



# COMPANY PRESENTATION

AUGUST 2013

# Forward-Looking Statements



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# Executive Summary



## WHO?

- Principals have previously founded and managed \$6 billion of public REITs in Canada and Europe, over the past 20+ years

## WHAT?

- Unique new Canadian based and governed REIT established to invest in commercial real estate outside of Canada

## WHERE?

- Initial geographic focus is on the investment grade countries of Europe, with initial target market of the Netherlands

## WHY?

- To provide Canadian investors with high-quality international real estate diversification and higher property acquisition yields

## HOW?

- Already identified an initial high-quality acquisition pipeline of over \$500 million of commercial properties in the Netherlands

# Company Highlights



- I. Innovator in International Investing
- II. Unique Value Creation Track Records
- III. Strong Alignment & Independence
- IV. International Real Estate Diversification
- V. Attractive Initial Market: The Netherlands
- VI. Compelling Acquisition Opportunities
- VII. Conservative & Balanced Structure

# I. Innovations

- New Canadian based and governed REIT, an innovator in international real estate investing
- Distinguished as Canada's only REIT to:
  - Involve principals who have previously founded and managed \$6 billion of Canadian and European public REITs, over the past 20+ years
  - Initially target investing in the Netherlands, one of Europe's core safe haven AAA countries
  - Combine fully independent and internal public company governance with external asset management
  - Employ a multi-tiered international asset management model, fully scalable and directed by the REIT



# I. Innovations

- REIT's multi-tiered asset management model is designed to replicate the international investing models used by Canadian pension funds



**REIT's Founder, CEO, Trustee and largest unitholder with 15.3%**

- Over 18 years of real estate, finance, capital markets, and accounting experience in Canada, U.S. and Europe
- Leads the REIT under the oversight of the Board of Trustees
- Directs and supervises the asset managers



**CEO of master asset manager and REIT's 2<sup>nd</sup> largest unitholder with 15.0%**

- Head office in Halifax, NS; other offices in Amsterdam, NL and Zurich, CH, with 25 employees worldwide
- 40+ years of history, responsible for over \$11 billion of international (Canada, U.S. and Europe) real estate acquisitions and dispositions



**CEO of Dutch sub-manager and important REIT unitholder with 3.5%**

- Head office in Amsterdam, NL with 6 employees
- 20+ years of history, responsible for over \$8 billion of European real estate acquisitions and dispositions
- Exclusive sub-asset manager for the Netherlands

# I. Innovations

- REIT's model enables it to direct and supervise one master asset manager and multiple sub-asset managers
  - Master asset manager provides Canadian and international corporate management platform
  - Sub-asset manager provides country-specific acquisition, financing and asset management platform
- REIT's model better aligns the managers' roles with their expertise and provides scalability across countries, at no incremental costs to REIT
  - This scalability is expected to contribute to the REIT's long-term growth prospects
- REIT has sole control over selection of sub-asset managers
  - REIT's sole control also applies to local property managers

## II. Track Records



- Unparalleled Canadian and international business expertise of principals, with collectively over 200 years of experience across the full spectrum of prominent public and private real estate and finance enterprises

### Public REIT Management

- Canada
  - Whiterock REIT
  - Canmarc REIT
  - Dundee REIT
  - Retrocom REIT
  - GT Canada Medical Properties REIT
- Europe
  - Uni-Invest N.V.

### Capital Markets & Real Estate Finance

- Canada
  - TD Securities
- United States
  - Bear Stearns
  - JPMorgan Partners
  - Credit Suisse
- Europe
  - Eurohypo
  - Deutsche Bank

### Real Estate Investment & Management

- Canada
  - Villarboit Realty Partners
  - Sutter Hill Management
  - Mohawk Medial Growth Partners
  - NorthWest Value Partners
- Europe
  - Trammell Crow Netherlands
  - Palatium Investment Management



