Homburg Invest Inc.
Consolidated Financial Statements
Canadian GAAP

December 31, 2008

Contents

AUDITORS' REPORT

To the Shareholders of
Homburg Invest Inc.

We have audited the consolidated balance sheet of **Homburg Invest Inc.** (the "Company") as at December 31, 2008 and 2007 and the consolidated statement of earnings (loss), comprehensive income (loss), accumulated other comprehensive loss, retained earnings (deficit), and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Ernst + Young LLP
Chartered Accountants

Halifax, Canada
March 27, 2009

Homburg Invest Inc.
Consolidated Balance Sheet

(CAD $ thousands except per share amounts)	December 31 2008	December 31 2007
Assets		
Investment properties (Note 10)	**$ 3,310,317**	$ 2,939,960
Development properties (Note 8)	**360,562**	293,955
Long term investments (Note 6)	**40,086**	39,562
Intangible assets (Note 12)	**110,067**	100,619
Goodwill (Note 11)		33,036
Restricted cash (Note 7)	**25,969**	27,704
Cash	**16,359**	17,927
Receivables and other (Note 5)	**138,397**	78,845
Currency guarantee receivable (Note 15b)	**28,165**	
	$ 4,029,922	$ 3,531,608
Liabilities		
Long term debt (Note 15)	**$ 2,952,124**	$ 2,094,122
Accounts payable and other liabilities (Note 13)	**268,796**	579,373
Construction financing (Note 14)	**102,433**	66,393
Future income taxes (Note 16)	**129,097**	110,578
Intangible liabilities (Note 12)	**15,429**	12,234
Liabilities of discontinued operations (Note 17)	**28,903**	28,903
Derivative instrument liability (Note 21)	**19,427**	
	3,516,209	2,891,603
Shareholders' equity (Note 18)	**513,713**	640,005
	$ 4,029,922	$ 3,531,608

Commitments (Note 24)
Contingent liabilities (Note 25)
Subsequent events (Note 26)

Approved by the Board, March 25, 2009

"Signed"
Richard Homburg, Phzn., D. Comm.
Director

"Signed"
Edward P. Ovsenny
Director

See accompanying notes to these consolidated financial statements prepared under Canadian GAAP.
Consolidated financial statements prepared under International Financial Reporting Standards are also available.

Homburg Invest Inc.
Consolidated Statement of Earnings (Loss)
Year Ended December 31

(CAD $ thousands except per share amounts)	**2008**	2007
Property revenue	**$ 309,579**	$ 207,331
Sale of properties developed for resale	**191,260**	229,139
Dividend income and distributions	**2,992**	2,011
Gain on fair value increase in investments		938
Other income	**1,849**	3,857
Foreign exchange gain		18,305
Gain on derivative instrument		2,303
Gain on sale of assets	**443**	2,051
	506,123	465,935
Property operating expenses	**84,421**	45,173
Cost of sale of properties developed for resale	**142,841**	147,677
Interest on long term debt	**154,899**	106,818
Interest and financing costs	**11,916**	13,053
Depreciation and amortization	**62,860**	39,278
General and administrative	**23,956**	11,051
Stock based compensation (Note 18f)	**307**	5,288
Foreign exchange loss	**19,656**	
Loss on derivative instruments	**18,542**	
Goodwill impairment loss (Note 11)	**63,456**	
Loss on fair value decrease in investments	**23,133**	
	605,987	368,338
Earnings (loss) before income taxes	**(99,864)**	97,597
Total income taxes (recovery) (Note 16)	**(3,781)**	16,270
Net earnings (loss) from continuing operations	**(96,083)**	81,327
Net loss from discontinued operations (Note 17)		(2,159)
Net earnings (loss)	**$ (96,083)**	$ 79,168

Earnings (loss) per share (Note 19)		
Per Class A Subordinate Voting Share and Class B Multiple Voting Share		
Basic		
Net earnings (loss) from continuing operations	**$(4.85)**	$ 5.00
Net loss from discontinued operations	**$**	$(0.13)
Net earnings (loss)	**$(4.85)**	$ 4.87
Diluted		
Net earnings (loss) from continuing operations	**$(4.85)**	$ 4.76
Net loss from discontinued operations	**$**	$(0.12)
Net earnings (loss)	**$(4.85)**	$ 4.64

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Homburg Invest Inc.
Consolidated Statement of Comprehensive Income (Loss)
Year Ended December 31

(CAD $ thousands except per share amounts)	2008	2007
Net earnings (loss)	$ (96,083)	$ 79,168
Other comprehensive income (loss)		
Unrealized foreign currency translation gain (loss)	100,659	(15,634)
Future tax effects related to unrealized foreign currency translation gain (loss) (Note 18a)	(43,616)	(6,687)
	57,043	(22,321)
Foreign currency gain (loss) on financial instruments designated as hedges of self sustaining foreign operations	(65,193)	306
Related income tax recovery (expense) (Note 18a)		(50)
	(65,193)	256
Other comprehensive loss	(8,150)	(22,065)
Comprehensive income (loss)	$ (104,233)	$ 57,103

Consolidated Statement of Accumulated Other Comprehensive Loss
Year Ended December 31

(CAD $ thousands except per share amounts)	2008	2007
Accumulated other comprehensive income (loss), beginning of year	$ (15,888)	$ 6,177
Other comprehensive loss	(8,150)	(22,065)
Accumulated other comprehensive loss, end of year	$ (24,038)	$ (15,888)

See accompanying notes to these consolidated financial statements prepared under Canadian GAAP.
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Homburg Invest Inc.
Consolidated Statement of Retained Earnings (Deficit)
Year Ended December 31

(CAD $ thousands except per share amounts)	2008	2007
Retained earnings (deficit), beginning of year	**$ 5,494**	$ (8,090)
Net earnings (loss)	**(96,083)**	79,168
Dividend related to DIM Vastgoed N.V. dividend guarantee (Note 13c)	**(677)**	
Dividends	**(88,213)**	(65,584)
Retained earnings (deficit), end of year	**$ (179,479)**	$ 5,494

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Homburg Invest Inc.
Consolidated Statement of Cash Flows
Year Ended December 31

(CAD $ thousands except per share amounts)	**2008**	2007
Cash obtained from (used in)		
Operating activities		
Net earnings (loss) from continuing operations	**$ (96,083)**	$ 81,327
Items not affecting cash:		
Gain on sale of assets	**(443)**	(2,051)
Loss (gain) on derivative instrument	**18,542**	(2,303)
Goodwill impairment loss	**63,456**	
Depreciation and amortization	**62,860**	39,278
Amortization of financing fees	**9,400**	7,353
Amortization of above and below market leases	**887**	3,694
Deferred rental income	**(14,187)**	(11,488)
Future income taxes	**(14,660)**	10,341
Stock based compensation	**307**	5,288
Fair value change in investments	**23,133**	(938)
Accretion in value of discounted liabilities	**128**	2,587
Foreign exchange loss (gain)	**19,656**	(17,830)
	72,996	115,258
Change in non-cash working capital (Note 20)	**22,059**	(14,117)
Net cash from operating activities	**95,055**	101,141
Investing activities		
Investment in investment properties and intangibles	**(52,660)**	(348,976)
Proceeds on sale of investment properties	**698**	6,342
Decrease (increase) in restricted cash	**1,735**	(6,812)
Purchase of long term investments	**(6,678)**	(102,654)
Investment in development properties	**(97,764)**	(45,799)
Discontinued operations		30,076
Net cash used in investing activities	**(154,669)**	(467,823)
Financing activities		
Increase (decrease) in demand loans	**(362,645)**	8,407
Increase (decrease) in mortgages payable	**267,701**	(40,387)
Proceeds from bonds	**146,196**	157,080
Increase in deferred financing charges	**(13,918)**	(25,245)
Decrease in related party receivable		4,366
Issue (repurchase) of common shares	**(836)**	74,563
Dividends paid	**(20,853)**	(30,510)
Increase (decrease) in construction financing	**36,040**	(24,808)
Increase in related party payable	**6,361**	12,543
Proceeds from subscription receipts		181,857
Net cash from financing activities	**58,046**	317,866
Decrease in cash	**(1,568)**	(48,816)
Cash, beginning of year	**17,927**	66,743
Cash, end of year	**$ 16,359**	$ 17,927

Supplemental cash flow information (Note 20)

See accompanying notes to these consolidated financial statements prepared under Canadian GAAP.
Consolidated financial statements prepared under International Financial Reporting Standards are also available.

1. Basis of financial statement presentation

These financial statements have been prepared under Canadian Generally Accepted Accounting Principles ("Canadian GAAP"). As Homburg Invest Inc. (the "Company") trades on the NYSE Euronext, the Company also prepares a separate set of consolidated financial statements under International Financial Reporting Standards ("IFRS"). The most significant financial reporting differences between the Canadian GAAP and IFRS statements are the IFRS financial statements have recorded the investment properties at fair value with mark to market adjustments impacting earnings, development properties at fair value with revaluation adjustments impacting equity, depreciation has not been recorded on the investment properties, and certain deferred charges have not been capitalized.

2. Nature of operations

Homburg Invest Inc., a corporation incorporated under the laws of Alberta, Canada, is listed on The Toronto Stock Exchange ("TSX") and the NYSE Euronext ("AEX"). The Class A Subordinate Voting Shares trade under the symbol "HII.A", and the Class B Multiple Voting Shares trade as "HII.B" on the TSX and the Class A Subordinate Voting Shares trade under the symbol "HII" on the AEX.

The principal place of business is 1741 Brunswick Street, Suite 600, Halifax, Nova Scotia, Canada.

The Company and its subsidiaries lease, build and sell commercial and residential real estate interests located in Canada, Germany, The Netherlands, Lithuania, Estonia, Latvia and The United States of America.

3. Change in accounting policies

Effective January 1, 2008, the Company adopted the following new accounting standards from the Canadian Institute of Chartered Accountants ("CICA"): Section 1400 "General Standards of Financial Statement Presentation"; Section 1535 "Capital Disclosures"; Section 3031 "Inventories"; Section 3862 "Financial Instruments - Disclosures"; and Section 3863 "Financial Instruments - Presentation". The adoption of these new standards resulted in additional disclosures with regards to financial instruments and objectives, policies and measures for managing capital. The new standards did not have an impact on the valuation or classification of the amounts in the Company's consolidated financial statements.

Section 1400 General Standards of Financial Statement Presentation was amended to include a requirement to assess and disclose uncertainties about the Company's ability to continue as a going concern. The new requirements came into effect for the Company's fiscal year beginning January 1, 2008.

Section 1535 Capital Disclosures requires the Company to disclose its objectives, policies and processes for managing capital; quantitative data about what the Company regards as capital; whether the Company has complied with any capital requirements; and, the consequences of any non-compliance. The new requirements came into effect for the Company's fiscal year beginning January 1, 2008. (Note 22)

Section 3031 Inventories requires that inventories be valued at the lower of cost and net realizable value. The Company's inventory consists of construction properties being developed for resale. The Company currently follows the lower of cost and net realizable value for its development properties being developed for resale, resulting in no impact from this new requirement. The new standard also requires reversal of any previous write downs to net realizable value when the net realizable value has increased. The Company has had no write downs of inventories to net realizable value. The new requirements came into effect for the Company's fiscal year beginning January 1, 2008.

3. Change in accounting policies (cont.)

Sections 3862 Financial Instruments - Disclosure and 3863 Financial Instruments - Presentation replace accounting standard 3861 Financial Instruments - Disclosure and Presentation. The presentation requirements have not changed. Additional disclosure is required relating to the significance of financial instruments on the Company's financial position and performance, including quantitative and qualitative information about the Company's exposure to risks arising from financial instruments and how the Company manages those risks. The new requirements came into effect for the Company's fiscal year beginning January 1, 2008. (Note 21)

Future accounting pronouncements
On January 1, 2009, the Company will adopt new Section 3064 Goodwill and Intangible Assets. The new section establishes standards for recognition, measurement and disclosure and replaces existing Section 3062 Goodwill and Other Intangible Assets and Section 3450 Research and Development Costs. The Company is evaluating the new standard.

In February 2008, the Accounting Standards Board of the CICA confirmed that Canadian GAAP will be converged with International Financial Reporting Standards (IFRS) effective January 1, 2011 for publicly accountable enterprises. Early adoption will be permitted as of January 1, 2009 provided exemptive relief is obtained from securities regulators. The Company currently reports under both Canadian GAAP and IFRS and as such expects to early adopt the convergence. The Company has begun investigating the timing of the early adoption, and expects that to take place no later than 2010, subject to approval from securities regulators.

In October 2008, the CICA concurrently issued Handbook Sections 1582 Business Combinations, 1601 Consolidated Financial Statements, and 1602 Non-controlling Interests. Section 1582, which will replace Section 1581 Business Combinations, establishes standards for the measurement of a business combination, and for the recognition and measurement of assets acquired and liabilities assumed. Section 1601, which will replace Section 1600 Consolidated Financial Statements, continues the existing guidance on aspects related to the preparation of consolidated financial statements subsequent to acquisition, other than non-controlling interests. Section 1602 establishes guidance for the treatment of non-controlling interests subsequent to acquisition through a business combination. These new standards are effective for the Company's interim and annual consolidated financial statements beginning on January 1, 2011 and early adoption is permitted at the start of a fiscal year. The Company is assessing the impact of the new standards on its consolidated financial statements.

In January 2009, the CICA issued Emerging Issues Committee Abstract of Issues Discussed, Credit Risk and the Fair Value of Financial Assets and Financial Liabilities (EIC-173). EIC-173 is applicable to the Company for all interim and annual financial statements commencing with the March 31, 2009 interim period. EIC-173 recommends that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments, for presentation and disclosure purposes. The Company is currently assessing the effect on its financial results.

In January 2009, the CICA issued an Exposure Draft on Consolidated Financial Statements. The CICA Exposure Draft proposes to incorporate the recently proposed International Accounting Standards Board Exposure Draft ED10 Consolidated Financial Statements (ED10). The effective date of adoption would be on the changeover to IFRS as was previously discussed. ED10 is intended to improve financial reporting by simplifying the definition of control and enhancing disclosure about consolidated and non-consolidated entities. The Company is continuing to monitor the progress of ED10 and the related CICA Exposure Draft and also of assessing the effect on financial results.

4. Summary of significant accounting policies

a) General and consolidation

The consolidated financial statements are prepared in accordance with Canadian Generally Accepted Accounting Principles. The Company's accounting policies and its financial disclosures are in accordance with the recommendations of the Canadian Institute of Chartered Accountants (CICA).

For 2008 and 2007, these consolidated financial statements include the accounts of the Company's wholly owned subsidiaries Homburg ShareCo Inc., Homburg Invest (USA) Limited, Homburg Baltic LP Inc. and Homburg (US) Incorporated, which are Canadian companies incorporated in the Province of Nova Scotia; Homburg Holdings (US) Inc., which owns a partial interest in nine limited partnerships and is incorporated in the State of Colorado; and Blackfoot Development Ltd., Homburg Harris Development Ltd., Citadel West Development Ltd., Churchill Estates Development Ltd., Inverness Estates Development Ltd., High River Development Ltd., CP Development Ltd., Homburg Kai Development Ltd., Holland Gardens Development Ltd., North Calgary Land Ltd., Castello Developments Ltd., and Homburg Acquisition Inc., which are Canadian companies incorporated in the Province of Alberta; and Homburg Holding (NETH) Beheer B.V. which is incorporated in The Netherlands. Homburg Acquisition Inc. owns 100% of Homburg Real Estate Trust (formerly Alexis Nihon Real Estate Investment Trust).

In addition, the Company's eighty-nine (December 31, 2007 - eighty-seven) wholly owned limited partnerships, of which five are inactive, and eight (December 31, 2007 - eight) partially owned limited partnerships, of which three are inactive, which operate commercial and residential rental properties, are accounted for using consolidation or proportionate consolidation as appropriate. Sixteen (December 31, 2007 - fifteen) of these limited partnerships own corporate structures.

b) Properties

i) Investment properties

Investment properties held are carried at the lower of cost less accumulated depreciation and fair value.

Depreciation on buildings and railways is provided on the straight-line basis over the estimated remaining useful lives of the asset to a maximum of 60 years. Depreciation is determined with reference to each rental asset's carried value, remaining estimated useful life and residual value.

Tenant improvements subsequent to the initial tenant improvements are deferred and amortized over the lives of the leases to which they relate.

Pavement and equipment are depreciated using the declining balance method at the annual rate of 8% and 20% respectively.

ii) Development properties (other than those being developed for resale)

Development properties consist of properties which are under construction or in a major repositioning program. These properties are recorded at cost, and are subject to periodic impairment testing.

iii) Construction properties being developed for resale

These properties are carried at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less selling costs and costs to complete development. To the extent that there have been write downs to net realizable value, the reversal of these write downs is recognized in the subsequent period when net realizable value recovers.

4. Summary of significant accounting policies (cont.)

b) Properties (cont.)

iv) Impairment

For investment properties and development properties (other than those being developed for resale), an impairment loss is recognized when a property's carrying value exceeds its future undiscounted cash flows from use and eventual sale. Properties are reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable. The impairment is measured as the amount by which the carrying value exceeds the estimated fair value. Any recorded impairment losses to these properties cannot be reversed.

c) Capitalization of costs

i) The Company capitalizes investment property acquisition costs incurred at the time of purchase.

ii) For development properties, the Company capitalizes all direct expenditures incurred in connection with the acquisition, development, construction, and initial predetermined leasing period. These expenditures consist of all direct costs and borrowing costs on debt directly attributable to a specific property, including borrowing costs incurred on the debt prior to the full utilization of the debt for the project. Borrowing costs are offset by any interest earned by the Company on borrowed funds prior to utilization. The development period commences when expenditures are being incurred and activities necessary to prepare the asset for its intended use are in progress. Income relating directly to development properties during the development period is treated as a reduction of capitalized costs.

d) Revenue recognition

Revenue from development property is recognized upon the earlier of attaining a break-even point in cashflow after debt-servicing, the expiration of a predetermined period of time following substantial completion, or the attainment of substantial operations. Prior to this, the property is classified as a property under construction and any revenue is applied to reduce development costs.

Management has determined that all of the Company's leases with its various tenants are operating leases. Minimum rents are recognized on a straight-line basis over the terms of the related leases. The excess of rents recognized over amounts contractually due is included in deferred rental receipts on the Company's balance sheet. The leases also typically provide for tenant reimbursements of common area maintenance, real estate taxes and other operating expenses, which are recognized as property revenue in the period earned.

Revenue on long term construction type projects is being recorded using the percentage of completion method. Completion is measured based on the extent of work completed in relation to the total project.
Gains and losses from the sale of properties are recorded when the collection of the sale proceeds is reasonably assured, and all other significant conditions respecting rights and ownership are met. Properties which have been sold, but for which these criteria have not been satisfied are included in Properties held for resale. There were no such properties at December 31, 2008 or December 31, 2007.

e) Income taxes

The Company follows the tax liability method for determining income taxes. Under this method, future tax assets and liabilities are determined according to differences between the carrying amounts and tax bases of specific balance sheet items. Future tax assets and liabilities are measured based on enacted or substantively enacted tax rates and laws at the date of the financial statements for the years in which these temporary differences are expected to reverse. Adjustments to these balances are recognized in earnings as they occur.

4. Summary of significant accounting policies (cont.)

f) Deferred leasing costs

The Company follows a policy of capitalizing the costs associated with leasing commissions. Deferred leasing costs are amortized on a straight-line basis over the term of the related lease.

g) Deferred financing costs

Fees and costs incurred to obtain debt financing are capitalized to the related liability and are measured at amortized cost using the effective interest method. The unamortized balance of deferred costs is included and shown as a reduction of the related long term debt.

h) Cash and cash equivalents

Cash and cash equivalents include cash on hand and balances with banks, net of bank overdrafts and highly liquid temporary money market instruments with original maturities of three months or less. Bank borrowings are considered to be financing activities.

i) Foreign currency

Operations outside of Canada are considered to be self-sustaining and use their primary currency for recording substantially all transactions. The accounts of self-sustaining foreign subsidiaries are translated using the current rate method, whereby assets and liabilities are translated at year-end exchange rates while revenues and expenses are converted using the transaction date which is typically represented by average exchange rates. Gains and losses arising on translation of these subsidiaries are included in accumulated other comprehensive income within shareholders' equity.

Gains or losses arising from the translation of foreign denominated assets, liabilities, revenues and expenses, not occurring within self-sustaining foreign operations are included in earnings of the applicable reporting period. These amounts are translated using the current rate method.

j) Stock options and contributed surplus

The Company has a stock-based compensation plan which is described in Note 18 e). The Company accounts for its grants under this plan in accordance with the fair value-based method of accounting for stock-based compensation. The compensation cost that has been charged against income in 2008 is $307 (December 31, 2007 - $5,288).

k) Use of estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of the revenues and expenses during the reporting period. Actual results could differ from those estimates.

l) Long term investments

The fair value of the Company's investment in DEGI Homburg Harris Limited Partnership is not reliably measurable, and as such this investment is classified as available for sale and carried at cost, and is subject to testing for impairment in its carrying value. Any gain or loss in the value of this investment would be included in other comprehensive income until the investment is derecognized, at which time the cumulative gains or losses would be recognized in net earnings. Any impairment in the value of the investment that is other than temporary, would result in any cumulative losses that were recognized in other comprehensive income, being removed from accumulated other comprehensive income and recognized in net earnings, even though the investment has not been derecognized. The other long term investments are classified as held for trading and measured at fair value. Any change in fair value during the year is included in the determination of net earnings for the year.

(CAD $ thousands except per share amounts)

4. Summary of significant accounting policies (cont.)

m) Amortization of intangibles

The values of the above-market and below-market leases are amortized to revenue on a straight-line basis over the remaining term of the respective lease. Lease origination costs and other lease related intangibles are amortized to expense on a straight-line basis over the remaining term of the respective lease.

n) Derivative financial instruments

The Company has entered into interest rate swaps in order to manage the impact of fluctuating interest rates on certain of its long term debt. The current interest rate swaps do not qualify for hedge accounting and are adjusted to fair value and recognized in earnings in the reporting period.
The Company has entered into currency guarantee agreements related to mortgage bonds payable. These derivatives are adjusted to fair value through earnings in the reporting period.

o) Financial asset recognition

The Company applies settlement date accounting to the purchase and sale of financial assets. Under settlement date accounting, the recognition or derecognition of an asset occurs when the asset is delivered to or by the Company.

p) Goodwill

On acquisition, the underlying fair value of the net identifiable tangible and intangible assets is determined, and goodwill is recognized to the extent of the excess of the purchase price over the fair value of the identifiable net assets. Goodwill is not amortized, however it is tested for impairment at least annually. The impairment test determines whether the fair value of the reporting unit to which the goodwill has been attributed is less than the carrying value of the related reporting unit, including goodwill, thus indicating impairment. Any impairment of goodwill is recorded as a separate charge against earnings in the period of determination.

q) Determination of cost of sales

The sale of condominium units sold is determined using the net yield method. The total estimated cost of the completely developed project is allocated between the units prorated on the selling price of the unit compared with the estimated total selling price of the entire project.

