

CALLOWAY

REAL ESTATE INVESTMENT TRUST

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CALLOWAY REAL ESTATE INVESTMENT TRUST RELEASES SECOND QUARTER RESULTS

TORONTO, ONTARIO – (August 4, 2010) Calloway Real Estate Investment Trust (TSX:CWT.UN) is pleased to report its results for the second quarter ended June 30, 2010.

Highlights of the Quarter:

- Issued \$100 million of unsecured debentures
- Invested \$55.0 million to complete the development and lease up of 174,868 square feet
- Portfolio occupancy rate increased to 99.1%
- Renewed 90% of expiring leases with an average rent increase of 8%
- Net income increased by \$4.0 million to \$10.7 million or \$0.03 to \$0.11 per unit compared to the same period in 2009
- Funds from operations (non-GAAP measure) increased by \$2.4 million to \$43.0 million compared to the same period in 2009.

Subsequent to the Quarter:

- Issued \$149 million [including a 15% over allotment] in equity which is scheduled to close August 5, 2010 subject to regulatory approval
- Redeemed \$46 million unsecured debentures
- Retired \$4 million convertible debentures.

Simon Nyilassy, President and CEO, said, “Calloway’s focus on maintaining occupancies in our portfolio has resulted in less than a 1% vacancy at quarter end. The cash flow from operations, along with both debt and equity accessed in recent quarters will enable Calloway to capitalize on any opportunities in the market.”

“Our tenants and our real estate provide us with significant strength,” Nyilassy added. “Our top tier value merchandisers are especially attractive to today’s consumers. Our stable, high occupancy rate demonstrates the popularity of our malls within their communities and provides a sound foundation for future growth.”

As at June 30, 2010, Calloway’s \$4.2 billion real estate portfolio included 23.2 million square feet of built gross leasable area and 4.8 million square feet of future developable area in 117 operating and 10 development properties.



The Trust has been actively raising capital. During the quarter, the Trust issued a 5 year, 5.1% unsecured debentures totalling \$100 million with proceeds used to repay the \$46 million Series “A” Unsecured Debentures and the balance to repay the operating line. Subsequent to the quarter end, the Trust announced the issuance of 6,900,000 units (including a 900,000 unit over-allotment which was exercised by the underwriters) at \$21.60 for total proceeds of \$149 million. During the quarter, the Trust entered an Equity Distribution Agreement to sell up to 5 million units by way of At The Market distribution. In July, the Trust issued 74,100 units at a weighted average price of \$21.82 for total proceeds of \$1.6 million.

The Trust also received \$19.0 million by way of a new term mortgage with a term of 10 years and weighted average interest rate of 5.8%.

Calloway’s debt to gross book value (non-GAAP measure) totals 53.7% (57.4% including convertible debentures) at June 30, 2010; which is below the Trust’s target range of 55.0%-60.0% (60.0% to 65.0% including convertible debentures). With the equity issuance, after quarter end, the debt to gross book value improves by a further 1.6% to 52.1%.

Developments completed during the quarter comprised approximately 174,868 feet of leasable area at a cost of \$55.0 million and a 6.6% 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 the capacity to acquire \$500.2 million of real estate with existing cash, operating facilities, and proceeds from the new equity issuance.

Net income for the quarter was \$0.11 per unit compared to \$0.07 per unit in the same quarter 2009. The increase was primarily the result of higher net operating income in the current quarter and the absence of write-offs of lease related assets for tenants that went bankrupt, 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.

Calloway’s occupancy level at quarter end was 99.1%. No significant tenant failures occurred, tenant retention exceeded 90% for expiring leases and an 8% increase in rent on lease renewal was achieved. The high occupancy level, as well as Calloway’s acquisition and development program, generated revenue of \$117.4 million in the quarter, a \$9.8 million increase over the prior year. Net operating income (non-GAAP measure) of \$78.3 million increased \$4.7 million or 6.4% over the previous year. Net income increased \$4.0 million over the previous year. Cash flow as measured by Funds from Operations (FFO – a non-GAAP measure) totalled \$43.0 million in the quarter, an increase of \$2.4 million or 5.8% over 2009. The year-over-year results were positively impacted mainly by completed acquisitions and developments generating additional rental income of \$9.8 million and a decrease in amortization expense (\$2.4 million) from lower write-offs this quarter, offset by increased interest expense (\$3.8 million). FFO per unit (fully diluted) was \$0.421 compared to \$0.424 in the previous year. The Trust’s quarterly distribution of \$0.387 per unit represents a payout ratio (to FFO) of 91.9% compared to 91.3% 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 June 30, 2010, available on SEDAR website at 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. In addition, supplemental information is available on Calloway’s website at www.callowayreit.com.

Calloway will hold a conference call on Thursday August 5, 2010 at 10:00 a.m. (ET). Participating in the call will be members of Calloway's senior management.

Investors are invited to access the call by dialing 1-877-974-0445. 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, August 5, 2010 beginning at 12:00 p.m. (ET) through to 11:59 p.m. (ET) on Thursday, August 12, 2010. To access the recording, please call 1-877-289-8525 and use the reservation number 4321608#.

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

