HOMBURG

FORM 52-109F1
Certification of Interim Filings
Full Certificate

I, Richard Homburg, Chairman and Chief Executive Officer of Homburg Invest Inc., certify the following:

1. ***Review:*** I have reviewed the interim financial statements and interim MD&A (together, the "interim filings") of Homburg Invest Inc. (the "issuer") for the interim period ended March 31, 2009.

2. ***No misrepresentations:*** Based on my knowledge, having exercised reasonable diligence, the interim 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, with respect to the period covered by the interim filings.

3. ***Fair presentation:*** Based on my knowledge, having exercised reasonable diligence, the interim financial statements together with the other financial information included in the interim 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 interim filings.

4. ***Responsibility:*** The issuer's other certifying officer(s) 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 officer(s) and I have, as at the end of the period covered by the interim filings

   a. designed DC&P, or caused it 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 interim 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 "Internal Control – Integrated Framework" published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

5.2 ***ICFR – material weakness relating to design:*** N/A

5.3 ***Limitation on scope of design:*** N/A

6. ***Reporting changes in ICFR:*** The issuer has disclosed in its interim MD&A any change in the issuer's ICFR that occurred during the period beginning on January 1 2009, and ended on **March 31, 2009,** that has materially affected, or is reasonably likely to materially affect, the issuer's ICFR.

Date: MAY 15, 2009

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

HOMBURG

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Certification of Interim Filings
Full Certificate

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

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2. ***No misrepresentations:*** Based on my knowledge, having exercised reasonable diligence, the interim 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, with respect to the period covered by the interim filings.

3. ***Fair presentation:*** Based on my knowledge, having exercised reasonable diligence, the interim financial statements together with the other financial information included in the interim 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 interim filings.

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   a. designed DC&P, or caused it 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 interim filings are being prepared; and
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Date: MAY 15, 2009

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

MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATIONS AND FINANCIAL CONDITION

Three Months Ended March 31, 2009

The following should be read in conjunction with the unaudited consolidated interim financial statements and accompanying notes for the three months ended March 31, 2009 prepared under **International Financial Reporting Standards.**

In compliance with National Instrument 51-102 of the Canadian Securities Administrators, Management notifies readers that the unaudited interim consolidated financial statements and Management's Discussion and Analysis ("MD&A") for the quarter ended March 31, 2009, have not been reviewed by the Company's external auditors.

Date of MD&A

May 14, 2009

Advisory: Certain information included in this MD&A contains forward-looking statements within the meaning of applicable securities laws including, among others, statements concerning our 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", or "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. assumes no obligation to update the information herein.

Overall Performance and Selected Interim Information

Homburg Invest Inc. ("Homburg Invest" or the "Company") is a public real estate company owning 262 properties with an estimated fair value of $3.9 billion and 20.4 million square feet of space as at March 31, 2009 in four main asset classes: office, retail, industrial, and multi-family residential.

Properties Owned

	March 31, 2009 (Thousands, except for properties and units)				December 31, 2008 (Thousands, except for properties and units)			
Property type	No. of buildings	Fair Value	No. of units	Gross Square Footage	No. of buildings	Fair Value	No. of units	Gross Square Footage
Office	104	$1,933,757		6,989	104	$1,982,744		6,903
Retail	91	847,229		6,290	91	861,251		6,290
Residential	13	93,975	824	725	13	93,975	824	725
Industrial	38	588,803		6,356	38	611,774		6,356
Sub total	246	3,463,764	824	20,360	246	3,549,744	824	20,274
Properties held for development (a)	7	128,447			7	128,619		
Construction projects for resale (b)	6	198,091			6	194,638		
Properties under construction (c)	3	104,619			3	95,666		
Total	**262**	**$3,894,921**	**824**	**20,360**	**262**	**$3,968,667**	**824**	**20,274**

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 217 acre parcel of land in Calgary, Alberta that will be developed into commercial properties; a 39 acre parcel of land in Calgary, Alberta that will be developed primarily into approximately 600 single family dwellings; 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; and a parcel of land in Montreal, Quebec.

b) Construction projects for resale - 46 condominium units in Calgary, Alberta; 26 condominium units in the Eau Claire area of Calgary, Alberta; 89 condominium units in Grande Prairie, Alberta; 21 condominium units in downtown Charlottetown, Prince Edward Island; a one third interest in 18 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; a one third interest in a 5 acre parcel in Montreal, Quebec that will be redeveloped into office, retail and hotel space; a parcel of land in Charlottetown, Prince Edward Island that will be developed into an office tower; and a one third interest in 98 condominium units in Montreal, Quebec.

Results from Operations

Non-IFRS Financial Measures

The MD&A includes measures widely accepted within the real estate industry which are not defined by International Financial Reporting Standards ("IFRS"). These measures include Net Operating Income ("NOI") and Funds From Operations ("FFO"). These are not defined measures calculated in accordance with IFRS 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 income (loss) adjusted for amortization, non-recurring stock based compensation, deferred and capital income taxes (recovery), unrealized and realized valuation changes, 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 Funds From Operations divided by either the basic or diluted weighted average number of shares.

The following table reconciles IFRS net income (loss) to FFO for the periods ending March 31 of 2009 and 2008:

	3 Months Ended March 31, 2009	**3 Months Ended March 31, 2008**
	(Thousands)	(Thousands)
Net income	**$5,544**	$17,854
Add (deduct):		
Unrealized valuation changes	**1,849**	622
Realized valuation changes	**(1,602)**	
Amortization of financing costs	**985**	4,854
Deferred and capital income taxes	**(535)**	472
Foreign exchange loss (gain)	**(7,191)**	994
Loss on derivative instruments	**8,707**	880
Fair value change in financial instruments	**3,223**	4,580
Funds from operations (FFO)	**$10,980**	$30,256

The financial information is being provided under National Instrument 51-102 *Continuous Disclosure Obligations*. The annual information for the last three years and the quarterly information for the last eight quarters are being provided. The annual and quarterly results reflect the continued growth of the Company's property portfolio. The most significant transactions in the three year period were the acquisition of 12 buildings, May 1, 2006 in Germany for $610.4 million; the acquisition of 4 buildings, June 2006 in The Netherlands for $199.9 million; the acquisition of 17 buildings in Quebec, Canada through the Alexis Nihon transaction for $552.6 million in 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 Baltics 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 have had a significant impact on the annual numbers for the years in which they were acquired and subsequent years. The annual revenue stream for 2008, 2007 and 2006, and the quarterly operations for 2009, 2008 and 2007 as shown below reflect the significant growth in the property operations over the periods being provided.

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 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.

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.

		December 31 2008	**December 31 2007**	**December 31 2006 (As Restated)**
		(Thousands, except per share calculations)		
Property revenue		$310,466	$211,025	$116,742
Unrealized valuation changes			55,757	76,225
Sale of properties developed for resale		186,350	191,139	45,968
Realized valuation changes		443	924	8,775
Other income		4,841	27,414	5,384
Total revenue		$502,100	$486,259	$253,094
Net operating income		$222,052	$159,171	$103,113
Net income (loss)		$(276,653)	$140,495	$94,766
Earnings (loss) per share	- basic	$(13.95)	$8.64	$8.60
	- diluted	$(13.95)	$8.23	$8.09
Funds from operations		$82,148	$95,478	$37,557
Funds from operations per share	- basic	$4.14	$5.87	$3.41
	- diluted	$4.14	$5.59	$3.21
Total assets		$4,144,636	$3,817,479	$2,425,964
Total long term financial liabilities		$3,094,432	$2,084,829	$1,668,665
Dividend declared per share		$4.49	$3.93	$2.81

		3 Months Ended March 31, 2009	3 Months Ended December 31, 2008	3 Months Ended September 30, 2008	3 Months Ended June 30, 2008
		(Thousands, except for per share calculations)			
Property revenue		**$80,640**	$81,894	$76,469	$77,290
Sale of properties developed for resale		**24,211**	15,524	39,917	49,392
Realized valuation changes		**1,602**	443		
Unrealized valuation changes					
Other income		**7,547**	36	1,099	248
Total revenue		**$114,000**	$97,897	$117,485	$126,930
Net operating income		**$57,268**	$54,083	$55,757	$56,972
Net income (loss) from continuing operations		**$5,544**	$(302,065)	$(9,151)	$16,709
Net income (loss) per share from continuing operations	- basic	**$0.28**	$(15.12)	$(0.46)	$0.84
	- diluted	**$0.27**	$(15.12)	$(0.46)	$0.82
Net income from discontinued operations		**$NIL**	$NIL	$NIL	$NIL
Net income per share from discontinued operations	- basic	**$0.00**	$0.00	$0.00	$0.00
	- diluted	**$0.00**	$0.00	$0.00	$0.00
Net income (loss)		**$5,544**	$(302,065)	$(9,151)	$16,709
Net earnings (loss) per share	- basic	**$0.28**	$(15.12)	$(0.46)	$0.84
	- diluted	**$0.27**	$(15.12)	$(0.46)	$0.82
Funds from operations		**$10,980**	$7,302	$18,762	$25,828
Funds from operations per share	- basic	**$0.55**	$0.37	$0.94	$1.29
	- diluted	**$0.54**	$0.37	$0.94	$1.26
Total assets		**$4,081,236**	$4,144,636	$4,057,967	$4,166,961
Total long term financial liabilities		**$2,988,320**	$3,094,432	$2,696,087	$2,809,219
Dividend declared per share		**$0.00**	$0.00	$2.25	$0.00

		3 Months Ended March 31 2008	3 Months Ended December 31 2007	3 Months Ended September 30 2007	3 Months Ended June 30 2007
		(Thousands, except for per share calculations)			
Property revenue		$74,813	$60,443	$55,621	$54,925
Sale of properties developed for resale		81,517	156,133	7,875	11,183
Realized valuation changes			(128)		676
Unrealized valuation changes			14,854	15,810	16,538
Other income		3,458	5,338	2,875	15,217
Total revenue		$159,788	$236,640	$82,181	$98,539
Net operating income		$55,240	$38,221	$42,154	$42,976
Net income from continuing operations		$17,854	$73,388	$18,596	$31,690
Net earnings per share from continuing operations	- basic	$0.93	$3.81	$1.02	$2.25
	- diluted	$0.90	$3.71	$0.97	$2.06
Net income (loss) from discontinued operations		$NIL	$96	$(163)	$(2,092)
Net earnings (loss) per share from discontinued operations	- basic	$0.00	$0.00	$(0.01)	$(0.15)
	- diluted	$0.00	$0.00	$(0.01)	$(0.14)
Net income		$17,854	$73,484	$18,433	$29,598
Net earnings per share	- basic	$0.93	$3.81	$1.01	$2.10
	- diluted	$0.90	$3.71	$0.96	$1.92
Funds from operations		$30,256	$59,034	$12,777	$9,114
Funds from operations per share	- basic	$1.57	$3.06	$0.70	$0.65
	- diluted	$1.53	$2.98	$0.66	$0.59
Total assets		$4,132,603	$3,817,479	$3,145,557	$3,274,112
Total long term financial liabilities		$2,563,708	$2,084,829	$2,006,301	$1,914,507
Dividend declared per share		$2.25	$0.00	$2.25	$0.00

Net income for the first quarter of 2009 was $5.5 million or $0.28 per share compared to net income of $17.9 million in 2008 or $0.93 per share. The significant highlights of the changes from 2008 are: the property revenue increased to $80.6 million from $74.8 million and the Company realized a $1.6 million (2008 - $16.1 million) profit from the sale of properties developed for resale.