5. Receivables and other

	2008	2007
Trade receivables	**$ 84,813**	$ 45,106
Deferred rental receipts	**40,639**	21,696
Prepaids	**3,975**	4,095
Deferred leasing costs, net of accumulated amortization of $3,406 (2007 - $1,851)	**8,970**	7,057
Derivative instrument asset		221
Bonds receivable		670
	$ 138,397	$ 78,845

(CAD $ thousands except per share amounts)

6. Long term investments

		2008		2007
Cedar Shopping Centers, Inc. and misc.	$	683	$	753
Homburg Eastern European Fund B.V.		10,265		
DEGI Homburg Harris Limited Partnership		10,635		4,071
DIM Vastgoed N.V.		11,426		20,699
DIM Vastgoed N.V., October 2010 closing		7,077		14,039
	$	40,086	$	39,562

The Company holds 50,000 (December 31, 2007 - 50,000) common shares of Cedar Shopping Centers, Inc. ("Cedar") a real estate investment trust listed on the New York Stock Exchange (NYSE: CDR). The investment is carried at fair value.

The Company holds a 20% interest in Homburg Eastern European Fund B.V.. The B.V. primarily owns properties currently under development in the Baltic States. The B.V. prepares financial statements under International Financial Reporting Standards using the fair value model. Fair value of the investment has been determined based on the Company's ownership interest in the net assets of the B.V.

The Company holds a 10% interest in DEGI Homburg Harris Limited Partnership. The Partnership owns an investment property in Canada which is currently under development. The fair value of this investment is not reliably measurable, and as such, this investment has been classified as available for sale and is carried at cost.

The Company's investment in DIM Vastgoed N.V. ("DIM") consists of deposit receipts representing 971,462 (December 31, 2007 - 971,462) shares of DIM, a real estate investment company listed on the NYSE Euronext and 266,214 (December 31, 2007 - 158,760) direct owned shares. The investment is carried at fair value.

Subsequent to year end, the Company entered into an exchange agreement, whereby it sold its investment in DIM for shares of Equity One Inc ("Equity One" - NYSE:EQY).

The Company's investment in DIM related to the October 2010 closing (the "DIM 2010 Shares") consists of deposit receipts representing 766,573 (December 31, 2007 - 766,573) shares of DIM. The Company has full voting rights and bears the risks and rewards of ownership related to the DIM 2010 Shares, however the fixed purchase price will not be paid, and legal title will not transfer, until October 1, 2010 (the "Settlement Date"). Dividends paid on the DIM 2010 Shares through to the Settlement Date will be retained by the sellers of these shares (the "Sellers"). In 2007, the Company settled its liability related to 86,400 shares, in advance of the Settlement Date, and obtained the same number of directly owned DIM shares in return (see Note 13 (c)). The Company is carrying this investment at fair value.

Subsequent to year end, the Company entered into an agreement for the sale of the DIM 2010 shares. Under the agreement, the Company has granted Equity One an irrevocable proxy with respect to the voting rights of the DIM 2010 shares and Equity One will acquire the DIM 2010 shares from the Company once the Company has obtained the DIM 2010 shares.

(CAD $ thousands except per share amounts)

7. Restricted cash

Restricted cash includes deposits on real estate properties, refundable commitment fees and security deposits.

8. Development properties

		2008		2007
Land and property held for future development	$	125,742	$	79,383
Construction properties being developed for resale		139,154		170,310
Property under construction		95,666		44,262
	$	360,562	$	293,955

In 2008, the Company capitalized acquisition, development and related costs of $217,091 (December 31, 2007 - $182,565) of which $18,473 (December 31, 2007 - $20,022) was interest capitalized. These costs were financed by the assumption of debt in the amount of $25,593 (December 31, 2007 - $7,500), the issue of NIL (December 31, 2007 - 37,401) Class A Subordinate Voting Shares for $NIL (December 31, 2007 - $2,439) with the remainder in cash and the assumption of other liabilities. Also, during 2008 $NIL (December 31, 2007 - $18,473) was reclassified from Land held for future development to Construction properties being developed for resale and $NIL (December 31, 2007 - $29,185) was reclassified from land held for future development to property under construction.

9. Business and major investment property acquisitions

The Company's policy with regard to disclosure of business and major investment property acquisition purchase price allocations is to only disclose those individual acquisitions that are deemed significant at the time of acquisition. For disclosure purposes, the Company applies a guideline of 2% of the total fair value of investment properties on an individual transaction basis and 5% of the total fair value of investment properties acquired in the year. Although there were three acquisitions during the year ended December 31, 2008 none of these transactions, individually or cumulatively, are deemed significant and therefore are not disclosed below.

During 2007 the following significant acquisitions occurred:

Acquisition Date	Location	Type of Property	Shares Issued	Cash Consideration
Year ended December 31, 2007				
December 20, 2007	Baltics	Retail, Office		$ 69,990
December 6, 2007	USA	Retail		$ 55,815
November 30, 2007	Canada (2)	Retail, Office and Industrial		$ 364,121
April 5, 2007	Canada	Retail, Office and Residential		$ 485,378
February 8, 2007	The Netherlands	Office (5 Properties)	106,859	$ 2,019

(CAD $ thousands except per share amounts)

9. Business and major investment property acquisitions (cont.)

The following is a summary of the amounts assigned to each major asset and liability at the date of acquisition:

	2007				
	Baltics	USA	Canada (2)	Canada	The Netherlands
Investment properties	$ 206,800	$ 132,431	$ 361,407	$ 501,984	$ 34,965
Assets of discontinued operations				592,000	
Intangible assets	15,050	6,970	5,380	26,910	2,875
Goodwill				33,036	
Receivables and other assets	8,743			23,667	221
	230,593	139,401	366,787	1,177,597	38,061
Mortgages payable assumed	153,747	83,586		169,867	29,203
Liabilities of discontinued operations				281,112	
Intangible liabilities			2,666	9,337	
Payables and other liabilities				82,434	360
Future income taxes	6,856			51,363	
	160,603	83,586	2,666	594,113	29,563
Net assets acquired	69,990	55,815	364,121	583,484	8,498
Value of shares issued					6,479
Value of long term investment held at acquisition date				98,106	
Cash consideration	$ 69,990	$ 55,815	$ 364,121	$ 485,378	$ 2,019

In all cases, the operating results of the acquired properties are included in the consolidated statements of earnings from the acquisition date.

(CAD $ thousands except per share amounts)

9. Business and major investment property acquisitions (cont.)

During the year ended December 31, 2008, management completed the purchase price allocation for the following acquisitions. The tables below represent the changes to the previously reported assets and liabilities:

April 5, 2007 acquisition:

	Provisional Amounts	Adjustment	Final Amounts
Assets			
Investment properties	$ 501,984	$ (37,628)	$ 464,356
Intangible assets	26,910	(3,007)	23,903
Goodwill	33,036	30,420	63,456
		$ (10,215)	
Liabilities			
Intangible liabilities	$ 9,337	$ 6	$ 9,343
Future income taxes	51,363	(10,221)	41,142
		$ (10,215)	

November 30, 2007 acquisition:

	Provisional Amounts	Adjustment	Final Amounts
Assets			
Investment properties	$ 361,407	$ 419	$ 361,826
Intangible assets	5,380	6,323	11,703
		$ 6,742	
Liabilities			
Intangible liabilities	$ 2,666	$ 1,424	$ 4,090
Payables and other liabilities		5,318	5,318
		$ 6,742	

December 6, 2007 acquisition:

	Provisional Amounts	Adjustment	Final Amounts
Assets			
Investment properties	$ 132,431	$ (5,091)	$ 127,340
Intangible assets	6,970	6,226	13,196
Receivables and other assets		1,273	1,273
		$ 2,408	
Liabilities			
Payables and other liabilities	$	$ 2,408	$ 2,408
		$ 2,408	

(CAD $ thousands except per share amounts)

9. Business and major investment property acquisitions (cont.)

December 20, 2007 acquisition:

	Provisional Amounts	Adjustment	Final Amounts
Assets			
Investment Properties	$ 206,800	$ (2,636)	$ 204,164
Intangible assets	15,050	(5,542)	9,508
		$ (8,178)	
Liabilities			
Intangible liabilities	$	$ (195)	$ (195)
Other liabilities		(1,127)	(1,127)
Future income taxes	6,856	(6,856)	
		$ (8,178)	

10. Investment properties

	Cost 2008	Accumulated Depreciation 2008	**Net Book Value 2008**	Cost 2007	Accumulated Depreciation 2007	Net Book Value 2007
Land	$ 542,917	$	**$ 542,917**	$ 484,139	$	$ 484,139
Buildings	2,684,037	90,713	**2,593,324**	2,321,936	47,175	2,274,761
Equipment	92,224	2,802	**89,422**	84,127	740	83,387
Paving	22,511	4,552	**17,959**	35,429	2,822	32,607
Tenant improvements	103,588	36,893	**66,695**	86,722	21,656	65,066
	$ 3,445,277	$ 134,960	**$ 3,310,317**	$ 3,012,353	$ 72,393	$ 2,939,960

In 2008 investment properties were acquired at an aggregate cost of $100,182 (2007 - $1,369,989).

Included in investment properties is one property (December 31, 2007 - one) with a carrying value of $689,235 (December 31, 2007 - $584,215) on which there is a purchase option exercisable by the tenant in 2020.

(CAD $ thousands except per share amounts)

11. Goodwill

Balance, December 31, 2007	$ 33,036
Adjustment on finalization of purchase price allocation	30,420
Goodwill impairment loss	(63,456)
Balance, December 31, 2008	$

The Company's goodwill consists of the amount by which the purchase price paid exceeds the fair value of the net identifiable assets. The Company's goodwill was derived from the April 5, 2007 acquisitions made in the Quebec market.

As at December 1, 2008, the Company performed an impairment test on goodwill. Under the first step of an impairment test, the fair value of the reporting unit was determined using a market based approach, which derives its fair value based primarily on a capitalization of property net operating income. The completion of step one indicated that the carrying value exceeded the fair value and as a result, the Company proceeded to step two.

The second step requires that the Company perform a new purchase price allocation as at the new valuation date to fair value all identifiable tangible and intangible assets and liabilities as at that date, as had been done at the time of acquisition. Upon completion of step two, it was determined that the remaining value to be applied to goodwill had been completely depleted, and as a result, the Company recognized the full amount as an impairment loss in the statement of earnings (loss) for the year.

The goodwill impairment loss is indicative of the current global market conditions as they relate to real estate. The shortage of capital, the potential rising cost of capital, the potential surplus supply of investment properties and uncertainties about the ability of tenants to pay rent and to pay on a timely basis have contributed to rising capitalization rates, which result in lower fair values for investment property portfolios.

12. Intangible assets and liabilities

Intangible assets are comprised of the value of above-market leases, lease origination costs and other lease related intangibles for income property acquisitions and are net of accumulated amortization of $30,547 (December 31, 2007 - $13,338). Amortization expense of $11,837 (December 31, 2007 - $2,706) is included in depreciation and amortization expense and amortization expense of $887 (December 31, 2007 - $3,694) is applied against property revenue.

Intangible liabilities are comprised of the value of below-market leases for income property acquisitions and are net of accumulated amortization of $4,996 (December 31, 2007 - $1,632).

(CAD $ thousands except per share amounts)

13. Accounts payable and other liabilities

		2008		2007
Trade payables (Note 23e)	$	**104,910**	$	73,746
Non-construction demand loans (a)		**90,613**		441,113
Related party payable (Note 23f)		**18,904**		12,543
Income taxes payable		**5,739**		6,507
Notes payable		**173**		725
Security deposits		**1,352**		4,904
Long term payables (b)		**25,287**		24,178
Shareholders of DIM Vastgoed N.V., due October 2010(c)		**4,440**		4,424
Prepaid rents and deposits		**17,378**		11,233
	$	**268,796**	$	579,373

a) Non-construction demand loans consist of the following:

i) A bankers acceptance loan of $5,000, with a ten-month term, bearing interest at a rate per annum equal to the Canada Saving Bond Rate plus 3.00%, maturing on April 1, 2009.

ii) A credit facility of $19,920 which is subject to annual review and consists of a general operating loan available by way of prime rate loans, bankers' acceptances and letters of credit. Borrowings by the way of prime rate loans bear interest at prime + 1.25% per annum. Borrowings by way of bankers acceptance bear interest at a rate equal to the bankers acceptance rate plus stamping fees equivalent to 3.00% per annum. The letter of credit facility bears interest at 1.50% per annum. The credit facility is secured by a hypothec on an income producing property having a net carrying value of $82,485.

iii) A loan payable in the amount of EUR €5,000 ($8,619), translated at year end exchange rates, bearing interest at 1 month Euribor + 2.50% and has been repaid subsequent to year end.

iv) A demand credit facility of $44,929 bearing interest at Prime + .75% and secured by specific investment properties.

v) A promissory note payable plus interest in the amount of EUR €7,046 ($12,145), bearing interest at 6.0% per annum. This amount is payable to a related party, has no specific repayment terms and relates to the Company's investment in Homburg Eastern European Fund B.V..

b) The long term payables include EUR €14,669 ($25,287) (December 31, 2007 - $24,178) representing the purchase price on the remaining 6.63% of MoTo Objekt Campeon GmbH & Co KG to be acquired in the first quarter of 2012 and the account balances of the current 6.63% partners.

13. Accounts payable and other liabilities (cont.)

c) The DIM Vastgoed N.V. ("DIM") payable relates to the Settlement Date amount of the DIM 2010 Shares (see Note 6). The Sellers had the option to elect, by December 16, 2007 (the "Option Date"), to receive payment for the DIM 2010 shares on the Settlement Date either through a cash payment of US $21.20 per share (the "Cash Option") or through the receipt of 0.65 Class A Subordinate Voting Shares of the Company for each DIM 2010 Share (the "Share Option"). This liability was recorded at the present value of the Settlement Date amount and expected DIM 2010 share dividends to be retained by the Sellers and the residual, which was a nominal amount, was applied to the fixed price conversion option included in other paid in capital.

On the Option Date, Sellers representing a majority of the DIM 2010 Shares elected the Share Option, while a small minority elected the Cash Option. The DIM payable as of December 31, 2008 and 2007 represents the amount owing to the Sellers that elected the Cash Option and is measured at the present value of the Settlement Date amount and expected DIM 2010 Share dividends to be retained by the Sellers. The Company also agreed to settle part of the liability early (as described in Note 6) by means of a cash payment resulting in a pay down of the liability of $1,816 and a charge to earnings for the excess of $360 in December 2007. The portion of the liability that was extinguished by the election of the Share Option and the inception date conversion option amount were reflected as a balance of $11,489 (US $11,700) in other paid in capital (see Note 18).

For those Sellers that elected the Share Option, the Company has also agreed to a dividend guarantee entitling the Seller to an additional payment on the Settlement Date equal to the amount, if any, by which the cumulative dividends paid on 0.65 Class A Subordinate Voting Shares of the Company from the date of acquisition of the DIM 2010 deposit receipts through the Settlement Date exceed the cumulative dividends paid on DIM shares for that same period. As of December 31, 2008, this liability totals $1,918 (December 31, 2007 - $1,049) and is included in the total liability. Changes in this liability are considered dividends on the Company's equity and are included in dividends within the statement of retained earnings.

The Company has available credit facilities of $80,000 of which $64,849 (December 31, 2007 - $2,049) is being utilized at December 31, 2008. Of these facilities, $15,000 (December 31, 2007 - $15,000) is with a company controlled by the Chairman and Chief Executive Officer.

14. Construction financing

The Company has arranged construction financing, which is demand in nature, for its development properties. Borrowing rates on these financings are at fixed or variable market rates; the weighted average interest rate for all construction financing is 6.19% (December 31, 2007 - 6.91%). The Company has pledged its development properties as security. Upon completion of the properties it is the Company's intention to seek long term financing at available market rates.

(CAD $ thousands except per share amounts)

15. Long term debt

	2008	2007
Secured debt		
Mortgages payable (a)	$ 2,160,544	$ 1,557,810
Mortgage bonds payable (b)	228,368	200,205
	2,388,912	1,758,015
Unsecured debt		
Corporate non-asset backed bonds (c)	522,700	303,765
Junior subordinated notes (d)	67,551	55,800
	590,251	359,565
	2,979,163	2,117,580
Deferred financing charges, net of accumulated amortization of $12,161 (December 31, 2007 - $2,905)	(27,039)	(23,458)
	$ 2,952,124	$ 2,094,122

Long term debt has both fixed and variable interest rates. At period end the contractual weighted average interest rate for variable rate long term debt was 4.469% and for fixed rate long term debt was 5.937% (December 31, 2007 - variable - 5.54%, fixed - 6.06%).

Normal principal installments and principal maturities are as follows;

	Mortgages				
	Normal Principal Installments	Principal Maturities	Bonds and Junior Subordinated Notes	Total	Weighted average interest rate of maturing debt
2009	$ 37,453	$ 13,323	$	$ 50,776	6.69%
2010	38,538	12,672	51,714	102,924	7.66%
2011	44,343	18,912	68,986	132,241	7.24%
2012	43,803	94,199	107,669	245,671	6.53%
2013	34,644	515,518	189,635	739,797	5.62%
Subsequent years		1,307,139	400,615	1,707,754	5.56%
	$ 198,781	$ 1,961,763	$ 818,619	$ 2,979,163	

It is the Company's intention to seek renewals of the mortgage principal maturities at market rates.

(CAD $ thousands except per share amounts)

15. Long term debt (cont.)

a) Mortgages payable

Specific investment properties and an assignment of specific rents receivable have been pledged as collateral for mortgages payable, with maturity dates between 2009 and 2020. Included in mortgages payable are the following foreign denominated amounts:

		2008	2007
USD denominated	USD	**$ 92,335**	$ 93,720
	CAD	**$ 112,907**	$ 92,033
EURO denominated	EUR	**€ 858,243**	€ 824,265
	CAD	**$ 1,479,439**	$ 1,192,217

The year end exchange rates have been used to translate the non-Canadian mortgages.

b) Mortgage bonds payable

Bond Series	Maturity	Interest Rate	Amount	**2008**	2007
HMB2	April 25, 2010	7.50%	EUR €30,000	**$ 51,714**	$ 43,394
HMB4	November 30, 2011	7.50%	EUR €20,010	**34,493**	28,942
HMB5	December 31, 2011	7.50%	EUR €20,010	**34,493**	28,942
HMB6	June 30, 2012	7.50%	EUR €31,230	**53,834**	45,171
HMB7	June 30, 2012	7.25%	EUR €31,230	**53,834**	45,171
				228,368	191,620
	Currency guarantee payable				8,585
				$ 228,368	$ 200,205

The Mortgage Bonds are seven year bonds issued in series and secured by a first or second charge over specific assets and a corporate guarantee. The bonds mature between April 2010 and June 2012 and the Company has the option to redeem any Series of mortgage bonds at their face amount anytime subsequent to the fifth anniversary of the issue of the bonds. The interest is payable semi-annually on June 30 and December 31. Included in the mortgage bonds are non-Canadian mortgage bonds in the amount of EUR €132,480 ($228,368) (December 31, 2007 - EUR €132,480 ($191,620)). These amounts are translated at year end exchange rates.

(CAD $ thousands except per share amounts)

15. Long term debt (cont.)

b) Mortgage bonds payable (cont.)

The Company has entered into guarantee arrangements on all series of mortgage bonds, with a company under the control of the Chairman and Chief Executive Officer. Under the terms of the guarantee, the Company is protected from devaluation of the Canadian dollar against the Euro, to a maximum limit equal to the face value of each mortgage bond, and has relinquished any appreciation rights which may arise on the future settlement of its Euro denominated Mortgage Bonds. The Mortgage Bonds, which are recorded at the prevailing exchange rate at December 31, reflect an increase of $28,165 (December 31, 2007 - a decrease of $8,585) in principal amount representing a decrease in the Canadian dollar versus the Euro since the Mortgage Bonds were issued. This $28,165 increase (December 31, 2007 - $8,585 decrease) has been offset by the currency guarantee receivable (2007 - payable) which has been recorded as an asset (2007 - recorded as a liability).

The Company pays annual premiums under these guarantee arrangements and may terminate or cancel the arrangements at any time at its discretion. Upon termination or cancellation, the Company must pay all premiums payable through such date and the settlement amount under the guarantee is based on the spot foreign exchange rate in effect on such date applied to the principal and accrued interest amounts then outstanding.

c) Corporate non-asset backed bonds

Bond Series	Maturity	Interest Rate	Amount		2008		2007
HB8	May 31, 2013	7.00%	EUR €50,010	**$**	**86,207**	$	72,334
HB9	October 31, 2013	7.00%	EUR €60,000		**103,428**		86,784
HB10	February 15, 2014	7.25%	EUR €100,005		**172,389**		144,647
HB11	January 15, 2015	7.25%	EUR €93,210		**160,676**		
				$	**522,700**	$	303,765

The Corporate non-asset backed bonds are seven year bonds issued in series and have as security a corporate guarantee. The bonds mature between May 2013 and January 2015 and the Company has the option to redeem any series of bonds at their face amount anytime subsequent to the fifth anniversary of the issue of the bonds. The interest is payable semi-annually on June 30 and December 31. The bonds are issued in Euros and have been translated at year end exchange rates. At December 31, 2008, the series HB11 bonds are still being issued to a maximum face value of EUR €100,005.

d) Junior subordinated notes

The Junior subordinated notes require interest only payments until maturity in 2036. The notes, which consist of EUR €25,000 and USD $20,000 have a fixed interest rate until 2016 and variable thereafter until maturity. The Company has a redemption option effective in 2011 until maturity, and the outstanding balances are translated at year end exchange rates.

