respective properties. The balance of the fees paid were capitalized as part of the relevant asset in the Consolidated Balance Sheets.

#### 14. Operating Costs

The following amounts represent the components of operating costs:

(Thousands of dollars)	2001	2000
Property operating expenses	\$ 24,473	\$ 17,693
Realty tax	23,334	19,869
Property management expenses	248	3,567
	<b>\$ 48,055</b>	<b>\$ 41,129</b>

Included in property management expenses for the year ended December 31, 2000 are property management fees paid to the former Property Manager and certain expenses that have been reclassified from general and administrative expenses.

#### 15. Per Unit Calculations

Basic per Unit information is calculated based on the weighted average number of Units outstanding for the period. The calculation of per Unit information on a diluted basis considers the potential exercise of outstanding Unit purchase Options to the extent that each Option is dilutive. The following table provides a reconciliation between the weighted average number of Units used to calculate basic and diluted earnings per Unit and funds from operations per Unit.

	2001	2000
Weighted average number of Units	37,598,860	33,334,410
Effect of dilutive Unit Options	98,962	26,885
Weighted average number of diluted Units outstanding	<b>37,697,822</b>	<b>33,361,295</b>

The following Options to purchase Units have been excluded from the diluted calculation because the Options' exercise price is greater than the average market price of the Units.

	2001	2000
\$11.00	—	256,000
\$11.50	—	280,000
\$12.05	—	32,000
	<b>—</b>	<b>568,000</b>

## 16. Risk Management and Fair Values

### Risk Management

In the normal course of its business, the Trust is exposed to a number of risks that can affect its operating performance. These risks, and the actions taken to manage them, are as follows:

#### (a) Interest Rate Risk

Floating rate debt is generally restricted by the Trust's operating plan to an amount equal to 10% of total assets plus accumulated depreciation. In addition, the Trust attempts to structure its financings so as to stagger the maturities of its debt, thereby mitigating its exposure to interest rate fluctuations.

From time to time, the Trust may enter into interest rate swap contracts to modify the interest rate profile of its outstanding debt without an exchange of the underlying principal amount.

#### (b) Credit Risk

Credit risk arises from the possibility that tenants may experience financial difficulty and be unable to fulfill their lease commitments. The Trust mitigates the risk of credit loss by ensuring that its tenant mix is diversified and by limiting its exposure to any one tenant. Thorough credit assessments are conducted in respect of all new leasing. Further risks arise in the event that borrowers default on the repayment of their mortgages to the Trust. The Trust endeavours to ensure that adequate security has been provided in support of mortgages receivable.

#### (c) Currency Risk

The Trust is exposed to currency risk as it relates to its self-sustaining U.S. subsidiaries. Changes in the applicable exchange rate may result in a decrease or increase in income or expense.

The Trust mitigates this risk by matching foreign currency debt with foreign currency assets.

The Trust entered into forward exchange contracts to hedge the income after mortgage interest relating to its U.S. subsidiaries. At December 31, 2001, there are outstanding forward exchange contracts to sell a notional amount of U.S. \$1 million, maturing over the next twelve months at an exchange rate of Cdn. \$1.589.

### Fair Values

The fair values of the majority of the Trust's financial assets and liabilities, representing net working capital, approximate their recorded values at December 31, 2001 and December 31, 2000 due to their short-term nature.

The fair value of the Trust's mortgages receivable approximates carrying value.

The fair value of the Trust's mortgages payable exceeds the recorded value by approximately \$5.3 million at December 31, 2001 (December 31, 2000 – \$137,000) due to changes in interest rates since the dates on which the individual mortgages were assumed. The fair value of mortgages payable has been estimated based on the current market rates for mortgages with similar terms and conditions.

The fair value of the outstanding forward exchange contracts, based on cash settlement requirements at December 31, 2001, is a negative value of \$4,000 (December 31, 2000 – \$Nil) due to changes in the foreign currency exchange rate since the date on which the contracts were made.