# II. Track Records



## Strong Internal Management & Governance:

Officers & Trustees	Track Record Profiled
Kursat Kacira, CEO & Trustee <i>Resident of Canada</i>	Whiterock REIT
Kimberly Tam, CFO <i>Resident of Canada</i>	Whiterock REIT
Paul Simcox, Chairman <i>Resident of Canada</i>	Whiterock REIT
Nick Kanji, Trustee <i>Resident of Canada</i>	Whiterock REIT
Sean Nakamoto, Trustee <i>Resident of Canada</i>	
Rudy Stroink, Trustee <i>Resident of the Netherlands</i>	Trammell Crow Netherlands
Paul Rivlin, Trustee <i>Resident of United Kingdom</i>	Deutsche Bank / Eurohypo

## Experienced External Asset Management:

Asset Manager	Track Record Profiled
<u>HREB Asset Management Inc. ("HREB"):</u>  Jamie Wentzell, CEO <i>Resident of Canada</i> Richard Homburg, Chairman <i>Resident of Switzerland</i>	Canmarc REIT and Uni-Invest N.V.
<u>Stadium Asset Management B.V. ("Stadium"):</u>  Richard Stolle, CEO <i>Resident of the Netherlands</i>	Uni-Invest N.V.

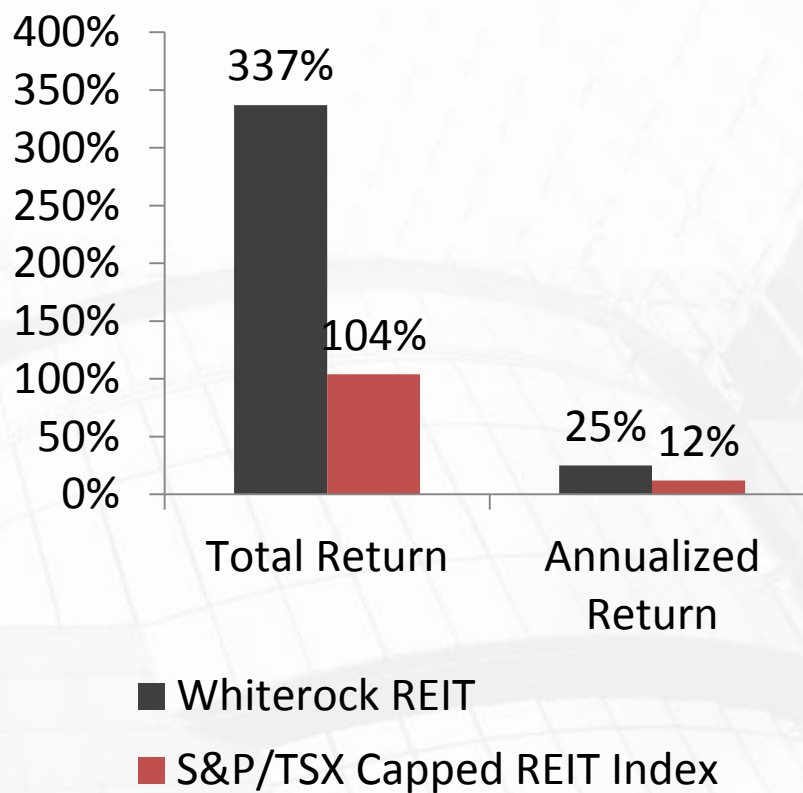
## II. Track Records: Whiterock REIT



### Value Creation History:

- **Whiterock REIT** was a successful Canadian TSX-listed diversified commercial REIT
- Completed \$1.4 million IPO in January 2005 and sold for \$1.4 billion in March 2012 to Dundee REIT
- Principals involved in Whiterock:
  - **Kursat Kacira**, previously CFO
  - **Kimberly Tam**, previously VP Finance
  - **Paul Simcox**, previously Co-Founder, EVP and Trustee
  - **Nick Kanji**, previously Chair of Audit Committee