(CAD $ thousands except per share amounts)

16. Income taxes

Income tax expense differs from the amounts which would be obtained by applying the Canadian basic federal and provincial income tax rates and the rates for various foreign jurisdictions to earnings before income taxes. These differences result from the following items:

	2008	2007
Earnings from continuing operations before income taxes	$ (99,864)	$ 97,597
Combined income tax rate	32.00 %	33.00 %
Income taxes	$ (31,956)	$ 32,207
Increase (decrease) in income taxes resulting from:		
Non-taxable portion of capital gains and market value changes	(596)	(16,715)
Provincial capital tax (net of income tax recovery)	1,337	1,121
Goodwill Impairment	18,720	
Impact of unrecognized losses	6,647	
Non-deductible expense	2,365	2,132
Effect of difference in statutory tax rates of subsidiaries	1,371	(2,065)
Other	(1,669)	(410)
	$ (3,781)	$ 16,270
Income taxes:		
Current and capital income taxes	$ 10,879	$ 6,342
Future income taxes	(14,660)	9,928
	$ (3,781)	$ 16,270

Future income taxes assets (liabilities) represent the temporary differences between the tax basis of assets and liabilities and the carrying amount of assets and liabilities for financial reporting purposes. The major components of the Company's future income tax assets (liabilities) as at December 31 are as follows:

	2008	2007
Loss carry forwards and foreign tax credits	$ 14,370	$ 5,746
Deferred revenues and costs	(2,313)	1,520
Unrealized losses	27,989	(2,638)
Investment properties	(169,143)	(115,206)
	$ (129,097)	$ (110,578)

The Company's non capital loss carryforwards begin to expire in 2028, and foreign tax credits begin to expire in 2015. The Company recorded a valuation allowance during the year in respect of certain of its future income tax assets such that only the amount considered to be "more likely than not" would be recorded.

(CAD $ thousands except per share amounts)

17. Discontinued operations

During the period ended June 30, 2007, a subsidiary of the Company disposed of 19 office rental properties and 28 industrial rental properties for proceeds of $574.7 million. The operating results are included in net loss from discontinued operations for the two month period in 2007 that the properties were owned. Also, during the third quarter of 2007, a subsidiary disposed of 7 industrial properties for proceeds of $17.3 million.

The following is the statement of earnings, and balance sheet associated with the discontinued operations for the year ended December 31, 2007.

Income Statement	
Property revenue	$ 12,447
Property operating expenses	5,979
	6,468
Interest	9,635
Net loss from discontinued operations before income taxes	(3,167)
Income taxes (recovery)	(1,008)
Net loss from discontinued operations	$ (2,159)
Balance Sheet	
Income taxes payable	$ 28,903

The income taxes payable are due for settlement in 2009.

(CAD $ thousands except per share amounts)

18. Shareholders' equity

	2008	2007
Retained earnings (deficit)	$ (179,479)	$ 5,494
Accumulated other comprehensive loss (a)	(24,038)	(15,888)
	(203,517)	(10,394)
Share capital (b)	698,535	633,265
Other paid in capital	11,489	11,489
Contributed surplus (f)	7,206	5,645
	$ 513,713	$ 640,005

a) Accumulated other comprehensive loss

Accumulated other comprehensive loss represents the unrecognized exchange adjustment on the net assets of the Company's subsidiaries that operate in the United States of America, Germany, The Netherlands, and the Baltics. The change for the period reflects the impact of currency movements during the period on these net assets offset by in place effective hedges. During the year ending December 31, 2008, the Company has completed an analysis of future income tax considerations in connection with certain self-sustaining foreign operations that generate taxable income in Canada. The Company determined that the substantial foreign exchange gains that arose on the real estate investments within these self-sustaining foreign operations which were charged to other comprehensive income gave rise to taxable temporary differences and required the recognition of future income tax liabilities. The Company also determined that the substantial unrealized foreign exchange losses that arose on debt within these self-sustaining foreign operations which were also charged to other comprehensive income also gave rise to temporary differences but the Company's ability to utilize certain of the associated future tax benefits was not considered more likely than not. As a result, a valuation allowance in the amount of $18,420 has been established on the future tax benefits of unrealized foreign exchange losses on certain debt related to these self-sustaining foreign operations. As a result of foreign exchange gains and losses charged to other comprehensive income and the establishment of a valuation allowance for the year ended December 31, 2008, an increase of the future tax liability and charge to other comprehensive income of $43,616 has been recognized.

The following are rates of exchange in effect:

	$1.00 USD	€1.00 EUR
December 31, 2008	$ 1.22	$ 1.72
December 31, 2007	$ 0.98	$ 1.45
Average rate for 2008	$ 1.07	$ 1.56
Average rate for 2007	$ 1.07	$ 1.47

18. Shareholders' equity (cont.)

b) Share capital

The Company is authorized to issue an unlimited number of Class A Subordinate Voting Shares ("Class A"), an unlimited number of Class B Multiple Voting Shares ("Class B"), an unlimited number of Class A Preferred Shares ("Preferred"), issuable in series and an unlimited number of Class B Preferred Shares ("Preferred"), issuable in series.

Holders of Class A shares shall be entitled to receive notice of, to attend and to vote at all meetings of the shareholders of the Company, voting together with holders of Class B shares, except for meetings at which only holders of a specified class or series are entitled to vote. Class A shares shall be entitled to one vote for each Class A share held.

Holders of Class B shares shall be entitled to receive notice of, to attend and to vote at all meetings of the shareholders of the Company, voting together with holders of Class A shares, except for meetings at which only holders of a specified class or series are entitled to vote. Class B shares shall be entitled to twenty-five votes for each Class B share held.

Class A shares will be convertible into Class B shares in certain limited circumstances involving offers made to all or substantially all of the holders of Class B shares.

Dividends are payable on Class A shares and Class B shares when declared by the Board of Directors. The Class A and Class B shares rank equally in dividend eligibility.

Preferred shares may be issued from time to time in one or more series, each series comprising the number of shares, designations, rights, privileges, restrictions and conditions which the Board of Directors determines by resolution prior to issuance. Preferred shares are non-voting and rank in priority to the Class A and Class B shares with respect to dividends and distribution upon dissolution. No Preferred shares have been issued.

The following table sets forth the particulars of the issued and outstanding shares of the Company:

	Class A Subordinate Voting Shares (000's)	Class B Multiple Voting Shares (000's)	Stated Capital
Issued and outstanding at December 31, 2006	9,518	3,090	$ 311,160
Exercise of options	154	62	4,344
Acquisition of properties (Notes 8 & 9)	501		30,051
Private, public and other share issues (c)	5,280		259,763
Issue costs, net of income taxes			(7,127)
Dividend reinvestment plan	679		35,074
Issued and outstanding at December 31, 2007	16,132	3,152	633,265
Dividend reinvestment plan	709		22,572
Issue costs, net of income taxes			(62)
Shares issued for stock dividend			44,788
Shares acquired under Normal Course Issuer Bid (d)	(51)	(1)	(2,028)
Issued and outstanding at December 31, 2008	**16,790**	**3,151**	**$ 698,535**

18. Shareholders' equity (cont.)

b) Share capital (cont.)

On December 12, 2008, the Company's shareholders approved a stock consolidation of the Class A Subordinate Voting Shares and Class B Multiple Voting Shares. Under the consolidation, each 10 pre-consolidation shares, whether of Class A or Class B, were exchanged for 1 post-consolidation share in the same class of share, either of Class A or Class B. The terms of the Class A and Class B shares remained otherwise unchanged.

During the period ended September 30, 2008, the Company declared a dividend of $0.24 per share on all issued and outstanding shares. The dividend was paid "in-kind" by issuing Class A Subordinate Voting Shares at a fair value price of $3.49 (pre-consolidation value) per share. The fair value was determined based on the weighted average trading price of the Class A Shares for a five day trading period prior to the date of the dividend declaration. After giving effect to the cash payment of non-resident withholding taxes and fractional shares, 0.068593 Class A Shares were issued for each outstanding Class A and Class B Multiple Voting Share.

All current and comparative reported share and per share amounts have been retrospectively adjusted to reflect the 1 for 10 stock consolidation and the dilutive effect of the "in-kind" dividend.

c) Private placements and public share issues

The Company completed the following private and public issues of the Class A Subordinate Voting Shares during the year ended December 31, 2007:

On September 14, 2007, 71,239 shares were issued at $56.15 per share under a private placement.

On July 16, 2007, 65,759 shares were issued at $60.83 per share under a private placement.

On July 11, 2007, 580,244 shares were issued at $49.13 per share as the over-allotment option on the public share issue completed on July 9, 2007.

On July 9, 2007, 3,868,296 shares were issued on conversion of the Company's Subscription Receipts. In June 2007, the Company completed a public issue of 3,868,296 Subscription Receipts at a price of $49.13 per receipt. Issue costs of $9,503, less related income taxes of $3,139, have been included in issue costs for the year. The Subscription Receipts were converted to Class A Subordinate Voting Shares on July 9, 2007 at the rate of 1 Class A Subordinate Voting Share for each Subscription Receipt.

On January 31, 2007, 680,496 shares were issued at $47.91 per share under a private placement.

d) Normal Course Issuer Bid ("NCIB")

On October 16, 2008, the Company announced plans, under an approved NCIB, to acquire (on a post-consolidation basis) up to 1,051,000 Class A Subordinate Voting Shares and 157,500 Class B Multiple Voting Shares over a one year period ending October 16, 2009. The NCIB enables the Company to acquire up to 4,754 Class A Shares and up to 100 Class B Shares on any given trading day. Any shares acquired by the Company under the NCIB are being cancelled. To December 31, 2008, the Company has acquired and cancelled 51,210 Class A Shares at an average cost of $14.77 per share, and 1,240 Class B Shares at an average cost of $14.41 per share.

(CAD $ thousands except per share amounts)

18. Shareholders' equity (cont.)

e) Stock options

Under the Company's Stock Option Plan ("the Plan"), the Company may grant options to its directors and officers of the Company and employees of the management company. New stock options may not be granted under the Plan on Class B Multiple Voting Shares of the Company. The maximum number of Class A Subordinate Voting Shares issuable pursuant to stock options outstanding under the Plan shall not exceed 10% of the aggregate number of issued and outstanding Class A Subordinate Voting Shares and Class B Multiple Voting Shares at the time of grant. Under the Plan, the exercise price of each option shall not be less than the closing market price of the Class A Subordinate Voting Shares on the TSX on the last trading day prior to the date of granting of the stock option and an option's maximum term is 10 years. Options are granted and vest at the discretion of the Board of Directors, and are fully exercisable once vested.

On December 31, 2008 there were no Class B Multiple Voting Share Options granted and there were 929,681 Class A Subordinate Voting Share Options granted and unexercised (842,826 fully vested and exercisable).

During the period ended June 30, 2008, the Company granted 135,319 stock options under the Plan, with an exercise price of $37.60 per share, which was equal to the market price on the last trading day prior to the grant date. Of the options granted, 48,464 vested on the grant date, and the remainder will vest equally on the grant date anniversary over the subsequent four years. The resulting $579,030 fair value is charged to expense over the vesting period with a corresponding amount recorded in contributed surplus. The amount recorded in contributed surplus will be reclassified to share capital as options are exercised.

The Company follows the recommendations of section 3870 of the CICA Handbook concerning Stock Based Compensation and Other Payments wherein the fair value of each option grant is estimated on the date of grant using the Binomial or similar option pricing model. The fair value of each option granted was estimated using the exercise price and the following weighted average assumptions for all outstanding options:

Expected volatility	30.0 - 40.0%
Risk free interest rate	3.31 - 4.60%
Expected lives	3.5 - 5 Years
Expected dividend yield	5.6 - 13.0%

18. Shareholders' equity (cont.)

e) Stock options (cont.)

A summary of the status of the Company's Stock Option Plan as at December 31, 2008 and December 31, 2007 and changes during the periods ending on those dates is presented below.

	2008			2007		
	Shares (000's)		**Weighted-Average Exercise Price**	Shares (000's)		Weighted-Average Exercise Price
Outstanding at beginning of year	**795**	**$**	**55.00**	253	$	20.70
Granted	**135**	**$**	**37.60**	745	$	56.80
Exercised		**$**		(202)	$	18.80
Expired	**(1)**	**$**	**28.50**	(1)	$	28.50
Outstanding at end of year	**929**	**$**	**52.50**	795	$	55.00

Number of Shares Under Option	Number of Shares Fully Vested	Date of grant	Expiration Date		Exercise Price
(000's)	(000's)				
49	49	June 25, 2005	June 29, 2010	$	28.50
745	745	July 16, 2007	July 15, 2012	$	56.80
135	48	June 27, 2008	June 26, 2013	$	37.60
929	842				

f) Contributed surplus

		2008		2007
Balance, beginning of year	**$**	**5,645**	$	916
Acquisition and cancellation of Class A shares		**1,254**		
Stock based compensation		**307**		5,288
Applied to stock options exercised				(559)
Balance, end of year	**$**	**7,206**	$	5,645

The Company's Contributed Surplus balance applies to:				
Class A stock option expense	**$**	**5,952**	$	5,645
Discount on cancellation of Class A Shares		**1,254**		
	$	**7,206**	$	5,645

Class A Subordinate Voting Shares and Class B Multiple Voting Shares acquired by the Company under the Normal Course Issuer Bid ("NCIB") (Note 18d) are being cancelled and are removed from share capital at the average issue price at the time of acquisition. Any discount on acquisition is credited to Contributed Surplus.

19. Earnings per share

Net earnings (loss) per share has been calculated based on the weighted average number of shares outstanding as follows:

	2008 (000's)	2007 (000's)
Basic		
Class A Subordinate Voting	**16,674**	13,119
Class B Multiple Voting	**3,151**	3,151
	19,825	16,270
Diluted		
Class A Subordinate Voting	**16,674**	13,918
Class B Multiple Voting	**3,151**	3,153
	19,825	17,071

The dilution consists of:		
Class A		
Exercise of options		33
Conversion of long term payable		14
DIM payable/Other paid in capital		476
Conversion of subscription receipts		276
		799
Class B		
Exercise of options		2

The weighted average number of shares have been retrospectively adjusted to reflect the impact of the stock consolidation and the "in-kind" dividend as described in Note 18.

The Company incurred a loss from continuing operations for the year ended December 31, 2008. As such, the inclusion of any potential shares in the calculation of any diluted per share amounts for 2008 would be anti-dilutive.

The dilutive effect of outstanding stock options on earnings per share is based on the application of the treasury stock method. Under the treasury stock method, the proceeds from the exercise of such securities are assumed to be used to purchase shares of the same class.

The Company's stock options issued June 27, 2008 with an exercise price of $37.60 and the stock options issued July 16, 2007 with an exercise price of $56.80, are anti-dilutive for all reported periods and have been excluded from the calculation of diluted earnings per share.

(CAD $ thousands except per share amounts)

20. Supplemental cash flow information

	December 31 2008	December 31 2007
Change in non-cash working capital		
Receivables and other	$ 5,287	$ 1,168
Construction properties	(119,328)	(146,971)
Accounts payable and other liabilities	42,035	29,367
Deferred leasing costs	(4,104)	(6,681)
Proceeds in excess of earnings on development properties	98,169	109,000
	$ 22,059	$ (14,117)
Interest paid	$ 117,524	$ 126,954
Capital and income taxes paid (refunded)	$ 8,712	$ (331)

21. Financial instruments and risk management

Financial instruments

The Company does not acquire, hold or issue derivative financial instruments for trading purposes.

The Company holds the following long term financial instruments: mortgages, mortgage bonds, corporate non-asset backed bonds, junior subordinated notes, long term payables and long term investments. The mortgages have a fair value of $2,146,666 (December 31, 2007 - $1,535,906). The total fair value of all bonds is $649,404 (December 31, 2007 - $500,424). The principal amount of the mortgage bonds have been guaranteed against currency fluctuations. The currency guarantee receivable (payable) of $28,165 (December 31, 2007 - $(8,585)) is carried at fair value. The junior subordinated notes have a fair value of $70,607 (December 31, 2007 - $58,588). The long term investments, with the exception of the investment in DEGI Homburg Harris Limited Partnership, are carried at their fair value. The long term investment in DEGI Homburg Harris Limited Partnership represents a 10% interest in an investment property currently under development. The Company has determined that the fair value of this investment is not reliably measurable, and as such, has classified the investment as available for sale and carries it at cost.

The fair values of long term financial instruments (other than long term investments) are based upon discounted future cash flows using discount rates that reflect current market conditions for instruments with similar terms and risks. Such fair value estimates are not necessarily indicative of the amounts the Company might pay or receive in actual market transactions. The fair value of the Company's investment in Homburg Eastern European Fund B.V. is based on the proportionate share of the reported net asset value of the B.V.. The fair value of the other long term investments carried at fair value is based on the quoted market price.

The Company's short-term financial instruments, comprising amounts receivable, cash, accounts payable and accrued liabilities, demand and short term loans and security deposits are carried at cost which, due to their short-term nature, approximates their fair value.

21. Financial instruments and risk management (cont.)

Risk management

In the normal course of its business, the Company is exposed to a number of risks that can affect its operating performance. These risks, and the actions taken to minimize them are discussed below.

a) Interest rate and liquidity risks

As a result of the current global capital market condition, lenders have tightened their lending standards, and may continue to do so. The effect of this could be that the Company may have more difficulty obtaining the same level of financing and/or similar terms of financing on renewals and on new debt. The Company's financial condition and results of operations could be adversely affected if it were not able to obtain financing, or obtain appropriate terms for its financing.

The borrowings of the Company have fixed and floating interest rate components resulting in an exposure to interest rate movements. Liquidity risk relates to the possibility of insufficient debt and equity financing available to fund the desired growth of the Company and to refinance the current and long term debts as they come due. At period end, the Company's debt consists of $2,615,535 in fixed rate debt and $556,674 in floating rate debt before deferred financing charges. The Company has minimized its interest rate risk through a liability management policy. The Company allocates the maturity of its debt over a period of approximately 30 years. In addition, the Company has entered into interest rate swaps in order to manage the impact of fluctuating interest rates on EUR €161,181 ($277,843) (December 31, 2007 - EUR €35,000 ($50,624)) of its long term debt. Due to a reduction of interest rates in The Netherlands, Germany and the Baltics during the period ended December 31, 2008 the impact on the statement of earnings is a loss of $18,542 (December 31, 2007 - gain of $2,303).

The Company discloses its annual debt repayment information related to long term debt in Note 15, as well as the weighted average rate of the maturing debt. In addition to these long term amounts, the Company has $193,046 in demand and short term loans which are repayable in less than one year. The Company's long term debt has a weighted average term to maturity of 8.4 years and 42.67% of long term debt matures or is repaid by December 31, 2013.

With all other variables held constant, the Company has determined that a 1% change in interest rates would result in an annualized after tax change of $3,783 in the Company's earnings as a result of the impact on floating rate borrowings.

b) Credit risk

The Company's principal assets are commercial and residential buildings. Credit risk on tenant receivables arises from the possibility that tenants may not fulfill their lease obligations. The Company mitigates this credit risk by performing credit checks on prospective tenants, having a large diverse tenant base with varying lease expirations, requiring security deposits on high risk tenants and ensuring that a considerable portion of its property revenue is earned from international, national and large anchor tenants.

The Company's largest tenant, representing 17% of property revenue for the year, has a major subsidiary experiencing financial difficulty. This could impact the ability of the tenant to fulfill their long term lease obligation, or to pay rent on a timely basis. This would affect the Company's annual cash flow. The tenant has issued a EUR €75,000 ($129,285) letter of guarantee which would be utilized to mitigate any major losses while the Company sought replacement tenants.

The Company's receivables are comprised primarily of current balances owing and the Company performs monthly reviews of its receivables and establishes an appropriate provision for doubtful accounts. The Company has not experienced any significant receivable write offs and there has been no significant change in the provision during the period.

21. Financial instruments and risk management (cont.)

The remaining significant receivables consist of taxes recoverable from various government agencies and revenue from the sale of development properties. The amounts due from government agencies represent current recoverable amounts and the revenue from the sale of development properties is supported by security letters of credit issued by the purchaser.

c) Currency risk

Currency risk arises from assets and liabilities denominated in US Dollars or Euros. The Company mitigates a portion of its currency risk on mortgage bonds denominated in Euros through a guarantee agreement. In support of the currency guarantee the related party has arranged an arms length credit facility agreement. The Company has also established internal hedging relationships between Euro-denominated net investments in foreign self-sustaining operations and Euro-denominated Corporate Non-Asset Backed Bonds and Junior Subordinated Notes. At December 31, 2008, EUR €234,340 (December 31, 2007 - €234,340) of the Company's net investment was hedged with an equal amount of Euro-denominated debt. The hedge is considered to be an effective hedge at December 31, 2008 and December 31, 2007 and will be regularly reviewed to assess the continued effectiveness of the hedging relationship. Currency risk for other amounts denominated in US Dollars and Euros is mitigated by US Dollar and Euro revenue and expense streams related to property rentals.

The operating results of the Company's foreign operations are translated to Canadian dollars for financial statement reporting purposes. Changes to the exchange rates during the reporting period impact those reported results.

With all other variables held constant, the Company has determined that a 10% change in the exchange rate of the US dollar in comparison to the Canadian dollar would result in a decrease (increase) in annualized earnings after income taxes, excluding un-hedged debt, of $1,431 and a foreign exchange gain or loss on the un-hedged US dollar denominated Junior Subordinated Notes of $1,663 after income taxes.

With all other variables held constant, the Company has determined that a 10% change in the exchange rate of the Euro in comparison to the Canadian dollar would result in an decrease (increase) in annualized earnings after income taxes, excluding un-hedged debt, of $708 and a foreign exchange gain or loss on the un-hedged Euro denominated Corporate Non- Asset Backed Bonds of $11,005 after income taxes.

The Balance Sheets of the Company's foreign self-sustaining operations are translated to Canadian dollars for financial reporting purposes using the period end exchange rate. The change in exchange rates on the net investment position of these self-sustaining foreign operations is reflected in the Other Comprehensive Income of the Company during the period. As noted above, the Company has established an internal hedging relationship between Euro-denominated debt and net investments in self-sustaining operations. To the extent that the hedges are effective, the foreign currency gain or loss on the hedging amounts of Euro-denominated debt is reflected in the Other Comprehensive Income during the period.

The Company feels that 10% represents a reasonably possible change in existing exchange rates.

(CAD $ thousands except per share amounts)

21. Financial instruments and risk management (cont.)

d) Concentration risk

The Company's largest single tenant represents approximately 17% (December 31, 2007 - 25%) of property revenue for the period. The risk relates to the ability of the Company to replace this revenue stream on a timely basis while maintaining the related property costs. The Company mitigates this risk by entering into long term leases; reviewing the financial stability of the tenant and obtaining security or guarantees where appropriate; and seeking geographic and industry diversity of tenants. The Company's largest tenant has issued a letter of guarantee in an amount representing in excess of 2 years property revenue from this tenant. The Company also maintains their properties to a quality standard that would support timely re-leasing of a property.

22. Capital management

The Company reports its financial results under both Canadian Generally Accepted Accounting Principles (GAAP) and International Financial Reporting Standards (IFRS).

