

# CALLOWAY

REAL ESTATE INVESTMENT TRUST

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## CALLOWAY REAL ESTATE INVESTMENT TRUST RELEASES FIRST QUARTER RESULTS

TORONTO, ONTARIO – (May 5, 2010) Calloway Real Estate Investment Trust (TSX:CWT.UN) is pleased to report its results for the first quarter ended March 31, 2010.

### Highlights of the Quarter:

- Raised \$100 million in capital (\$60 million convertible debentures and \$40 million equity) that closed in January 2010.
- Invested \$54.5 million to complete the development and lease up of 161,025 square feet of leaseable area with a 7.2% yield.
- Portfolio occupancy rate increased to 99%.
- Renewed 90% of expiring leases with an average rent increase of 9%.
- Net income increased by \$5.1 million to \$7.4 million or \$0.05 to \$0.07 per unit compared to the same period in 2009.
- Funds from operations (non-GAAP measure) increased by \$1.2 million to \$41.3 million compared to the previous quarter.
- Monthly distributions are confirmed for the period of May to July.

Simon Nyilassy, President & CEO, said, “As we complete the first quarter of 2010, Calloway finds itself in an enviable position. Our defensive portfolio of shopping centres across the country has weathered the recession well - occupancy increased further, to 99.0% at the end of the quarter. We have not experienced any significant tenant departures for over twelve months and retained over 90% of tenants whose leases expired this year.”

As at March 31, 2010, Calloway’s \$4.2 billion real estate portfolio included 23.0 million square feet of built gross leasable area and 5.0 million square feet of future developable area in 117 operating and 10 development properties.

Developments completed during the quarter comprised approximately 161,025 feet of leasable area at a cost of \$54.5 million and a 7.2% yield. With the current improvement in Calloway’s cost of debt and equity capital, completion of the earn out and development pipeline is once again providing accretive real estate to the portfolio.



Calloway has been successful at recapitalizing its balance sheet. During the quarter, the Trust issued convertible debentures (\$60 million) and equity (\$40 million) for a total of \$100 million.

In addition, the Trust received \$36.4 million in new term mortgages with an average term of 6.7 years and weighted average interest rate of 6.2%.

As a result of these financing activities, Calloway has reduced its debt to gross book value (non-GAAP measure) to 53.1% (56.9% including convertible debentures) at quarter end; which is below the Trust's target range of 55.0%-60.0% (60.0% to 65.0% including convertible debentures). This will enable the Trust to address its committed financing obligations through to 2011.

Net income for the quarter was \$0.07 per unit compared to \$0.02 per unit in the same quarter 2009. The increase was primarily the result of write-offs of assets related to tenants that went bankrupt in 2009, higher net operating income in the current quarter, offset by higher interest expense relating to debt issued over the last twelve months and lower interest income from the reduced mortgages and loans receivable. Cash provided by operating activities increased by \$8.6 million to \$43.0 million over the previous year due primarily to a reduction of net working capital.

Calloway's occupancy level at quarter end was 99%. No significant tenant failures occurred, tenant retention exceeded 90% for expiring leases and a 9% increase in rent on lease renewal was achieved. The high occupancy level of 99%, as well as Calloway's acquisition and development program, generated revenue of \$119.8 million in the quarter, a \$6.6 million increase over the prior year. Net operating income (non-GAAP measure) of \$77.2 million increased \$5.6 million or 7.9% over the previous year. Net income increased \$5.1 million over the previous year. Cash flow as measured by Funds from Operations (FFO – a non-GAAP measure) totalled \$41.3 million in the quarter, a decrease of \$0.6 million or 1.4% over 2009. The year-over-year results were positively impacted mainly by completed acquisitions and developments generating additional rental income of \$6.6 million and a decrease in amortization expense (\$6.0 million) from lower write-offs this quarter, offset by decreased interest income (\$0.7 million) and increased interest expense (\$5.8 million). FFO per unit (fully diluted) was \$0.406 compared to \$0.439 in the previous year. The Trust's quarterly distribution of \$0.387 per unit represents a payout ratio (to FFO) of 95.3% compared to 88.1% in 2009.

The non-GAAP measures identified in this Press Release do not have any standardized meaning prescribed by Canadian generally accepted accounting principles ("GAAP") and are therefore unlikely to be comparable to similar measures presented by other issuers. These non-GAAP measures are more fully defined and discussed in the management discussion and analysis of Calloway for the three-months ended March 31, 2010, available on SEDAR website at [www.sedar.com](http://www.sedar.com).



Full reports of the financial results of the Trust for the year are outlined in the audited financial statements and the related management discussion and analysis of Calloway, available on the SEDAR website at [www.sedar.com](http://www.sedar.com). In addition, supplemental information is available on Calloway's website at [www.callowayreit.com](http://www.callowayreit.com).

Calloway will hold a conference call on Thursday May 6, 2010 at 9:00 a.m. (ET). Participating in the call will be members of Calloway's senior management.

Investors are invited to access the call by dialing 1-866-250-4877. You will be required to identify yourself and the organization on whose behalf you are participating. A recording of this call will be made available Thursday, May 6, 2010 beginning at 11:00 a.m. (ET) through to 11:59 p.m. (ET) on Thursday, May 13, 2010. To access the recording, please call 1-877-289-8525 and use the reservation number 4284804#.

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*The Toronto Stock Exchange neither approves nor disapproves of the contents of this Press Release.*