### Strong Investor Returns <sup>(1)</sup>:



(1) Source: Bloomberg; time period from IPO to close of sale to Dundee REIT

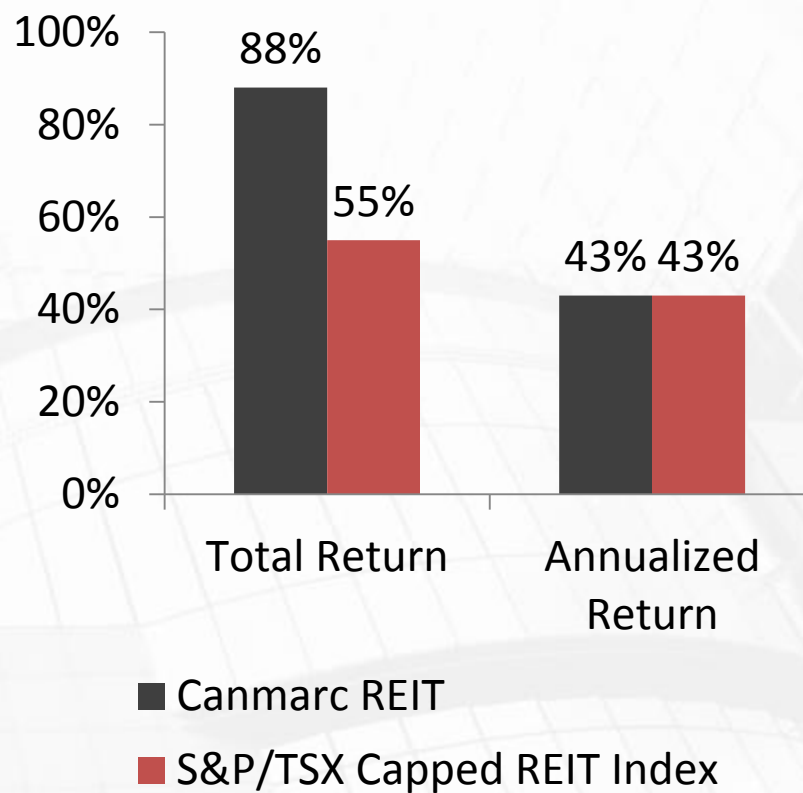
## II. Track Records: Canmarc REIT



### Value Creation History:

- **Canmarc REIT** was a successful Canadian TSX-listed diversified commercial REIT
- Completed \$1 billion IPO spin-off in May 2010 from HREB affiliate and sold for \$1.6 billion in March 2012 to Cominar REIT
- Principals involved in Canmarc:
  - **Jamie Wentzell**, previously asset manager (pre-IPO spin-off)
  - **Richard Homburg**, previously Chairman and controlling unitholder (post-IPO spin-off); previously asset manager (pre-IPO spin-off)

### Strong Investor Returns <sup>(1)</sup>:



(1) Source: Bloomberg; time period from IPO to close of sale to Cominar REIT

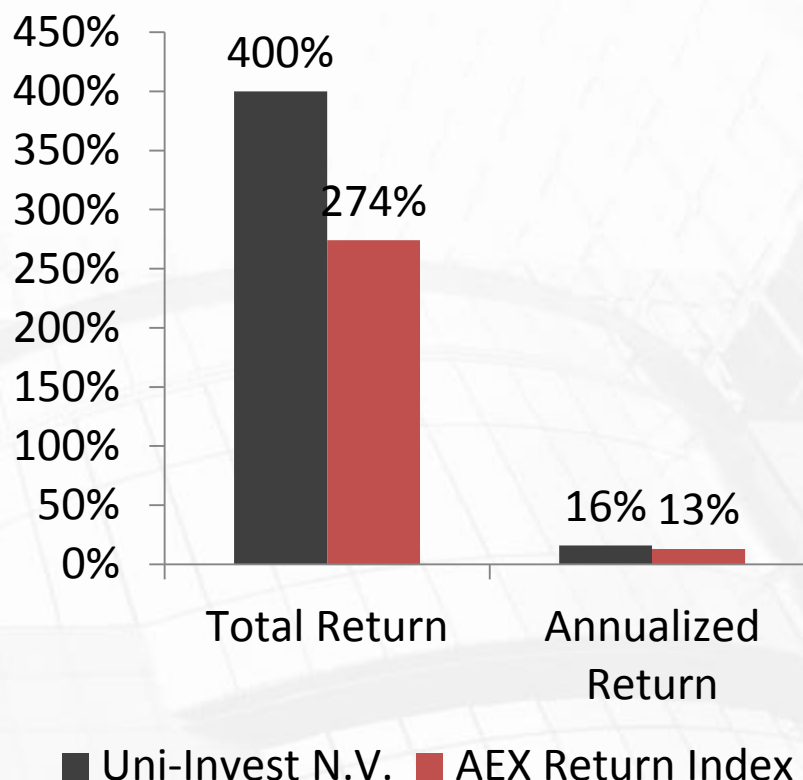
## II. Track Records: Uni-Invest N.V.



