GMP Securities
Griffiths McBurney

Jimmy Khing Shan, CA, MBA
jshan@gmpsecurities.com
416-943-6148

Associate: Jason Kepecs
jkepecs@gmpsecurities.com
416-943-6674

July 25, 2012

Real Estate: Stretching for yield

A peek at the enticing world of 7+% yields

Yield trumps Smart

When asked about the change in strategy by Dundee Realty over the years in a recent interview, CEO of Dundee REIT, Michael Cooper responded: "We used to be smarter and we used to try to make a lot of money doing one time things but what we've seen now is that the way the world is unfolding that consistent income is worth more than being smart and having one time hits."

In other words, today, Yield trumps Smart.

In such a world, how far do we stretch for yield? And can we find attractive yield at an acceptable risk?

This sector piece provides the 'lay of the land' of high yielding REITs, many of which are under-covered with smaller market capitalization or with little public track record. We use 7% yield as the threshold to define a high yielding REIT. Note: since we do not cover most of them, we do not offer any investment recommendation (except for Dundee International REIT).

Why high yielding REITs could work in this market

1. High yield can outperform in a 'side-ways' market, a place to hide.
2. High yield has outperformed the REIT index in the past (2007) when, not unlike today, the large cap REIT yields have compressed.
3. The longer rates stay low, the less investors discriminate – something we're already seeing in the direct property market.

Performance relative to the REIT index

We assessed the total return performance of a basket of the top 1/3 yielding REITs/REOCs determined at the beginning of each of the last seven years over 1, 3, 5 year timeframes.

- They outperformed the REIT index in three of the last seven years (2007, 2009, 2010).
- The outperformance occurred in a recovering 'risk-on' market (2009, 2010) and at a time (2007), when not unlike today, yield on the larger caps have compressed to a low level.
- Surprisingly, they didn't underperform materially during the last financial crisis (peak to trough -58% vs. -57% for the REIT index).
- YTD, they are outperforming the REIT index by 4.6 percentage points (16.8% vs 12.2%).

GMP Securities
Griffiths McBurney

Jimmy Khing Shan, CA, MBA
jshan@gmpsecurities.com
416-943-6148

Associate: Jason Kepecs
jkepecs@gmpsecurities.com
416-943-6674

Performance of High Yielding REITs vs. S&P/TSX Capped REIT Index

	1 year		3 years		5 years		Trough	
	HY REITs	*Index*	HY REITs	*Index*	HY REITs	*Index*	HY REITs	*Index*
2005	13.9%	*25.3%*	47.3%	*47.3%*	36.9%	*41.2%*		
2006	22.1%	*24.7%*	-27.6%	*-27.5%*	31.7%	*38.2%*		
2007	4.2%	*-5.7%*	-17.7%	*-10.8%*	9.3%	*34.8%*		
2008	-53.8%	*-38.3%*	-1.1%	*17.9%*				
2009	76.5%	*55.3%*	159.8%	*131.6%*				
2010	41.0%	*22.6%*						
2011	13.5%	*21.7%*						
2012 YTD	16.8%	*12.2%*						
Peak							-58.2%	*-56.7%*

Source: Bloomberg, GMP Securities
HY REITS represent a basket of the highest third of the Canadian REIT universe by dividend yield. This basket changes and is determined at the beginning at each time period measured.

The risks

Higher yield normally means higher risk. We found that risks typically associated with higher yielding REITs involve one or more of the following: (1) Higher payout ratio, (2) Higher leverage, (3) Secondary markets, (4) Riskier asset classes, (5) Unproven management, (6) Poor trading liquidity, and (7) Higher than average tenant re-leasing risk

Not surprisingly, the stocks also tend to carry higher volatility.

Volatility of High Yielding REITs vs. S&P/TSX Capped REIT Index

	1 year		3 years		5 years		Trough	
	HY REITs	*Index*	HY REITs	*Index*	HY REITs	*Index*	HY REITs	*Index*
2005	18.9%	*12.4%*	16.1%	*13.2%*	17.7%	*17.3%*		
2006	18.0%	*13.2%*	20.1%	*17.8%*	22.3%	*17.2%*		
2007	19.1%	*14.4%*	31.3%	*20.4%*	28.1%	*16.9%*		
2008	44.4%	*25.8%*	43.0%	*19.5%*				
2009	66.5%	*20.4%*	45.6%	*14.5%*				
2010	31.8%	*11.8%*						
2011	28.4%	*11.6%*						
2012 YTD	20.6%	*7.8%*						
Peak							32.4%	*21.3%*

Source: Bloomberg, GMP Securities
HY REITS represent a basket of the highest third of the Canadian REIT universe by dividend yield. This basket is recalculated beginning at each time period measured.

Yield spread to the index

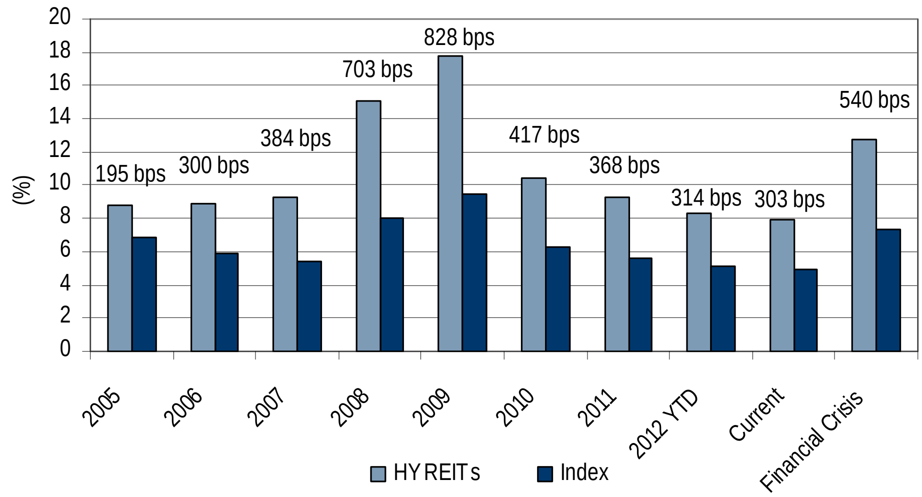
- The top 1/3 yielding REITs/REOCs currently yield approximately 300 bps higher than the REIT index.
- Historically, the average spread is 450 bps. However, it's important to note that in our analysis, the top 1/3 yielding basket changes at the beginning of every year. Hence, the change in the basket mix will impact the spread.