## 17. Segmented Financial Information

The Trust's operations cover various types of real estate properties located in two countries. The following summaries present segmented financial information for these property types and geographic locations:

### Year ended December 31, 2001 (*Thousands of dollars*)

	Retail	Industrial	Office	Multi-Family	Misc.	Trust	Total
Property rental revenue	\$ 60,503	\$ 26,945	\$ 39,659	\$ 1,128	\$ –	\$ (7)	\$ 128,228
Operating costs	(18,338)	(8,058)	(17,745)	(548)	4	(3,370)	(48,055)
Amortization of leasing costs	(1,340)	(1,448)	(1,277)	–	–	(145)	(4,210)
Depreciation	(3,665)	(1,255)	(1,541)	(60)	–	–	(6,521)
Gain (loss) on dispositions of property	(838)	1,351	7	2,093	–	–	2,613
Total assets	442,445	151,874	242,940	–	–	30,907	868,166
Additions to income properties	3,835	14,856	139,675	–	–	–	158,366
Capital expenditures	–	–	256	–	–	–	256

### 2001 (*Thousands of dollars*)

Canada								
	B.C.	Alberta	Prairies	Ontario	Quebec	Maritimes	U.S.	Trust
Property rental revenue	\$ 24,529	\$ 25,118	\$ 4,419	\$ 44,258	\$ 10,255	\$ 13,045	\$ 6,611	\$ (7)
Operating costs	(7,947)	(7,137)	(2,140)	(16,909)	(4,544)	(5,040)	(968)	(3,370)
Amortization of leasing costs	(791)	(1,148)	(263)	(815)	(340)	(570)	(138)	(145)
Depreciation	(1,436)	(1,447)	(165)	(2,048)	(433)	(519)	(473)	–
Gain (loss) on dispositions of property	7	(431)	–	944	2,093	–	–	–
Total assets	167,696	166,852	20,217	276,735	63,615	78,073	64,071	30,907
Additions to income properties	–	4	9	87,901	36,720	33,732	–	–
Capital expenditures	–	–	–	256	–	–	–	–

Year ended December 31, 2000 (Thousands of dollars)

	Retail	Industrial	Office	Multi-Family	Misc.	Trust	Total
Property rental							
revenue	\$ 60,163	\$ 26,455	\$ 22,875	\$ 3,362	\$ 55	\$ 100	\$ 113,010
Operating costs	(18,904)	(9,076)	(10,457)	(1,489)	(24)	(1,179)	(41,129)
Amortization of							
leasing costs	(1,100)	(1,152)	(885)	–	(1)	(127)	(3,265)
Depreciation	(3,427)	(1,210)	(927)	(170)	–	–	(5,734)
Gain (loss) on							
dispositions of							
property	(2)	(4)	(31)	–	4,632	–	4,595
Total assets	441,884	153,961	103,174	21,898	8	10,335	731,260
Additions to							
income properties	8,600	(19)	(7)	–	–	–	8,574
Capital expenditures	14	–	7	95	–	–	116

2000 (Thousands of dollars)

	Canada						U.S.	Trust	Total
	B.C.	Alberta	Prairies	Ontario	Quebec	Maritimes			
Property rental									
revenue	\$ 24,115	\$ 26,310	\$ 5,784	\$ 33,952	\$ 7,570	\$ 9,054	\$ 6,125	\$ 100	\$ 113,010
Operating costs	(8,023)	(8,004)	(2,963)	(13,161)	(3,511)	(3,327)	(961)	(1,179)	(41,129)
Amortization of									
leasing costs	(664)	(941)	(188)	(549)	(198)	(475)	(123)	(127)	(3,265)
Depreciation	(1,368)	(1,438)	(206)	(1,580)	(365)	(345)	(432)	–	(5,734)
Gain (loss) on									
dispositions									
of property	(5)	–	(30)	4,671	(41)	–	–	–	4,595
Total assets	168,903	179,727	20,630	198,304	48,694	43,318	61,349	10,335	731,260
Additions to									
income properties	(35)	1,135	(7)	5,631	1,948	(98)	–	–	8,574
Capital expenditures	14	–	–	7	95	–	–	–	116

A reconciliation of statement of income line items noted above to net income is not considered necessary as all other line items on the face of the Consolidated Statements of Income are not allocated by the Trust to defined segments.