### Value Creation History:

- **Uni-Invest N.V.** was a successful Dutch AEX-listed diversified commercial REIT
- Starting with a \$100 million value in 1991 under the new CEO, was sold for \$3.0 billion to Lehman Brothers Real Estate Partners in 2002
- Principals involved in Uni-Invest:
  - **Richard Stolle**, previously CFO (1993 - 2002) and CEO (2002 - 2005, under Lehman's ownership)
  - **Richard Homburg**, previously CEO and controlling shareholder (1991 – 2002); acquired control block in 1991 and assumed CEO role

### Strong Investor Returns <sup>(1)</sup>:



(1) Source: Bloomberg; time period from 1991 to close of sale to Lehman; AEX Return Index was the composite index for the Amsterdam stock exchange

## II. Track Records: TCN



### Value Creation History:

- **Trammell Crow Netherlands (TCN)** was a successful Dutch based, pan-European private commercial real estate developer and investor
- Over a 16-year history of strong growth and expansion, TCN became one of the leaders in European real estate development and investment
- TCN developed \$1.5 billion and acquired \$750 million of commercial real estate in 8 European countries, notably in the Netherlands

### Principal Involved:

- **Rudy Stroink, Chair of REIT's Investment Committee**
  - Previously Founder, CEO and controlling shareholder of TCN (retired in 2010)
  - Founded TCN in 1994 with Dallas, Texas based Crow Holdings as a 50% partner
  - Crow Holdings had founded Trammel Crow Company, a leading U.S. real estate developer and investor
  - In 2004, Rudy Stroink acquired Crow Holdings' 50% interest in TCN, to assume sole ownership



## II. Track Records: DB/Eurohypo



### Value Creation History:

- **Deutsche Bank (DB)**
  - In 1995, Paul Rivlin joined DB and co-founded the European real estate investment banking group, building a business valued at €75 million
- **Eurohypo**
  - In 2002, Paul Rivlin joined the newly established Eurohypo to head European investment banking and UK lending, based in London
    - Established new businesses in advisory, securitization, and asset management
  - By 2007, Eurohypo's London office generated profits in excess of €100 million annually

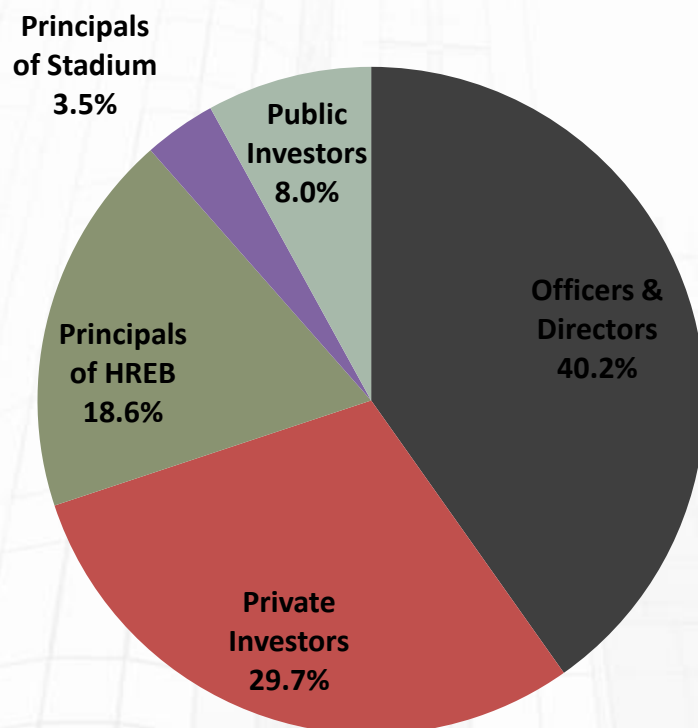
### Principal Involved:

- **Paul Rivlin, Member of REIT's Investment Committee**
  - Accomplished real estate investment banker with over 25 years of experience in European capital markets
  - Member of the Executive Committee of the European Public Real Estate Association ("EPRA") from 2006 to 2008
  - Presently a Partner and Chairman of the Investment Committee of Palatium Investment Management Ltd.

# III. Alignment & Independence



## Equity Ownership %:



## Top 5 Shareholders:

Name / Role	Voting %
1. Kursat Kacira, Founder, CEO & Trustee of REIT	15.3%
2. Jamie Wentzell, CEO of HREB	15.0%
3. Nick Kanji, Chair of REIT's Audit Committee	14.1%
4. Oz Pedde, Private Investor (Former Chairman of Whiterock REIT)	10.4%
5. Paul Simcox, Chairman of REIT	7.2%
TOTAL	62.0%

Note: Fully diluted, including stock options exercised, and pro forma for qualifying transaction private placement

# III. Alignment & Independence

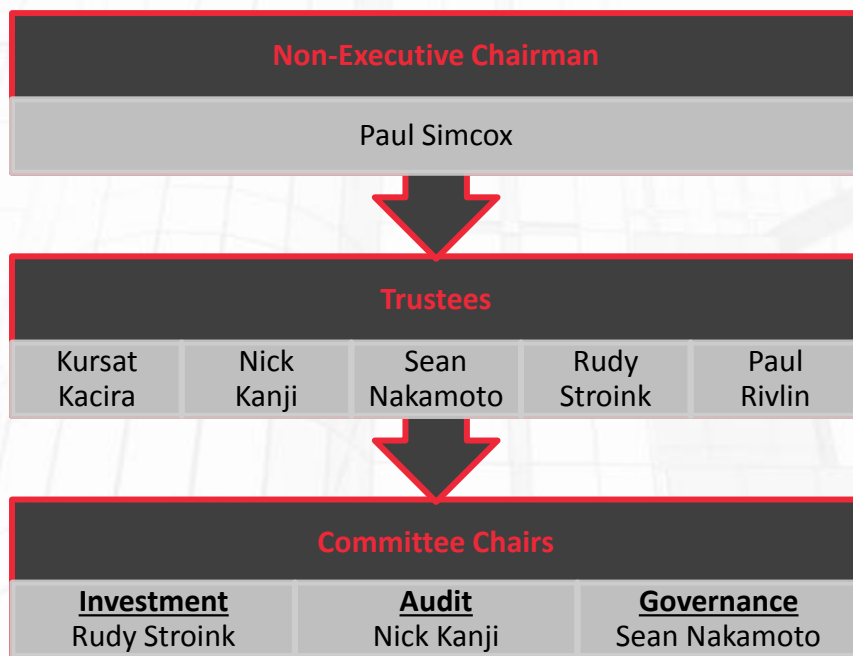


- All officers and directors are independent of external asset managers (both HREB and Stadium)
  - Complete separation of public company governance from asset management
- Officers and directors represent largest equity ownership block at 40.2%
  - Provides superior alignment with shareholders
- External asset managers are also strongly aligned with shareholders
  - Equity ownership of 18.6% and 3.5% for principals of HREB and Stadium, respectively