GMP Securities
Griffiths McBurney

Jimmy Khing Shan, CA, MBA
jshan@gmpsecurities.com
416-943-6148

Associate: Jason Kepecs
jkepecs@gmpsecurities.com
416-943-6674

Yield Spread of High Yielding REITs vs. S&P/TSX Capped REIT Index



Source: Bloomberg, GMP Securities
HY REITS represent a basket of the highest third of the Canadian REIT universe by dividend yield. This basket is recalculated beginning at each time period measured.

Conclusion

We believe that there is merit to having some exposure to high yield REITs within a REIT portfolio in today's market – long rates are low, yields on large caps are low, markets are sideways (at best), and direct property market is reflecting narrowing of spreads between A and B assets/markets. Our recommended approach would be to take a basket approach of names with the maximum yield, rather than the maximum growth potential, for the least amount of risks.

High Yielding REITs Comparable Valuations

HIGH YIELD REITS									
REIT / Company	Ticker	Current Price	Mkt Cap ($mln)	Current Yield	Consensus NAV	IFRS NAV / Book Value	Consensus P / AFFO		AFFO Payout Ratio
							2012E	2013E	2013E
BTB REIT	BTB.un	$4.85	$93	8.3%	$4.50	$5.00	15.6x	10.1x	83%
Dundee International REIT (a)	DI.un	$10.70	$604	7.5%	$8.55	$8.50	13.4x	12.6x	94%
Extendicare (b)	EXE	$7.84	$730	10.7%	$8.75	$0.92	8.3x	8.3x	89%
HealthLease Properties REIT	HLP.un	$11.00	$121	7.7%	n.a.	$9.92	n.a.	n.a.	n.a.
InnVest REIT (b)	INN.un	$5.14	$481	7.8%	$4.87	$3.14	10.5x	9.6x	74%
KeyREIT	KRE.un	$6.40	$59	9.4%	$6.00	$8.78	13.9x	10.7x	100%
Leisureworld (b)	LW	$12.15	$356	7.0%	$10.25	$7.08	11.2x	10.4x	73%
Partners REIT	PAR.un	$7.86	$168	8.1%	$6.75	$7.16	12.9x	12.7x	103%
Retrocom Mid-market REIT	RMM.un	$5.59	$231	8.1%	$5.80	$5.36	15.9x	14.0x	113%
Temple REIT (b)	TR.un	$6.11	$150	7.9%	$6.50	$3.25	16.1x	11.8x	92%
True North Apartment REIT	TN.un	$4.15	$88	6.7%	n.a.	$2.52	n.a.	n.a.	n.a.
Average				8.1%			13.1x	11.1x	91%

Source: Thomson One, GMP Securities
(a) Dundee International's 'Consensus NAV' represents GMP's estimate of NAV.
(b) Investment properties are reported at historic cost net of depreciation, for all other entities this figure is reported at appraised market value.

Jimmy Khing Shan, CA, MBA
jshan@gmpsecurities.com
416-943-6148

Associate: Jason Kepecs
jkepecs@gmpsecurities.com
416-943-6674

In the next few pages, we provide a brief profile of the REITs/REOCs yielding 7% or above. Note that except for Dundee International, we do not provide coverage, offer any valuation, recommendation or opinion on any of the REITs/REOCs mentioned.

Jimmy Khing Shan, CA, MBA
jshan@gmpsecurities.com
416-943-6148

Associate: Jason Kepecs
jkepecs@gmpsecurities.com
416-943-6674

BTB REIT (TSX-BTB.un)

Not rated

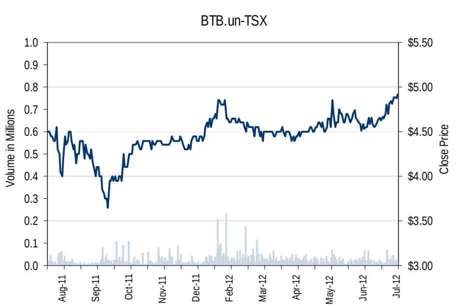
SHARE DATA

52-week high/low	$4.92/$3.65
Units o/s (mm, basic/f.d.)	19.1
Market capitalization (mm)	$93
IFRS net asset value / Cap rate	$5.00 / 7.83%
Consensus net asset value / Cap rate	$4.50 / 7.80%
Current annualized distribution	$0.40
Current annualized distribution yield	8.3%

FINANCIAL DATA

	F2011A	F2012E	F2013E
Con. FFO / unit	$0.23	$0.34	$0.52
Con. AFFO / unit	$0.24	$0.31	$0.48
Price / FFO	21.1x	14.3x	9.3x
Price / AFFO	20.2x	15.6x	10.1x
Distribution	$0.40	$0.40	$0.40
AFFO Payout	167%	129%	83%

FFO & AFFO are consensus estimates
All figures in Canadian dollars, unless otherwise stated.



Profile

BTB REIT is a diversified commercial REIT with a strategy of consolidating mid-market properties in Eastern markets and a focus on the province of Quebec. Its current portfolio comprises 3.6 million sq. ft. or approximately $375 million located primarily in the Greater Montreal Area and secondary markets of Quebec. BTB REIT was formed in September 2005 and converted into a REIT in October 2006.

Strategy

To invest in mid-market commercial properties in Eastern markets with a focus on Quebec. 86% of the portfolio is in the province of Quebec.