## 18. Commitments

### (a) Letters of Credit

As of December 31, 2001, the Trust had issued letters of credit in the amount of \$148,000 (December 31, 2000 – \$194,000).

### (b) Expansion Lands

In the event that certain expansion lands relating to various properties are developed, the Trust may be required to invest an additional \$15 million.

## 19. Pension Plan

The pension plan is a defined contribution pension plan. The Trust has incurred current service costs in the amount of \$134,000 during the year ended December 31, 2001 (2000 – \$32,000).

Effective January 1, 2001, the Trust assumed employees of the former Property Manager. The pension plan assets related to these employees will be transferred to the pension plan established by the Trust upon regulatory approval.

## 20. Subsequent Events

On January 17, 2002, the Trust acquired Valleyfield Business Park, an industrial building located in Calgary, Alberta, for a purchase price of approximately \$17 million.

## 21. Comparative Figures

Certain comparative figures have been reclassified to conform with the current period's presentation.

## Board of Trustees

### David Philpott<sup>\*†\*\*</sup>, Chairman of the Board

President, D.G. Philpott & Associates Limited (real estate business consulting firm) since 1972. Mr. Philpott has been a Director of Seel Mortgage Investment Corporation since 1972, and was Chairman between 1981 and 1992. He was a Trustee of MD Realty Fund prior to 1994 and a member of the Advisory Board to MD Realty between 1994 and September 30, 1996. Mr. Philpott has more than 45 years experience in the real estate industry, having been a founding director of Trizec Corporation and executive VP of the Cadillac Fairview Corporation. Mr. Philpott has been a Trustee of CREIT since September 1996.

### Stephen E. Johnson, President and Chief Executive Officer

President and Chief Executive Officer of Canadian Real Estate Investment Trust since September 1996. Principal, the Dorchester group of companies (real estate and energy companies) since 1993. Previously President of DS Marcil Inc. (real estate corporate finance). Mr. Johnson has more than 20 years experience in the real estate industry and has been a Trustee of CREIT since September 1996.

### Robert J.S. Gibson<sup>\*\*</sup>

President and Chief Executive Officer of Stuart & Company Limited (investment company) since January 1993. Mr. Gibson has been a Director of Alsten Holdings Ltd. (real estate development and management company) since 1978 and is currently a Managing Director. Mr. Gibson has been a Trustee of CREIT since November 1997.

### Dr. Stanley Hamilton<sup>\*</sup>

Professor and Associate Dean, Urban Land Economics, University of British Columbia. Dr. Hamilton was a Trustee of MD Realty Fund prior to 1994 and a member of the Advisory Board of MD Realty Fund between 1994 and September 30, 1996. Dr. Hamilton has been a Trustee of CREIT since September 1996.

### Robert Hewett<sup>†</sup>

President and Chief Executive Officer of CMA Holdings Incorporated and a number of its subsidiary companies, including MD Management Limited. Mr. Hewett assumed his position with MD Management Limited at the end of January 1997. Previously he was President, English Language Broadcasting Division, Telemedia Inc. Mr. Hewett has been a Trustee of CREIT since September 1996.

### Lawrence Morassutti<sup>†</sup>

Chairman and Chief Executive Officer, The Morassutti Group (real estate investment, management and consulting). Mr. Morassutti has been a Trustee of CREIT since 1990. He has appeared as an expert witness on real estate valuation matters before a variety of courts and government regulatory bodies across Canada.