The Company experienced a foreign exchange gain of $7.2 million in the first quarter of 2009 (March 31, 2008 - $1.0 million loss) as a result of the strengthening of the CAD against the EUR.

The Company has reduced its exposure to interest rate risk through the use of interest rate swaps on specific variable interest rate debt amounts. During the first quarter of 2009; as a result of low interest rates on variable rate debt, the Company recorded a loss of $8.7 million (2008 - $0.9 million) on these derivative instruments.

The segmented information related to each property classification 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, amortization and interest on related debt.

Office Portfolio	**3 Months Ended March 31, 2009**	3 Months Ended March 31, 2008
	(Thousands)	
Property revenue	**$44,643**	$40,350
Net operating income	**$34,805**	$31,328

Homburg Invest's office portfolio consists of 104 (March 31, 2008 - 102) small to medium sized office buildings in Canada, the United States and Europe with a total area of 7.0 million square feet. First quarter property revenue was $44.6 million compared to $40.4 million in the same period of 2008 while net operating income was $34.8 million versus $31.3 million in 2008.

Overall occupancy in the office portfolio was 95% at March 31, 2009 (93% - March 31, 2008).

Retail Portfolio	**3 Months Ended March 31, 2009**	3 Months Ended March 31, 2008
	(Thousands)	
Property revenue	**$24,527**	$22,188
Net operating income	**$13,305**	$13,636

Homburg Invest's retail portfolio consists of 91 (March 31, 2008 - 87) 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 for the first quarter on the properties held on March 31, 2009 have increased 10.5% in the quarter over the same period in 2008 with the continued expansion.

Overall occupancy in the retail portfolio was 97% at March 31, 2009 (98% - March 31, 2008).

Residential Portfolio	**3 Months Ended March 31, 2009**	3 Months Ended March 31, 2008
	(Thousands)	
Property revenue	**$2,667**	$2,655
Net operating income	**$1,158**	$1,298

Homburg Invest's residential portfolio is primarily located in Nova Scotia, New Brunswick and Quebec, and consists of 13 (March 31, 2008 - 13) properties with 824 (March 31, 2008 - 824) units as at March 31, 2009. Net operating income for the first quarter of 2009 was $1.2 million compared to $1.3 million in the same period in 2008.

The residential portfolio maintained a high overall average occupancy rate during 2009 and at March 31, 2009 the occupancy rate was 97% (96% - March 31, 2008).

Industrial Portfolio	**3 Months Ended March 31, 2009**	3 Months Ended March 31, 2008
	(Thousands)	
Property revenue	**$8,803**	$9,620
Net operating income	**$8,000**	$8,978

Homburg Invest's industrial portfolio consists of 38 (March 31, 2008 - 38) 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 $8.8 million total rental revenue in the first quarter of 2009 and $8.0 million in net operating income compared to $9.6 million total rental revenue in the first quarter of 2008 and $9.0 million in net operating income.

Overall occupancy in the industrial portfolio was 90% at March 31, 2009 (99% - March 31, 2008).

Net Adjustment to Fair Value of Investment Properties

As a result of management estimates, aided by independent external analyses of the market completed in the first quarter of 2009, the unrealized valuation decrease recorded was $1.8 million compared to an decrease of $0.6 million in 2008.

Properties Developed for Resale

The Company has continued to realize upon its development pipeline with sales in Grande Prairie, Calgary, Edmonton, Alberta and Charlottetown, Prince Edward Island of $24.2 million for the three months ended March 31, 2009 (2008 - $81.5 million). The related cost of properties sold was $22.6 million (2008 - $65.4 million).

Interest Expense

Interest expense for the first quarter was $40.8 million in 2009, compared to $42.8 million in the same period in 2008, a decrease of $2.0 million. During the first quarter of 2008, the Company mortgaged the CN Central Station Complex, which had been acquired in December 2007. The mortgage proceeds were utilized to pay out an existing acquisition bridge loan, thus contributing to the overall reduction in total interest and financing costs.

The Company's debt consists of $2.5 billion in fixed rate debt and $546.5 million in variable rate debt. The weighted average variable interest rate on long term debt decreased to 3.32% from 4.47%, and fixed interest rate remained constant at 5.94% from 5.94% at December 31, 2008. For the three months ended March 31, 2009, Homburg Invest had total interest coverage from continuing operations of 1.53:1 (March 31, 2008 - 1.62:1) (total revenue less unrealized fair value gains, property operating expenses, cost of property sales and general and administrative expenses ÷ interest expense) and a debt to equity ratio of 4.94:1 (December 31, 2008 - 5.08:1) (long term debt, construction financing, long term payables and demand loans ÷ shareholders' equity).

General and Administrative

General and administrative expenses totaled $5.9 million in the first quarter of 2009 compared to $5.4 million in the same period of 2008. This increase of $0.5 million is predominately the result of the growth in the asset base of investment properties.

Financial Condition

Assets

Total assets at December 31, 2008 and March 31, 2009 were $4.1 billion. The table below summarizes Homburg Invest's asset base.

	March 31, 2009 (Millions)	December 31, 2008 (Millions)
Non-current assets		
Investment properties	**$ 3,463.8**	$ 3,549.7
Development properties	**233.0**	224.3
Currency guarantee receivable	**18.4**	28.2
Investments	**33.2**	40.1
Restricted cash	**22.2**	25.9
	3,770.6	3,868.2
Current assets		
Cash	**19.0**	16.4
Construction properties being developed for resale	**198.1**	194.6
Receivables and other	**93.5**	65.4
	$ 4,081.2	$ 4,144.6

Receivables and other

Receivables consist of $15.9 million (December 31, 2008 - $14.1 million) in amounts due from tenants which arise from the normal course of operations; $48.6 million (December 31, 2008 - $45.9 million) on the sale of properties developed for resale; and $1.5 million (December 31, 2008 - $1.4 million) due for GST rebates on development projects and VAT on foreign subsidiaries. The remaining receivables and other at March 31, 2009 include: $4.1 million (December 31, 2008 - $NIL) in Homburg Capital Securities A proceeds receivable; $11.3 million (December 31, 2008 - $NIL) in related party receivable; and $12.1 million (December 31, 2008 - $4.0 million) in prepaid expenses and other.

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, 2008 - 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; a portfolio investment in Equity One Inc, which has subsequently been sold and DIM Vastgoed N.V. ("DIM"), a NYSE Euronext Amsterdam listed company with properties in the southeastern United States. Our investment in DIM allows the Company to control approximately 9% (December 31, 2008 - 24%) of the voting rights. Mr. Homburg is a Director of Cedar Shopping Centers, Inc.. The Company entered into an agreement for the sale of the remaining DIM shares to Equity One Inc. Under the agreement, the Company has granted Equity One Inc. an irrevocable proxy with respect to the voting rights of these shares, and Equity One Inc. will acquire the DIM shares from the Company once the Company has obtained these DIM shares in October 2010.

Capital Structure

The table below summarizes Homburg Invest's capital structure.

	March 31, 2009 (Millions)		December 31, 2008 (Millions)	
Long term debt	**$2,864.7**	**77.1%**	$2,952.1	78.1%
Construction financing	**109.6**	**3.0%**	102.4	2.7%
Long term payables	**25.8**	**0.7%**	25.3	0.7%
Due to DIM shareholders	**4.6**	**0.1%**	4.4	0.1%
Non-construction demand loans	**80.8**	**2.2%**	90.6	2.4%
Homburg Capital Securities A	**2.0**	**0.1%**		
	$3,087.5	**83.2%**	$3,174.8	84.0%
Shareholders' equity	**625.5**	**16.8%**	606.8	16.0%
	$3,713.0	**100.0%**	$3,781.6	100.0%

Long Term Debt

Mortgages payable on revenue producing properties decreased by $66.4 million during the first quarter of 2009. New borrowings and debt assumptions amounted to $3.4 million in the quarter while $9.7 million was applied to the mortgage debt as required under normal principal payments, dispositions and refinancing. The remaining $60.1 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 strengthened against the Euro to the extent of $18.4 million at March 31, 2009, down from a $28.2 million receivable as at December 31, 2008. 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.

The Junior subordinated notes require interest only payments until maturity in 2036. The notes, which consist of EUR €25.0 million and USD $20.0 million 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 period end exchange rates. The notes have a financial covenant which requires the Company to maintain a certain minimum rolling four-quarter interest coverage ratio, as calculated using the Company's IFRS financial information. During the period ended March 31, 2009, the Company's rolling four-quarter ratio was below the required minimum. As a result, the lender had the ability to demand immediate repayment of the full amount of the notes. The Company has obtained an amendment to the financial covenant from the lender that has removed the requirement for the immediate repayment of any of the principal component of the debt.

Non-construction demand loans

The Company reduced the demand loan balances by $9.8 million during the period.

Construction Financing

To March 31, 2009, the Company had $109.6 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.

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 ($266.0 million) (December 31, 2008 - EUR €161.2 million ($277.8 million)) of its long term debt. Due to a reduction of interest rates in The Netherlands, Germany and the Baltics during the period ended March 31, 2009 the impact on the statement of income is a loss of $8.7 million (March 31, 2008 - loss of $880.0 thousand).