# III. Alignment & Independence

## Board Structure:

- REIT benefits from best-in-class board structure



## Management Structure:

- REIT benefits from internal senior management, under the oversight of the Board
  - Kursat Kacira, CEO
  - Kimberly Tam, CFO
- Senior management directs and supervises external asset managers who provide services to manage REIT's operations

# IV. International Diversification



- Direct investment by foreigners in international real estate is complex
- The REIT provides one of the few opportunities for Canadian investors to gain direct exposure to real estate in Europe and diversify their investment portfolios
- Canadian investors benefit from the REIT's sophisticated international structure, enjoying a liquid and tax-efficient investment managed by an experienced Canadian and European team
- European Union (EU), comprised of 27 member states, is the world's largest economy, ahead of the U.S., and represents 23% of global GDP <sup>(1)</sup>
  - EU owns the world's largest net wealth, ahead of the U.S., and represents 35% of global net wealth <sup>(2)</sup>
  - EU is the U.S.'s largest trading partner <sup>(3)</sup>
- Eurozone, comprised of 17 member states, uses the Euro as its single currency
  - Euro is the world's 2<sup>nd</sup> largest reserve currency and 2<sup>nd</sup> most traded currency, after the U.S. dollar <sup>(1)</sup>

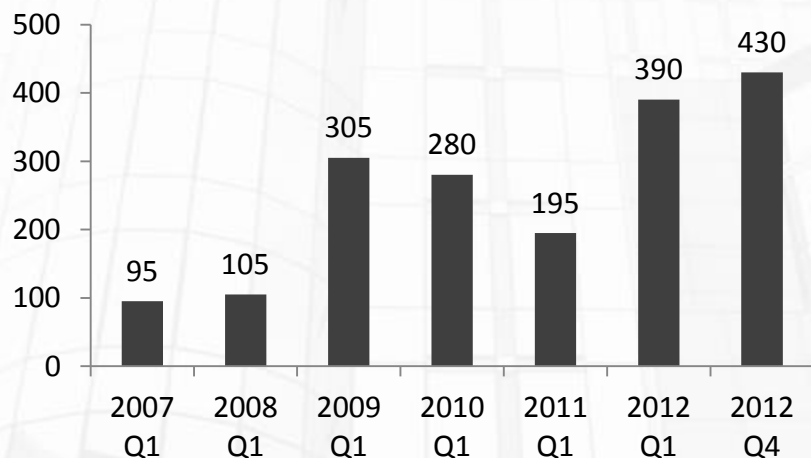
(1) Source: International Monetary Fund, World Economic Outlook Database, April 2013; (2) Source: Credit Suisse Global Wealth Report, September 2012; (3) Source: U.S. Census Bureau, as at December 31, 2012



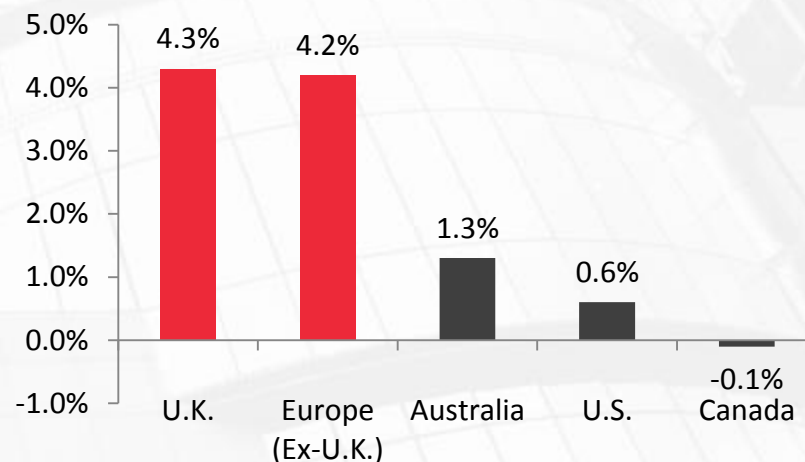
# IV. International Diversification

- A unique real estate investment opportunity exists in Europe, with capitalization rate spreads trending upwards and well above historical averages
- On a global basis, European real estate offers the most compelling incremental yields to investors while providing the desired diversification for Canadians