The Company's objectives in managing capital are:

-increasing equity, through retained earnings and equity financing, sufficient to support debt borrowing to fund growth of the asset base, while maintaining an IFRS debt-to-equity ratio of not more than 4.0:1;

-funding growth through a balance of debt and equity sufficient to maintain an IFRS interest expense coverage ratio at an annual rate of at least 1.25:1; and,

-providing shareholders with a return on total shareholders' equity of greater than 15% annually, and paying total annual dividends at a sustainable level.

In the management of its capital, the Company includes all short term bank indebtedness, long term debt and shareholders' equity.

The Company has external covenants imposed by specific borrowing facilities. These covenants primarily relate to maintenance of minimal interest coverage ratios. The Company is in compliance with its covenants.

As the Company has not yet released its IFRS Financial Statements for the year ended December 31, 2008, the applicable 2008 IFRS measures in the tables below are not yet available.

The results of the Company's management objectives for the period were as follows:

		Canadian GAAP	IFRS
Debt-to-equity ratio	**December 31, 2008**	**6.18:1**	
	December 31, 2007	4.11:1	
Interest expense coverage ratio	**December 31, 2008**	**1.53:1**	
	December 31, 2007	2.18:1	
Annualized dividend as percentage of net earnings per basic share of previously completed fiscal year	**December 31, 2008**	**(92.58)%**	
	December 31, 2007	80.70%	

(CAD $ thousands except per share amounts)

22. Capital management (cont.)

Debt calculated as:

	December 31, 2008	December 31, 2007
Long term debt	**$ 2,952,124**	$ 2,094,122
Construction financing	**102,433**	66,393
Long term payables	**25,287**	24,178
Due to DIM shareholders	**4,440**	4,424
Demand loans	**90,613**	441,113
	$ 3,174,897	$ 2,630,230

Shareholders' Equity

Canadian GAAP	**$ 513,713**	$ 640,005
IFRS	**$**	$ 886,271

Interest coverage is defined as total revenue less unrealized fair value gains, property operating expenses, costs of property sales, and general and administrative expenses divided by interest expense.

	December 31, 2008		December 31, 2007	
	Canadian GAAP	**IFRS**	Canadian GAAP	IFRS
Interest on long term debt	**$ 154,899**	**$**	$ 106,818	$ 106,818
Interest and financing costs	**11,916**		13,053	13,053
	$ 166,815	**$**	$ 119,871	$ 119,871
Total revenue	**$ 506,123**	**$**	$ 465,935	$ 486,259
Gain on fair value of investments			(938)	(938)
Unrealized valuation gains				(55,757)
Property operating expenses	**(84,421)**		(45,173)	(51,854)
Cost of sales of properties	**(142,841)**		(147,677)	(131,677)
General and administrative	**(23,956)**		(11,051)	(11,051)
	$ 254,905	**$**	$ 261,096	$ 234,982

There was no change in the Company's approach to capital management during the year. The Company believes that the measurement of capital management is best accomplished using IFRS financial results, which reflect the primary operating assets at their fair value.

(CAD $ thousands except per share amounts)

23. Related party transactions

The Company is controlled by the Chairman and Chief Executive Officer through holding companies.

a) The Company has entered into agreements with companies commonly controlled by the Chairman and Chief Executive Officer to provide various services. A summary of the various transactions between related parties is as follows:

	2008	2007
Rental revenue earned	$ (1,203)	$ (482)
Asset and construction management fees incurred	$ 22,248	$ 12,308
Property management fees incurred	$ 3,787	$ 3,577
Insurance incurred	$ 1,380	$ 717
Service fees incurred	$ 822	$ 648
Property acquisition/disposal fees incurred	$ 4,544	$ 58,607
Mortgage bond guarantee fees incurred	$ 3,532	$ 3,690
Share and subscription receipts issue costs incurred	$ NIL	$ 1,093
Tenant Improvements	$ 447	$ NIL
Bond and other debt issue costs incurred	$ 6,025	$ 6,557

b) Included in accounts payable are the following balances payable to companies commonly controlled by the Chairman and Chief Executive Officer, which are non-interest bearing and have no set terms of repayment.

	2008	2007
Mortgage bond guarantee fees	$ 323	$ 2,110
Management fees	$ 83	$ 97

c) The Company has approved a resolution authorizing the property manager, a company commonly controlled by the Chairman and Chief Executive Officer, to operate trust accounts on its behalf as required to conduct business of the Company.

d) Professional services of approximately $315 (December 31, 2007 - $321) were purchased from a corporation of which one of the Company's directors is affiliated.

e) Included in accounts payable is $14,966 (December 31, 2007 - $12,543) in payables to companies commonly controlled by the Chairman and Chief Executive Officer, which is non-interest bearing and has no set terms of repayment.

(CAD $ thousands except per share amounts)

23. Related party transactions (cont.)

f) Also included in accounts payable is a demand note payable plus accrued interest payable in the amount of EUR €2,284 ($3,938) (December 31, 2007 - $NIL) payable to a company commonly controlled by the Chairman and Chief Executive Officer, which bears an interest rate of 5.619% per annum.

g) The Company has entered into a guarantee arrangement for the principal and interest amounts of the Mortgage Bonds payable, with a company under the control of the Chairman and Chief Executive Officer, wherein it is protected against fluctuations in the Canadian dollar and the Euro. The cost of this guarantee per annum is 2.0% on the Series 2 Bonds, and 1.6% on the Series 4, Series 5, Series 6, and Series 7 Bonds.

h) On September 30, 2008 the Company acquired an investment property from a company commonly controlled by the Chairman and Chief Executive Officer for $2,900.

i) On November 15, 2008 a company commonly controlled by the Chairman and Chief Executive Officer purchased 1,000 series HB11 bonds for EUR €15,000 ($23,275).

j) On November 15, 2008 the Company acquired an investment in Homburg Eastern European Fund B.V. (Note 6) by issuing a promissory note (Note 13a) for the acquisition price.

Related party transactions are recorded at their exchange amounts, being the amounts agreed to by the related parties.

24. Commitments

a) The following is a schedule of the future minimum lease payments on several operating leases of a subsidiary company.

2009	$	3,538
2010	$	579
2011	$	581
2012	$	610

b) The following is a schedule of the future payments required under an emphyteutic lease, expiring in 2065, on land for an income producing property of a subsidiary:

2009	$	112
2010	$	112
2011	$	112
2012	$	112
2013	$	112
Subsequent	$	5,775

(CAD $ thousands except per share amounts)

24. Commitments (cont.)

c) The following is a schedule of the future minimum lease payments on an operating lease signed by the Company:

2009	$	
2010	$	3,479
2011	$	13,914
2012	$	13,914
2013	$	14,567
Subsequent	$	203,497

The Company is working toward sub-leasing this space prior to the occupancy date; which is expected to be in the fourth quarter of 2010. Any sub-lease would offset the Company's future obligation under the lease commitment.

d) The Company has a headlease obligation related to a development property that is under contract, which is expected to close late in 2009, for any vacant space that may exist at the date of closing. Based upon current lease commitments for the related space in place at year end, the estimated value of the net headlease obligation is not material.

e) The Company and its subsidiaries have entered into various property management agreements, expiring between 2010 and 2012. (Note 23a).

f) The Company has five construction projects underway to which it has signed commitments of $66,424.

25. Contingent liabilities

a) There are claims which the Company is involved with, arising out of the ordinary course of business operations. The Company does not consider the exposure to such litigation to be material, although this cannot be predicted with certainty.

b) One subsidiary has received a tax assessment and specific other subsidiaries of the Company have been advised of pending potential transfer tax assessments. The tax assessments, both issued and potentially to be issued, would impose transfer tax on the acquisition of certain properties by the subsidiaries. The potential liability would be EUR €10,831 ($18,670) and would increase the cost of the applicable properties should the Company be unsuccessful in defending the existing assessment and the remaining potential assessments. Of this total amount: the Company has received an assessment for EUR €1,800 ($3,103); an additional EUR €7,831 ($13,499) was indicated for potential assessment, and to date no additional assessments have been received. The remaining amount of EUR €1,200 ($2,068) relates to an acquisition in 2008, and is similar in structure to the acquisition that has already been assessed. The Company has reviewed this matter, has received legal advice, and believes it is not required to pay the transfer tax on any of these acquisitions. Accordingly, the Company has not recorded any of the proposed transfer tax in its consolidated financial statements.

(CAD $ thousands except per share amounts)

26. Subsequent events

a) The Company has disposed of its investment in DIM Vastgoed N.V. ("DIM") as discussed in Note 6. The Company has since disposed of 552,784 Equity One Inc. shares received as consideration on disposition of DIM. The Company will recognize a net gain of $850 on the transaction. The Company also entered into an agreement for the sale of the DIM 2010 shares. Under the agreement, the Company has granted Equity One Inc. an irrevocable proxy with respect to the voting rights of the DIM 2010 shares and Equity One will acquire the DIM 2010 shares from the Company once the Company has obtained the DIM 2010 shares.

b) The Company has issued EUR €6,795 ($11,713) of series HB11 bonds, to a related party, completing the issuance of the maximum amount of this bond series.

c) The Company has received regulatory and board approval for the issuance of Homburg Capital Securities A ("HCSA") for a total value ranging from EUR €25,000 ($43,095) to EUR €75,000 ($129,285) bearing an annual interest rate of 9.5% payable on a quarterly basis. The quarterly interest is payable in cash or through the issuance of Class A Preferred Shares, at the option of the Company. The securities mature in ninety-nine years and the Company has the option to redeem the securities for their face value plus accrued interest on February 27, 2014 or on any interest payment date thereafter. On issuance, the present value of the principal repayment of the securities will be recorded as a liability and the remainder, representing the present value of the future interest obligation, will be recorded in equity. Accretion of the liability component will be recorded through earnings and distributions related to the equity component will be recognized in equity during the applicable period. The Company has started issuing the HCSA in the first quarter of 2009.

d) The Company acquired the remaining 62% interest in an investment property in Canada that it had a 38% investment in. The purchase price of the 62% interest was $8,928 and the purchase was funded by the assumption of $3,396 in existing mortgage, other liabilities of $2,448 and $3,084 in cash.

e) The Company has acquired and cancelled 25,100 Class A Subordinate Voting Shares and 400 Class B Multiple Voting Shares under their ongoing Normal Course Issuer Bid. The average purchase price was $4.98 per Class A share and $4.86 per Class B share. The accounting for these acquisitions and cancellations will be a decrease in Share Capital of $992 and an increase in Contributed Surplus of $865.

27. Rental income under operating leases

The Company's operations include leasing commercial and residential real estate. The following is a schedule by year of minimum future rentals on noncancelable operating leases having initial terms in excess of one year:

2009	$ 235,165
2010	224,502
2011	219,982
2012	210,196
2013	193,957
Thereafter	1,283,090
	$ 2,366,892

(CAD $ thousands except per share amounts)

28. Segmented Information

The Company's investment properties are geographically segmented amongst Canada, The United States of America (US), and Europe. The European properties are located in Germany, the Baltic region, and The Netherlands. The Company has also provided segmented information based on industry type.
Operating performance evaluation is primarily based on the net operating income of properties, which is property revenue less property operating expenses. Expenses such as interest, amortization, and general and administrative are centrally managed, and as such have not been allocated to the segments.
The Company also derives significant revenues and costs from the sale of properties developed for resale. These developed and development properties are all located in Canada, and as such all revenues and costs, and development property assets are applicable to that geographic segment.

Year Ended December 31, 2008

	Germany	Netherlands	The Baltics	Canada	US	Total
Property revenue	**$ 81,527**	**$ 42,598**	**$ 20,251**	**$ 147,195**	**$ 18,008**	**$ 309,579**
Operating expenses	**1,161**	**5,593**	**5,151**	**67,569**	**4,947**	**84,421**
	$ 80,366	**$ 37,005**	**$ 15,100**	**$ 79,626**	**$ 13,061**	**$ 225,158**

Year Ended December 31, 2007

	Germany	Netherlands	The Baltics	Canada	US	Total
Property revenue	$ 75,028	$ 37,798	$ 509	$ 89,252	$ 4,744	$ 207,331
Operating expenses	1,560	3,374	165	38,034	2,040	45,173
	$ 73,468	$ 34,424	$ 344	$ 51,218	$ 2,704	$ 162,158

December 31, 2008

	Germany	Netherlands	The Baltics	Canada	US	Total
Investment properties	**$ 1,077,870**	**$ 646,936**	**$ 297,754**	**$ 1,108,558**	**$ 179,199**	**$ 3,310,317**
Mortgages payable	**$ 766,780**	**$ 471,324**	**$ 228,818**	**$ 580,714**	**$ 112,908**	**$ 2,160,544**
Mortgage bonds payable	**$ 34,493**	**$**	**$**	**$ 193,875**	**$**	**$ 228,368**

December 31, 2007

	Germany	Netherlands	The Baltics	Canada	US	Total
Investment properties	$ 917,061	$ 512,622	$ 207,973	$ 1,149,355	$ 152,949	$ 2,939,960
Mortgages payable	$ 649,862	$ 376,925	$ 154,709	$ 284,281	$ 92,033	$ 1,557,810
Mortgage bonds payable	$ 28,942	$	$	$ 162,678	$	$ 191,620

At December 31, 2008, the Germany segment included one (December 31, 2007 - one) tenant that individually represented 17% (December 31, 2007 - 26%) of total property revenue for the year.

(CAD $ thousands except per share amounts)

28. Segmented information (cont.)

Year Ended December 31, 2008

	Retail	Industrial	Office	Residential	Total
Property revenue	**$ 95,887**	**$ 39,708**	**$ 163,620**	**$ 10,364**	**$ 309,579**
Operating expenses	**39,839**	**3,158**	**35,904**	**5,520**	**84,421**
	$ 56,048	**$ 36,550**	**$ 127,716**	**$ 4,844**	**$ 225,158**

Year Ended December 31, 2007

	Retail	Industrial	Office	Residential	Total
Property revenue	$ 54,617	$ 31,846	$ 112,320	$ 8,548	$ 207,331
Operating expenses	21,290	1,408	18,538	3,937	45,173
	$ 33,327	$ 30,438	$ 93,782	$ 4,611	$ 162,158

December 31, 2008

	Retail	Industrial	Office	Residential	Total
Investment properties	**$ 766,193**	**$ 505,433**	**$ 1,954,563**	**$ 84,128**	**$ 3,310,317**
Mortgages payable	**$ 261,455**	**$ 415,051**	**$ 1,409,867**	**$ 74,171**	**$ 2,160,544**
Mortgage bonds payable	**$ 51,714**	**$ 26,761**	**$ 7,734**	**$**	**$ 86,209**

December 31, 2007

	Retail	Industrial	Office	Residential	Total
Investment properties	$ 764,447	$ 447,477	$ 1,649,862	$ 78,174	$ 2,939,960
Mortgages payable	$ 235,826	$ 328,441	$ 929,260	$ 64,283	$ 1,557,810
Mortgage bonds payable	$ 43,394	$ 22,498	$ 6,444	$	$ 72,336

At December 31, 2008, Mortgage bonds payable totalled $228,368, exclusive of the currency guarantee receivable of $28,165. Of this amount $142,159 related to properties under development and funds intended for acquisitions and development projects which will be located in Canada. The remaining $86,209 is allocated to specific segments above.

At December 31, 2007, Mortgage bonds payable totalled $191,620, exclusive of the currency guarantee payable of $8,585. Of this amount $119,284 related to properties under development and funds intended for acquisitions and development projects which will be located in Canada. The remaining $72,336 is allocated to specific segments above.

(CAD $ thousands except per share amounts)

29. Interest in joint ventures

The Company, at December 31, 2008, owns a direct or indirect partial interest in seventeen (December 31, 2007 - seventeen) limited partnerships. The ownership percentages range from 5% to 80%. These partnerships operate commercial and residential rental properties.
These financial statements reflect the Company's share of the assets, liabilities, revenue and expenses of the limited partnerships in accordance with the principle of proportionate consolidation as follows:

	2008	2007
Assets		
Cash and cash equivalents	$ 3,071	$ 2,874
Development properties	63,405	21,474
Receivables and other	2,214	3,817
Deferred charges	3,800	2,690
Investment properties	176,630	131,869
	$ 249,120	$ 162,724
Liabilities		
Accounts payable and other liabilities	$ 5,714	$ 19,039
Security deposits and prepaid rent	1,463	1,877
Mortgages payable	157,838	88,288
Income taxes		70
	$ 165,015	$ 109,274

	2008	2007
Revenue		
Property revenue	$ 15,478	$ 2,398
Sale of properties developed for resale	2,199	922
Gain on sale	443	1,174
	$ 18,120	$ 4,494
Expenses		
Property operating expenses	$ 3,708	$ 839
Cost of sale of properties developed for resale	1,801	852
General and administrative expenses	471	538
Mortgage interest	5,523	931
Depreciation and amortization	3,784	437
	$ 15,287	$ 3,597
Cash flow		
Net cash from (used in) operating activities	$ 6,426	$ (2,001)
Net cash from financing activities	$ 64,482	$ 47,343
Net cash used in investing activities	$ (68,797)	$ (44,561)

30. Indemnities

The Company has agreed to indemnify its directors and officers in accordance with the Company's policies. The Company maintains insurance policies that may provide coverage against certain claims.

31. Comparative figures

Certain of the comparative figures have been reclassified to conform to the financial statement presentation adopted for the current year.

NOTICE TO READERS

This Management's Discussion and Analysis ("MD&A") for the Company's fiscal year ended December 31, 2008 reflects amendments made to the original version, dated March 25, 2009, which was previously filed with the Canadian Securities Administrator's System for Electronic Document Analysis and Retrieval ("SEDAR") on March 30, 2009. This MD&A has been amended to include additional, enhanced disclosures concerning the Company's results of operations and financial condition for the year ended December 31, 2008. In addition, the original version of this MD&A was dated March 25, 2009, and should have been dated March 27, 2009.

The Company's audited consolidated financial statements and accompanying notes to the financial statements for the year ended December 31, 2008, prepared in accordance with Canadian generally accepted accounting principles, have not been restated, amended or re-filed on SEDAR as a result of the amendments made to this MD&A.

This MD&A does not reflect events or developments subsequent to March 27, 2009.

February 25, 2010

HOMBURG INVEST INC.

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the Homburg Invest Inc. ("Homburg Invest" or the "Company") audited consolidated financial statements and accompanying notes for the year ended December 31, 2008, prepared in accordance with Canadian generally accepted accounting principles ("GAAP").

DATE OF MD&A

March 27, 2009

FORWARD LOOKING ADVISORY

Certain information included in this Management's Discussion and Analysis ("MD&A") contains forward looking statements within the meaning of applicable securities laws including, among others, statements concerning our 2008 and 2009 objectives, our strategies to achieve those objectives, as well as statements with respect to management's beliefs, plans, estimates, and intentions, and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "outlook", "objective", "may", "will", "expect", "intent", "estimate", "anticipate", "believe", "should", "plans", "continue", or similar expressions suggesting future outcomes or events. Such forward looking statements reflect management's current beliefs and are based on information currently available to management.

This discussion contains forward looking statements concerning capital expenditures, cost reductions and operating and financial improvements. Such statements are based on Homburg Invest Inc.'s management's assumptions and beliefs in light of the information currently available to them. These statements are subject to inherent uncertainties and risks, including, but not limited to: general business and economic conditions in the Company's operating regions; pricing pressures and other competitive factors; results of the Company's ongoing efforts to reduce costs; and the availability and terms of financing. Consequently, actual results and events may vary significantly from those included in, contemplated, or implied by such statements. Homburg Invest Inc., except as required by applicable law, assumes no obligation to update the information herein.

OVERVIEW

Homburg Invest Inc. ("Homburg Invest" or the "Company") is a public real estate company owning 261 properties with an estimated net book value of $3.7 billion and 20.3 million square feet of space as at December 31, 2008 in four main asset classes: office, retail, industrial, and multi-family residential.

PROPERTIES OWNED

	December 31, 2008 *(Thousands, except for properties and units)*				December 31, 2007 *(Thousands, except for properties and units)*			
Property type	No. of buildings	NBV	No of units	Gross Square Footage	No. of buildings	NBV	No of units	Gross Square Footage
Office	104	$1,954,563		6,989	89	$1,649,862		6,539
Retail	91	766,193		6,290	85	764,447		6,341
Residential	13	84,128	824	725	13	78,174	824	725
Industrial	38	505,433		6,356	36	447,477		6,267
Sub total	**246**	**3,310,317**	**824**	**20,360**	**223**	**2,939,960**	**824**	**19,872**
Properties held for development (a)	7	125,742			6	79,383		
Construction projects for resale (b)	6	139,154			7	170,310		
Properties under construction (c)	3	95,666			2	44,262		
Total	**262**	**$3,670,879**	**824**	**20,360**	**238**	**$3,233,915**	**824**	**19,872**

a) Properties held for development - a 146 acre parcel of land on the outskirts of Calgary, Alberta, that will be developed into single-family and multi-residential units; a 140 acre parcel of land on the outskirts of Calgary, Alberta, that will be developed into single-family and multi-residential units; a parcel of land in Calgary, Alberta that will be developed into a condominium complex containing 214 units; a 184 acre parcel of land in Calgary, Alberta, that will be developed into commercial properties; a one-third interest in a 5 acre parcel in Montreal, Quebec that will be redeveloped into office, retail and hotel space; a 39 acre parcel of land in Calgary, Alberta, that will be developed primarily into approximately 1,000 single-family dwellings; and a one-third interest in a 777 acre parcel of land on the outskirts of Calgary, Alberta, that will be developed into a mix of commercial, industrial, single-family and multi-residential units.

b) Construction projects for resale - 69 condominium units in Calgary, Alberta; 31 condominium units in the Eau Claire area of Calgary, Alberta; 91 condominium units in Grande Prairie, Alberta; 26 condominium units in downtown Charlottetown, Prince Edward Island; a one-third interest in 135 condominium units in Montreal, Quebec; and a 458 unit condominium complex in Calgary, Alberta.

c) Properties under construction - a parcel of land in Calgary, Alberta, that will be developed into a seven building office campus; and a parcel of land in Montreal, Quebec.

NON-GAAP FINANCIAL MEASURES

The MD&A includes measures widely accepted within the real estate industry which are not defined by Canadian generally accepted accounting principles ("GAAP"). These measures include net operating income ("NOI") and funds from operations ("FFO"). These are not defined measures calculated in accordance with GAAP and may not be comparable to similar measures presented by other issuers. The Company considers these amounts to be measures of operating and financial performance.

a) Net operating income is calculated as Property Revenue less Property Operating Expenses.

b) Funds from operations (FFO) is presented by the Company as; net earnings (loss) adjusted for depreciation and amortization, non-recurring stock based compensation, future and capital income taxes (recovery), loss (gain) on sale of assets, fair value change in financial instruments, loss (gain) on derivative instruments, goodwill impairment loss, and foreign exchange loss (gain).

c) Funds from operations per share is calculated as FFO divided by either the basic or diluted weighted average number of shares.