Shareholders' Equity

Homburg Invest's shareholders' equity increased from $606.8 million at December 31, 2008 to $625.5 million at March 31, 2009. In 2009, 26 thousand shares (2008 - 61 thousand shares) were repurchased and cancelled under the Company's Normal Course Issuer Bid for an average cost of $4.98 per share; Net income for the three months ended March 31, 2009 amounted to $5.5 million. Other paid in capital increased $9.0 million related to the issuance of Homburg Capital Securities A and accumulated other comprehensive income increased by $4.3 million due to changes in foreign currency rates.

In 2008, 709 thousand shares valued at $22.6 million were issued under the dividend reinvestment plan; 1.28 million shares valued at $44.8 million were issued as a stock dividend; and $62 thousand in issue costs related to these transactions were paid out.

The Company's US operations, headquartered in Colorado Springs, Colorado and the European operations headquartered in Soest, The Netherlands, have a functional currency of 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 the accumulated other comprehensive income (loss) within shareholders' equity. At March 31, 2009, this cumulative amount was a positive $5.0 million; an increase of $4.4 million from the accumulated amount of $0.6 million as at December 31, 2008.

Liquidity, Capital Resources and Capital Commitments

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 totaled $17.9 million in the first quarter of 2009. These acquisitions were financed by $3.4 million in debt and the remainder in working capital.

Contractual Obligations	Payments Due by Period (In thousands)				
	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Long term debt	$2,890,675	$57,634	$659,421	$713,716	$1,459,904
Capital lease obligations	$NIL	$NIL	$NIL	$NIL	$NIL
Operating leases	$260,102	$2,738	$33,413	$14,679	$209,272
Purchase obligations	$90,296	$64,530	$25,766	$NIL	$NIL
Other obligations	$114,216	$107,773	$6,443	$NIL	$NIL
Total contractual obligations	$3,355,289	$232,675	$725,043	$728,395	$1,669,176

The Company intends to make all normal principal repayments over the term of each debt instrument and to renew the mortgages at maturity under terms similar to those currently in place.

For the quarter ended March 31, 2009 funds from operations were $11.0 million. Homburg Invest believes that funds from operations and $15.3 million in credit lines available to it will be sufficient to fund near-term, nondiscretionary costs. The Company has successfully raised $11.0 million, net of borrowing fees, through its Homburg Capital Securities A issued in the first quarter of 2009. 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 continues to manage its capital resources to maximize its opportunities for growth.

At March 31, 2009, the Company had three secured credit facilities totaling $79.5 million available to it. At period end, there was a balance of $64.2 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.

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 properties currently under development will be funded through bank construction loans and Homburg Bond proceeds.

The Company, through its subsidiary Valbonne Real Estate 5 B.V., has entered into an option agreement to purchase the remaining 6.63% of MoTo Objekt Campeon GmbH and Co KG in the first quarter of 2012 for EUR €15.6 million ($25.7 million).

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 transactions between related parties is as follows:

	3 Months Ended March 31, 2009	3 Months Ended March 31, 2008
	(Thousands)	(Thousands)
Rental revenue earned	**$ (150)**	$ (112)
Asset and construction management fees incurred	**$ 5,516**	$ 4,524
Property management fees incurred	**$ 1,116**	$ 834
Insurance incurred	**$ 359**	$ 362
Service fees incurred	**$ 300**	$ 279
Property acquisition fees / disposal fees incurred	**$ 1,305**	$ 2,145
Mortgage bond guarantee fees incurred	**$ 672**	$ 969
Bond and other debt issue costs incurred	**$ 458**	$ 1,762
Interest costs incurred	**$ 74**	$ NIL
Tenant improvements	**$ 125**	$ 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.

	March 31, 2009	December 31, 2008
	(Thousands)	(Thousands)
Mortgage bond guarantee fees	**$ 672**	$ 323
Management fees	**$ 446**	$ 83

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 $53 thousand (March 31, 2008 - $47 thousand) were purchased from a corporation of which one of the Company's directors is affiliated.

e) Included in accounts payable is $11.6 million (December 31, 2008 - $15.0 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 ($3.8 million) (December 31, 2008 - $3.9 million) payable to a company commonly controlled by the Chairman and Chief Executive Officer, which bears an interest rate of 5.619% per annum.

g) Also included in accounts payable is a demand note payable plus accrued interest payable in the amount of USD $2.7 million ($3.4 million) (December 31, 2008 - $3.3 million) payable to a company commonly controlled by the Chairman and Chief Executive Officer, which bears an interest rate of 6.00% per annum.

h) Included in accounts receivable is a demand note receivable plus accrued interest receivable in the amount of EUR €6.8 million ($11.3 million) (December 31, 2008 - $NIL) payable from a company commonly controlled by the Chairman and Chief Executive Officer, which bears an interest rate of 7.25% per annum.

i) 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.

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

First Quarter 2009

The operating results for the March 2009 quarter, cash flows and financial position of the Company were consistent with the approved budget. The first quarter results were previously described under the heading "Results from Operations".

Proposed Transactions

Proposed Transactions

At March 31, 2009 the Company has five construction projects underway to which it has signed commitments of $64.5 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 subsequently disposed of all 313,589 Equity One Inc. shares and will recognize a gain of $365 thousand on the disposal.

b) The Company has acquired for cancellation 70,100 Class A Subordinate Voting Shares and 700 Class B Multiple Voting Shares under their ongoing Normal Course Issuer Bid. The average purchase price was $8.32 per Class A share and $8.03 per Class B share. The accounting for these acquisitions and cancellations will be a decrease in Share Capital of $2.8 million and an increase in Contributed Surplus of $2.2 million.

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.

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.

Fair Values

The investment properties are carried at fair values. These values are reviewed and updated on a quarterly basis. The fair values are determined by a combination of independent appraisals and management estimates. Historically, subsequent property sales have supported the fair values and the Company has not experienced any realized valuation losses.

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

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 $2.1 billion (December 31, 2008 - $2.1 billion). The total fair value of all bonds is $660.2 million (December 31, 2008 - $649.4 million). The principal amount of the mortgage bonds have been guaranteed against currency fluctuations. The currency guarantee receivable of $18.4 million is carried at fair value. The junior subordinated notes have a fair value of $82.2 million (December 31, 2008 - $70.6 million). 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 classified the investment as available for sale and carries it at cost, as the investment is not quoted on an active market.

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.

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 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 $11.6 million, or 0.40%, of its total long term debt is maturing in 2009, and only $62.4 million, or 2.2% is maturing in 2010. This maturing debt has a weighted average interest rate of 6.82% and 7.64% respectively.

The Company has been very 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 can continue to look to these unique financing markets for additional funds.

The Company has 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 to €75 million ($43.1 to $129.3 million). These funds will be utilized to strengthen the Company's balance sheet. To date, the Company has sold EUR € 10.0 million ($ 16.4 million) Homburg Capital Securities A.

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 will continue to employ its available financial resources to the best use for the benefit of its 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.

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 $2.5 billion in fixed rate debt and $546.5 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 ($266.0 million) (December 31, 2008 - EUR €161.2 million ($277.8 million)) of its long term debt. Due to a reduction of interest rates in The Netherlands, Germany and the Baltics during the period ended March 31, 2009 the impact on the statement of income is a loss of $8.7 million (March 31, 2008 - loss of $880.0 thousand).

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 $190.4 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 8.10 years and 42.2% 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 $3.7 million in the Company's income 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 represents 19% of property revenue for the period. The ability of this tenant to fulfill its long term lease obligation, or to pay rent on a timely basis could impact the Company's annual cash flow. To mitigate this risk, the tenant has issued a EUR €75.0 million ($123.8 million) letter of guarantee, to the primary lender on the specific property, which would be utilized to mitigate 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.

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 operations and Euro-denominated Corporate Non-Asset Backed Bonds and Junior Subordinated Notes. At March 31, 2009, EUR €234 million (December 31, 2008 - EUR €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 March 31, 2009 and December 31, 2008 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 $0.2 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 $11.3 million after income taxes.

The Balance Sheets of the Company's foreign 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 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 foreign 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.

d) Concentration risk
The Company's largest single tenant represents approximately 19% (December 31, 2008 - 17%) 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.

e) 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.

Changes in accounting policies and future applicable accounting standards

The accounting policies adopted are consistent with those of the year ended December 31, 2008 except as follows:

Investment Property
IAS 40 Investment Property has been amended to include property that is being constructed or developed for future use as investment property. Previously, when investment property was being constructed or developed, that property was accounted for under IAS 16 Property, Plant and Equipment until construction or development was complete. Under IAS 16, the Company chose to carry the property using the Revaluation model, to the extent that fair value could be reliably determined, until completion, at which time the property was transferred to IAS 40. Under IAS 40, the Company has chosen the fair value model, resulting in investment properties being carried at fair value, with adjustment through the Income Statement. The amendment to IAS 40 results in investment properties under construction or development being within the scope of IAS 40 and, to the extent that fair value is reliably determinable, the carrying value of such properties is adjusted to fair value. To the extent that fair value is not reliably determinable, the property is carried at cost until either the fair value becomes reliably determinable or construction is completed, whichever is earlier. The application of the amendment is to be applied prospectively for annual periods beginning on or after January 1, 2009. This amendment had no impact on the financial results of the current period.

Share-based Payment
IFRS 2 Share-based Payment is used for determining the accounting for the Company's stock based compensation. IFRS 2 has been amended to clarify vesting conditions and the accounting treatment of cancellations. The Company's stock options issued in 2008 included certain options that are subject to vesting periods. The amendments are effective for annual periods beginning on or after January 1, 2009. The application of the amendment is to be applied prospectively for annual periods beginning on or after January 1, 2009. This

amendment had no impact on the financial results of the current period.

Property Developed for Resale
International Financial Reporting Interpretations Committee (IFRIC) 15 Agreements for the Construction of Real Estate has been issued to clarify when and how revenue and related expenses from the sale of a real estate unit should be recognized if an agreement between the developer and a buyer is reached before the construction of the real estate is completed. This Interpretation had no impact on the financial results of the current period.

Hedges of a Net Investment in a Foreign Operation
IFRIC 16 Hedges of a Net Investment in a Foreign Operation has been issued to provide guidance to entities that hedge foreign currency risk on net investments in foreign operations. IFRIC 16 specifies foreign currency risks that qualify for hedge accounting and the amount that can be designated; where within the corporate structure a hedging instrument can be held; and, the amount to be reclassified to the income statement upon disposal of the hedged foreign operation. This Interpretation is applicable for annual periods beginning on or after October 1, 2008 on a prospective basis. This Interpretation had no impact on the financial results of the current period.