Management (Internal)

CEO Michel Leonard, CFO Benoit Cyr

Investment Highlights

- Well diversified by property type: 44% office, 24% retail, 13% industrial, 19% office/retail
- Broad tenant base and well staggered lease expiry profile
- Two brand new office buildings in Quebec City accounting for ~10% of portfolio
- Internalized management team with strong local knowledge in primary and secondary markets of Quebec
- Payout ratio has improved meaningfully.
- Strong board sponsorship

Risks

- High leverage 70%, including convertible debenture
- Smaller properties, smaller markets could result in greater volatility if fundamentals change. Occupancy weakened during the downturn and is currently at 91%, operating below optimum level.

GMP Securities
Griffiths McBurney

Jimmy Khing Shan, CA, MBA
jshan@gmpsecurities.com
416-943-6148

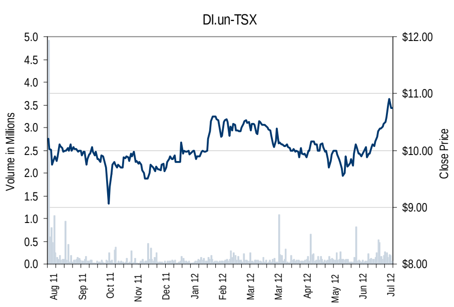
Associate: Jason Kepecs
jkepecs@gmpsecurities.com
416-943-6674

Dundee International[1,7] (TSX-DI.un) HOLD (Target:$10.40)

SHARE DATA	
52-week high/low	$10.90/$9.06
Units o/s (mm, basic/f.d.)	56.5
Market capitalization (mm)	$604
IFRS net asset value / Cap rate	$8.50 / 8.20%
Net asset value / Cap rate	$8.55 / 8.50%
Current annualized distribution	$0.80
Current annualized distribution yield	7.5%

FINANCIAL DATA	F2011A	F2012E	F2013E
FFO / unit	$0.36	$0.92	$0.97
AFFO / unit	$0.30	$0.80	$0.85
Price / FFO	29.7x	11.6x	11.0x
Price / AFFO	35.7x	13.4x	12.6x
Distribution	$0.26	$0.80	$0.80
AFFO Payout	87%	100%	94%

All figures in Canadian dollars, unless otherwise stated.



Profile

Dundee International REIT is a Canadian-based REIT providing investors with exposure to international real estate markets. Its initial portfolio comprises 292 office and logistics properties with 12.3 million sq. ft. across Germany, leased primarily to Deutsche Post, Germany's largest postal service company. The REIT completed a $471 million IPO in August 2011 and since IPO, has acquired ~$100 million of office properties in Germany.

Strategy

To invest in commercial properties outside of Canada, with an initial focus on Germany. Given the issues with the German open-ended real estate fund sector, the near term maturity of several closed-end European funds and ongoing sovereign debt issues in Europe, there are and will be abundant opportunities for well-capitalized players like Dundee International to buy good real estate at attractive cap rates.

Management (External)

CEO Jane Gavan, CFO Doug Quesnel, Vice Chairman Michael Cooper

Investment Highlights

- An above-average yield with less than 100% payout ratio.
- An optionality on a growth strategy in Europe which is likely going to be a fertile ground for acquisition opportunities. So far, the investment thesis appears to be playing out – the economics on new acquisitions are better than expected.
- A management team who has made money for investors: Dundee International is externally managed by Dundee Realty (CEO Michael Cooper). The sale of a substantial portion of Dundee REIT's portfolio in 2007 by Dundee Realty and the aggressive acquisition of assets in early 2009 were significant NAV-accretive deals
- Sponsors Dundee Corp and Dundee Realty own approximately 23% of the REIT.

Risks

- The strategy is risky as the sovereign debt crisis in Europe could lead to devaluation in the Euro, deterioration in property fundamentals and decline in property values as lenders pull back capital.
- The initial portfolio has effectively a single tenant exposure to Deutsche Post: A structural decline in the mail business of Deutsche Post could lead to rationalization of space and disruption to cash flows.

GMP Securities
Griffiths McBurney

Jimmy Khing Shan, CA, MBA
jshan@gmpsecurities.com
416-943-6148

Associate: Jason Kepecs
jkepecs@gmpsecurities.com
416-943-6674

Extendicare (TSX-EXE)

Not rated

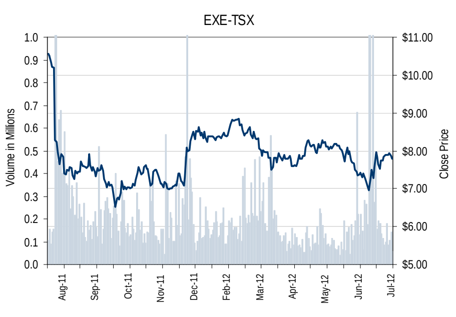
SHARE DATA

52-week high/low	$10.56/$6.52
Shares o/s (mm, basic/f.d.)	93.1
Market capitalization (mm)	$7.30
Book value / Cap rate	$0.92 / n.a.
Consensus net asset value / Cap rate	$8.75 / n.a.
Current annualized dividend	$0.84
Current annualized dividend yield	10.7%

FINANCIAL DATA

	F2011A	F2012E	F2013E
Con. FFO / share	$0.74	$1.04	$1.04
Con. AFFO / share	$0.67	$0.95	$0.95
Price / FFO	10.6x	7.5x	7.6x
Price / AFFO	11.6x	8.3x	8.3x
Distribution	$0.84	$0.84	$0.84
AFFO Payout	125%	89%	89%

FFO & AFFO are consensus estimates
All figures in Canadian dollars, unless otherwise stated.



Profile

Extendicare is an owner and operator of senior care facilities in North America, with a focus on heavier care. Extendicare is the fifth largest operator of skilled nursing facilities (SNFs) in the U.S. with 179 facilities, 17,369 beds and the largest nursing home operator in Canada with 82 facilities and 10,738 beds. Extendicare derives ~70% of its EBITDA from the U.S. and 30% from Canada. US SNFs offer skilled medical care and rehabilitation care while in Canada, nursing homes offer less medically complex care and longer duration stay.