The following table reconciles GAAP net earnings to FFO for the three-month periods and years ended December 31, 2008 and 2007.

	3 Months Ended December 31, 2008	**Year Ended December 31, 2008**	**3 Months Ended December 31 2007**	**Year Ended December 31 2007**
	(Thousands)	*(Thousands)*	*(Thousands)*	*(Thousands)*
Net earnings (loss) from continuing operations	**$(118,933)**	**$(96,083)**	$63,863	$81,327
Add (deduct):				
Loss (gain) on sale of assets	**(443)**	**(443)**	126	(2,051)
Depreciation and amortization	**18,813**	**73,147**	15,103	50,325
Future and capital income taxes (recovery)	**(7,670)**	**(10,067)**	9,725	10,341
Fair value change in financial instruments	**11,004**	**23,135**	(261)	(938)
Goodwill impairment loss	**63,456**	**63,456**		
Stock based compensation			288	5,288
Loss (gain) on derivative instruments	**17,635**	**18,542**	(5)	(2,303)
Foreign exchange loss (gain)	**25,054**	**19,656**	(2,354)	(17,830)
Funds from operations (FFO)	**$8,916**	**$91,343**	$86,485	$124,159
Less: Gross profit from the sale of development properties for resale	**$2,066**	**$48,419**	$77,927	$81,462
Funds from operations (FFO), excluding gross profit from the sale of development properties for resale	**$6,850**	**$42,924**	$8,558	$42,697

SELECTED ANNUAL INFORMATION

The following financial information is being provided under National Instrument 51-102 *Continuous Disclosure Obligations*. The annual information shown below is provided for the last three years, and the quarterly information for the last eight quarters is provided in the following section. The Company's reporting currency is Canadian dollars.

	2008	2007	2006
	(Thousands, except for per share calculations)		
Property revenue	$309,579	$207,331	$116,742
Sale of properties developed for resale	191,260	229,139	45,968
Gain on sale of assets	443	2,051	8,775
Gain on derivative instrument		2,303	1,680
Other income	4,841	25,111	3,704
Total revenue and other gains	$506,123	$465,935	$176,869
Net operating income	$225,158	$162,158	$103,113
Earnings (loss) before income taxes – continued operations	$(99,864)	$97,597	$31,167
Per share – Basic	$(5.03)	$6.00	$2.82
Per share – Diluted	$(5.03)	$5.72	$2.66
Net earnings (loss) – continued operations	$(96,083)	$81,327	$22,962
Per share – Basic	$(4.85)	$5.00	$2.08
Per share – Diluted	$(4.85)	$4.76	$1.96
Net earnings (loss) – discontinued operations		$(2,159)	
Per share – Basic		$(0.13)	
Per share – Diluted		$(0.12)	
Net earnings (loss)	$(96,083)	$79,168	$22,962
Per share – Basic	$(4.85)	$4.87	$2.08
Per share – Diluted	$(4.85)	$4.64	$1.96
Funds From Operations	$91,343	$124,159	$37,557
Per share – Basic	$4.61	$7.63	$3.41
Per share – Diluted	$4.61	$7.27	$3.21
Total assets	$4,029,922	$3,531,608	$2,197,512
Total long term financial liabilities	$2,981,851	$2,122,724	$1,645,911
Dividend declared per share	$4.50	$3.93	$2.81

Property Acquisitions
The significant increase in Net Operating Income from 2006 to 2007 and from 2007 to 2008 reflects the growth of the Company's property portfolio. The most significant transactions in the three-year period were:

- The acquisition of 12 buildings in Germany for $610.4 million in May 2006;
- The acquisition of 4 buildings in The Netherlands for $199.9 million in June 2006;
- The acquisition of 17 buildings in Quebec, Canada (the Alexis Nihon REIT transaction) for $552.6 million in April 2007;
- The acquisition of the CN Central Station Complex in Montreal, Canada for $369.4 million in December 2007;
- The acquisition of 54 buildings in the Baltic States for $221.9 million in December 2007 and March 2008; and
- The acquisition of an 80% interest in 9 limited partnerships in the US for $139.4 million in December 2007.

These transactions had a significant impact on the annual results for the years in which they were acquired and in subsequent years. Consolidated square-footage from these acquisitions increased from 11.8 million sq. ft. at December 31, 2006 to 19.9 million sq. ft. at December 31, 2007, or 68.6%. The percentage increase in property revenue from 2006 to 2007 of 77.6% was mainly impacted by these significant acquisitions.

Consolidated square-footage from acquisitions increased marginally from 19.9 million sq. ft. at December 31, 2007 to 20.4 million sq. ft. at December 31, 2008, or 2.2%. This increase in square footage from 2007 to 2008 is not consistent with the 49.3% increase in property revenue over the same period because three of the large acquisitions in 2007 occurred in December, and therefore had a minimal impact on property revenue in 2007.

Foreign Exchange Rates

The results of the Company's international operations are impacted by fluctuations in average and period end foreign exchange rates, mainly from the Euro and to a lesser extent by the US dollar. A discussion of the Company's approach to managing currency risk is included in the section entitled "Liquidity, Capital Resources and Capital Commitments" later in this MD&A. The prevailing quarterly average and year-end foreign exchange rates over the past three years were as follows:

	Q4 Average Rate		Q3 Average Rate		Q2 Average Rate		Q1 Average Rate	
EUR : CAD	2008	1.56127	2008	1.55022	2008	1.54209	2008	1.50465
EUR : CAD	2007	1.46919	2007	1.48570	2007	1.50959	2007	1.53586
% Change		***6.3%***		***4.3%***		***2.2%***		***(2.0)%***
USD : CAD	2008	1.06669	2008	1.01855	2008	1.00752	2008	1.00465
USD : CAD	2007	1.07440	2007	1.10606	2007	1.13599	2007	1.17207
% Change		***(0.7)%***		***(7.9)%***		***(11.3)%***		***(14.3)%***

	Year-End Rate		Quarter End Rate		Quarter End Rate		Quarter End Rate		Quarter End Rate	
EUR : CAD	2008	1.72380	Q4 2008	1.72380	Q3 2008	1.50010	Q2 2008	1.59740	Q1 2008	1.61660
EUR : CAD	2007	1.44640	Q3 2008	1.50010	Q2 2008	1.59740	Q1 2008	1.61660	Q4 2007	1.44640
% Change		***19.2%***		***14.9%***		***(6.1)%***		***(1.2)%***		***11.8%***
USD : CAD	2008	1.22280	Q4 2008	1.22280	Q3 2008	1.03820	Q2 2008	1.01110	Q1 2008	1.02320
USD : CAD	2007	0.98200	Q3 2008	1.03820	Q2 2008	1.01110	Q1 2008	1.02320	Q4 2007	0.98200
% Change		***24.5%***		***17.8%***		***2.7%***		***(1.2)%***		***4.2%***

	Q4 Average Rate		Q3 Average Rate		Q2 Average Rate		Q1 Average Rate	
EUR : CAD	2007	1.46919	2007	1.48570	2007	1.50959	2007	1.53586
EUR : CAD	2006	1.42496	2006	1.41020	2006	1.40031	2006	1.38908
% Change		***3.1%***		***5.4%***		***7.8%***		***10.6%***
USD : CAD	2007	1.07440	2007	1.10606	2007	1.13599	2007	1.17207
USD : CAD	2006	1.13461	2006	1.13321	2006	1.13931	2006	1.15511
% Change		***(5.3)%***		***(2.4)%***		***(0.3)%***		***(1.5)%***

	Year-End Rate		Quarter End Rate		Quarter End Rate		Quarter End Rate		Quarter End Rate	
EUR : CAD	2007	1.44640	Q4 2007	1.44640	Q3 2007	1.41710	Q2 2007	1.42740	Q1 2007	1.54136
EUR : CAD	2006	1.53994	Q3 2007	1.41710	Q2 2007	1.42740	Q1 2007	1.54136	Q4 2006	1.53994
% Change		***(6.1)%***		***2.1%***		***(0.7)%***		***(7.4)%***		***0.1%***
USD : CAD	2007	0.98200	Q4 2007	0.98200	Q3 2007	0.99290	Q2 2007	1.05930	Q1 2007	1.15587
USD : CAD	2006	0.16638	Q3 2007	0.99290	Q2 2007	1.05930	Q1 2007	1.15587	Q4 2006	1.16638
% Change		***(15.8)%***		***(1.1)%***		***(6.3)%***		***(8.4)%***		***(0.9)%***

Euro-Canadian dollar exchange rate: Fluctuations in the Euro exchange rates, compared to the Canadian dollar, impact the results of the Company's significant European operations located in Germany, The Netherlands, and the Baltic States, as well as the Company's unhedged Euro denominated debt which consisted of €25 million at December 31, 2006 and 2007 and €118 million at December 31, 2008. Average quarterly Euro exchange rates compared to the Canadian dollar were relatively stable during 2006. However, at December 31, 2006 the Euro rate "spiked" and closed at $1.54:€1, or 11.5% higher than the rate of $1.38:€1 at December 31, 2005. During 2007, the Euro steadily weakened against the comparatively high closing rate of $1.54 at December 31, 2006. Despite the weakening trend, the quarterly average Euro rates in 2007 trended higher than those in the comparable 2006 quarters, which positively impacted the quarterly results of the Company's European operations in 2007 compared to 2006.

The average quarterly Euro rate steadily strengthened against the Canadian dollar in 2008, which generally led to a marginal, favorable impact on the Company's European quarterly results in 2008 compared to 2007, except for the first quarter of 2008 when the average rate was 2.0% lower than the first quarter of 2007. The Canadian dollar was stronger against the Euro by 6.1% and the US dollar by 15.8% at December 31, 2007 compared to December 31, 2006, favorably impacting the Company's unhedged Euro and US dollar denominated debt and contributing towards a foreign exchange gain of $18.3 million being recorded in 2007. However, the Canadian dollar was weaker against the Euro by 19.2% and by 24.5% against the US dollar at December 31, 2008 compared to December 31, 2007, which unfavorably impacted the Company's unhedged Euro and US dollar denominated debt and contributed towards a foreign exchange loss of $19.7 million being recorded in 2008.

US dollar-Canadian dollar exchange rate: Fluctuations in the US dollar exchange rates compared to the Canadian dollar impact the results of the Company's operations located in the USA. However, the impacts are generally insignificant due to the relative size of the USA operations which comprised less than 2% of NOI in 2006 and 2007 and less than 6% of NOI in 2008. Fluctuations in the US dollar also impact the Company's unhedged US dollar denominated debt which consisted of US$20 million at December 31, 2006, 2007 and 2008.

Discontinued Operations

During the three-months ended June 2007, a subsidiary of the Company disposed of 19 office rental properties and 28 industrial rental properties for proceeds of $574.7 million. All of the properties disposed of were previously acquired with the Alexis Nihon REIT transaction in April 2007. The operating results are included in net loss from discontinued operations for the two month period that the properties were owned. Also, during the third quarter of 2007, a subsidiary disposed of 7 industrial properties for proceeds of $17.3 million. The related liabilities are recorded as liabilities of discontinued operations on the consolidated balance sheet. There were no discontinued operations in 2006 or 2008.

Stock Consolidation and “In-Kind” Dividend

On December 12, 2008, the Company's shareholders approved a stock consolidation of the Class A Subordinate Voting Shares and Class B Multiple Voting Shares. Each 10 pre-consolidation shares, whether Class A or Class B, were exchanged for one post-consolidation share in the same class of share, either of Class A or Class B. The terms of the Class A and Class B shares remained otherwise unchanged. Also, in September 2008, the Company declared a dividend of $2.25 per share on all issued and outstanding shares. The dividend was paid "in-kind" by issuing Class A Subordinate Voting Shares at a fair value price of $32.65 per share. The fair value was determined based on the weighted average trading price of the Class A Shares for a five-day trading period prior to the date of the dividend declaration. After giving effect to the cash payment of non-resident withholding taxes and fractional shares, 0.068593 Class A Shares were issued for each outstanding Class A and Class B Multiple Voting Share.

All current and comparative reported share and per share amounts have been retrospectively adjusted to reflect the 1-for-10 stock consolidation, and the dilutive effect of the "in-kind" dividend.

OVERALL PERFORMANCE

Property Revenue
Total property revenue was $207.3 million in 2007, compared to $116.7 million in 2006, an increase of $90.6 million or 77.6%. Most of this increase was due to the significant property acquisitions in mid to late 2006 and mid 2007 with the acquisition of Alexis Nihon REIT, described earlier, which increased square footage from 11.8 million sq. ft. at December 31, 2006 to 19.9 million sq. ft. at December 31, 2007.

Total property revenue was $309.6 million in 2008, compared to $207.3 million in 2007, an increase of $102.3 million or 49.3%. The Canada segment increased by $57.9 million, as a full year of revenue was recorded in 2008 on the Alexis Nihon REIT and CN Central Station acquisitions which occurred in 2007. The Baltic States segment increased by $19.6 million and the USA segment increased by $13.3 million; similar to the Canada segment, these increases relate mainly to a full year of revenue being recorded in 2008 on acquisitions which occurred in 2007. These increases collectively account for 89% of the overall increase in property revenue from 2007 to 2008. The European results were also favorably impacted by slightly higher average Euro exchange rates during the last three quarters of 2008 compared to 2007, as well as a full year of revenue being recorded in 2008 on some property acquisitions in The Netherlands which occurred in June 2007, and some scheduled rent increases. A more detailed analysis of the Company's segmental results is included in the “Results of Operations” section later in this MD&A.

Revenue and Gross Profit from the Sale of Properties Developed for Resale
Revenue and gross profit (calculated as revenues less cost of sales on properties developed for resale) from the sale of properties developed for resale fluctuates depending on; the level of activity in the development pipeline, the time taken to complete various projects, the relative strength of selling prices in the real estate market, and other unique or singular events.

Revenue from the sale of properties developed for resale increased by $183.1 million from $46.0 million in 2006 to $229.1 million in 2007, predominately from the sale of the Homburg-Harris Centre in Calgary, Alberta in the fourth quarter of 2007. The Company completed construction of the Homburg-Harris Centre Tower 1 in December, 2008, and Tower 2 will be completed in 2009. The Company recognizes revenue related to the sale of the Homburg-Harris Centre using the percentage of completion method as more fully described in the Company’s financial statements. The project was approximately 50% complete when the sale took place, resulting in the significant amount of revenue, and gross profit, being recorded in the fourth quarter of 2007. Revenue from the sale of condominium units was relatively flat in 2007 at $42 million compared to 2006 at approximately $46 million. Gross profit from the sale of development properties was $81.5 million in 2007 compared to $1.4 million in 2006, mainly relating to the sale of the Homburg-Harris Centre as previously described. The Company will continue to record revenue and costs related to the sale of the Homburg-Harris Centre as construction progresses in 2009.

Revenue from the sale of properties developed for resale was $191.3 million in 2008 compared to $229.1 million in 2007, a decrease of $37.8 million. Revenue from the sale of the Homburg-Harris Centre in Calgary, Alberta, was approximately $72 million lower in 2008 compared to 2007. This was consistent with management’s expectations as revenues are being recognized on the percentage of completion method as construction progresses. The additional percentage completed in 2008 was approximately 37%, compared to 50% completion at December 31, 2007. This decrease was offset by revenue from the sale of an office development in Calgary, Alberta, of approximately $35 million in 2008. Revenue from the sale of condominium units was consistent in 2008 compared to 2007 at approximately $40 million. Gross profit from the sale of development properties was $48.4 million in 2008 compared to $81.5 million in 2007, due to lower revenue being recognized on the completion of the Homburg-Harris Centre as previously described.

Other Income and gains
Other income increased by approximately $21.4 million from $3.7 million in 2006 to $25.1 million in 2007, mainly due to a foreign exchange gain of $18.3 million recorded in 2007 resulting from a strengthening of the Canadian dollar against the US dollar and Euro, which decreased the Canadian dollar equivalent of unhedged foreign denominated debt. The most significant impact resulted from the CAD:EUR rate which stood at $1.54:€1 at December 31, 2006, compared to $1.45:€1 at December 31, 2007, a decrease of approximately 6.1% during 2007. In addition, $3.9 million was recorded in 2007 (2006 - $1.6 million) related to interest earned on term deposits and trust accounts while funds were held prior to completion of sales.

Gains on the sale of assets of $8.8 million were recorded in 2006, compared to $2.1 million in 2007.

Other income decreased by $20.3 million from $25.1 million in 2007 to $4.8 million in 2008, mainly as a result of the foreign exchange gain of $18.3 million being recorded in 2007 (described above). The most significant impact resulted from the CAD:EUR rate which stood at $1.45:€1 at December 31, 2007, compared to $1.72:€1 at December 31, 2008, its highest level since January, 1999. This represented an increase of approximately 19.2% during 2008. The gain in 2008 contrasts to a foreign exchange loss of approximately $20 million recorded in 2008 due to the weakening of the Canadian dollar against the US dollar and Euro, which increased the Canadian dollar equivalent of unhedged foreign denominated debt.

Net Operating Income
Consistent with the increase in property revenue in each of 2006, 2007 and 2008, net operating income ("NOI") increased by approximately $59.1 million or 57.3% from $103.1 million in 2006 to $162.2 million in 2007, also as a result of the acquisitions throughout 2006 and 2007 as described earlier. NOI further increased by approximately $63.0 million or 38.8% from $162.2 million in 2007 to $225.2 million in 2008, mainly as a result of the acquisitions in 2007 and 2008, as described earlier.

Interest Expense
Interest expense on long term debt for 2007 was $106.8 million, compared to $56.3 million in 2006, an increase of $50.5 million, reflecting the significant increase in debt related to the property acquisitions described earlier, as well as the issuance of €100 million in corporate non-asset backed bonds in 2007 (Bond 10) at an interest rate of 7.25%, as well as a slight increase in the weighted average variable interest rate on long term debt of 5.99% compared to 5.71% at December 31, 2006. Other interest and financing costs amounted to $13.0 million in 2007 compared to $2.2 million in 2006, mainly related to costs associated with the additional €100 million bond.

Interest expense on long term debt for 2008 was $154.9 million, compared to $106.8 million in 2007, an increase of $48.1 million, reflecting the significant increase in debt related to the property acquisitions which occurred in late 2007, described earlier, as well as the issuance of an additional €93 million (out of a total of €100 million) corporate non-asset backed bond in 2008 (Bond 11) at an interest rate of 7.25%. Other interest and financing costs were relatively flat in 2008 at $11.9 million in 2008 compared to $13.1 million in 2007, mainly due to the corporate non-asset backed bonds issued during those years.

The Company has entered into interest rate swaps in order to manage the impact of fluctuating interest rates on EUR €161.2 million (CAD$277.8 million) (December 31, 2007 - EUR €35.0 million (CAD$50.6 million)) of its long term debt. Due to a reduction of interest rates in The Netherlands, Germany and the Baltic States during the year ended December 31, 2008, the impact on the statement of earnings was a loss of $18.5 million (2007 - gain of $2.3 million).

Depreciation and Amortization
Depreciation and amortization expense was $39.3 million in 2007, an increase of $16.7 million over the 2006 expense of $22.6 million, mainly as a result of the significant property acquisitions described earlier.

Depreciation and amortization expense was $62.9 million in 2008, an increase of $23.6 million over the 2007 expense of $39.3 million, mainly as a result of the significant property acquisitions described earlier.

General and Administrative
General and administrative expenses were $11.1 million in 2007 compared to $6.4 million in 2006, an increase of $4.7 million, mainly as a result of the significant property acquisitions described earlier. In addition, the Company recorded a stock based compensation expense of $5.3 million in 2007 primarily related to the issuance of 745,000 stock options at a weighted average exercise price of $56.80.

General and administrative expenses were $24.0 million in 2008 compared to $11.1 million in 2007, an increase of $12.9 million, mainly as a result of the significant property acquisitions occurring in late 2007, described earlier. The Company recorded a stock based compensation expense of $0.3 million in 2008 compared to $5.3 million in 2007, a decrease of $5.0 million.

Earnings Before Taxes
Earnings before taxes from continued operations was $31.2 million in 2006 compared to $97.6 million in 2007, an increase of $66.4 million. This was primarily due to:

- The significant property acquisitions in 2006 and 2007 which had the following impact on the results;
  - An increase in NOI of approximately $59.1 million (described earlier),
  - An increase in depreciation and amortization of approximately $17 million,
  - An increase in interest expense and financing costs on long term debt of approximately $61 million due to the increase in long term liabilities to finance the significant acquisitions and an additional EUR €100 million raised in corporate non-asset backed bonds in 2007, and
  - An increase in general and administrative expenses of approximately $5 million;
- An increase in gross profit from the sale of properties developed for resale of approximately $80 million resulting primarily from the sale of the Homburg-Harris Centre in 2007;
- The foreign exchange gain of $18 million recorded in 2007 (described above);
- Stock based compensation expense of approximately $5 million in 2007.

Earnings before taxes from continued operations was $97.6 million in 2007 compared to a net loss of $99.9 million in 2008, a decrease of $197.5 million. This was primarily due to:

- The significant property acquisitions in late 2007 which had the following impact on the results:
  - An increase in NOI of approximately $63.0 million (described earlier);
  - An increase in depreciation and amortization of approximately $24 million;
  - An increase in interest on long term debt of approximately $48 million due to the increase in long term liabilities to finance the significant acquisitions in December 2007 and an additional EUR €93 million raised in corporate non-asset backed bonds in 2008; and
  - An increase in general and administrative expenses of approximately $13 million;
- A reduction in gross profit from the sale of properties developed for resale of approximately $33 million resulting from lower development activity related to the Homburg-Harris Centre in 2008 as Tower I was completed (described above);
- The impact of a $38 million difference between the foreign exchange gain of approximately $18 million recorded in 2007 and the foreign exchange loss of $20 million recorded in 2008, mainly as a result of fluctuations in the Canadian dollar equivalent amount of unhedged foreign denominated debt caused by large variances in the Euro and US dollar exchange rates compared to the Canadian dollar (described above);
- The impact of a $21 million variance between the derivative instrument gain of $2 million recorded in 2007 compared to the $19 million loss recorded in 2008, arising mainly as a result of the interest rate swaps which do not qualify for hedge accounting and are adjusted to fair value at each reporting date through the income statement, as described earlier;
- A goodwill impairment loss of $63 million in 2008. This impairment resulted from decreasing market prices for real estate properties following the global economic crisis in late 2008 and the loss of portfolio premiums; and
- The impact of a $24 million difference between the gain on fair value of investments of $1 million recorded in 2007 compared to a loss of $23 million recorded in 2008, mainly as a result of lower share prices on the Company's quoted investments which arose following the global economic crisis in late 2008.