Borrowing Costs
IAS 23 Borrowing Costs has been amended and is effective for fiscal years beginning on or after January 1, 2009. The standard has been revised to require capitalization of borrowing costs as they relate to a qualifying asset. A qualifying asset is an asset that takes a substantial period of time to get ready for its intended use or sale. The Company currently follows a policy of capitalizing borrowing costs related to development properties. A qualifying asset excludes investment properties carried at fair value. Due to the amendments to IAS 40 to include development properties within the fair value model, they are no longer qualifying assets. However, the revised IAS 23 allows a presentation in the income statement for borrowing costs as though they were capitalized to the development properties. This amendment had no impact on the financial results of the current period.

Business Combinations
IFRS 3 Business Combinations has been amended and is effective for fiscal years beginning on or after July 1, 2009. The amendments to IFRS 3 and IAS 27 must be adopted concurrently. The standard clarifies the distinction between a business combination and an asset acquisition and requires that transaction costs incurred on business combinations be expensed when incurred. The Company does not currently follow a practice of expensing transaction costs, and is evaluating the impact of this new standard on its consolidated financial statements.

Consolidated and Separate Financial Statements
IAS 27 Consolidated and Separate Financial Statements has been amended and is effective for fiscal years beginning on or after July 1, 2009. The amendments to IAS 27 and IFRS 3 must be adopted concurrently. The standard clarifies the circumstances under which an entity must consolidate another entity; the accounting for changes in the level of ownership of a subsidiary, including loss of control; and, the required disclosure regarding the nature of the relationship. The Company is evaluating the impact of this new standard on its consolidated financial statements.

Management's Report on Disclosure Controls and Procedures and Internal Controls over Financial Reporting
The Company's management, including the Chief Executive Officer and the Chief Financial Officer, is responsible for establishing and maintaining adequate disclosure controls and procedures and internal controls over financial reporting (as defined in the Canadian Securities Administrators National Instrument 52-109) to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

Management has concluded, based on their evaluation that the Company’s disclosure controls and procedures and internal controls over financial reporting are effective and provide reasonable assurance regarding the reliability of the Company’s financial reporting and the preparation of financial statements for external purposes.

Management has evaluated whether there were changes to internal control over financial reporting for the quarter ended March 31, 2009, that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting. No such changes were identified through the evaluation.

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 March 31, 2009, 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, 16,764,919 Class A Subordinate Voting Shares and 3,149,839 Class B Multiple Voting Shares were issued for a recorded value of $697.5 million.

2009 Outlook

Our outlook for 2009 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 continues to pursue 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.

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 Invest Inc.
Consolidated Interim Financial Statements
International Financial Reporting Standards
(Unaudited - Prepared by Management)

March 31, 2009

The interim consolidated financial statements for the three months ended March 31, 2009, have not been reviewed by the Company's external auditors.

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Homburg Invest Inc.
Consolidated Interim Balance Sheet

(Unaudited - Prepared by Management)
(CAD $ thousands except per share amounts)

	Note	March 31 2009	December 31 2008
Assets			
Non-current assets			
Investment properties		$ **3,463,764**	$ 3,549,744
Development properties		**233,066**	224,285
Currency guarantee receivable		**18,441**	28,165
Investments		**33,164**	40,086
Restricted cash		**22,199**	25,969
		3,770,634	3,868,249
Current assets			
Cash		**18,957**	16,359
Construction properties being developed for resale		**198,091**	194,638
Receivables and other	2	**93,554**	65,390
		310,602	276,387
Total assets		$ **4,081,236**	$ 4,144,636

	Note	March 31 2009	December 31 2008
Equity and Liabilities			
Total equity	6	$ **625,535**	$ 606,768
Non-current liabilities			
Long term debt	4	**2,807,086**	2,901,348
Derivatives	9	**27,442**	19,427
Deferred tax liabilities	5	**122,115**	143,930
Other liabilities	3	**31,677**	29,727
		2,988,320	3,094,432
Current liabilities			
Accounts payable and other liabilities	3	**261,666**	255,585
Income taxes payable	5	**9,538**	5,739
Liabilities of discontinued operations		**28,903**	28,903
Construction financing		**109,640**	102,433
Current portion of long term debt	4	**57,634**	50,776
		467,381	443,436
Total liabilities		**3,455,701**	3,537,868
Total equity and liabilities		$ **4,081,236**	$ 4,144,636

Commitments	11
Contingent liabilities	12
Subsequent events	13

Approved by the Board, May 14, 2009

"Signed"	"Signed"
Richard Homburg, Phzn., D. Comm.	Edward P. Ovsenny
Director	Director

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

Homburg Invest Inc.
Consolidated Interim Income Statement
Three Months Ended March 31
(Unaudited - Prepared by Management)

(CAD $ thousands except per share amounts)	Note	2009	2008
Property revenue	15	**$ 80,640**	$ 74,813
Sale of properties developed for resale		**24,211**	81,517
Total revenues		**104,851**	156,330
Property operating expenses	15	**23,372**	19,573
Cost of sale of properties developed for resale		**22,565**	65,374
		45,937	84,947
Gross income from operations		**58,914**	71,383
General and administrative		**(5,859)**	(5,401)
Stock based compensation		**(48)**	
Other income, net		**349**	624
Dividend income and distributions		**7**	2,834
Net adjustment to fair value of investment properties		**(1,849)**	(622)
Gain on sale of investment properties		**1,602**	
Net adjustment to fair value of held for trading financial assets		**(3,223)**	(4,580)
Net adjustment to fair value of derivative financial instruments	9a	**(8,707)**	(880)
Interest expense	3,4	**(40,772)**	(42,824)
Exchange differences, net		**7,191**	(994)
Income before income taxes		**7,605**	19,540
Total income taxes	5	**2,061**	1,686
Net income		**$ 5,544**	$ 17,854

Earnings per share	7		
Per Class A Subordinate Voting Share and Class B Multiple Voting Share			
Basic			
Net income		**$ 0.28**	$ 0.93
Diluted			
Net income		**$ 0.27**	$ 0.90

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

Homburg Invest Inc.
Consolidated Interim Statement of Comprehensive Income
Three Months Ended March 31
(Unaudited - Prepared by Management)

(CAD $ thousands except per share amounts)	**2009**	2008
Net income	**$ 5,544**	$ 17,854
Other comprehensive income (loss)		
Unrealized foreign currency translation gain (loss)	**(34,281)**	73,211
Future income tax recovery (expense)	**21,374**	(15,131)
	(12,907)	58,080
Foreign currency gain (loss) on financial instruments designated as hedges of self sustaining foreign operations	**17,250**	(39,997)
Future income tax expense		6,599
	17,250	(33,398)
Other comprehensive income	**4,343**	24,682
Comprehensive income	**$ 9,887**	$ 42,536

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

Homburg Invest Inc.
Consolidated Interim Statement of Changes in Equity
Three Months Ended March 31
(Unaudited - Prepared by Management)
(CAD $ thousands except per share amounts)

	Other paid in Capital	Revaluation Surplus	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Retained Earnings (deficit)	Total
Balance December 31, 2007	$ 11,489	$ 33,547	$ 633,265	$ 5,645	$ (18,560)	$ 220,885	$ 886,271
Comprehensive income (loss) for the year					19,209	(276,653)	(257,444)
Dividend related to DIM Vastgoed N.V. dividend guarantee						(677)	(677)
Dividends ($4.49 per share)						(88,213)	(88,213)
Dividend reinvestment plan			22,572				22,572
Issue costs			(62)				(62)
Shares issued for stock dividend			44,788				44,788
Acquisition and cancellation of own shares			(2,028)	1,254			(774)
Stock based compensation				307			307
Balance December 31, 2008	11,489	33,547	698,535	7,206	649	(144,658)	606,768
Comprehensive income for the period					4,343	5,544	9,887
Dividend related to DIM Vastgoed N.V. dividend guarantee						(35)	(35)
Acquisition and cancellation of own shares			(991)	865			(126)
Homburg Capital Securities A (Note 6b)	8,993						8,993
Stock based compensation				48			48
Balance March 31, 2009	$ 20,482	$ 33,547	$ 697,544	$ 8,119	$ 4,992	$ (139,149)	$ 625,535

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

Homburg Invest Inc.
Consolidated Interim Statement of Cash Flows
Three Months Ended March 31
(Unaudited - Prepared by Management)

(CAD $ thousands except per share amounts)	Note	2009	2008
Operating activities			
Net earnings		**$ 5,544**	$ 17,854
Adjustments for:			
Realized valuation changes		**(1,602)**	
Deferred rental income		**(1,033)**	(3,198)
Unrealized valuation changes		**1,849**	622
Deferred income taxes		**(890)**	(50)
Stock based compensation		**48**	
Amortization of financing fees		**985**	4,854
Fair value change in investments		**3,223**	4,580
Accretion in value of discounted liabilities		**81**	214
Loss on derivative instruments		**8,707**	880
Foreign exchange (loss) gain		**(7,191)**	994
Change in non-cash working capital and other	8	**7,283**	4,167
Net cash from operating activities		**17,004**	30,917
Investing activities			
Investment in investment properties		**(6,920)**	(10,779)
Decrease in restricted cash		**3,770**	4,876
Investment in development properties		**(11,658)**	(9,044)
Proceeds on sale of investments		**8,358**	
Purchase of long term investments		**(2,760)**	(780)
Net cash used in investing activities		**(9,210)**	(15,727)
Financing activities			
Decrease in demand loans		**(9,309)**	(274,404)
Increase (decrease) in mortgages payable		**(9,275)**	234,610
Proceeds from bonds		**11,043**	38,236
Increase in related party receivable		**(11,249)**	
Increase in deferred financing charges		**(268)**	(7,019)
Repurchase of common shares		**(127)**	(51)
Dividends paid			(20,739)
Decrease in related party payable		**(95)**	(795)
Increase in construction financing		**7,207**	12,428
Proceeds from Homburg Capital Securities A	6b	**6,877**	
Net cash used in financing activities		**(5,196)**	(17,734)
Increase (decrease) in cash		**2,598**	(2,544)
Cash, beginning of period		**16,359**	17,927
Cash, end of period		**$ 18,957**	$ 15,383
Supplemental cash flow information	8		

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

(CAD $ thousands except per share amounts)

1. Basis of financial statement presentation

These unaudited consolidated interim financial statements have been prepared by management under International Financial Reporting Standards ("IFRS"), on a basis consistent with those followed in the most recent audited consolidated financial statements. These financial statements include the accounts of Homburg Invest Inc. and its subsidiaries, wholly owned partnerships and partially owned partnerships (collectively the "Company"). These financial statements do not contain all disclosures required by IFRS for annual financial statements, and accordingly, the financial statements should be read in conjunction with the most recently prepared annual financial statements for the year ended December 31, 2008.