Strategy

As a result of reduced U.S. SNF occupancy in the past three years (from 87.9% in 2009 to 85.7% in 2011), Extendicare has focused on short-term rehab residents increasing the skilled mix census from 21.9% in 2009 to 22.8% in 2011.

Management (Internal)

CEO Tim Lukenda, CFO Doug Harris

Investment Highlights

- Experienced health care operator: Extendicare is a major player in both Canada and the U.S. and has a competitive advantage
- Attractive yield: Extendicare has one of the highest yields in the space and the payout ratio for 2012 is expected to be under 100%.
- Interest savings: $25 million annual interest savings on recent refinancing activity for Canadian ($5 million Dec 2011) and US debt ($20 million June 2012)

Risks

- U.S. health care funding policy risks: 11% Medicare rate cut in Oct 2011 will reduce EBITDA by US$40-$50 million, net of cost saving measures which were fully implemented Jan 1, 2012. There is a potential further 2% Medicare rate cut in January 2013.
- Litigation: The U.S. is highly litigious. Volume of claims has accelerated recently. As such, the company has exited markets with a significantly higher than average loss experience.
- Funding policy and litigation are the two primary risks for Extendicare. In late 1990s, half a dozen operators in the U.S. filed for bankruptcy, with the driving forces being government funding cuts in response to industry abuse and high residence care liability costs.

GMP Securities
Griffiths McBurney

Jimmy Khing Shan, CA, MBA
jshan@gmpsecurities.com
416-943-6148

Associate: Jason Kepecs
jkepecs@gmpsecurities.com
416-943-6674

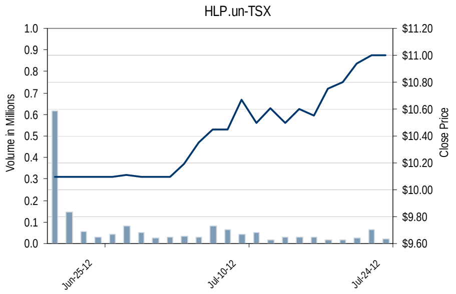
HealthLease Properties REIT (TSX-HLP.un)

Not rated

SHARE DATA	
52-week high/low	$11.00/$10.10
Units o/s (mm, basic/f.d.)	11.0
Market capitalization (mm)	$121
IFRS net asset value / Cap rate	$9.92 / 8.27%
Consensus net asset value / Cap rate	n.a. / n.a.
Current annualized distribution	$0.85
Current annualized distribution yield	7.7%

FINANCIAL DATA	F2011A	F2012E	F2013E
Con. FFO / unit	n.a.	n.a	n.a
Con. AFFO / unit	n.a	n.a	n.a
Price / FFO	n.a	n.a	n.a
Price / AFFO	n.a	n.a	n.a
Distribution	n.a	$0.46	$0.85
AFFO Payout	n.a	n.a	n.a

FFO & AFFO are consensus estimates
All figures in Canadian dollars, unless otherwise stated.



Profile

HealthLease is a Canadian-based REIT providing investors with exposure to seniors housing and care facilities in North America under a triple-net lease structure. Its initial portfolio comprises 15 properties and 1,931 beds/suites, 51% in Alberta, 9% in B.C., 34% in Indiana and 6% in Illinois. 70% of the beds/suites are skilled nursing/long term care (The Canadian assets were purchased from Northern Property REIT). The REIT completed a $121 million IPO in June 2012.

Strategy

To invest in newly-built or existing senior housing facilities under a triple-net lease structure across North America with an initial focus in the U.S. Midwest.

Management (External)

CEO Paul ‘Zeke’ Turner, CFO Adlai Turner, President Edward Grogg

Investment Highlights

- A triple-net lease structure: HealthLease is the only seniors housing REIT in Canada that focuses on a triple net lease structure which means that the operator-tenants assume all operational risks and capex. As such, unless the tenants default on rent, the rental cash flow for HealthLease should be stable. Weighted average lease term is 13.5 years.
- Average age of the portfolio is 8 years.
- Alignment: Sponsor retained 17% equity interest in the REIT.
- Access to development pipeline: The REIT will access (either internally or externally) newly-developed ‘next generation’ pre-leased seniors housing properties.

Risks

- US health care funding environment is volatile and while the REIT is protected from operating risks, a material deterioration in operator cash flow could impact rental cash flow.
- Secondary markets: The REIT’s properties in the U.S. are in secondary markets, which tend to be less liquid markets.
- Tenant options: Tenants of three U.S. properties have the option to acquire the properties at 10%+ cap rates (in 2013, 2022, 2027).
- Headlease accounts for approx. 5% of forward 12 months NOI

GMP Securities Griffiths McBurney

Jimmy Khing Shan, CA, MBA
jshan@gmpsecurities.com
416-943-6148

Associate: Jason Kepecs
jkepecs@gmpsecurities.com
416-943-6674

InnVest (TSX-INN.un) Not rated

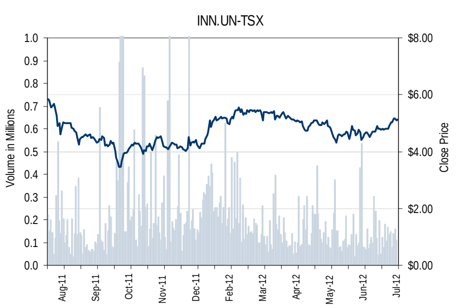
SHARE DATA

52-week high/low	$5.84/$3.46
Units o/s (mm, basic/f.d.)	93.5
Market capitalization (mm)	$481
Book value / Cap rate	$3.14 / n..a.
Consensus net asset value / Cap rate	$4.87 / 8.05%
Current annualized distribution	$0.40
Current annualized distribution yield	7.8%

FINANCIAL DATA

	F2011A	F2012E	F2013E
Con. FFO / unit	$0.68	$0.71	$0.78
Con. AFFO / unit	$0.49	$0.49	$0.54
Price / FFO	7.6x	7.2x	6.6x
Price / AFFO	10.5x	10.5x	9.6x
Distribution	$0.49	$0.40	$0.40
AFFO Payout	100%	82%	74%

FFO & AFFO are consensus estimates
All figures in Canadian dollars, unless otherwise stated.