Funds From Operations
Funds From Operations ("FFO") was $91.3 million in 2008 compared to $124.2 million in 2007, a decrease of $32.9 million. This was primarily due to the NOI increase of $63.0 million, offset by; additional interest on long term debt and other interest and financing costs of $46.9 million, additional general and administrative expenses of $12.9 million, and a decrease in gross profit from the development pipeline of $32.9 million, as described earlier. FFO, excluding gross profit from the development pipeline, was essentially flat at $42.9 million in 2008 compared to $42.7 million in 2007.

Balance Sheet Highlights
Total assets were $3,531.6 million in 2007 compared to $4,029.9 million in 2008, an increase of $498.3 million mainly due to the strengthening of the Euro foreign exchange rate compared to the Canadian dollar of 19.2%, which resulted in an increase of approximately $340 million in the Canadian dollar equivalent of Euro denominated investment properties; acquisition of investment properties of approximately $100 million; depreciation and amortization of approximately $63 million; continued net investments in the development pipeline of approximately $67 million; an increase in trade receivables and deferred rental receipts of approximately $59 million relating primarily to property acquisitions; and the recording of a currency guarantee receivable of approximately $28 million ($9 million payable at December 31, 2007) relating to certain Euro denominated bonds. These increases were offset by a decrease in goodwill of $33 million as described earlier.

Long term debt was $2,952.1 million in 2008 compared to $2,094.1 million in 2007, an increase of $858 million. New mortgage borrowings amounted to approximately $475 million of which $242.0 million related to a December 2007 acquisition. Approximately $170 million was repaid in 2008 through normal scheduled repayments. Approximately $400 million of the increase resulted due to the strengthening of the Euro foreign exchange rate compared to the Canadian dollar of 19.2% which increased the Canadian dollar equivalent of Euro denominated mortgages, mortgage bonds and corporate non-asset backed bonds from 2007 to 2008. An additional $162 million (EUR €93 million) was raised in corporate non-asset backed bonds in 2008.

The Company reduced demand loan balances by $350.5 million during 2008. New mortgage financing of $242 million related to the December 2007 acquisition as well as the proceeds from Bond 11 was used to repay the bridge loan utilized to acquire the CN Central Station property in Montreal.

Shareholders' equity decreased from $640.0 million at December 31, 2007 to $513.7 million at December 31, 2008. In 2008, $22.6 million of stock was issued under the dividend reinvestment plan, $44.8 million was issued as a stock dividend and $0.7 million in stock was repurchased and cancelled under the Company's Normal Course Issuer Bid. Net loss from continuing operations for 2008 amounted to $96.1 million and dividends of $88.2 million or $4.49 per share were declared. The accumulated loss resulting from the currency translations of the Company’s US and European operations was $24.0 million at December 31, 2008, an increase of $8.1 million from 2007, due to a weakening in the Canadian dollar against the Euro and US dollar.

Liquidity, Capital Resources and Capital Commitments
At December 31, 2008, the Company’s significant contractual obligations falling due within one year include normal installments of $37.5 million and principal maturities of $13.3 million on long term debt, purchase obligations of $66.4 million relating to development projects, construction financing loans of $99.7 million and a working capital deficit of $44.9 million. A discussion of these obligations, as well as liquidity and other risks, is included in the section entitled “Liquidity, Capital Resources and Capital Commitments”.

Global Economic Crisis
As a result of the current global capital market condition, lenders have tightened their lending standards, and may continue to do so. The effect of this could be that the Company may have more difficulty obtaining the same level of financing when seeking to renew existing debt and obtain new debt. The Company's financial condition and results of operations could be adversely affected if it were not able to obtain appropriate levels of financing. Liquidity risk also relates to the potential for early retirement of debt. Some of the Company's debt agreements have covenants related to minimum debt to equity ratios, interest coverage ratios, loan to value ratios and/or reserve account balance requirements. Breach of any of these covenants could result in the related debt being required to be repaid before its scheduled maturity date. Should that happen, the Company may be required to sell properties at unfavourable prices to satisfy the debt repayment, and the Company's financial condition and results of operations could be adversely affected.

SUMMARY OF QUARTERLY RESULTS

	Three Months Ended							
	Dec 31 2008	**Sept 30 2008**	**June 30 2008**	**Mar 31 2008**	**Dec 31 2007**	**Sept 30 2007**	**June 30 2007**	**Mar 31 2007**
	(Millions, except for per share calculations)							
Property revenue	**$82.6**	$75.7	$76.9	$74.4	$59.2	$53.1	$54.9	$40.0
Sale of properties developed for resale	**12.6**	41.4	48.4	88.9	194.1	7.8	11.2	15.9
Dividend income and distributions			0.1	2.8				2.0
Other income		7.4	0.2	0.6	4.7	0.4	14.6	3.5
Gain (loss) on derivative instrument						(0.5)	2.1	0.8
Gain on sale of assets	**0.4**				(0.1)		1.8	0.4
Total revenue and other gains	**$95.6**	$124.5	$125.6	$166.7	$257.9	$60.8	$84.6	$62.6
Net operating income	**$58.8**	$55.0	$56.6	$54.8	$42.5	$40.9	$43.0	$35.8
Earnings (loss) before taxes from continued operations	$(123.9)	$7.5	$8.5	$8.1	$75.1	$(6.2)	$16.6	$12.1
Per share – Basic	$(6.20)	$0.38	$0.43	$0.42	$3.89	$(0.34)	$1.18	$0.91
Per share – Diluted	$(6.20)	$0.37	$0.42	$0.41	$3.79	$(0.34)	$1.08	$0.86
Net earnings (loss) from continued operations	**$(118.9)**	$4.3	$9.3	$9.2	$63.9	$(2.7)	$11.6	$8.6
Per share – Basic	***$(5.95)***	*$0.22*	*$0.47*	*$0.48*	*$3.31*	*$(0.15)*	*$0.82*	*$0.64*
Per share – Diluted	***$(5.95)***	*$0.21*	*$0.46*	*$0.47*	*$3.23*	*$(0.14)*	*$0.75*	*$0.61*
Net earnings from discontinued operations					$0.1	$(0.2)	$(2.1)	
Per share – Basic					*$0.00*	*$(0.01)*	*$(0.15)*	
Per share – Diluted					*$0.00*	*$(0.01)*	*$(0.14)*	
Net earnings (loss)	**$(118.9)**	$4.3	$9.3	$9.2	$64.0	$(2.9)	$9.5	$8.6
Per share – Basic	***$(5.95)***	*$0.22*	*$0.47*	*$0.48*	*$3.31*	*$(0.16)*	*$0.67*	*$0.64*
Per share – Diluted	***$(5.95)***	*$0.21*	*$0.46*	*$0.47*	*$3.23*	*$(0.15)*	*$0.62*	*$0.61*
Funds from operations	**$8.9**	$20.3	$28.5	$33.6	$86.5	$11.6	$11.5	$14.6
Per share – Basic	***$0.45***	*$1.01*	*$1.43*	*$1.74*	*$4.48*	*$0.64*	*$0.82*	*$1.09*
Per share – Diluted	***$0.45***	*$0.99*	*$1.39*	*$1.70*	*$4.37*	*$0.61*	*$0.75*	*$1.04*
Total assets	**$4,029.9**	$3,736.1	$3,833.4	$3,806.6	$3,531.6	$2,840.4	$2,993.4	$2,361.4
Total long term financial liabilities	**$2,981.9**	$2,620.7	$2,723.4	$2,640.7	$2,122.7	$1,901.6	$1,898.7	$1,691.2
Dividend declared per share		*$2.25*		*$2.25*		*$2.25*		*$1.68*

Fourth Quarter Result

The Company incurred a net loss in the fourth quarter of 2008 of $118.9 million (loss of $5.95 per share), compared to net earnings of $64.0 million in 2007 (earnings of $3.31 per share). NOI increased by $16.3 million to $58.8 million in the fourth quarter of 2008 from $42.5 million in the fourth quarter of 2007 due to the significant growth in property assets which took place in December 2007 (including CN Central Station, the SEB portfolio in the Baltic States, and the Cedar Shopping Center portfolio in the US). The increase in NOI in Q4 2008 compared to Q4 2007 was offset by an impairment charge to goodwill of $63 million, a loss on derivatives of approximately $18 million, a foreign exchange loss of approximately $25 million, and a loss on fair value changes in investments of $11 million, all primarily due to changes in foreign exchange rates, interest rates, and market prices of investments as the global economic crisis unfolded in late 2008. In addition, the company recognized gross profit of $77.9 million in Q4 2007 related to the initial sale of the Homburg-Harris Centre during that quarter, as described earlier. Revenues and expenses are recognized on this sale transaction using the percentage of completion method. Gross profit was therefore recorded throughout 2008 as construction progressed, compared to the initial sale in Q4 2007 which occurred when the property was approximately 50% complete.

Prior Quarter Results

NOI fluctuated slightly during the four quarters of 2008. NOI was positively impacted by approximately $0.6 million in Q1 and Q2 of 2008 from variations in the average quarterly Canadian dollar exchange rate compared to the Euro, which progressively climbed from the Q4 2007 average rate of $1.47, to $1.50 in Q1 2008, $1.54 in Q2 2008, $1.55 in Q3 2008 and $1.56 in Q4 2008. Similarly, the average quarterly Canadian dollar exchange rate compared to the US dollar rate climbed from $1.00 to $1.01, $1.02 and $1.07 across the same periods, although this did not impact results as significantly as changes in the Euro rate, due to the Company's US segment results being comparatively smaller than its European operations. Earnings before taxes was relatively stable for the first three quarters of 2008.

NOI increased from $35.8 million in Q1 2007 to $43.0 million in Q2 2007, primarily due to the acquisition of 17 buildings in Quebec, Canada (the Alexis Nihon REIT transaction) for $552.6 million in April 2007. Subsequently, NOI was relatively stable, although it was impacted slightly from variations in the average quarterly Canadian dollar exchange rate compared to the Euro, which progressively weakened from $1.54 to $1.51, $1.49 and $1.47 in the four quarters of 2007. The increase in NOI in the fourth quarter of 2007 related to the significant property acquisitions in December 2007, discussed earlier, which impacted results for a portion of that three-month period.

Earnings before taxes from continued operations was significantly impacted by the recognition of gross profit of $77.9 million in Q4 2007 related to the sale of the Homburg-Harris Centre.

The net loss before taxes in Q3 2007 was primarily driven by an increased interest expense on long term debt and general and administrative costs, both associated with acquisitions, a $3 million loss on the fair value of investments and a $5 million expense related to stock based compensation.

RESULTS OF OPERATIONS

Information related to each property classification and geographical segment is summarized below. Revenue for purposes of this analysis includes rental revenue and tenant cost recoveries. Net operating income has been calculated by deducting from property revenue the direct property operating expenses related thereto, and is exclusive of general and administrative expenses, depreciation and amortization, and interest on related debt.

Geographical Segments (in thousands)	Germany	Netherlands	The Baltics	Canada	US	Total
Year ended December 31, 2008						
Property revenue	**$ 81,527**	**$ 42,598**	**$ 20,251**	**$ 147,195**	**$ 18,008**	**$ 309,579**
Operating expenses	**1,161**	**5,593**	**5,151**	**67,569**	**4,947**	**84,421**
Net operating income	**$ 80,366**	**$ 37,005**	**$ 15,100**	**$ 79,626**	**$ 13,061**	**$ 225,158**
Occupancy rate at Dec 31, 2008	***100%***	***99.6%***	***89.1%***	***95.5%***	***95.8%***	
Year ended December 31, 2007						
Property revenue	$ 75,028	$ 37,798	$ 509	$ 89,252	$ 4,744	$ 207,331
Operating expenses	1,560	3,374	165	38,034	2,040	45,173
Net operating income	$ 73,468	$ 34,424	$ 344	$ 51,218	$ 2,704	$ 162,158
Occupancy rate at Dec 31, 2007	*100%*	*93.7%*	*86.0%*	*94.9%*	*97.8%*	
Three months ended December 31, 2008						
Property revenue	**$ 21,636**	**$ 10,595**	**$ 6,193**	**$ 38,369**	**$ 5,805**	**$ 82,598**
Operating expenses	**211**	**2,024**	**1,403**	**18,590**	**1,590**	**23,818**
Net operating income	**$ 21,425**	**$ 8,571**	**$ 4,790**	**$ 19,779**	**$ 4,215**	**$ 58,780**
Three months ended December 31, 2007						
Property revenue	$ 17,717	$ 9,582	$ 509	$ 29,719	$ 1,711	$ 59,238
Operating expenses	432	1,550	165	14,014	610	16,771
Net operating income	$ 17,285	$ 8,032	$ 344	$ 15,705	$ 1,101	$ 42,467

Total property revenue was $309.6 million in 2008, compared to $207.3 million in 2007, an increase of $102.3 million or 49.3%. The Germany segment increased partially due to higher average Euro foreign exchange rates in 2008 compared to 2007 and partially due to scheduled rent increases. The Netherlands segment increased by $114.8 million, due to higher average Euro foreign exchange rates in 2008 compared to 2007, some property acquisitions which occurred in June 2007, and an increase in the overall occupancy rate from 93.7% at December 31, 2007 to 99.6% at December 31, 2008. The Baltic States, Canada and USA segments all increased primarily due to the significant acquisitions late in 2007 in those segments, described earlier.

Total property revenue was $82.6 million in the fourth quarter of 2008, compared to $59.2 million in the fourth quarter of 2007, an increase of $23.4 million or 39.5%. This is reflective of the significant property acquisitions in Canada, the USA in the Baltic States in December 2007, discussed earlier, which impacted results for a portion of that three month period. The European results were also positively impacted by the average Euro foreign exchange rate in Q4 2008 which was 6.3% higher compared to Q4 2007, as well as some scheduled rent increases.

Property Type Segments (in thousands)	Retail	Industrial	Office	Residential	Total
Year ended December 31, 2008					
Property revenue	**$ 95,887**	**$ 39,708**	**$ 163,620**	**$ 10,364**	**$ 309,579**
Operating expenses	**39,839**	**3,158**	**35,904**	**5,520**	**84,421**
Net operating income	**$ 56,048**	**$ 36,550**	**$ 127,716**	**$ 4,844**	**$ 225,158**
Occupancy rate at Dec 31, 2008	***97.0%***	***99.0%***	***95.0%***	***97.0%***	

Year ended December 31, 2007					
Property revenue	$ 54,617	$ 31,846	$ 112,320	$ 8,548	$ 207,331
Operating expenses	21,290	1,408	18,538	3,937	45,173
Net operating income	$ 33,327	$ 30,438	$ 93,782	$ 4,611	$ 162,158
Occupancy rate at Dec 31, 2008	*97.0%*	*99.0%*	*96.0%*	*97.0%*	

Three months ended December 31, 2008					
Property revenue	**$ 29,083**	**$ 9,451**	**$ 41,716**	**$ 2,348**	**$ 82,598**
Operating expenses	**13,582**	**665**	**8,256**	**1,315**	**23,818**
Net operating income	**$ 15,501**	**$ 8,786**	**$ 33,460**	**$ 1,033**	**$ 58,780**

Three months ended December 31, 2007					
Property revenue	$ 18,430	$ 7,833	$ 30,449	$ 2,526	$ 59,238
Operating expenses	8,192	534	6,646	1,399	16,771
Net operating income	$ 10,238	$ 7,299	$ 23,803	$ 1,127	$ 42,467

The retail portfolio consists of 91 (December 31, 2007 - 85) retail properties, including the Confederation Court Mall in Charlottetown, PEI, Place Alexis Nihon in Montreal, Quebec, and seven big box Zellers locations across Canada, having total rentable square footage of 6.3 million square feet. The retail rental revenue and net operating income for the fourth quarter on the properties held on December 31, 2008 have increased 57.8% and 51.4% respectively over the same period in 2007 due primarily to the continued expansion related to the Cedar and CN acquisitions acquired in December 2007; this increase is also reflected in the 2008 annual result compared to 2007. Overall occupancy in the retail portfolio was 97% at December 31, 2008 (97% - December 31, 2007).

The industrial portfolio consists of 38 (December 31, 2007 - 36) industrial buildings located in Canada, the US and Europe with a total area of 6.4 million square feet. The Company's industrial buildings generated $9.5 million total rental revenue in the fourth quarter of 2008 and $8.8 million in net operating income compared to $7.8 million total rental revenue in the fourth quarter of 2007 and $7.3 million in net operating income, due to higher average Euro foreign exchange rates, and a portion of the CN acquisition which is classified in the Industrial portfolio. This is also reflected in the 2008 annual result compared to 2007. Overall occupancy in the industrial portfolio was 99% at December 31, 2008 (99% - December 31, 2007).

The office portfolio consists of 104 (December 31, 2007 - 89) small to medium sized office buildings in Canada, the United States and Europe, with a total area of 6.9 million square feet. (December 31, 2007 – 6.5 million square feet). Fourth-quarter property revenue was $41.7 million compared to $30.4 million in the same period of 2007 while net operating income was $33.5 million versus $23.8 million in 2007, partially due to continued expansion through acquisitions in 2007 and early in 2008 and partially due to higher average Euro foreign exchange rates. This is also reflected in the 2008 annual result compared to 2007. Overall occupancy in the office portfolio was 95% at December 31, 2008 (96% - December 31, 2007).

The residential portfolio is primarily located in Nova Scotia, New Brunswick and Quebec, Canada, and consists of 13 (December 31, 2007 - 13) properties with 824 (December 31, 2007 - 824) units as at December 31, 2008. The increase in revenue and NOI for the year ended December 31, 2008 is primarily from the 426 units contained in Place Alexis Nihon, in Montreal Quebec, acquired in the second quarter of 2007. Net operating income for the fourth quarter of 2008 was $1.0 million compared to $1.1 million in the same period in 2007. The residential portfolio maintained a high overall average occupancy rate during 2008 and at December 31, 2008 the occupancy rate was 97% (97% - December 31, 2007).

Properties Developed for Resale
The Company has continued to realize upon its development pipeline with sales in Grande Prairie, Calgary, and Edmonton, Alberta and in Charlottetown, Prince Edward Island, of $12.5 million for the three-months ended December 31, 2008 (2007 - $194.1 million). The related cost of properties sold was $10.5 million (2007 - $116.2 million). The significant sales and cost of properties sold in 2007 related to the initial revenue recognition on the Homburg-Harris Centre (Pennwest Place) in Calgary, Alberta.

At December 31, 2008, the Company had commitments of $66.4 million with respect to purchase obligations relating to construction projects underway and construction financing of $102.4 million. The Company expects to finance construction properties currently under development, including interest on principal borrowings, through existing and additional construction loans and additional corporate bond proceeds. Secured first-mortgage financing on completed construction projects will be replaced with conventional first mortgages, or repaid where the debt is secured by a charge over properties being sold. The Company has significant amounts invested in development properties that are not yet income producing. There is a risk that delays in development projects result in additional costs that may not ultimately be recoverable when development is completed. In addition, if the Company is unable to complete development projects, the current carrying value of its development properties may not be recoverable. Should that happen, the financial condition and results of operations could be adversely affected. At December 31, 2006, 2007 and 2008, the Company determined there was no impairment in the value of its development projects.

BALANCE SHEET HIGHLIGHTS

Assets
Total assets grew from $3.5 billion at December 31, 2007 to $4.0 billion at December 31, 2008. The table below summarizes Homburg Invest's asset base.

	December 31, 2008	December 31, 2007
	(Millions)	*(Millions)*
Investment properties	**$3,310.3**	$2,940.0
Development properties	**360.5**	294.0
Receivables and other	**138.4**	78.8
Intangible assets	**110.1**	100.6
Long term investments	**40.1**	39.6
Goodwill		33.0
Restricted cash	**26.0**	27.7
Cash	**16.4**	17.9
Currency guarantee receivable	**28.2**	
	$4,030.0	$3,531.6

Investment and Development Properties
Investment properties increased from $2,940.0 million at December 31, 2007, to $3,310.3 million at December 31, 2008, an increase of $370.3 million, mainly due to the strengthening of the Euro foreign exchange rate compared to the Canadian dollar of 19.2%, which resulted in an increase of approximately $340 million in the Canadian dollar equivalent of Euro denominated investment properties. Approximately $100 million was also added through acquisitions in 2008. The depreciation and amortization expense in 2008 was approximately $63 million.

The Company continued to make net investments in the development pipeline of approximately $67 million in 2008.

Intangible Assets/Liabilities
The business combination accounting relating to the recording of the property acquisitions requires that the asset values be allocated to the physical assets acquired and intangible assets/liabilities. The intangible assets/liabilities result from an evaluation of: the lease contracts compared to current market rental rates at the time of the acquisition; in-place leases; lease origination costs; and, tenant relationships. In the year ended December 31, 2008 it was determined that $13.3 million (December 31, 2007 - $45.2 million) of the purchase price of various acquisitions related to the intangible assets and below market rental contracts and were recorded as respective assets and liabilities to be amortized over the term of the appropriate leases.

Receivables and other
Receivables consist of $14.1 million (December 31, 2007 - $11.6 million) in amounts due from tenants which arise from the normal course of operations; $69.3 million (December 31, 2007 - $23.6 million) on the sale of properties developed for resale; and $1.4 million (December 31, 2007 - $9.9 million) due for GST rebates on development projects and VAT on foreign subsidiaries. The remaining receivables and other at December 31, 2008 include: $NIL (December 31, 2007 - $670 thousand) in bond proceeds receivable; $40.6 million (December 31, 2007 - $21.7 million) in deferred rental receipts; $4.0 million (December 31, 2007 - $4.1 million) in prepaid expenses; deferred leasing costs of $9.0 million (December 31, 2007 - $7.1 million); and $NIL (December 31, 2007 - $18.5 thousand) of derivative instrument asset.

Long Term Investments
The long term investments are in Cedar Shopping Centers, Inc., a New York Stock Exchange listed REIT, and represents approximately 0.1% (December 31, 2007 - 0.1%) of the outstanding shares; a 10% interest in DEGI Homburg Harris Limited Partnership, which owns an office complex under development; a 20% interest in Homburg Eastern European Fund B.V., which is developing investment properties; and DIM Vastgoed N.V., a NYSE Euronext Amsterdam listed company with properties in the southeastern United States. Our investment in DIM allows the Company to control approximately 24% (December 31, 2007 - 24%) of the voting rights. Mr. Homburg is a Director of Cedar Shopping Centers, Inc. Subsequent to year end, the Company sold its interest in DIM Vastgoed N.V. to Equity One, Inc.