**Illustrative Dutch Capitalization Rate Spreads (bps) <sup>(1)</sup>**



**Current Yield Spread Above (Below) Historical Yield Spreads <sup>(2)</sup>**



(1) Source: CBRE, March 2013; data represents spread between Dutch prime office yield and Dutch 10-year government bond yield; (2) Source: CBRE Clarion, FactSet, and Bloomberg as of 12/31/12; spreads calculated by comparing listed property company dividend yields to 10-year government bonds

# V. Initial Market: Netherlands



- Located in northwestern Europe and borders the North Sea, Belgium and Germany
- Founding member of:
  - European Union, Eurozone, NATO, OECD, and WTO
- Elite AAA rated country
  - S&P: AAA, Fitch: AAA, Moody's: Aaa
- Highly developed, open market with strong and stable legal framework

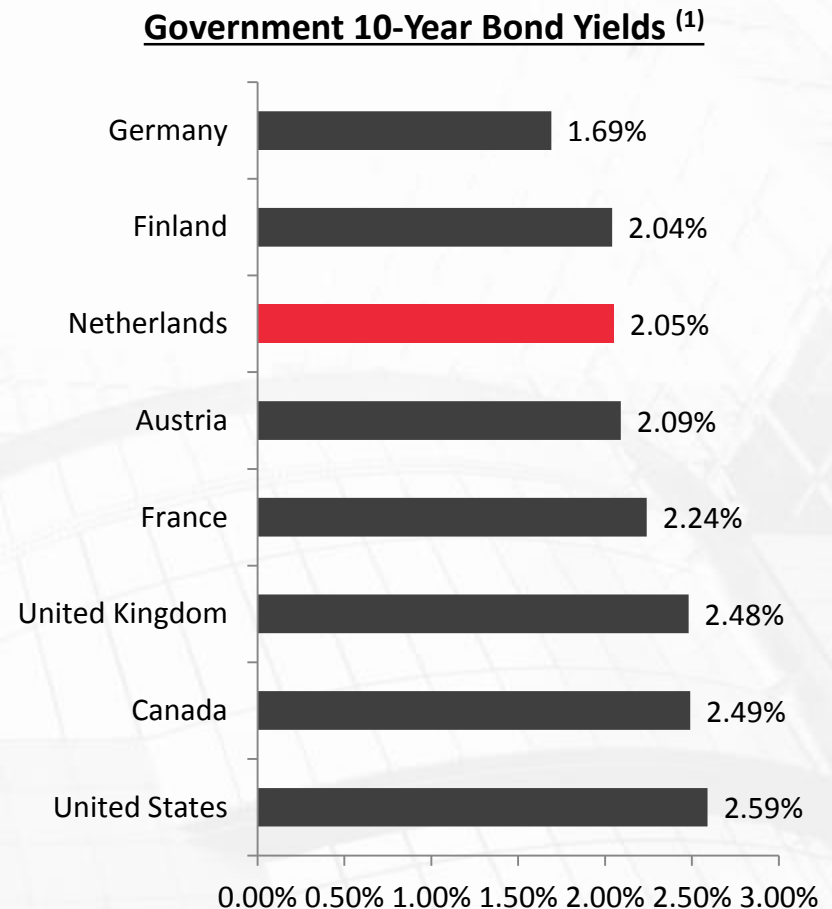
# V. Initial Market: Netherlands

- Enjoys a strong economic position within Europe and globally
  - 3<sup>rd</sup> highest GDP per capita in the Eurozone <sup>(1)</sup>
  - 5<sup>th</sup> largest economy in the Eurozone by GDP <sup>(1)</sup>
  - 5<sup>th</sup> most competitive economy in the world <sup>(2)</sup>
- Highly strategic commercial location that makes it the “Gateway to Europe”
  - Port of Rotterdam is Europe’s largest port
- The “Randstad” is the country’s largest combined urban area
  - Contains the 4 largest cities of Amsterdam, Rotterdam, The Hague and Utrecht
  - Population of 7 million, making it Europe’s 6<sup>th</sup> largest metropolitan area
- Natural hub for logistics and headquarter functions
- Highly educated and multi-lingual workforce