The preparation of financial statements in conformity with IFRS requires that management 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 revenue and expenses during the reporting period. Actual results could differ from these estimates.

2. Receivables and other

	March 31 2009	December 31 2008
Trade receivables	**$ 66,049**	$ 61,415
Related party receivable (Note 10h)	**11,249**	
Prepaids	**12,144**	3,975
Homburg Capital Securities A receivable (Note 6b)	**4,112**	
	$ 93,554	$ 65,390

(CAD $ thousands except per share amounts)

3. Accounts payable and other liabilities

	March 31 2009	December 31 2008
Current amounts		
Trade payables (Note 10b)	$ 147,467	$ 127,165
Non construction demand loans	80,787	90,613
Notes payable	168	173
Prepaid rents and deposits	12,892	17,378
Security deposits	881	1,352
Homburg Capital Securities A (Note 6b)	662	
Related party payable (Notes 10e, f, and g)	18,809	18,904
	$ 261,666	$ 255,585
Non-current amounts		
Long term payables	$ 25,766	$ 25,287
Homburg Capital Securities A (Note 6b)	1,334	
Shareholders of DIM Vastgoed N.V., due October 2010	4,577	4,440
	$ 31,677	$ 29,727

The Company has available credit facilities of $79,500 of which $64,159 (December 31, 2008 - $64,849) is being utilized at March 31, 2009. Of these facilities, $15,000 (December 31, 2008 - $15,000) is with a company controlled by the Chairman and Chief Executive Officer.

4. Long term debt

	March 31 2009	December 31 2008
Secured debt		
Mortgages payable (a)	$ 2,094,121	$ 2,160,544
Mortgage bonds payable	218,644	228,368
	2,312,765	2,388,912
Unsecured debt		
Corporate non-asset backed bonds (b)	511,658	522,700
Junior subordinated notes (c)	66,252	67,551
	577,910	590,251
	2,890,675	2,979,163
Deferred financing charges, net of accumulated amortization of $10,669 (December 31, 2008 - $12,161)	(25,955)	(27,039)
	2,864,720	2,952,124
Less current portion	57,634	50,776
Long term debt	$ 2,807,086	$ 2,901,348

Long term debt has both fixed and variable interest rates. At year end the contractual weighted average interest rate for variable rate long term debt was 3.32% and for fixed rate long term debt was 5.94% (December 31, 2008 - variable - 4.47%, fixed - 5.94%).

(CAD $ thousands except per share amounts)

4. Long term debt (cont.)

Normal principal installments and principal maturities March 31:

	Mortgages				
	Normal Principal Installments	Principal Maturities	Bonds and Junior Subordinated Notes	Total	Weighted average interest rate of maturing debt
2010	$ 36,406	$ 21,228	$	$ 57,634	7.24%
2011	39,593	4,857	49,512	93,962	7.55%
2012	23,141	44,554	66,049	133,744	7.03%
2013	91,773	236,858	103,084	431,715	5.73%
2014	5,730	361,377	346,609	713,716	5.81%
Subsequent years		1,228,604	231,300	1,459,904	5.28%
	$ 196,643	$ 1,897,478	$ 796,554	$ 2,890,675	

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

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:

		March 31 2009	December 31 2008
USD denominated	USD	**$ 91,962**	$ 92,335
	CAD	**$ 114,916**	$ 112,907
EURO denominated	EUR	**€ 854,791**	€ 858,243
	CAD	**$ 1,410,747**	$ 1,479,439

The period end exchange rates have been used to translate the foreign denominated mortgages.

(CAD $ thousands except per share amounts)

4. Long term debt (cont.)

b) Corporate non-asset backed bonds

Bond Series	Maturity	Interest Rate	Amount	**March 31 2009**	December 31 2008
HB8	May 31, 2013	7.00%	EUR €50,010	**$ 82,538**	$ 86,207
HB9	October 31, 2013	7.00%	EUR €60,000	**99,024**	103,428
HB10	February 15, 2014	7.25%	EUR €100,005	**165,048**	172,389
HB11	January 15, 2015	7.25%	EUR €100,005	**165,048**	160,676
				$ 511,658	$ 522,700

The Corporate non-asset backed bonds are seven year bonds issued in series and have a corporate guarantee pledged as collateral. 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 period end exchange rates.

c) 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 period end exchange rates. The notes have a financial covenant which requires the Company to maintain a certain minimum rolling four-quarter interest coverage ratio, as calculated using the Company's IFRS financial information. During the period ended March 31, 2009, the Company's rolling four-quarter ratio was below the required minimum. As a result, the lender had the ability to demand immediate repayment of the full amount of the notes. The Company has obtained an amendment to the financial covenant from the lender that has removed the requirement for the immediate repayment of any of the principal component of the debt.

(CAD $ thousands except per share amounts)

5. 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 tax rates for various foreign jurisdictions to earnings before income taxes. These differences result from the following items:

	Three Months Ended March 31 2009	Three Months Ended March 31 2008
Income before income taxes	**$ 7,605**	$ 19,540
Combined income tax rate	**31.50** %	30.26 %
Income taxes	**$ 2,396**	$ 5,913
Increase (decrease) in income taxes resulting from:		
Provincial capital tax (net of income tax recovery)	**243**	522
Corporate rate differential in respect of subsidiaries	**(272)**	(77)
Non-taxable portion of capital gains and market value changes	**(1,317)**	(2,357)
Non-deductible expenses	**413**	571
Non deductible portion of unrealized valuation changes	**(419)**	(525)
Effect of rate changes on temporary differences	**319**	(2,361)
Other	**698**	
	$ 2,061	$ 1,686

Income taxes (recovery):		
Current income and capital taxes	**$ 2,951**	$ 1,736
Deferred income taxes	**(890)**	(50)
	$ 2,061	$ 1,686

Deferred income tax 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 deferred income tax assets (liabilities) are as follows:

	March 31 2009	December 31 2008
Loss carry forwards and foreign tax credits	**$ 15,615**	$ 14,370
Deferred revenues and costs	**4,836**	3,621
Unrealized losses	**23,617**	27,989
Investment properties	**(166,183)**	(189,910)
	$ (122,115)	$ (143,930)

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 deferred income tax assets such that only the amount considered to be "more likely than not" of realization would be recorded.

6. Shareholders' equity

	March 31 2009	December 31 2008
Share capital	**$ 697,544**	$ 698,535
Contributed surplus	**8,119**	7,206
Accumulated other comprehensive income	**4,992**	649
Deficit	**(139,149)**	(144,658)
Other paid in capital (b)	**20,482**	11,489
Revaluation surplus	**33,547**	33,547
	$ 625,535	$ 606,768

The following are rates of exchange in effect:

	$1.00 USD	€1.00 EUR
March 31, 2009	$ 1.25	$ 1.65
December 31, 2008	$ 1.22	$ 1.72
Average rate for three months 2009	$ 1.24	$ 1.63
Average rate for three months 2008	$ 1.00	$ 1.50

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, 2007	16,132	3,152	$ 633,265
Shares acquired under Normal Course Issuer Bid	(51)	(1)	(2,028)
Shares issued for stock dividend			44,788
Issue costs, net of income taxes			(62)
Dividend reinvestment plan	709		22,572
Issued and outstanding at December 31, 2008	16,790	3,151	698,535
Shares acquired under Normal Course Issuer Bid (a)	(25)	(1)	(991)
Issued and outstanding at March 31, 2009	**16,765**	**3,150**	**$ 697,544**

6. Shareholders' equity (cont.)

a) 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.

Class A and Class B shares acquired are being cancelled and removed from share capital at the average issue price at the time of acquisition. The discount on repurchases made in the three month period ended March 31, 2009 of $865 is credited to contributed surplus.

b) Other Paid in Capital

Homburg Capital Securities A

During the period, the Company issued EUR €6,934 ($11,445) Homburg Capital Securities A ("HCSA"). The HCSA are 99 year securities maturing February 27, 2108, bearing an annual interest rate of 9.5%, payable quarterly. The Company has the option to pay any and all of the quarterly interest payments in cash or through the issuance of Class A Preferred shares. The principal amount of HCSA must be paid in cash upon redemption or maturity.

The HCSA are direct unsecured obligations of Homburg Invest Inc. and are subordinate to the Company's existing Mortgage Bonds Payable and Corporate non-asset backed bonds, and rank senior to the Company's Class A Subordinate Voting shares and Class B Multiple Voting shares.

The Company will have the right to redeem the HCSA, at a price equal to 100% of the principal amount of the HCSA to be redeemed, plus accrued and unpaid interest to the date of redemption by giving not less than thirty (30) and no more than sixty (60) days' prior notice on account of:

- certain changes in tax legislation or other tax events subjecting the issuer to additional taxes or other governmental charges;
- the termination of equity treatment for accounting purposes of future interest obligations under the HCSA or of the Class A Preferred Shares, subject to an insignificant amount of Class A Preferred Shares then issued and outstanding; and
- on February 27, 2014 or any subsequent interest payment date, in whole or in part.

6. Shareholders' equity (cont.)

b) Other Paid in Capital (cont.)

Any Class A Preferred shares issued will be issued in series and will have the following terms and conditions: par value of one (1) Euro each; non-voting; cumulative dividends at the annual rate of 9.75%, as and when declared by the board of directors; having an indefinite life. The Class A Preferred shares will have a mandatory obligation for the Company to redeem all issued and outstanding Class A Preferred shares for an amount equal to their par value plus any accrued but unpaid dividends thereon at the earlier of:

- the next interest payment date on which the Company elects to pay interest on the HCSA in cash, in whole or in part; and
- the business day falling immediately prior to the date on which the Company redeems, purchases or otherwise acquires any shares or securities in the capital of the Company ranking junior to or pari passu with the HCSA.