### Morris Shohet<sup>\*</sup>

Principal, the Dorchester group of companies (real estate and energy companies). Mr. Shohet was a co-founder of Dorchester and has more than 30 years continuous experience in all aspects of real estate development and asset management. Mr. Shohet has been a Trustee of CREIT since September 1996.

### John A. Vivash<sup>\*\*</sup>

President and Chief Executive Officer of Tesseract Financial Inc. Prior to that Mr. Vivash was President and Chief Executive Officer of Manulife Securities International Limited. From March 1990 until September 1995, Mr. Vivash was President of CIBC Securities Limited. Mr. Vivash provides management and governance services to a variety of organizations and is a director of a number of public and private companies. Mr. Vivash has been a Trustee of CREIT since September 1996.

### Robert Witterick, Q.C.<sup>\*</sup>

Solicitor, Smith Lyons (now part of Gowlings), Barristers and Solicitors. Mr. Witterick has been a partner at Smith Lyons specializing in taxation and corporate/commercial law, with particular emphasis on the taxation and structuring of real estate investments and real estate syndications. Mr. Witterick has been a Trustee of CREIT since 1990.

\* Investment Committee

† Audit Committee

\*\* Governance Committee

## Unitholder information

The closing price of Units on The Toronto Stock Exchange on February 28, 2002 was \$13.51 per Unit.

### Historical Distributions/Unit Price Information

The following table shows the high and low prices for the Trust's Units on The Toronto Stock Exchange and cash distributions paid for the periods indicated.

Year ended Dec. 31, 2001	High	Low	Distributions per Unit
1st Quarter	\$ 12.95	\$ 11.25	\$ 0.2925
2nd Quarter	\$ 12.20	\$ 11.05	\$ 0.2925
3rd Quarter	\$ 13.20	\$ 11.00	\$ 0.2925
4th Quarter	\$ 12.95	\$ 11.70	\$ 0.2925
Total			\$ 1.17

### 2002

January	\$ 13.50	\$ 12.51	\$ 0.0975
February	\$ 13.60	\$ 12.56	\$ 0.0975

Distributions to Unitholders are paid monthly.

### Stock Exchange Listing

Units of CREIT are listed on The Toronto Stock Exchange under the trading symbol "REF.UN".

### Investor Information

Analysts, Unitholders and others seeking financial data should contact:

Tim McSorley (CFO): (416) 628-7790

### Canadian Real Estate Investment Trust

130 Bloor Street West, Suite 1001

Toronto, Ontario, Canada M5S 1N5

Tel: (416) 628-7771

Fax: (416) 628-7777

Web site: [www.creit.ca](http://www.creit.ca)

### Distribution Reinvestment and Unit Purchase Plans

CREIT's Distribution Reinvestment and Unit Purchase Plans provide Unitholders who are direct registrants with an opportunity to conveniently and economically increase their ownership in CREIT. Unitholders may have their distributions and/or optional cash investments automatically directed to our Registrar and Transfer Agent to purchase additional Units without paying any brokerage commissions. Please note, Canada Customs and Revenue Agency ruled in 2000 that participation in these plans at a discount is a taxable benefit. Information describing the Plans and enrollment forms are available from CREIT's Web site ([www.creit.ca](http://www.creit.ca)) or by calling (416) 628-7771.



### Taxation of Distributions

The Trust has determined that distributions paid to its Unitholders in respect of the tax year ending December 31, 2001 are taxed as follows:

Other income	31.423%
Capital gain	7.114%
Reduction of adjusted cost base	61.463%

### Plan Eligibility

• RRSP • RRIF • DPSP • RPP

### Registrar and Transfer Agent

Investors are encouraged to contact our Registrar and Transfer Agent, CIBC Mellon Trust Company, for information regarding their security holdings. They can be reached at:

CIBC Mellon Trust Company, P.O. Box 1,  
320 Bay Street, Toronto, Ontario M5H 4A6

Answerline™: (416) 643-5500 or 1-800-387-0825  
*(Toll-free throughout North America)*

Fax: (416) 643-5501

Web site: [www.cibcmellon.ca](http://www.cibcmellon.ca)

E-mail: [inquiries@cibcmellon.ca](mailto:inquiries@cibcmellon.ca)

### Industry Associations

CREIT is a member of the International Council of Shopping Centers (ICSC) and the Canadian Institute of Public and Private Real Estate Companies (CIPPREC).