Capital Structure
The table below summarizes Homburg Invest's capital structure.

	December 31, 2008		December 31, 2007	
	(Millions)		*(Millions)*	
Long term debt	**$2,952.1**	**80.0%**	$2,094.1	64.1%
Construction financing	**102.4**	**2.8%**	66.4	2.0%
Long term payables	**25.3**	**0.7%**	24.2	0.7%
Due to DIM shareholders	**4.4**	**0.1%**	4.4	0.1%
Non-construction demand loans	**90.6**	**2.5%**	441.1	13.5%
	$3,174.8	**86.1%**	$2,630.2	80.4%
Shareholders' equity	**513.7**	**13.9%**	640.0	19.6%
	$3,688.5	**100.0%**	$3,270.2	100.0%

Long Term Debt
Long term debt was $2,952.1 million in 2008 compared to $2,094.1 million in 2007, an increase of $858 million. New mortgage borrowings amounted to approximately $475 million (of which $242.0 million related to a December 2007 acquisition), approximately $170 million was repaid in 2008 through normal scheduled repayments and approximately $400 million of the increase resulted due to the strengthening of the Euro foreign exchange rate compared to the Canadian dollar of 19.2% which increased the Canadian dollar equivalent of Euro denominated mortgages, mortgage bonds and corporate non-asset backed bonds from 2007 to 2008. Also, an additional $162 million (EUR €93 million) was raised in corporate non-asset backed bonds in 2008.

In the forth quarter of 2008, mortgages payable on revenue producing properties increased by $230.2 million. New borrowings and debt assumptions amounted to $47.4 million in the quarter while $57.7 million was applied to the mortgage debt as required under normal principal payments, dispositions and refinancing. The remaining $240.5 million relates to the impact of changes in foreign exchange rates on the EUR and USD denominated debt.

Subsequent to the issuance of the Series 2, 4, 5, 6 and 7 mortgage bonds, the Canadian dollar has weakened against the Euro to the extent of $28.2 million at December 31, 2008, up from an $8.6 million liability as at December 31, 2007. The final settlement of the currency asset or obligation will take place at the earliest of; the cancellation or termination of the agreement, the retirement of the bonds, or their scheduled maturity. As a result of the guarantee, there is no earnings impact related to changes in currency value of the bonds.

Construction Financing
To December 31, 2008, the Company had $102.4 million in construction financing outstanding relating to our development projects outlined earlier. This first-mortgage secured financing will be replaced with conventional first mortgages upon completion of the applicable projects.

Non-construction demand loans
The Company reduced the demand loan balances by $350.5 million during the year. New mortgage financing of $242.0 million related to a December 2007 acquisition and new bond proceeds from Bond 11 were utilized to repay a $355.0 million bridge loan balance.

Derivative Instrument Asset/Liability
The Company has entered into interest rate swaps in order to manage the impact of fluctuating interest rates on EUR €161.2 million ($277.8 million) (December 31, 2007 - EUR €35.0 million ($50.6 million)) of its long term debt. Due to a reduction of interest rates in The Netherlands, Germany and the Baltics during the period ended December 31, 2008 the impact on the statement of earnings is a loss of $18.5 million (December 31, 2007 - gain of $2.3 million).

Shareholders' Equity
Homburg Invest's shareholders' equity decreased from $640.0 million at December 31, 2007 to $513.7 million at December 31, 2008. In 2008, 709 thousand shares (2007- 679 thousand shares) valued at $22.6 million were issued under the dividend reinvestment plan; 679 million shares (2007 - NIL shares) valued at $44.8 million were issued as a stock dividend; 52 thousand shares (2007 - NIL shares) were repurchased and cancelled under the Company's Normal Course Issuer Bid for an average cost of $14.76 per share; and $62 thousand in issue costs related to these transactions were paid out. Net loss from continuing operations for the year ended December 31, 2008, amounted to $96.1 million, as described earlier.

The Company's US operations, headquartered in Colorado Springs, Colorado, USA, and the European operations headquartered in Soest, The Netherlands, are considered to be self-sustaining and they use the US dollar and Euro respectively for recording substantially all transactions. The accounts are translated on the consolidated books of the Company using the current rate method, whereby assets and liabilities are translated at period end exchange rates while revenues and expenses are converted using average translation rates for the reporting period. Gains and losses resulting from the currency translations of the subsidiaries are deferred and included in accumulated other comprehensive income (loss) within shareholders' equity. At December 31, 2008, this accumulated amount was $24.0 million; an increase of $8.1 million from the accumulated amount of $15.9 million as at December 31, 2007.

LIQUIDITY, CAPITAL RESOURCES AND CAPITAL COMMITMENTS

Liquidity Risk
Liquidity risk relates to the possibility of insufficient debt and equity financing available to fund the desired growth of the Company and to refinance the current and long term debts as they come due. As a result of the current global capital market condition, lenders have tightened their lending standards, and may continue to do so. The effect of this could be that the Company may have more difficulty obtaining the same level of financing when seeking to renew existing debt and obtain new debt. The Company's financial condition and results of operations could be adversely affected if it were not able to obtain appropriate levels of financing.

Liquidity risk also relates to the potential required early retirement of debt. Some of the Company's debt agreements have covenants related to minimum debt to equity ratios, interest coverage ratios, and/or reserve account balance requirements. Breach of any of these covenants could result in the related debt being required to be repaid before its scheduled maturity date. Should that happen, the Company may be required to sell properties at unfavourable prices to satisfy the debt repayment, and the Company's financial condition and results of operations could be adversely affected.

The Company is significantly levered with a debt to equity ratio of 6.18:1 at December 31, 2008 (long term debt, construction financing, long term payables and demand loans ÷ shareholders' equity). For the year ended December 31, 2008, Homburg Invest had total interest coverage from continuing operations of 1.53:1 (calculated as total revenue less unrealized fair value gains, property operating expenses, cost of property sales and general and administrative expenses ÷ interest expense).

The following table presents the Company's contractual obligations at December 31, 2008:

(In thousands)

		Payments Due by Period			
Contractual Obligations	**Total**	**Less than 1 year**	**1-3 years**	**4-5 years**	**After 5 years**
Long term debt – installments (i)	$198,781	$37,453	$126,684	$34,644	
Long term debt – maturities (ii)	$2,780,382	$13,323	$354,152	$705,153	$1,707,754
Capital lease obligations					
Operating leases (iii)	$261,014	$3,650	$33,413	$14,679	$209,272
Purchase obligations (iv)	$91,711	$66,424	$25,287		
Other long term obligations (v)	$106,873	$99,733	$7,140		
Working capital deficit (vi)	$44,913	$44,913			
Total contractual obligations	**$3,483,674**	**$265,496**	**$546,676**	**$754,476**	**$1,917,026**

(i). The Company intends to make all normal principal installments on long term debt over the term of each debt instrument, and to renew the mortgages at maturity under terms similar to those currently in place.

(ii). The current global capital and real estate markets are experiencing significant and dramatic change. As a result, there has been a tightening of access to capital for new debt as well as refinancing existing debt as it matures. The Company believes it is well positioned to withstand this credit crisis as only $13.3 million, or 0.45%, of its total long term debt had principal maturities in 2009, and only $64.4 million or 2.2% has principal maturities in 2010. This maturing debt had a weighted average interest rate of 6.69% and 7.66% respectively. At December 31, 2008, the Company had three secured credit facilities totaling $80.0 million available to it and a balance of $65 million against these lines. Interest is charged at market competitive rates for demand loans. Included in the loan facilities is $15.0 million which is with a company controlled by the Chairman and Chief Executive Officer.

(iii). Operating lease obligations increase significantly towards the end of 2011 and beyond, reflecting the commencement of a head lease in late 2010. The Company is seeking to sublease this space prior to the occupancy date to offset the Company's future obligations.

(iv). At December 31, 2008 the Company had commitments of $66.4 million with respect to purchase obligations relating to construction projects underway. These commitments will be funded from existing cash resources, construction financing and proceeds from bond and debt issuances. The Company also has a purchase obligation, through its subsidiary Valbonne Real Estate 5 B.V., for the remaining 6.63% of MoTo Objekt Campeon GmbH and Co KG in the first quarter of 2012 for EUR €14.7 million ($25.3 million).

(v). Other long term obligations include construction financing of $102.4 million. The Company expects to finance construction properties currently under development, including interest on principal borrowings, through existing and additional construction loans and additional corporate bond proceeds. Secured first-mortgage financing on completed construction projects will be replaced with conventional first mortgages, or repaid where the debt is secured by a charge over properties being sold. The Company has significant amounts invested in development properties that are not yet income producing. There is a risk that delays in development projects result in additional costs that may not ultimately be recoverable when development is completed. In addition, if the Company is unable to complete development projects, the current carrying value of its development properties may not be recoverable. Should that happen, the financial condition and results of operations could be adversely affected. Other obligations relate to the October 2010 DIM Vastgoed payable of $4.4 million.

(vi). The working capital deficit consists of trade receivables, related party receivables and notes receivable, less trade payables, related party payables, income taxes payable and notes payable. The Company does not anticipate requiring significant amounts of financing to reduce or partially reduce the working capital deficit in the near term.

In the normal course of its business, Homburg Invest has capital requirements for the principal component of mortgage payments, tenant improvements, capital expenditures and dividends to shareholders. Homburg Invest funds these requirements with new capital share issues, new bond issues and funds from operations; although in some cases expenditures and leasing costs are funded by the underlying mortgage or separate term debt. Capital expenditures were $40.1 million in the fourth quarter of 2008. These acquisitions were financed by $39.8 million in debt and the remainder in working capital. For the quarter ended December 31, 2008 funds from operations was $8.9 million.

At the present time, there are no commitments for capital expenditures for property acquisitions other than those disclosed in the commitment and subsequent events notes to the financial statements. These will be funded from the existing loan facilities, new mortgage financing, funds on hand, and pending Bond and debt proceeds.

The Company has also been successful in the past in raising non-asset backed debt financing and mortgage bond financing on the global market to the extent of $700 million. The Company will continue to look to these unique financing markets for additional funds; however, there can be no assurance that additional funds will be available. The Company has successfully raised $24.5 million, net of borrowing fees, through its Series 11 Bond issued in the fourth quarter of 2008. The Company intends to continue to use these funds to repay demand loans and for the development of the various development projects underway.

The Company has also received approval from the Dutch regulator Authority Financial Markets ("AFM"), and is now actively marketing the Homburg Capital Securities A, which are 99 year bonds, bearing an interest rate of 9.5% on the face amount of the bond. The Company has targeted between EUR €25 million to €75 million ($43.1 million to $129.3 million). These funds will be utilized to strengthen the Company's balance sheet.

Homburg Invest believes that funds from operations and $15.0 million in credit lines available to it will be sufficient to fund near-term, non-discretionary costs. Should the above efforts not yield sufficient liquidity, there is a risk that the Company may be required to sell properties at unfavourable prices to meet its immediate liquidity needs, and as a result, the financial condition and results of operations could be adversely affected.

The current capital market will make it difficult for non-diversified entities to access all potential global credit opportunities. As a result, some entities may choose to divest of properties in order to raise required capital. This may create a situation where there are more sellers than buyers and result in higher capitalization rates and provide opportunities for entities with capital to acquire real estate. The Company continues to manage its capital resources to maximize its opportunities for growth, and will continue to employ its available financial resources to the best use for the benefit of our shareholders. The portfolio remains in a strong position with a global diversification as well as a property classification diversification consistent with the stated strategy. This should continue to minimize the impact of any further decline in market values on the overall portfolio; however, there is no certainty.

Interest rate risk
The borrowings of the Company have fixed and floating interest rate components resulting in an exposure to interest rate movements. At period end, the Company's debt consists of $2.6 billion in fixed rate debt and $556.7 million in floating rate debt before deferred financing charges. The Company has minimized its interest rate risk through a liability management policy. The Company allocates the maturity of its debt over a period of approximately 30 years. In addition, the Company has entered into interest rate swaps in order to manage the impact of fluctuating interest rates on EUR €161.2 million ($277.8 million) (December 31, 2007 - EUR €35.0 million ($50.6 million)) of its long term debt. Due to a reduction of interest rates in The Netherlands, Germany and the Baltics during the year ended December 31, 2008, the impact on the statement of earnings was a loss of $18.5 million (December 31, 2007 - gain of $2.3 million).

The Company discloses its annual debt repayment information related to long term debt in the long term debt note to the financial statements, as well as the weighted average rate of the maturing debt. In addition to these long term amounts, the Company has $193.0 million in demand and short term loans which are repayable in less than one year. Upon completion of construction of development properties, the Company intends to seek long term financing at available market rates for the related demand and short term loans. For the remaining demand and short term loans, the Company will seek renewals of the loans at current available market rates and terms at maturity. The Company's long term debt has a weighted average term to maturity of 8.40 years and 42.7% of long term debt matures by December 31, 2013. With all other variables held constant, the Company has determined that a 1% change in the interest rate would result in an annualized after tax change of $3.8 million in the Company's earnings after income taxes as a result of the impact on floating rate borrowings.

Credit risk
The Company's principal assets are commercial and residential buildings. Credit risk on tenant receivables arises from the possibility that tenants may not fulfill their lease obligations. The Company mitigates this credit risk by performing credit checks on prospective tenants, having a large diverse tenant base with varying lease expirations, requiring security deposits on high risk tenants, and ensuring that a considerable portion of its property revenue is earned from international, national and large anchor tenants.

The Company's largest tenant, representing 17% of property revenue for the year, has a major subsidiary experiencing financial difficulty. This could impact the ability of the tenant to fulfill their long term lease obligation, or to pay rent on a timely basis. This would affect the Company's annual cash flow. To mitigate this risk, the tenant has issued a EUR €75.0 million ($129.3 million) letter of guarantee to the primary lender on the specific property which would be utilized to mitigate any major losses while the Company sought replacement tenants.

The Company's receivables are comprised primarily of current balances owing and the Company performs monthly reviews of its receivables and establishes an appropriate provision for doubtful accounts. The Company has not experienced any significant receivable write-offs and there has been no significant change in the provision during the period.

The remaining significant receivables consist of taxes recoverable from various government agencies and revenue from the sale of development properties. The amounts due from government agencies represent current recoverable amounts and the revenue from the sale of development properties is supported by security letters of credit issued by the purchaser.

Currency risk
Currency risk arises from assets and liabilities denominated in US Dollars or Euros. The Company mitigates a portion of its currency risk on mortgage bonds denominated in Euros through a guarantee agreement. In support of the currency guarantee, the related party has arranged an arm’s length credit facility agreement. The Company has also established internal hedging relationships between Euro-denominated net investments in foreign self-sustaining operations and Euro-denominated Corporate Non-Asset Backed Bonds and Junior Subordinated Notes. At December 31, 2008, EUR €234 million (December 31, 2007 - €234 million) of the Company's net investment was hedged with an equal amount of Euro-denominated debt. The hedge is considered to be an effective hedge at December 31, 2008 and December 31, 2007, and will be regularly reviewed to assess the continued effectiveness of the hedging relationship. Currency risk for other amounts denominated in US Dollars and Euros is mitigated by US Dollar and Euro revenue and expense streams related to property rentals.

The operating results of the Company's foreign operations are translated to Canadian dollars for financial statement reporting purposes. Changes to the exchange rates during the reporting period impact those reported results.

With all other variables held constant, the Company has determined that a 10% change in the exchange rate of the US dollar in comparison to the Canadian dollar would result in a decrease (increase) in annualized earnings after income taxes, excluding un-hedged debt of $1.4 million and a foreign exchange gain or loss on the un-hedged US dollar denominated Junior Subordinated Notes of $1.7 million after income taxes.

With all other variables held constant, the Company has determined that a 10% change in the exchange rate of the Euro in comparison to the Canadian dollar would result in a decrease (increase) in annualized earnings after income taxes, excluding un-hedged debt of $0.7 million and a foreign exchange gain or loss on the un-hedged Euro denominated Corporate Non-Asset Backed Bonds of $11.0 million after income taxes.

The Balance Sheets of the Company's foreign self-sustaining operations are translated to Canadian dollars for financial reporting purposes using the period end exchange rate. The change in exchange rates on the net investment position of these self-sustaining foreign operations is reflected in the Other Comprehensive Income of the Company during the period. As noted above, the Company has established an internal hedging relationship between Euro-denominated debt and net investments in self-sustaining operations. To the extent that the hedges are effective, the foreign currency gain or loss on the hedging amounts of Euro-denominated debt is reflected in the Other Comprehensive Income during the period.

The Company feels that 10% represents a reasonably possible change in existing exchange rates.

Concentration risk
The Company's largest single tenant represents approximately 17% (December 31, 2007 - 25%) of property revenue for the period. The risk relates to the ability of the Company to replace this revenue stream on a timely basis while maintaining the related property costs. The Company mitigates this risk by entering into long term leases; reviewing the financial stability of the tenant and obtaining security or guarantees where appropriate; and seeking geographic and industry diversity of tenants. The Company's largest tenant has issued a letter of guarantee to the primary lender on the specific property in an amount representing in excess of 2 years property revenue from this tenant. The Company also maintains their properties to a quality standard that would support timely re-leasing of a property.

Environmental risk
As owner and manager of real property, Homburg Invest is subject to various United States, European and Canadian federal, provincial, state and municipal laws relating to environmental matters. These laws could hold the Company liable for the costs of removal and remediation of certain hazardous substances or wastes released or deposited on or in its properties or disposed of at other locations. The failure to remove or remediate such substances, if any, could adversely affect the Company's ability to sell its real estate or to borrow using real estate as collateral, and could potentially also result in claims or other proceedings against the Company. Homburg Invest is not aware of any material non-compliance with environmental laws at any of its properties. The Company is also not aware of any pending or threatened investigations or actions by environmental regulatory authorities in connection with any of its properties or any material pending or threatened claims relating to environmental conditions at its properties. The Company has policies and procedures to review and monitor environmental exposure, and has made, and will continue to make, the necessary capital expenditures for compliance with environmental laws and regulations. Environmental laws and regulations can change rapidly and the Company may become subject to more stringent environmental laws and regulations in the future. Compliance with more stringent environmental laws and regulations could have an adverse effect on its business, financial condition, or results of operation.

FINANCIAL INSTRUMENTS

The Company does not acquire, hold or issue derivative financial instruments for trading purposes. The following table presents the classification, subsequent measurement, carrying values and fair values (where available) of the Company's financial assets and liabilities.

Classification	Subsequent Measurement	Carrying Value 2008	Fair Value 2008	Carrying Value 2007	Fair Value 2007
		(Millions)	*(Millions)*	*(Millions)*	*(Millions)*
Available for Sale					
Long term investments: DEGI Homburg Harris L.P. (a)	Cost, subject to impairment testing	**$ 10.6**	Note (a)	$ 4.1	Note (a)
Held for Trading					
Long term investments: others (b)	Fair Value	**$ 19.2**	**$ 19.2**	$ 35.5	$ 35.5
Long term investments : Homburg Eastern European Fund B.V. (b)	Fair Value	**10.3**	**10.3**	NIL	NIL
Cash and cash equivalents (c)	Fair Value	**16.4**	**16.4**	17.9	17.9
Currency guarantee receivable (payable) (c)	Fair Value	**28.2**	**28.2**	(8.6)	(8.6)
Derivative instrument asset (liability) (c)	Fair Value	**(19.4)**	**(19.4)**	0.2	0.2
		$ 54.7	**$ 54.7**	$ 45.0	$ 45.0
Loans and Receivables					
Restricted cash (d)	Amortized cost	**$ 26.0**	**$ 26.0**	$ 27.7	$ 27.7
Receivables and other (d)	Amortized cost	**84.8**	**84.8**	45.8	45.8
		$ 110.8	**$ 110.8**	$ 73.5	$ 73.5
Other Financial Liabilities					
Accounts payable and other (d)	Amortized cost	**$ 245.7**	**$ 245.7**	$ 561.6	$ 561.6
Mortgages (e)	Amortized cost	**2,160.5**	**2,146.7**	1,557.8	1,535.9
Mortgage and corporate non-asset backed bonds (e)	Amortized cost	**751.1**	**649.4**	504.0	500.4
Junior subordinated notes (e)	Amortized cost	**67.6**	**70.6**	55.8	58.6
Deferred financing charges (e)	Amortized cost	**(27.0)**	**(27.0)**	(23.5)	(23.5)
Construction financing (d)	Amortized cost	**102.4**	**102.4**	66.4	66.4
		$ 3,300.3	**$ 3,187.8**	$ 2,713.5	$ 2,699.4

a) The long term investment in DEGI Homburg Harris L.P. represents a 10% interest in an investment property currently under development. The Company has classified the investment as available for sale and carries it at cost, as the investment is not quoted in an active market, and management has determined that its fair value is not reliably measurable. There was no impairment loss recorded in the carrying value of this investment during the period (2007 - none).

b) Long term investments, with the exception of the investment in DEGI Homburg Harris L.P., are carried at their fair values. The fair value of the Company's investment in Homburg Eastern European Fund B.V. is based on the proportionate share of the reported net asset value of the B.V., which is considered to be reflective of its fair value. The fair values of other long term investments are based on quoted market prices. A loss of $23.1 million resulting from the change in fair values of investments was recorded in the consolidated statement of earnings during 2008 (2007 - gain of $0.9 million).

c) Cash and cash equivalents, the currency guarantee receivable (payable), and derivative instrument asset (liability), are classified as held for trading and carried at their fair values. The Company recorded a loss of $18.5 million in the consolidated statement of earnings in 2008 (2007 - gain of $2.3 million) related to the derivatives.

d) The Company's short term financial instruments, comprising of; restricted cash, trade receivables, related party receivables, notes and bonds receivable, trade payables, non-construction demand loans related party payables, notes payable, security deposits, DIM Vastgoed 2010 liability, and construction financing, are carried at amortized cost which, due to their short term nature, approximates their fair value. Liabilities of discontinued operations are excluded as they relate to taxes payable. The Company’s long term payable due in 2012, is also carried at amortized cost which is reflective of its fair value.

e) Long term financial instruments (other than long term investments) include mortgages, mortgage bonds, corporate non-asset backed bonds and junior subordinated notes. The fair values of these financial instruments are based upon discounted future cash flows using discount rates that reflect current market conditions for instruments with similar terms and risks. Such fair value estimates are not necessarily indicative of the amounts the Company might pay or receive in actual market transactions.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements. Related party transactions are separately disclosed in this MD&A.