In addition, any Class A Preferred shares issued in respect of quarterly interest payments prior to April 1, 2011, will be puttable at the holders' option back to the Company for cash equal to one (1) Euro per Class A Preferred share. The put option with respect to any such Class A Preferred shares issued will expire 30 days from the date of receipt of the Class A Preferred shares.

The Company has determined that the expected life of the HCSA is 50 years through March 31, 2059. The proceeds received on issuance have been allocated to three components:

- The Company has recognized a liability of EUR €31 ($51) equal to the present value of the HCSA principal that must be repaid at the end of the expected life of the instrument. This liability will be accreted using a rate of 11.0% to its full principal amount over the expected life of the instrument using the effective interest method with accretion recognized in interest expense.

- The Company has recognized a liability of EUR €1,179 ($1,945) for the present value of the interest payments prior to April 1, 2011, given the holder put option with respect to any Class A Preferred shares received with respect to such interest payments. This liability has been discounted and will be accreted using the effective interest rate method at a rate of 11.0%, with accretion to be recognized in interest expense.

- The residual amount of EUR €5,724 ($9,449) represents the future quarterly interest payments after March 31, 2011, that can be settled by the issuance of Class A Preferred shares at the Company's option. This residual amount has been included in other paid in capital. This amount will also be accreted over the expected life of the instrument using the effective interest method with accretion amounts charged directly to retained earnings. Interest payments made after March 31, 2011, whether in cash or Class A Preferred shares, will reduce the other paid in capital amount. The effective interest rate used results in other paid in capital reducing to nil at the end of the expected life of the instrument.

6. Shareholders' equity (cont.)

b) Other Paid in Capital (cont.)

Foreign currency gains and losses on the liability components, whether realized or unrealized, will impact earnings each quarter. Foreign currency fluctuations on interest payments made after March 31, 2011, will be charged to retained earnings.

Basic and diluted earnings per share, will be reduced by amounts charged directly to retained earnings as such amounts are in preference to earnings available to common shareholders. In addition, cumulative preferred dividends whether paid or unpaid on any Class A Preferred shares that may be outstanding will reduce basic and diluted earnings per share.

Transaction costs related to the HCSA are being allocated to the liability and equity components in proportion to the initial allocation of the proceeds received. The transaction costs related to the liability components are included in deferred financing fees deducted from the liability amount and are being amortized, on an effective interest basis, over the estimated life of the related liability component. The transaction costs related to the equity component are netted against other paid in capital and are being amortized to retained earnings, on an effective interest basis, over the expected life of 50 years for the HCSA.

7. Earnings per share

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

	Three Mos. Ended March 31 2009 (000's)	Three Mos. Ended March 31 2008 (000's)
Basic		
Class A Subordinate Voting	**16,785**	16,140
Class B Multiple Voting	**3,150**	3,152
	19,935	19,292
Diluted		
Class A Subordinate Voting	**17,261**	16,631
Class B Multiple Voting	**3,150**	3,152
	20,411	19,783
The dilution consists of:		
Class A		
Exercise of options		15
DIM payable/Other paid in capital	**476**	476
	476	491

(CAD $ thousands except per share amounts)

7. Earnings per share (cont.)

The weighted average number of shares for 2008 have been retrospectively adjusted to reflect the impact of the 2008 stock consolidation and "in-kind" dividend.

The dilutive effect of outstanding stock options on earnings per share for the three months ended March 31, 2008 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.

All of the Company's stock options issued in 2008, 2007 and 2005 are anti-dilutive for the three months ended March 31, 2009 and have been excluded from the calculation of diluted earnings per share for that period. The Company's stock options issued in 2007 with an exercise price of $56.80 are anti-dilutive for the three months ended March 31, 2008 and have been excluded from the calculation of diluted earnings per share for that period.

8. Supplemental cash flow information

	Three Mos. Ended March 31 2009	Three Mos. Ended March 31 2008
Change in non-cash working capital and other		
Receivables and other	**$ (7,958)**	$ (9,087)
Construction properties for resale	**(35,569)**	(39,266)
Accounts payable and other liabilities	**19,144**	21,099
Proceeds in excess of earnings on development properties	**31,666**	31,421
	$ 7,283	$ 4,167
Interest paid	**$ 29,735**	$ 33,193
Capital and income taxes paid	**$ 764**	$ 2,444

9. 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 $2,086,117 (December 31, 2008 - $2,146,666). The total fair value of all bonds is $660,204 (December 31, 2008 - $649,404). The principal amount of the mortgage bonds have been guaranteed against currency fluctuations. The currency guarantee receivable of $18,441 (December 31, 2008 - $28,165) is carried at fair value. The junior subordinated notes have a fair value of $82,196 (December 31, 2008 - $70,607). 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 classified the investment as available for sale and carries it at cost as the investment is not quoted in an active market and its fair value is not reliably determinable.

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.

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.

9. Financial instruments and risk management (cont.)

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 $2,534,651 in fixed rate debt and $546,451 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 ($266,013) (December 31, 2008 - EUR €161,181 ($277,843)) of its long term debt. Due to a reduction of interest rates in The Netherlands, Germany and the Baltics during the period ended March 31, 2009 the impact on the statement of earnings is a loss of $8,707 (March 31, 2008 - loss of $880).

The Company discloses its annual debt repayment information related to long term debt in Note 4, as well as the weighted average rate of the maturing debt. In addition to these long term amounts, the Company has $190,427 in demand and short term loans which are repayable in less than one year. The Company expects to renew or refinance these amounts upon maturity. The Company's long term debt has a weighted average term to maturity of 8.1 years and 42.23% 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 $3,743 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 represents 19% of property revenue for the period. The ability of this tenant to fulfill its long term lease obligation, or to pay rent on a timely basis could impact the Company's annual cash flow. To mitigate this risk, the tenant has issued a EUR €75,000 ($123,780) letter of guarantee, to the primary lender on the specific property, which would be utilized to mitigate 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.

9. 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 operations and Euro-denominated Corporate Non-Asset Backed Bonds and Junior Subordinated Notes. At March 31, 2009, EUR €234,340 (December 31, 2008 - €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 March 31, 2009 and December 31, 2008 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 $175 and a foreign exchange gain or loss on the un-hedged US dollar denominated Junior Subordinated Notes of $1,712 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 $11,306 after income taxes.

The Balance Sheets of the Company's foreign 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 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 foreign 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)

9. Financial instruments and risk management (cont.)

d) Concentration risk

The Company's largest single tenant represents approximately 19% (December 31, 2008 - 17%) 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.

10. Related party transactions

The Company's ultimate parent is Homburg Finance A.G., which is controlled by the Chairman and Chief Executive Officer.

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:

	Three Months Ended March 31 2009	Three Months Ended March 31 2008
Rental revenue earned	**$ (150)**	$ (112)
Asset and construction management fees incurred	**$ 5,516**	$ 4,524
Property management fees incurred	**$ 1,116**	$ 834
Insurance incurred	**$ 359**	$ 362
Service fees incurred	**$ 300**	$ 279
Property acquisition/disposal fees incurred	**$ 1,305**	$ 2,145
Mortgage bond guarantee fees incurred	**$ 672**	$ 969
Interest costs incurred	**$ 74**	$ NIL
Tenant improvements	**$ 125**	$ NIL
Bond and other debt issue costs incurred	**$ 458**	$ 1,762

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.

	March 31 2009	December 31 2008
Mortgage bond guarantee fees	**$ 672**	$ 323
Management fees	**$ 446**	$ 83

10. Related party transactions (cont.)

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 $53 (March 31, 2008 - $47) were purchased from a corporation of which one of the Company's directors is affiliated.

e) Included in accounts payable is $11,584 (December 31, 2008 - $14,966) in payables to companies commonly controlled by the Chairman and Chief Executive Officer, which are non-interest bearing and have 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 €2,311 ($3,814) (December 31, 2008 - $3,938) payable to a company commonly controlled by the Chairman and Chief Executive Officer, which bears an interest rate of 5.619% per annum.

g) Also included in accounts payable is a demand note payable plus accrued interest payable in the amount of USD $2,730 ($3,411) (December 31, 2008 - $3,322) payable to a company commonly controlled by the Chairman and Chief Executive Officer, which bears an interest rate of 6.00% per annum.

h) Included in accounts receivable is a demand note receivable plus accrued interest receivable in the amount of EUR €6,816 ($11,249) (December 31, 2008 - $NIL) payable from a company commonly controlled by the Chairman and Chief Executive Officer, which bears an interest rate of 7.25% per annum.

i) 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.

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

(CAD $ thousands except per share amounts)

11. Commitments

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

2009	$	2,654
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:

2009	$	84
2010	$	112
2011	$	112
2012	$	112
2013	$	112
Subsequent	$	5,775

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

2009	$	NIL
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 period 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 10a).

f) The Company has five construction projects underway for which it has signed commitments of $64,530.

12. 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 ($17,875). Of this total amount: the Company has received an assessment for EUR €1,800 ($2,971); an additional EUR €7,831 ($12,924) was indicated for potential assessment, and to date no additional assessments have been received. The remaining amount of EUR €1,200 ($1,980) 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.

13. Subsequent events

a) The Company has subsequently disposed of all 313,589 Equity One Inc. shares and will recognize a gain of $365 on the disposal.

b) The Company has acquired for cancellation 70,100 Class A Subordinate Voting Shares and 700 Class B Multiple Voting Shares under their ongoing Normal Course Issuer Bid. The average purchase price was $8.32 per Class A share and $8.03 per Class B share. The accounting for these acquisitions and cancellations will be a decrease in Share Capital of $2,764 and an increase in Contributed Surplus of $2,175.

14. Comparative figures

Certain of the comparative figures have been reclassified to conform to the financial statement presentation adopted for the current. The most significant reclassifications include the presentation of a classified balance sheet, adjustments to the comparative consolidated balance sheet for preliminary business combination purchase price allocations finalized in 2008 and adjustments to the format of the consolidated income statement.