### Auditors

Deloitte & Touche LLP

### Legal Counsel

Torys

### Annual Meeting of Unitholders

The annual meeting of Unitholders will be held at 10:30 a.m. on Friday, May 17, 2002 at the Board of Trade, 4th Floor, Boardrooms A-D, One First Canadian Place, Toronto (Adelaide Street entrance). A presentation of our annual meeting can be seen on our Web site ([www.creit.ca](http://www.creit.ca)) following the meeting.

## Distribution Reinvestment Plan and Unit Purchase Plan

CREIT Unitholders who are direct registrants are able to conveniently and economically increase their holdings in CREIT by taking advantage of the Trust's Distribution Reinvestment Plan and Unit Purchase Plan.

### Distribution Reinvestment Plan

Monthly distributions are automatically reinvested in additional CREIT Units without payment of any brokerage commissions. The price of Units purchased with such distributions will be 97% of the weighted average price at which Units of CREIT have traded on the TSE for the five trading days immediately preceding the distribution date.

### Unit Purchase Plan

Optional periodic cash investments in additional CREIT Units may be made without paying any brokerage commissions. Minimum purchases of \$250 per purchase and maximum purchases of \$25,000 per year are permitted under the Plan. Optional cash payments are invested at the weighted average price at which Units of CREIT have traded on the TSE for the five trading days preceding the date of purchase of additional Units (first day of each calendar month). Distributions on Units held under the cash option plan are automatically reinvested in additional CREIT Units.

Participants in the Unit Purchase Plan can elect to use the Automatic Investment Service, similar to pre-authorized chequing, which allows for automatic withdrawal from your bank account should you wish to make regular periodic purchases.

Plans are offered only to Canadian resident registered holders of Units, meaning those Unitholders who hold their Units in certificate form. This is necessary in order to allow for the administration of the Plans by our Registrar and Transfer Agent – CIBC Mellon Trust Company.

In order to participate you must first become a direct registrant of CREIT. If you are not already a direct registrant and you wish to participate in the Plans, you must request a share certificate from your broker in respect of your CREIT Units. It is likely that your broker will charge you a service fee (in the \$30–\$60 range) in order to deliver the certificate to you. This fee will be offset by your future savings in brokerage commissions since all administrative costs of the Plans are borne by CREIT. We recommend that you then arrange for safekeeping of your certificate (e.g., in a safety deposit box) to prevent the possible loss of your certificate.

Once you have received your certificate, please contact CREIT in order to request an information package including full Plan details along with an enrollment form, available on our Web site as well – [www.creit.ca](http://www.creit.ca).

Please refer to "Income Tax Considerations", page 5 of the Plan document.

For further information regarding CREIT's Distribution Reinvestment Plan and Unit Purchase Plan, please contact CREIT at:

130 Bloor Street West, Suite 1001  
Toronto, Ontario, Canada M5S 1N5  
Tel: (416) 628-7771  
Fax: (416) 628-7777



[www.creit.ca](http://www.creit.ca)



For more information on CREIT, visit our Web site at [www.creit.ca](http://www.creit.ca).

The site contains the latest news releases on CREIT developments as well as quarterly financial reports and statements. You can find information on the tax treatment of distributions, learn about real estate investment trusts as an investment vehicle, and discover details about CREIT's real estate portfolio.

Register for our e-mail alert service and we will automatically notify you when a news release is distributed or when a quarterly report is issued.

The CREIT Web site is your best way of keeping up to date with the Trust year-round.