Profile

InnVest is Canada's largest public hotel real estate owner. Its portfolio comprises 143 full-service and limited-service hotel properties with 19,000 rooms located across major Canadian markets (ON 44%, QC 23%, Western 20%, Atlantic 13%).

InnVest owns the underlying real estate and partners with hotel operators who take care of day-to-day operations under various brands. 35% of its rooms are branded Comfort Inn, 16% Delta, 15% Holiday Inn, 10% Quality Hotel. Westmont Hospitality manages 56% of InnVest's revenue and the balance is being managed by Delta, Fairmont and Hilton. InnVest also owns 50% of Choice Hotels Canada, a large hotel franchisor. Westmont executives own 18% of InnVest.

Strategy

To invest in hotel properties across Canada - InnVest has focused its efforts on investing capital in existing assets to drive return.

Management (Partially Internal)

CEO Kenneth Gibson, CFO Anthony Messina

Investment Highlights

- High operating leverage to a growing economy: Occupancy remains four points below levels achieved during peak year of 2007. RevPAR has historically exceeded prior cycle's peak.
- Low supply – supply is expected to increase by only 1.1% in 2012
- Payout ratio, after having been cut in November 2011 to $0.40 from $0.50 annualized, is now in a more comfortable range of ~80%.
- InnVest is the only investable publicly-traded hotel play in Canada.

Risks

- While leverage has improved, it remains high at 62% given risk profile.
- The hotel business has high capex requirement to stay competitive and up-to-date. Almost $200 million of capex have been spent in the last five years.
- Global macro events (SARS, 9/11) can be materially negative to the hotel

GMP Securities
Griffiths McBurney

Jimmy Khing Shan, CA, MBA
jshan@gmpsecurities.com
416-943-6148

Associate: Jason Kepecs
jkepecs@gmpsecurities.com
416-943-6674

Key REIT (TSX-KEY.un)

Not rated

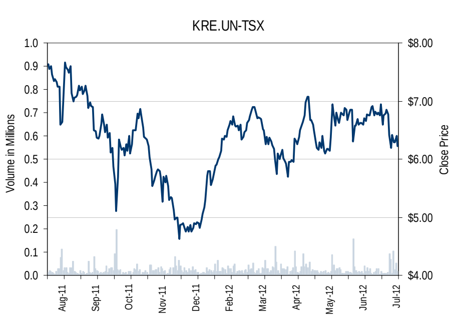
SHARE DATA

52-week high/low	$7.67/$4.62
Units o/s (mm, basic/f.d.)	9.2
Market capitalization (mm)	$59
Book value / Cap rate	$8.78 / 7.26%
Consensus net asset value / Cap rate	$6.00 / 8.00%
Current annualized distribution	$0.60
Current annualized distribution yield	9.4%

FINANCIAL DATA

	F2011A	F2012E	F2013E
Con. FFO / unit	$0.53	$0.46	$0.60
Con. AFFO / unit	$0.53	$0.46	$0.60
Price / FFO	12.1x	13.9x	10.7x
Price / AFFO	12.1x	13.9x	10.7x
Distribution	$0.85	$0.70	$0.60
AFFO Payout	160%	153%	100%

FFO & AFFO are consensus estimates
All figures in Canadian dollars, unless otherwise stated.



Profile

Key REIT (previously Scott's REIT) focuses on small box retail, typically smaller single or multi-tenant unenclosed retail buildings. Its portfolio comprises 229 retail assets, 1.1 million sq. ft. across Canada. Ontario and Quebec account for 75% of the portfolio. Its largest tenants include several KFC franchisees (44%) and Shoppers Drug Mart (28%).

Strategy

To expand the asset base through the acquisition of additional small box retail including pharmacies, financial institutions and Quick Service Restaurants retail properties. Target tenant mix is 20% by financial services, 20% restaurant, 20% pharmacy, 20% convenience, 20% retail. Current mix is 44% restaurant, 34% pharmacy, 1% financial services.

Management (External)

CEO John Bitove, CFO Teresa Neto, COO Kevin Salsberg

Investment Highlights

- Net lease structure: High margin, pass through most expenses to tenants
- Long term lease: Average lease term of 8.4 years
- High occupancy: 97% on a proforma basis
- Small asset base: Acquisitions can make a big difference to the bottom line.
- Land intensification potential: Several properties are in well-located urban sites that can likely be sold for a higher value than current appraised value.
- Optionality on claims on sales proceeds from Priszm's sale of operations: The windfall could be anywhere from $0 to $20 million.

Risks

- Payout ratio still high at 100% despite the recent 29% distribution cut
- High leverage at 70%
- Tenant exposure to QSR remains high at 44%.
- Its previous largest tenant, Priszm, had filed for bankruptcy and has so far sold its Ontario, Atlantic Canada and Western Canadian operations. Timing of sale of the Quebec operations is not known and there is a possibility that some of the leases will be disclaimed.