TRANSACTIONS WITH RELATED PARTIES

The Company is controlled by the Chairman and Chief Executive Officer through holding companies.

a) The Company has entered into agreements with companies commonly controlled by the Chairman and Chief Executive Officer to provide various services. A summary of the various revenues and expenses between related parties are as follows:

	3 Months Ended December 31, 2008	3 Months Ended December 31 2007
	(Thousands)	*(Thousands)*
Rental revenue earned	**$ (209)**	$ (212)
Asset and construction management fees incurred	**$ 7,630**	$ 2,755
Property management fees incurred	**$ 905**	$ 2,290
Insurance incurred	**$ 202**	$ 203
Service fees incurred	**$ 132**	$ 144
Property acquisition fees / disposal fees incurred	**$ 2,391**	$ 27,120
Mortgage bond guarantee fees incurred	**$ 829**	$ 914
Bond and other debt issue costs incurred	**$ 1,118**	$ 27
Share and subscription receipts issue costs incurred	**$ NIL**	$ 143
Tenant Improvements	**$ 447**	$ NIL

b) Included in accounts payable are the following balances payable to companies commonly controlled by the Chairman and Chief Executive Officer, which are non-interest bearing and have no set terms of repayment.

	December 31, 2008	December 31, 2007
	(Thousands)	*(Thousands)*
Mortgage bond guarantee fees	**$ 323**	$ 2,110
Management fees	**$ 83**	$ 97

c) The Company has approved a resolution authorizing the property manager, a company commonly controlled by the Chairman and Chief Executive Officer, to operate trust accounts on its behalf as required to conduct business of the Company.
d) Professional services of approximately $315 thousand (December 31, 2007 - $321 thousand) were purchased from a corporation of which one of the Company's directors is affiliated.
e) Included in accounts payable is $15.0 million (December 31, 2007 - $12.5 million) in payable to companies commonly controlled by the Chairman and Chief Executive Officer, which is non-interest bearing and has no set terms of repayment.
f) Also included in accounts payable is a demand note payable plus accrued interest payable in the amount of EUR €2.3 million ($3.9 million) (December 31, 2007 - $NIL) payable to a company commonly controlled by the Chairman and Chief Executive Officer, which bears an interest rate of 5.619% per annum.
g) The Company has entered into a guarantee arrangement for the principal and interest amounts of the Mortgage Bonds payable, with a company under the control of the Chairman and Chief Executive Officer, wherein it is protected against fluctuations in the Canadian dollar and the Euro. The cost of this guarantee per annum is 2.0% on the Series 2 Bonds, and 1.6% on the Series 4, Series 5, Series 6, and Series 7 Bonds.
h) On September 30, 2008 the Company acquired an investment property from a company commonly controlled by the Chairman and Chief Executive Officer for $2.9 million.
i) On November 15, 2008 a company commonly controlled by the Chairman and Chief Executive Officer purchased 1,000 series HB11 bonds for EUR €15.0 million ($23.3 million).
j) On November 15, 2008 the Company acquired an investment in Homburg Eastern European Fund B.V. by issuing a promissory note for the acquisition price.

Related party transactions are recorded at their exchange amounts, being the amounts agreed to by the related parties.

PROPOSED TRANSACTIONS

At December 31, 2008, the Company has five construction projects underway to which it has signed commitments of $66.4 million. These commitments will be funded from existing cash resources, construction financing and the proceeds from bond and debt issues. Management continues to investigate real estate transactions and these are brought forward to the Board of Directors if and when it is determined that they are accretive to shareholder value to proceed with such acquisitions.

The Company is managing the funds to maximize its short term returns prior to redeployment of cash into new investment properties. The final impact on cash flow related to the servicing of these borrowings is NIL as the capitalized interest costs are funded from the borrowings and construction loans put in place to develop the properties.

SUBSEQUENT EVENTS

a) The Company has disposed of its investment in DIM Vastgoed N.V. ("DIM"). The Company has since disposed of 552,784 Equity One Inc. shares received as consideration on disposition of DIM. The Company will recognize a net gain of $850 thousand on the transaction. The Company also entered into an agreement for the sale of the DIM 2010 shares. Under the agreement, the Company has granted Equity One Inc. an irrevocable proxy with respect to the voting rights of the DIM 2010 shares and Equity One will acquire the DIM 2010 shares from the Company once the Company has obtained the DIM 2010 shares.
b) The Company has issued EUR €6.8 million ($11.7 million) of series HB11 bonds, to a related party, completing the issuance of the maximum amount of this bond series.
c) The Company has received regulatory and board approval for the issuance of Homburg Capital Securities A ("HSCA") for a total value ranging from EUR €25.0 million ($43.1 million) to EUR €75.0 million ($129.3 million) bearing an annual interest rate of 9.5% payable on a quarterly basis. The quarterly interest is payable in cash or through the issuance of Class A Preferred Shares, at the option of the Company. The securities mature in 99 years and the Company has the option to redeem the securities for their face value plus accrued interest on February 27, 2014 or on any interest payment date thereafter. On issuance, the present value of the principal repayment of the securities will be recorded as a liability and the remainder, representing the present value of the future interest obligation, will be recorded in equity. Accretion of the liability component will be recorded through earnings, and distributions related to the equity component will be recognized in equity during the applicable period. The Company started issuing the HSCA in the first quarter of 2009.
d) The Company acquired the remaining 62% interest in an investment property in Canada in which it had a previous investment of 38%. The purchase price of the 62% interest was $8.9 million and the purchase was funded by the assumption of $3.4 million in existing mortgage, other liabilities of $2.5 million and $3.1 million in cash.
e) The Company has acquired and cancelled 25,100 Class A Subordinate Voting Shares and 400 Class B Multiple Voting Shares under their ongoing Normal Course Issuer Bid. The average purchase price was $4.98 per Class A share and $4.86 per Class B share. The accounting for these acquisitions and cancellations will be a decrease in Share Capital of $992 thousand and an increase in Contributed Surplus of $865 thousand.

CRITICAL ACCOUNTING ESTIMATES

Cost Recoveries
As a real estate company, Homburg Invest Inc. for the most part is able to match its costs and revenues on a cash basis with accruals being made at each quarter and year end to ensure that the costs recorded match the revenue streams of the properties. As most of the costs incurred on the commercial operations are cost recoveries from the tenants, the accounting systems of the Company are set up to provide the appropriate matching. Accounting estimates are made in such areas as property tax accruals and insurance accruals which are readily determinable based on historical costs or current changes in the marketplace. There are no cost estimates which are not reasonably determinable and therefore the Company is able to realistically report its accounting estimates.

Depreciation
The Company utilizes the straight-line method of calculating depreciation. In order to arrive at the appropriate estimated remaining useful lives and residual values to be used, the Company consulted with outside experts familiar with the Company's real estate portfolio. A significant increase or decrease in the annual depreciation charge resulting from a future change in the estimates would affect net earnings and earnings per share. Actual future results from the operation and eventual disposition of properties may prove these estimates inaccurate.

Impairment of Real Estate
The Company's real estate assets are periodically reviewed for potential impairment. The impairment is based on judgment related to in-place lease commitments of tenants and lease renewals, and therefore are subject to uncertainty. Actual future results may prove these estimates inaccurate.

Allowance for Doubtful Accounts
The outstanding receivables are reviewed and evaluated on a monthly basis. The allowance for doubtful accounts is adjusted based on this review. Historically the Company has not experienced significant credit losses.

These estimates result from the application of judgment and therefore are subject to uncertainty. The Company monitors these estimates on a continual basis.

CHANGE IN ACCOUNTING POLICIES

Effective January 1, 2008, the Company adopted the following new accounting standards from the Canadian Institute of Chartered Accountants ("CICA"): Section 1400 "General Standards of Financial Statement Presentation"; Section 1535 "Capital Disclosures"; Section 3031 "Inventories"; Section 3862 "Financial Instruments - Disclosures"; and Section 3863 "Financial Instruments - Presentation". The adoption of these new standards resulted in additional disclosures with regards to financial instruments and objectives, policies, and measures for managing capital. The new standards did not have an impact on the valuation or classification of the Company's consolidated financial statements.

Section 1400, General Standards of Financial Statement Presentation, was amended to include a requirement to assess and disclose uncertainties about the Company's ability to continue as a going concern. The new requirements came into effect for the Company's fiscal year beginning January 1, 2008.

Section 1535, Capital Disclosures, requires the Company to disclose its objectives, policies and processes for managing capital; quantitative data about what the Company regards as capital; whether the Company has complied with any capital requirements; and, the consequences of any non-compliance. The new requirements came into effect for the Company's fiscal year beginning January 1, 2008.

Section 3031, Inventories, requires that inventories be valued at the lower of cost and net realizable value. The Company's inventory consists of construction properties being developed for resale. The Company currently follows the lower of cost and net realizable value for its development properties, resulting in no impact from this new requirement. The new standard also requires reversal of any previous write-downs to net realizable value when the net realizable value has increased. The Company has had no write-downs of inventories to net realizable value. The new requirements came into effect for the Company's fiscal year beginning January 1, 2008.

Sections 3862, Financial Instruments – Disclosure, and 3863, Financial Instruments – Presentation, replace accounting standard 3861, Financial Instruments - Disclosure and Presentation. The presentation requirements have not changed. Additional disclosure is required relating to the significance of financial instruments on the Company's financial position and performance, including quantitative and qualitative information about the Company's exposure to risks arising from financial instruments and how the Company manages those risks. The new requirements came into effect for the Company's fiscal year beginning January 1, 2008.

FUTURE ACCOUNTING PRONOUNCEMENTS

On January 1, 2009, the Company will adopt new Section 3064, Goodwill and Intangible Assets. The new section establishes standards for recognition, measurement and disclosure and replaces existing Section 3062, Goodwill and Other Intangible Assets, and Section 3450, Research and Development Costs. The Company is evaluating the new standard.

In February 2008, the Accounting Standards Board of the CICA confirmed that Canadian GAAP will be converged with International Financial Reporting Standards (IFRS) effective January 1, 2011, for publicly accountable enterprises. Early adoption will be permitted as of January 1, 2009. The Company currently reports under both Canadian GAAP and IFRS and might early adopt IFRS sometime in 2010, subject to approval from securities regulators.

In October 2008, the CICA concurrently issued Handbook Sections 1582, Business Combinations, 1601, Consolidated Financial Statements, and 1602, Non-controlling Interests. Section 1582, which will replace Section 1581, Business Combinations, establishes standards for the measurement of a business combination, and for the recognition and measurement of assets acquired and liabilities assumed. Section 1601, which will replace Section 1600 Consolidated Financial Statements, continues the existing guidance on aspects related to the preparation of consolidated financial statements subsequent to acquisition, other than non-controlling interests. Section 1602 establishes guidance for the treatment of non-controlling interests subsequent to acquisition through a business combination. These new standards are effective for the Company's interim and annual consolidated financial statements beginning on January 1, 2011, and early adoption is permitted at the start of a fiscal year. The Company is assessing the impact of the new standards on its consolidated financial statements.

In January, 2009, the CICA issued Emerging Issues Committee Abstract of Issues Discussed, Credit Risk and the Fair Value of Financial Assets and Financial Liabilities (EIC-173). EIC-173 is applicable to the Company for all interim and annual financial statements commencing with the March 31, 2009 interim period. EIC-173 recommends that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments, for presentation and disclosure purposes. The Company is currently assessing the effect on its financial results.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Disclosure controls and procedures within the Company have been designed to provide reasonable assurance that all relevant information is identified to senior management to ensure appropriate and timely decisions are made regarding public disclosure.

The Company's management, including the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO), has designed internal controls over financial reporting (as defined in the Canadian Securities Administrator's National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings) to provide reasonable assurance regarding the reliability of the Company's financial reporting and its preparation of financial statements for external purposes in accordance with Canadian Generally Accepted Accounting Principles (GAAP).

MANAGEMENT'S REPORT ON DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Under the supervision of the Chief Executive Officer and the Chief Financial Officer, the operating effectiveness of the disclosure controls and procedures and internal control over financial reporting were assessed using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in Internal Control Over Financial Reporting - Guidance for Smaller Public Companies. Based on these evaluations, Management, including the CEO and CFO conclude that as at December 31, 2008:

(i) Disclosure controls and procedures were effective to provide reasonable assurance that material information was made known to Management and information required to be disclosed by the Company in its annual filings, interim filings and other reports filed by the Corporation under securities legislations was recorded, processed, summarized and reported within the periods specified in securities legislation.

(ii) Internal controls over financial reporting were effective to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP.

MATERIAL CHANGES IN INTERNAL CONTROLS OVER FINANCIAL REPORTING

Material change in tax process

The Company conducts business in various countries, therefore the preparation of the financial statements requires an estimate of income taxes in each of the jurisdictions in which it operates. The Company follows the tax liability method for determining income taxes. Under this method, future tax assets and liabilities are determined according to differences between the carrying amounts and tax bases of specific balance sheet items. Future tax assets and liabilities are measured based on enacted or substantively enacted tax rates and laws at the date of the financial statements for the years in which these temporary differences are expected to reverse. Adjustments to these balances are recognized in earnings as they occur. An assessment is made to determine the likelihood that the future tax assets will be recovered from future taxable income. To the extent that recovery is not considered more likely than not, a valuation allowance must be provided.

Judgment is required in determining the provision for income taxes, future income tax assets and liabilities and any related valuation allowance. To the extent a valuation allowance is created or revised, current period earnings will be affected. Judgment is required to assess tax interpretations, regulations, and legislation, which are continually changing to ensure liabilities are complete and to ensure assets, net of valuation allowances, are realizable. The impact of different interpretations and applications could potentially be material.

On a quarterly basis, the Company makes the necessary provision for income tax and other tax related expenses. Income tax is a highly technical area that requires an in-depth understanding of the tax laws and regulations in each of the jurisdictions in which the Company operates. During the fourth quarter, the experienced members of the tax department significantly revised the taxation models used by the Company to calculate its tax provision. These enhancements, which make the taxation control environment stronger, further reduce the risk of material misstatement in the Company's financial statements.

No other changes were made in our internal control over financial reporting, during the year ended December 31, 2008, that have materially affected, or are reasonably likely to materially affect our internal control over financial reporting.

OTHER REQUIREMENTS

(a) Additional information relating to Homburg Invest, including our Annual Information Form (AIF) is on our website at www.homburginvest.com and at SEDAR at www.sedar.com.

(b) National Instrument 51-102, Section 5.4 Disclosure of Outstanding Share Data. As at December 31, 2008, Homburg Invest was authorized to issue an unlimited number of Class A Subordinate Voting Shares, an unlimited number of Class B Multiple Voting Shares and an unlimited number of Class A and B preferred shares, issuable in series, with rights and privileges to be determined upon issue. On that date, 16,790,021 Class A Subordinate Voting Shares and 3,150,248 Class B Multiple Voting Shares were issued for a recorded value of $698.5 million.

2009 OUTLOOK

Our 2008 outlook for 2009 was to focus on new property acquisitions and the continued expansion of our development pipeline. Our objective is to grow our asset base in a prudent and accretive manner.

With the tightening of the capital markets, the Company feels it is prudent to raise cash from various sources and will be exploring various alternatives such as partnering of deals, selling a portion of specific projects, delaying start of development projects and the issue of new equity bonds.

The Company prides itself on its ability to be creative and react to market conditions, and is motivated to raise cash without issuing common equity to be in a position to take advantage of opportunities that will present themselves.

The Company feels that with its current share price significantly below the net asset value per share, no new shares will be issued that would have a dilutive effect on existing shareholders. New shares will only be issued when it can be done at a price that offers a significant premium over net asset value per share.

The Company continues to look at investment prospects in Europe and North America that make themselves available. With Mr. Homburg's extensive experience in Europe with Uni-Invest N.V. and in the United States as a Director of Cedar Shopping Centers, Inc., the Board of Homburg Invest has modified its strategic planning approach to look at having its real estate in three market areas. One-third will be in Canada, one-third in the United States and one-third in Europe. Mr. Homburg's broad knowledge in each of these marketplaces and his contacts within the investment communities will serve the Company well as we move to grow the asset base and profitability of the Company.

The Company invests in real property for the long term; however, real estate is a commodity and the Company is evaluating each of its properties to determine if the optimum value of certain assets may be realized through a disposition. The Company will monitor this and determine the most appropriate action to take over the coming year. It would not be the Company's intention to liquidate more than 5% of its real estate in any one period unless exceptional circumstances arose, except for properties developed for immediate resale purposes as stated above.

The Company continues to release its results under International Financial Reporting Standards (IFRS) as well as under Canadian Generally Accepted Accounting Principles ("GAAP"). The Company makes both sets of financial statements available. The Company anticipates releasing its IFRS financial statements for 2008 in the near term.

Homburg Invest continues to look at a number of opportunities in the Canadian, European and US marketplace as our strong entrepreneurial management team demonstrates the willingness and abilities to adapt to changes in the real estate market environment.

"Signed"	"Signed"
R. Homburg, Phzn., D. Comm. Chairman and CEO	James F. Miles, CA Vice President Finance and CFO

HOMBURG

FORM 52-109F1R
CERTIFICATION OF REFILED ANNUAL FILINGS

This certificate is being filed on the same date that Homburg Invest Inc. (the "issuer") has refiled Management's Discussion and Analysis for the year ended December 31, 2008.

I, Richard Homburg, Chairman and CEO of Homburg Invest Inc, certify the following:

1. **Review:** I have reviewed the AIF, if any, annual financial statements and annual MD&A, including, for greater certainty, all documents and information that are incorporated by reference in the AIF (together, the "annual filings") of Homburg Invest Inc., (the issuer) for the financial year ended December 31, 2008.

2. **No misrepresentations:** Based on my knowledge, having exercised reasonable diligence, the annual filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, for the period covered by the annual filings.

3. **Fair presentation:** Based on my knowledge, having exercised reasonable diligence, the annual financial statements together with the other financial information included in the annual filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date of and for the periods presented in the annual filings.

4. **Responsibility:** The issuer's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as those terms are defined in National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings, for the issuer.

5. **Design:** Subject to the limitations, if any, described in paragraphs 5.2 and 5.3, the issuer's other certifying officers and I have, as at the financial year end:

   (a) designed DC&P, or caused them to be designed under our supervision, to provide reasonable assurance that:

      (i) material information relating to the issuer is made known to us by others, particularly during the period in which the annual filings are being prepared; and

      (ii) Information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

   (b) designed ICFR, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

HOMBURG

5.1 **Control framework:** The control framework the issuer's other certifying officer(s) and I used to design the issuer's ICFR is the Committee of Sponsoring Organizations of the Treadway Commission's Internal Control Framework.

5.2 N/A

5.3 N/A

6. **Evaluation:** The issuer's other certifying officers and I have:

(a) evaluated, or cause to be evaluated under our supervision, the effectiveness of the issuer's DC&P at the financial year end and the issuer has disclosed in its annual MD&A our conclusion about the effectiveness of DC&P at the financial year end based on that evaluation; and

(b) evaluated, or cause to be evaluated under our supervision, the effectiveness of the issuer's ICFR at the financial year end and the issuers has disclosed in its annual MD&A:

(i) our conclusions about the effectiveness of ICFR at the financial year end based on that evaluation; and

(ii) N/A

7. **Reporting changes in ICFR:** The issuer has disclosed in its annual MD&A any change in the issuer's ICFR that occurred during the period beginning on October 1, 2008 and ended on December 31, 2008 that has materially affected, or is reasonably likely to materially affect, the issuer's ICFR.

8. **Reporting to the issuer's auditors and board of directors or audit committee:** The issuer's other certifying offers and I have disclosed, based on our most recent evaluations of ICFR, to the issuer's auditors, and the board of directors or the audit committee of the board of directors any fraud that involves management or other employees who have a significant role in the issuer's ICFR.

Date: 5/3/10

Richard Homburg, Phzn., D. Comm.
Chairman and Chief Executive Officer
Homburg Invest Inc.

HOMBURG

FORM 52-109F1R
CERTIFICATION OF REFILED ANNUAL FILINGS

This certificate is being filed on the same date that Homburg Invest Inc. (the "issuer") has refiled Management's Discussion and Analysis for the year ended December 31, 2008.

I, James F. Miles, Vice President Finance and Chief Financial Officer of Homburg Invest Inc., certify that:

1. **Review:** I have reviewed the AIF, if any, annual financial statements and annual MD&A, including, for greater certainty, all documents and information that are incorporated by reference in the AIF (together, the "annual filings") of the issuer for the financial year ended December 31, 2008.

2. **No misrepresentations:** Based on my knowledge, having exercised reasonable diligence, the annual filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, for the period covered by the annual filings.

3. **Fair presentation:** Based on my knowledge, having exercised reasonable diligence, the annual financial statements together with the other financial information included in the annual filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date of and for the periods presented in the annual filings.

4. **Responsibility:** The issuer's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as those terms are defined in National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*, for the issuer.

5. **Design:** Subject to the limitations, if any, described in paragraphs 5.2 and 5.3, the issuer's other certifying officers and I have, as at the financial year end:

   (a) designed DC&P, or caused them to be designed under our supervision, to provide reasonable assurance that

      (i) material information relating to the issuer is made known to us by others, particularly during the period in which the annual filings are being prepared; and

      (ii) information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

   (b) designed ICFR, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

5.1 **Control framework:** The control framework the issuer's other certifying officer(s) and I used to design the issuer's ICFR is Internal Control – Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

5.2 N/A

5.3 N/A

6. **Evaluation:** The issuer's other certifying officers and I have:

(a) evaluated, or caused to be evaluated under our supervision, the effectiveness of the issuer's DC&P at the financial year end and the issuer has disclosed in its annual MD&A our conclusion about the effectiveness of DC&P at the financial year end based on that evaluation; and

(b) evaluated, or caused to be evaluated under our supervision, the effectiveness of the issuer's ICFR at the financial year end and the issuer has disclosed in its annual MD&A:

(i) our conclusions about the effectiveness of ICFR at the financial year end based on that evaluation; and

(ii) N/A

7. **Reporting changes in ICFR:** The issuer has disclosed in its annual MD&A any change in the issuer's ICFR that occurred during the period beginning on October 1, 2008 and ended on December 31, 2008 that has materially affected, or is reasonably likely to materially affect, the issuer's ICFR.

8. **Reporting to the issuer's auditors and board of directors or audit committee:** The issuer's other certifying offers and I have disclosed, based on our most recent evaluations of ICFR, to the issuer's auditors, and the board of directors or the audit committee of the board of directors any fraud that involves management or other employees who have a significant role in the issuer's ICFR.

Date: 05/03/10

James F. Miles, CA
Vice President Finance and Chief Financial Officer
Homburg Invest Inc.