(1) Source: IMF, World Economic Outlook Database, April 2013; (2) Source: World Economic Forum, The Global Competitiveness Report 2012-2013

# V. Initial Market: Netherlands

- Being a core safe haven AAA country in the Eurozone and globally, the Netherlands has attracted considerable investment capital
  - This has resulted in significant compression of Dutch government bond yields
- Enjoys 3<sup>rd</sup> lowest 10-year government bond yield in the Eurozone
  - Significantly lower than the yields of Canada, France, U.K., and U.S.



(1) Source: The Wall Street Journal and Bloomberg, August 8, 2013

## VI. Acquisition Opportunities

- REIT poised for significant growth, with an initial acquisition pipeline of over \$500 million (over 1.9 million square feet) of high-quality properties
  - Average acquisition AFFO yield exceeds 12%, much higher than available in Canada for comparable quality
- Scope, quality, and availability of acquisition pipeline unparalleled in Canadian market
  - High-quality “core+” commercial, in or near major markets
  - Expected to produce average investing spread of over 400bps (at targeted LTV of 60%)
  - Enjoys strong tenants and long-term leases (average of 10 years) that are annually inflation-indexed
- Provides Canadian investors with diversification and attractive entry point in European property value cycle



# VI. Acquisition Opportunities

- Qualifying transaction (“QT”) under contract
  - Closing following special shareholder meeting
- Industrial property, 100% leased to Rexnord, a leading worldwide industrial components company
  - Headquartered in Milwaukee, WI and listed on NYSE (US\$2 billion market cap)
- Mission critical global facility for Rexnord
  - For flattops used within conveyor chain systems



**Location:** s'-Gravenzande, NL

**Size:** 130,405 sq. ft.

**Purchase Price:** \$9.1 mm (\$70 PSF)

**Debt:** \$5.4 mm (59% LTV)

**Cap Rate:** 8.3%

**Lease Term:** 8 years <sup>(1)</sup>

**Year Built:** 1968 (expanded in 1970, 1991, 1996, 1998, and 2006)

(1) With unlimited automatic 5-year renewal terms

# VI. Acquisition Opportunities



- QT is an example of a Dutch acquisition producing more compelling investment returns than comparable Canadian acquisition opportunities
- QT's investment returns further enhanced by high-quality tenant, long-term lease, and mission critical purpose for facility

Financial Metric	Output
Cap Rate	8.3%
Mortgage LTV	59%
Investing Spread	440 bps
Lease Term	8 years
FFO Yield <sup>(1)</sup>	13.7%
AFFO Yield <sup>(1)</sup>	13.2%
REIT AFFO Yield <sup>(2)</sup>	8.8%
Ratio of AFFO Yields: Acquisition vs. REIT	1.5x
Leveraged IRR (Equity IRR)	13.1%

(1) Based on net purchase price (excluding costs); (2) Based on indicative 8.50% distribution yield, 97% AFFO payout ratio, and 60% LTV

## VII. Balanced Structure

- REIT's asset management agreement and declaration of trust are conservative and balanced, designed to promote disciplined growth

### Asset Management

- Base management fee
  - 0.40% of GBV (historical cost)
- Acquisition fee
  - 1.00% for 1<sup>st</sup> \$100mm, 0.75% for next \$100mm, 0.50% for over \$200mm
- Leasing and property management sourced through 3rd parties at market rates
- Term (renewal) of 5 years (5 years)
- Termination with 12 months' prior notice (no additional fees)

### Declaration of Trust

- Investment guidelines
  - Any income producing real property outside of Canada
  - Mortgages limited to 15% of GBV
  - Development/raw land limited to 5% of GBV
  - Exceptions limited to 15% of GBV
- Operating policies
  - Total debt/GBV limited to 65%
  - Acquisitions require engineering report, environmental report, and property insurance