GMP Securities Griffiths McBurney

Jimmy Khing Shan, CA, MBA
jshan@gmpsecurities.com
416-943-6148

Associate: Jason Kepecs
jkepecs@gmpsecurities.com
416-943-6674

Leisureworld (TSX-LW)

Not rated

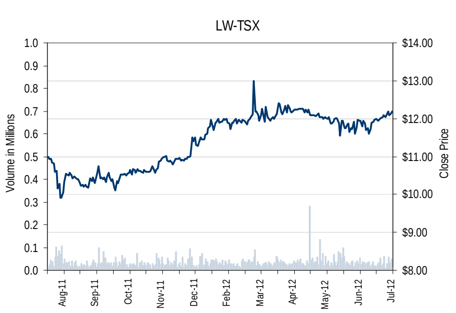
SHARE DATA

52-week high/low	$13.00/$9.90
Shares o/s (mm, basic/f.d.)	29.3
Market capitalization (mm)	$356
Book value / Cap rate	$7.08 / n.a.
Consensus net asset value / Cap rate	$10.25 /9.15%
Current annualized dividend	$0.85
Current annualized dividend yield	7.0%

FINANCIAL DATA

	F2011A	F2012E	F2013E
Con. FFO / share	$0.85	$0.92	$0.99
Con. AFFO / share	$1.06	$1.08	$1.16
Price / FFO	14.3x	13.2x	12.3x
Price / AFFO	11.5x	11.2x	10.4x
Dividend	$0.85	$0.85	$0.85
AFFO Payout	81%	78%	73%

FFO & AFFO are consensus estimates
All figures in Canadian dollars, unless otherwise stated.



Profile

Leisureworld is Canada's fifth largest operator of seniors housing facilities and third largest licensed long-term care (LTC) provider in Ontario. Its portfolio comprises 26 LTC homes or 4,314 beds all in Ontario, and 7 retirement residences or 768 suites in Ontario and BC. Leisureworld completed its IPO in March 2010.

Strategy

To invest in seniors housing facilities across Canada – Given its overweight position in LTC homes (~90%), Leisureworld is diversifying its portfolio by acquiring independent living retirement homes. Since IPO, it has acquired five retirement residences and one LTC home.

Management (Internal)

Interim CEO Dino Chiesa, CFO Manny DiFilippo, COO Paul Rushforth

Investment Highlights

- The LTC business is a highly regulated environment which means high barriers to entry.
- The LTC business is not vulnerable to economic conditions: Effectively, revenue is 100% funded by province and funding is on a need basis. There are 77,500 LTC beds in Ontario and the wait list is ~20,000. As such, occupancy should remain high and cash flow should be relatively stable.
- Leisureworld is an established LTC operator with strong industry knowledge and a long track record in the industry.
- Good investing spreads in retirement homes: Leisureworld is expanding into the retirement sector where investing spreads are 300-400 bps.

Risks

- Leisureworld is receiving $10.35/per bed, per day for a 14-year term for construction funding already spent on 'new' beds (52% of the LTC portfolio). In 2011, construction funding accounted for 20% of AFFO. Once fully funded, AFFO will decrease to the extent no new construction funding is provided.
- B & C homes account for 48% of Leisureworld's LTC portfolio, which now have a license term of 15 years. Failure to obtain the necessary funding to upgrade these homes could negatively impact cash flow.
- Lease-up risks with new retirement homes acquired.

Jimmy Khing Shan, CA, MBA
jshan@gmpsecurities.com
416-943-6148

Associate: Jason Kepecs
jkepecs@gmpsecurities.com
416-943-6674

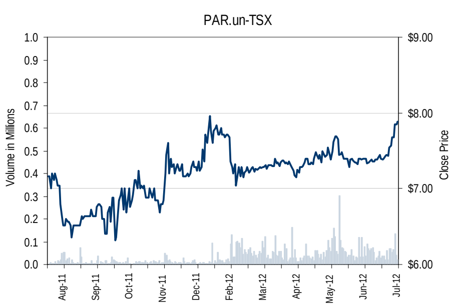
Partners REIT (TSX-PAR.un)

Not rated

SHARE DATA	
52-week high/low	$7.96/$6.32
Units o/s (mm, basic/f.d.)	21.3
Market capitalization (mm)	$168
Book value / Cap rate	$7.16 / 7.30%
Consensus net asset value / Cap rate	$6.75 / 7.25%
Current annualized distribution	$0.64
Current annualized distribution yield	8.1%

FINANCIAL DATA	F2011A	F2012E	F2013E
Con. FFO / unit	$0.55	$0.69	$0.70
Con. AFFO / unit	$0.46	$0.61	$0.62
Price / FFO	14.3x	11.4x	11.2x
Price / AFFO	17.1x	12.9x	12.7x
Distribution	$0.64	$0.64	$0.64
AFFO Payout	139%	105%	103%

FFO & AFFO are consensus estimates
All figures in Canadian dollars, unless otherwise stated.



Profile

Partners REIT is an owner of mid-market neighbourhood and community retail shopping centres, primarily in secondary and tertiary markets in Canada. Its portfolio comprises 2.1 million sq. ft. with 54% located in Ontario, 32% in Quebec and the balance in Alberta, BC and Manitoba. Some of its larger markets are Cornwall, Thunder Bay, Sudbury, Belleville, Montreal and Longueuil. The REIT was formerly known as Charter REIT and is externally managed by League Assets Corp. IGW REIT, a private REIT also managed by League, owns 18% of Partners.

Strategy

To invest in enclosed and unenclosed community and neighbourhood shopping centres in secondary markets – the REIT differentiates itself by focusing mid-size deals ($10-50 million) in secondary markets.

Management (External)

CEO Adam Gant, CFO Tony Quo Vadis, COO Patrick Miniutti

Investment Highlights

- Healthy leasing stats: 96% occupancy
- National tenants account for 73% of tenant base.
- Four properties account for 42% of the REIT (Place Desormeaux, Mega Centre, Thunder Centre and Cornwall)

Risks

- Leverage on the high side at 64%
- AFFO payout ratio on the high side at 105%
- Small markets are more volatile and lack depth in tenants.

