CREIT®

HOW INVESTORS GET THEIR RETURNS
SAMPLE CALCULATION

Disclaimer: The following is a mathematical illustration only. It is not a forecast for CREIT or any other REIT nor is it intended as legal or tax advice.

AFTER-TAX RETURN FROM REIT UNITS

INVESTMENT IN REIT UNITS

Assumed Purchase Price on Jan 1, yr 1 **$ 10.00**

		Yr 1	Yr 2	Yr 3
Distributions (1)		1.15	1.20	1.25
Deferred Amount (2)	**60% of line (1)**	0.69	0.72	0.75
Taxable Amount (3)	**40% of line (1)**	0.46	0.48	0.50
Personal Tax Rate (4)	**50% of line (3)**	0.23	0.24	0.25
Net Distributions After Tax line (1) minus line (4)		$ 0.92	$ 0.96	$ 1.00

Assumed Sale Price on Jan 1, Year 4 (5)	$ 12.00
Adjusted Cost Base: (6)	
Initial Purchase Price	10.00
less : Total Deferred Amount (7) (cumulative sum of line (2)) above	2.16
Adjusted Cost Base	7.84
Capital Gain for Tax Purposes	
(Sale Price less ($12 minus Adjusted Cost Base $7.84)	4.16
Capital Gain Tax (8)	1.04
Net After Tax Cash on Disposition (9) ($12 minus $1.04)	$ 10.96

	Jan 1, Yr 1	Yr 1	Yr 2	Yr 3	Jan 1, Yr4
Before Tax Cash Flow	**$ (10.00)**	*** $ 1.15**	**$ 1.20**	**$ 1.25**	**$ 12.00**
Before Tax Distributions		$ 1.15	$ 1.20	$ 1.25	
Running Before Tax Yield		11.5%	11.5%	12.5%	
Actual Pre-Tax IRR (10)	**17.57%**				
After Tax Cash Flow (2)	**$ (10.00)**	* $ 0.92	$ 0.96	$ 0.96	$ 10.96
After Tax Distributions		$ 0.92	$ 0.96	$ 1.00	
Running After Tax Yield		9.2%	9.6%	10.0%	
After Tax Internal Rate of Return (10)	**12.40%**				

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ASSUMPTIONS

General: The inherent assumptions in the above example include stable interest rates and investment climate. The example does not take into account any brokerage commission on a purchase or sale.

1. Distributions have been arbitrarily assumed to increase at $0.05 per year.

2. Percentage of distributions that is tax deferred has been assumed to be 60% for the entire investment period. In reality, tax deferral rates vary from year to year. The Deferred Amount does not include the non-taxable portion of any capital gains.

3. Taxable Amount equals 100% of the Distribution less the Deferred Amount, as per note 2 above.

4. Personal tax rate has been assumed at 50% in this example.

5. Sale price has been arbitrarily assumed at $12 for the mathematical illustration.

6. Adjusted Cost Base equals Purchase Price less the Deferred Amount and ignores brokerage commissions on purchase and sale. It is assumed that distributions are not reinvested.

7. Total Deferred Amount is the cumulative tax deferred amounts during the investment horizon (see note 2).

8. Generally, only one-half of the capital gain realized on the sale would be included in the unitholder's income. Therefore, the effective tax rate is one-half of 50% that is 25%.

9. Net After Tax Gain on Disposition equals Capital Gain for Tax Purposes less Capital Gain Tax.

10. Internal rate of return, or IRR, is the annualized overall rate of return to a unitholder having considered the timing of the cash inflows and outflows. The above calculations of after tax and actual pre-tax IRRs assume cash outflow (to fund the purchase) at the beginning of year 1, cash inflow from distributions at the end of each month, during each of the years 1, 2 and 3, and cash inflow from sale proceeds at the beginning of year 4. In reality, REITs in Canada make their distributions either monthly or quarterly.