(CAD $ thousands except per share amounts)

15. 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 supplemental 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.
The following provides a summary of key information of the Company's residential and commercial operating segments:

Three Months Ended March 31, 2009

	Germany	Netherlands	The Baltic	Canada	US	Total
Property revenue	**$ 22,882**	**$ 9,774**	**$ 5,737**	**$ 37,197**	**$ 5,050**	**$ 80,640**
Operating expenses	**340**	**942**	**1,686**	**18,741**	**1,663**	**23,372**
	$ 22,542	**$ 8,832**	**$ 4,051**	**$ 18,456**	**$ 3,387**	**$ 57,268**

Three Months Ended March 31, 2008

	Germany	Netherlands	The Baltics	Canada	US	Total
Property revenue	$ 19,750	$ 10,796	$ 4,040	$ 36,153	$ 4,074	$ 74,813
Operating expenses	315	1,053	839	16,197	1,169	19,573
	$ 19,435	$ 9,743	$ 3,201	$ 19,956	$ 2,905	$ 55,240

March 31, 2009

	Germany	Netherlands	The Baltics	Canada	US	Total
Investment property	**$ 1,134,040**	**$ 671,624**	**$ 258,516**	**$ 1,198,559**	**$ 201,025**	**$ 3,463,764**
Mortgages payable	**$ 731,516**	**$ 448,658**	**$ 218,650**	**$ 580,381**	**$ 114,916**	**$ 2,094,121**
Mortgage bonds payable	**$ 33,025**	**$**	**$**	**$ 185,619**	**$**	**$ 218,644**

December 31, 2008

	Germany	Netherlands	The Baltics	Canada	US	Total
Investment property	$ 1,197,085	$ 685,025	$ 280,975	$ 1,189,984	$ 196,675	$ 3,549,744
Mortgages payable	$ 766,780	$ 471,324	$ 228,818	$ 580,714	$ 112,908	$ 2,160,544
Mortgage bonds payable	$ 34,493	$	$	$ 193,875	$	$ 228,368

At March 31, 2009, the Germany segment included one (March 31, 2008 - one) tenant that individually represented 19% (March 31, 2008 - 17%) of total property revenue for the period.

(CAD $ thousands except per share amounts)

15. Segmented information (cont.)

Three Months Ended March 31, 2009

	Retail	Industrial	Office	Residential	Total
Property revenue	**$ 24,527**	**$ 8,803**	**$ 44,643**	**$ 2,667**	**$ 80,640**
Operating expenses	**11,222**	**803**	**9,838**	**1,509**	**23,372**
	$ 13,305	**$ 8,000**	**$ 34,805**	**$ 1,158**	**$ 57,268**

Three Months Ended March 31, 2008

	Retail	Industrial	Office	Residential	Total
Property revenue	$ 22,188	$ 9,620	$ 40,350	$ 2,655	$ 74,813
Operating expenses	8,552	642	9,022	1,357	19,573
	$ 13,636	$ 8,978	$ 31,328	$ 1,298	$ 55,240

March 31, 2009	**Retail**	**Industrial**	**Office**	**Residential**	**Total**
Investment property	**$ 847,229**	**$ 588,803**	**$ 1,933,757**	**$ 93,975**	**$ 3,463,764**
Mortgages payable	**$ 249,031**	**$ 398,177**	**$ 1,372,929**	**$ 73,984**	**$ 2,094,121**
Mortgage bonds payable	**$ 49,512**	**$ 25,621**	**$ 7,403**	**$**	**$ 82,536**

December 31, 2008	Retail	Industrial	Office	Residential	Total
Investment property	$ 861,251	$ 611,774	$ 1,982,744	$ 93,975	$ 3,549,744
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

At March 31, 2009 Mortgage bonds payable total $218,644, exclusive of the currency guarantee receivable of $18,441. Of this amount $136,108 related to properties under development and funds intended for acquisitions and development projects which will be located in Canada. The remaining $82,536 is allocated to specific segments above.

At December 31, 2008 Mortgage bonds payable total $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.

16. Changes in accounting policies and future applicable accounting standards

The accounting policies adopted are consistent with those of the year ended December 31, 2008 except as follows:

Investment Property
IAS 40 Investment Property has been amended to include property that is being constructed or developed for future use as investment property. Previously, when investment property was being constructed or developed, that property was accounted for under IAS 16 Property, Plant and Equipment until construction or development was complete. Under IAS 16, the Company chose to carry the property using the Revaluation model, to the extent that fair value could be reliably determined, until completion, at which time the property was transferred to IAS 40. Under IAS 40, the Company has chosen the fair value model, resulting in investment properties being carried at fair value, with adjustment through the Income Statement. The amendment to IAS 40 results in investment properties under construction or development being within the scope of IAS 40 and, to the extent that fair value is reliably determinable, the carrying value of such properties is adjusted to fair value. To the extent that fair value is not reliably determinable, the property is carried at cost until either the fair value becomes reliably determinable or construction is completed, whichever is earlier. The application of the amendment is to be applied prospectively for annual periods beginning on or after January 1, 2009. This amendment had no impact on the financial results of the current period.

Share-based Payment
IFRS 2 Share-based Payment is used for determining the accounting for the Company's stock based compensation. IFRS 2 has been amended to clarify vesting conditions and the accounting treatment of cancellations. The Company's stock options issued in 2008 included certain options that are subject to vesting periods. The amendments are effective for annual periods beginning on or after January 1, 2009. The application of the amendment is to be applied prospectively for annual periods beginning on or after January 1, 2009. This amendment had no impact on the financial results of the current period.

Property Developed for Resale
International Financial Reporting Interpretations Committee (IFRIC) 15 Agreements for the Construction of Real Estate has been issued to clarify when and how revenue and related expenses from the sale of a real estate unit should be recognized if an agreement between the developer and a buyer is reached before the construction of the real estate is completed. This Interpretation had no impact on the financial results of the current period.

16. Changes in accounting policies and future applicable accounting standards (cont.)

Hedges of a Net Investment in a Foreign Operation
IFRIC 16 Hedges of a Net Investment in a Foreign Operation has been issued to provide guidance to entities that hedge foreign currency risk on net investments in foreign operations. IFRIC 16 specifies foreign currency risks that qualify for hedge accounting and the amount that can be designated; where within the corporate structure a hedging instrument can be held; and, the amount to be reclassified to the income statement upon disposal of the hedged foreign operation. This Interpretation is applicable for annual periods beginning on or after October 1, 2008 on a prospective basis. This Interpretation had no impact on the financial results of the current period.

Borrowing Costs
IAS 23 Borrowing Costs has been amended and is effective for fiscal years beginning on or after January 1, 2009. The standard has been revised to require capitalization of borrowing costs as they relate to a qualifying asset. A qualifying asset is an asset that takes a substantial period of time to get ready for its intended use or sale. The Company currently follows a policy of capitalizing borrowing costs related to development properties. A qualifying asset excludes investment properties carried at fair value. Due to the amendments to IAS 40 to include development properties within the fair value model, they are no longer qualifying assets. However, the revised IAS 23 allows a presentation in the income statement for borrowing costs as though they were capitalized to the development properties. This amendment had no impact on the financial results of the current period.

Business Combinations
IFRS 3 Business Combinations has been amended and is effective for fiscal years beginning on or after July 1, 2009. The amendments to IFRS 3 and IAS 27 must be adopted concurrently. The standard clarifies the distinction between a business combination and an asset acquisition and requires that transaction costs incurred on business combinations be expensed when incurred. The Company does not currently follow a practice of expensing transaction costs, and is evaluating the impact of this new standard on its consolidated financial statements.

Consolidated and Separate Financial Statements
IAS 27 Consolidated and Separate Financial Statements has been amended and is effective for fiscal years beginning on or after July 1, 2009. The amendments to IAS 27 and IFRS 3 must be adopted concurrently. The standard clarifies the circumstances under which an entity must consolidate another entity; the accounting for changes in the level of ownership of a subsidiary, including loss of control; and, the required disclosure regarding the nature of the relationship. The Company is evaluating the impact of this new standard on its consolidated financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATIONS AND FINANCIAL CONDITION
Year Ended December 31, 2008

The following should be read in conjunction with the consolidated financial statements and accompanying notes for the year ended December 31, 2008 prepared under **Canadian Generally Accepted Accounting Principles.**

Date of MD&A
March 25, 2009

Advisory: Certain information included in this Management Discussion and Analysis ("MD&A") contains forward-looking statements within the meaning of applicable securities laws including, among others, statements concerning our 2008 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", or "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. assumes no obligation to update the information herein.

Overall Performance and Selected Information
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		6,903	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	20,274	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)	2	95,666			2	44,262		
Total	**261**	**$3,670,879**	**824**	**20,274**	**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.

Results from Operations

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 Funds From Operations divided by either the basic or diluted weighted average number of shares.

The following table reconciles GAAP net earnings to FFO for the year ending December 31 of 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

The financial information is being provided under National Instrument 51-102 *Continuous Disclosure Obligations*. The annual information for the last three years and the quarterly information for the last eight quarters are being provided. Each quarter's results reflect the continued growth of the Company's property portfolio. The most significant transactions in the three year period were the acquisition of 12 buildings, May 1, 2006 in Germany for $610.4 million; the acquisition of 4 buildings, June 2006 in The Netherlands for $199.9 million; the acquisition of 17 buildings in Quebec, Canada through the Alexis Nihon transaction for $552.6 million in 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 Baltics 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 have had a significant impact on the annual numbers for the years in which they were acquired and subsequent years. The annual revenue stream for 2008 and 2007, and the quarterly operations for 2008 and 2007 as shown below reflect the significant growth in the property operations over the periods being provided.

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 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.

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.