GMP Securities
Griffiths McBurney

Jimmy Khing Shan, CA, MBA
jshan@gmpsecurities.com
416-943-6148

Associate: Jason Kepecs
jkepecs@gmpsecurities.com
416-943-6674

Retrocom REIT (TSX-RMM.un)

Not rated

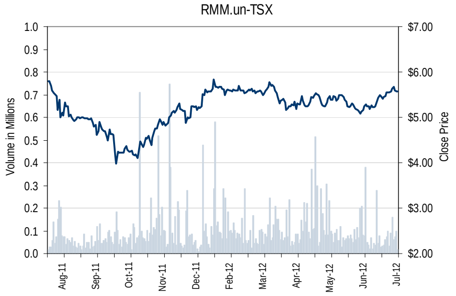
SHARE DATA

52-week high/low	$5.84/$3.98
Units o/s (mm, basic/f.d.)	41.3
Market capitalization (mm)	$229
Book value / Cap rate	$5.36 / 7.59%
Consensus net asset value / Cap rate	$5.80 / 7.45%
Current annualized distribution	$0.45
Current annualized distribution yield	8.1%

FINANCIAL DATA

	F2011A	F2012E	F2013E
Con. FFO / unit	$0.41	$0.44	$0.50
Con. AFFO / unit	$0.31	$0.35	$0.40
Price / FFO	13.6x	12.7x	11.2x
Price / AFFO	18.0x	15.9x	14.0x
Distribution	$0.45	$0.45	$0.45
AFFO Payout	145%	128%	113%

FFO & AFFO are consensus estimates
All figures in Canadian dollars, unless otherwise stated.



Profile

Retrocom REIT owns primarily mid-market retail properties. The REIT is owned 22% by Mitch Goldhar, CEO of SmartCentres and 21% owner and trustee of Calloway REIT. Its portfolio comprises 33 retail properties and 5.3 million sq. ft. Enclosed malls account for 61% and open air plazas 39%. Geographically, Ontario accounts for 53%, Saskatchewan 26% and the balance spread out over the rest of Canada.

Strategy

To invest in retail properties – A big part of the Retrocom story is the add value, turnaround initiatives through leveraging the SmartCentres platform to increase portfolio occupancy through active asset management and leasing efforts and development / redevelopment activities.

Management (Internal)

CEO Richard Michaeloff, CFO Tom Wenner

Investment Highlights

- A strong sponsor: The REIT benefits from the strong leasing and development platform of SmartCentres. Since SmartCentres' involvement in July 2008, the REIT has undergone significant changes in redevelopment and leasing plans.
- National tenants account for 71% of revenue (Walmart accounts for 6.5% of revenue). Exposure to Zellers has been reduced to 4.3%.
- A number of redevelopment/add-value/revitalization projects are underway that should help drive NAV
- Improved leverage at 54% (including convertible debt)
- Lease up potential: Vacancy is 12%. While there are structural vacancies, there is potential to lease up and drive NOI and NAV.

Risks

- Properties are generally located in secondary markets which often lack a depth of tenants.
- Lease up challenges: Occupancy has improved meaningfully over the last few quarters but still stand at 87.6%. Leasing in secondary markets is challenging.
- High AFFO payout ratio in excess of 100%.

GMP Securities
Griffiths McBurney

Jimmy Khing Shan, CA, MBA
jshan@gmpsecurities.com
416-943-6148

Associate: Jason Kepecs
jkepecs@gmpsecurities.com
416-943-6674

Temple REIT (TSX-TR.un)

Not rated

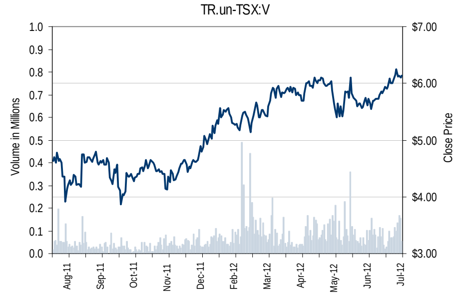
SHARE DATA

52-week high/low	$6.25/$3.87
Units o/s (mm, basic/f.d.)	24.6
Market capitalization (mm)	$150
Book value / Cap rate	$3.25 / n.a.
Consensus net asset value / Cap rate	$6.50 / n.a.
Current annualized distribution	$0.48
Current annualized distribution yield	7.9%

FINANCIAL DATA

	F2011A	F2012E	F2013E
Con. FFO / unit	$0.50	$0.53	$0.68
Con. AFFO / unit	$0.36	$0.38	$0.52
Price / FFO	12.2x	11.5x	9.0x
Price / AFFO	17.0x	16.1x	11.8x
Distribution	$0.42	$0.48	$0.48
AFFO Payout	117%	126%	92%

FFO & AFFO are consensus estimates
All figures in Canadian dollars, unless otherwise stated.



Profile

Temple REIT owns hotel properties located primarily in Western Canada. Its portfolio comprises 12 hotels, with a heavy concentration in Fort McMurray, Alberta.

Fort McMurray accounts for 56% of the portfolio value, Lloyminster/Red Deer 25%, Regina/Moose Jaw 14% and Yellowknife 5%.

Strategy

To invest in hotel properties primarily in Western Canada.

Management (External)

CEO Arni Thorsteinson, CFO Larry Beeston; Asset management by Shelter; Property management by Atlific.

Investment Highlights

- High operating leverage to the oil sands industry:Temple's portfolio is 80% weighted to northern Alberta.
- Temple is the dominant hotel landlord in Fort McMurray. Hence, the strength of the oil sands industry should materially drive Temple's earnings.
- The Fort McMurray is strong and Temple delivered a 17% revenue growth in the latest quarter, driven both by occupancy and rate increase.
- Payout ratio is under 100%.

Risks

- High leverage: Total debt to purchase price of assets is 84%. Total to appraised value is 75%. Leverage has historically been an issue for REITs managed by Shelter such as Lanesborough REIT.
- Volatile market and asset class: Temple has an above average risk profile. Hotel industry is inherently one of the riskier asset classes in real estate given the daily nature of the lease. Moreover, Fort McMurray is also a very volatile market and Temple's vacancy and cash flow were severely impacted in the past recession.
- External management structure

GMP Securities
Griffiths McBurney

Jimmy Khing Shan, CA, MBA
jshan@gmpsecurities.com
416-943-6148

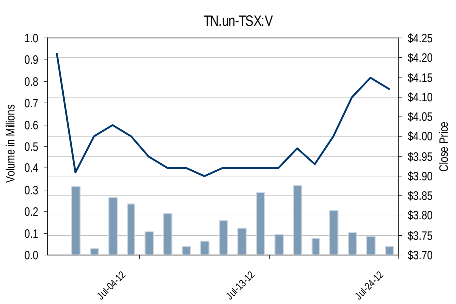
Associate: Jason Kepecs
jkepecs@gmpsecurities.com
416-943-6674

True North Apartment REIT (TSX Venture - TN.un) Not rated

SHARE DATA	
52-week high/low	$4.21/$3.90
Units o/s (mm, basic/f.d.)	21.2
Market capitalization (mm)	$88
Book value / Cap rate	$2.52 / 6.84%
Consensus net asset value / Cap rate	n.a. / n.a.
Current annualized distribution	$0.28
Current annualized distribution yield	6.7%

FINANCIAL DATA	F2011A	F2012E	F2013E
Con. FFO / unit	n.a.	n.a.	n.a.
Con. AFFO / unit	n.a.	n.a.	n.a.
Price / FFO	n.a.	n.a.	n.a.
Price / AFFO	n.a.	n.a.	n.a.
Distribution	n.a.	$0.16	$0.28
AFFO Payout	n.a.	n.a.	n.a.

FFO & AFFO are consensus estimates
All figures in Canadian dollars, unless otherwise stated.



Profile

True North Apartment REIT is an owner and acquirer of apartment properties in Canada. The REIT is externally managed by Starlight Investments which is owned by Daniel Drimmer, the founder and former Chairman of TransGlobe Apartment REIT. Its current portfolio comprises 1,657 suites located primarily in Montreal.

Strategy

To invest in apartment properties across Canada – the immediate acquisition opportunities will come from both third party sources and Starlight, the external asset manager, which has advised of its intention to offer the REIT additional properties. Starlight recently acquired 63 properties from TransGlobe Apartment REIT as part of the REIT takeover in June 2012.

Management (External)

CEO Daniel Drimmer, CFO Martin Liddell

Investment Highlights

- An above-average yield
- Investing spreads in apartment sector are very attractive (~450 bps) given the very cheap CMHC-insured debt.
- High stable occupancy – the occupancy rate of the portfolio averaged 97% in the last 10 years.
- Access to deal flow: We expect that True North will aggressively grow its portfolio through acquisitions, not dissimilar to TransGlobe Apartment REIT. CEO has good access to deal flow given experience in the industry.

Risks

- Capital expenditures: The average age of apartments in Canada is generally old (40-50 years). Potential under-investment in the buildings is an inherent and recurring risk.
- External management fee structure: As asset manager, Starlight is entitled to various fees, including base, incentive, capex and acquisition fees.
- Potential conflict of interest given that Starlight also owns and operates apartment properties.

GMP Securities Griffiths McBurney

Jimmy Khing Shan, CA, MBA
jshan@gmpsecurities.com
416-943-6148

Associate: Jason Kepecs
jkepecs@gmpsecurities.com
416-943-6674

[1] GMP Securities L.P. and/or any of its group affiliated companies has, within the previous 12 months, provided paid investment banking services or acted as underwriter to the issuer.

[2] RESERVED.
[3] non-voting
[4] subordinate-voting
[5] restricted-voting
[6] multiple-voting
[7] The analyst who prepared this report has viewed the material operations of this issuer.
[8] The analyst who prepared this research report owns this issuer's securities.
[9] limited voting
[10] GMP Securities L.P. owns 1% or more of this issuer's securities.
* The analyst is related to a member of the Board of Directors of [name of company], but that individual has no influence in the preparation of this report.
**[Other disclosure]

Each research analyst and associate research analyst who authored this document and whose name appears herein certifies that (1) the recommendations and opinions expressed in the research report accurately reflect their personal views about any and all of the securities or issuers discussed herein that are within their coverage universe and (2) no part of their compensation was, is or will be, directly or indirectly, related to the provision of specific recommendations or views expressed herein.
GMP Analysts are compensated competitively based on several criteria, including performance assessment criteria based on quality of research. The Analyst compensation pool is comprised of several revenue sources, including, sales and trading and investment banking.
GMP policies do not allow the issuer to pay any expenses associated with a visit to its material operations by the Analyst.
GMP Securities L.P. prohibits any director, officer, employee or Canadian agent of GMP from holding any office in publicly traded companies or any office in private companies in the financial services industry.

All relevant disclosures required by IIROC Rule 3400 may be obtained by calling your Investment Advisor. GMP's recommendation statistics and research dissemination policies can be obtained at www.gmpsecurities.com or by calling your investment advisor.

The GMP research recommendation structure consists of the following categories:
FOCUS BUY. Small cap stocks (defined as stocks with less than $500 million market capitalization) in this category have a total return potential (including dividends payable) of greater than 25% and large cap stocks a greater than 20% total return potential, as well as superior qualitative and timing characteristics.
BUY. These stocks will have 15% or greater (small cap) or 10% or greater (large cap) total return potential.
SPECULATIVE BUY. These stocks will have a 30% or greater total potential return and they will have a speculative component which could be material to the return expectations.
HOLD. Small cap stocks ranked Hold will have a total return potential of 0% to 15%; large cap stocks ranked Hold will have a total return potential of 0% to 10%; and stocks that have a speculative component which could be material to the return expectations ranked HOLD will have a total return potential of 0% to 30%.
REDUCE. Companies ranked Reduce have a negative potential total return.
FOCUS REDUCE. Companies ranked Focus Reduce have a significant negative potential total return and materially compromised qualitative and timing characteristics.
Note: Analysts have discretion within 500 basis points of the upper and lower limit of each rating to determine the recommendation.