		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		$506,123	$465,935	$176,869
Net operating income		$225,158	$162,158	$103,113
Net earnings (loss)		$(96,083)	$79,168	$22,962
Earnings (loss) per share	- basic	$(4.85)	$4.87	$2.08
	- diluted	$(4.85)	$4.64	$1.96
Funds from operations		$91,343	$124,159	$37,557
Funds from operations per share	- basic	$4.61	$7.63	$3.41
	- 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		$4.49	$3.93	$2.81

		3 Months Ended December 31, 2008	3 Months Ended September 30 2008	3 Months Ended June 30 2008	3 Months Ended March 31 2008
		(Thousands, except for per share calculations)			
Property revenue		**$82,598**	$75,740	$76,879	$74,362
Sale of properties developed for resale		**12,544**	41,368	48,451	88,897
Dividend income and distributions		**28**	24	106	2,834
Other income		**8**	7,435	174	624
Gain on sale of assets		**443**			
Total revenue		**$95,621**	$124,567	$125,610	$166,717
Net operating income		**$58,780**	$55,028	$56,561	$54,789
Net earnings (loss) from continuing operations		**$(118,933)**	$4,307	$9,325	$9,218
Net earnings (loss) per share from continuing operations	- basic	**$(5.95)**	$0.22	$0.47	$0.48
	- diluted	**$(5.95)**	$0.21	$0.46	$0.47
Net earnings from discontinued operations		**$NIL**	$NIL	$NIL	$NIL
Net earnings per share from discontinued operations	- basic	**$0.00**	$0.00	$0.00	$0.00
	- diluted	**$0.00**	$0.00	$0.00	$0.00
Net earnings (loss)		**$(118,933)**	$4,307	$9,325	$9,218
Net earnings (loss) per share	- basic	**$(5.95)**	$0.22	$0.47	$0.48
	- diluted	**$(5.95)**	$0.21	$0.46	$0.47
Funds from operations		**$8,916**	$20,260	$28,532	$33,634
Funds from operations per share	- basic	**$0.45**	$1.01	$1.43	$1.74
	- diluted	**$0.45**	$0.99	$1.39	$1.70
Total assets		**$4,029,922**	$3,736,084	$3,833,374	$3,806,589
Total long term financial liabilities		**$2,981,851**	$2,620,741	$2,723,397	$2,640,740
Dividend declared per share		**$0.00**	$2.25	$0.00	$2.25

		3 Months Ended December 31 2007	3 Months Ended September 30 2007	3 Months Ended June 30 2007	3 Months Ended March 31 2007
		(Thousands, except for per share calculations)			
Property revenue		$59,238	$53,132	$54,925	$40,036
Sale of properties developed for resale		194,133	7,875	11,183	15,948
Dividend income and distributions		15		27	1,969
Other income		4,641	372	14,577	3,510
Gain (loss) on derivative instrument		5	(535)	2,076	757
Gain on sale of assets		(128)		1,803	376
Total revenue		$257,904	$60,844	$84,591	$62,596
Net operating income		$42,467	$40,895	$42,976	$35,820
Net earnings (loss) from continuing operations		$63,863	$(2,720)	$11,582	$8,602
Net earnings (loss) per share from continuing operations	- basic	$3.31	$(0.15)	$0.82	$0.64
	- diluted	$3.23	$(0.14)	$0.75	$0.61
Net earnings (loss) from discontinued operations		$96	$(163)	$(2,092)	$NIL
Net earnings (loss) per share from discontinued operations	- basic	$0.00	$(0.01)	$(0.15)	$0.00
	- diluted	$0.00	$(0.01)	$(0.14)	$0.00
Net earnings (loss)		$63,959	$(2,883)	$9,490	$8,602
Net earnings (loss) per share	- basic	$3.31	$(0.16)	$0.67	$0.64
	- diluted	$3.23	$(0.15)	$0.62	$0.61
Funds from operations		$86,485	$11,638	$11,485	$14,551
Funds from operations per share	- basic	$4.48	$0.64	$0.82	$1.09
	- diluted	$4.37	$0.61	$0.75	$1.04
Total assets		$3,531,608	$2,840,402	$2,993,365	$2,361,435
Total long term financial liabilities		$2,122,724	$1,901,628	$1,898,676	$1,691,168
Dividend declared per share		$0.00	$2.25	$0.00	$1.68

Net loss for the fourth quarter of 2008 was $(118.9) million or $(5.95) per share compared to net earnings of $64.0 million in 2007 or $3.31 per share. The significant highlights of the changes from 2007 are: the property revenue increased to $82.6 million from $59.2 million and the Company realized a $2.1 million (2007 - $77.9 million) profit from the sale of properties developed for resale. The revenue stream increased from the significant growth in property assets during 2007, including the acquisition of Alexis Nihon REIT in April 2007, CN Central Station, the SEB portfolio in the Baltics, and the Cedar Shopping Center portfolio in the US all which took place in December 2007.

The Company experienced a foreign exchange loss of $25.1 million in the fourth quarter of 2008 (December 31, 2007 - $2.6 million gain) as a result of the weakening of the CAD against the EUR. This resulted from the spike in the exchange rate at year end between the EUR and CAD. The average rate for 2008 was $1.56 CAD per EUR, however the rate at December 31, 2008 was $1.72 CAD per EUR, its highest level since January 1999. Subsequent to year end, the rate dropped back to more normal levels. Based on a rate of $1.65, this would result in a foreign exchange gain of approximately $6.9 million in the three months ended March 31, 2009. The Company has reduced its exposure to foreign currency risk through the use of an internal hedging program which is discussed later in this document.

The segmented information related to each property classification 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.

Office Portfolio	**3 Months Ended December 31, 2008**	3 Months Ended December 31 2007	**Year Ended December 31, 2008**	Year Ended December 31 2007
		(Thousands)		
Property revenue	**$41,716**	$30,449	**$163,620**	$112,320
Net operating income	**$33,460**	$23,803	**$127,716**	$93,782

Homburg Invest's 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. 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.

Overall occupancy in the office portfolio was 95% at December 31, 2008 (96% - December 31, 2007).

Retail Portfolio	**3 Months Ended December 31, 2008**	3 Months Ended December 31 2007	**Year Ended December 31, 2008**	Year Ended December 31 2007
		(Thousands)		
Property revenue	**$29,083**	$18,430	**$95,887**	$54,617
Net operating income	**$15,501**	$10,238	**$56,048**	$33,327

Homburg Invest's 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 in the quarter over the same period in 2007 with the continued expansion.

Overall occupancy in the retail portfolio was 97% at December 31, 2008 (97% - December 31, 2007).

Residential Portfolio	**3 Months Ended December 31, 2008**	3 Months Ended December 31 2007	**Year Ended December 31, 2008**	Year Ended December 31 2007
		(Thousands)		
Property revenue	**$2,348**	$2,526	**$10,364**	$8,548
Net operating income	**$1,033**	$1,127	**$4,844**	$4,611

Homburg Invest's residential portfolio is primarily located in Nova Scotia, New Brunswick and Quebec, and consists of 13 (December 31, 2007 - 13) properties with 824 (December 31, 2007 - 824) units as at December 31, 2008. The increase in operations 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).

Industrial Portfolio	**3 Months Ended December 31, 2008**	3 Months Ended December 31 2007	**Year Ended December 31, 2008**	Year Ended December 31 2007
		(Thousands)		
Property revenue	**$9,451**	$7,833	**$39,708**	$31,846
Net operating income	**$8,786**	$7,299	**$36,550**	$30,438

Homburg Invest's 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.

Overall occupancy in the industrial portfolio was 99% at December 31, 2008 (99% - 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 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 Pennwest Place in Calgary, Alberta.

These profit amounts represent a portion of the $152.0 million pre tax profit announced in November 2007. As a result of percentage of completion accounting we have limited the net income inclusion to $121.8 million over the fourth quarters of 2007 and 2008, leaving the remainder of $30.2 million to be recognized over the next four quarters.

Interest Expense

Interest expense for the fourth quarter was $43.3 million in 2008, compared to $33.5 million in the same period in 2007, an increase of $9.8 million reflecting the significant increase in our property portfolio.

The Company's debt consists of $2.6 billion in fixed rate debt and $556.3 million in variable rate debt. The weighted average variable interest rate on long term debt decreased to 4.47% from 5.54%, and fixed interest rate decreased to 5.94% from 6.06% at December 31, 2007. For the year ended December 31, 2008, Homburg Invest had total interest coverage from continuing operations of 1.53:1 (December 31, 2007 - 2.18:1) (total revenue less unrealized fair value gains, property operating expenses, cost of property sales and general and administrative expenses ÷ interest expense) and a debt to equity ratio of 6.18:1 (December 31, 2007 - 4.11:1) (long term debt, construction financing, long term payables and demand loans ÷ shareholders' equity).

Depreciation and Amortization

Depreciation and amortization amounted to $18.0 million in the fourth quarter of 2008, an increase of $5.1 million over 2007's fourth quarter charge of $12.9 million.

General and Administrative

General and administrative expenses totaled $6.8 million in the fourth quarter of 2008 compared to $3.2 million in the same period of 2007. This increase of $3.6 million is predominately the result of the growth in the asset base of investment properties.

Financial Condition

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

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 are recorded as respective assets and liabilities which will 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 million (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

Mortgages payable on revenue producing properties increased by $230.2 million during the fourth quarter of 2008. 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 a $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 earnings (loss) from continuing operations for the year ended December 31, 2008 amounted to $(96.1) million.

The Company's US operations, headquartered in Colorado Springs, Colorado 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

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 totaled $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.

Contractual Obligations	Payments Due by Period (In thousands)				
	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Long term debt	$2,979,163	$50,776	$480,836	$739,797	$1,707,754
Capital lease obligations	$NIL	$NIL	$NIL	$NIL	$NIL
Operating leases	$261,014	$3,650	$33,413	$14,679	$209,272
Purchase obligations	$91,711	$66,424	$25,287	$NIL	$NIL
Other long term obligations	$106,873	$99,733	$7,140	$NIL	$NIL
Total contractual obligations	$3,438,761	$220,583	$546,676	$754,476	$1,917,026

The Company intends to make all normal principal repayments over the term of each debt instrument and to renew the mortgages at maturity under terms similar to those currently in place.

For the quarter ended December 31, 2008 funds from operations were $8.9 million. Homburg Invest believes that funds from operations and $15.0 million in credit lines available to it will be sufficient to fund near-term, nondiscretionary costs. 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 continues to manage its capital resources to maximize its opportunities for growth.

At December 31, 2008, the Company had three secured credit facilities totaling $80.0 million available to it. At period end, there was 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.

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 properties currently under development will be funded through bank construction loans and Homburg Bond proceeds.

The Company, through its subsidiary Valbonne Real Estate 5 B.V., has entered into an option agreement to purchase 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).

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.

Fourth Quarter 2008

The operating results for the December 2008 quarter, cash flows and financial position of the Company were consistent with the approved budget. The fourth quarter results were previously described under the heading "Results from Operations".

Proposed Transactions

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 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 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 38% investment in. 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 judgement 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.

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 $2.1 billion (December 31, 2007 - $1.5 billion). The total fair value of all bonds is $649.4 million (December 31, 2007 - $500.4 million). The principal amount of the mortgage bonds have been guaranteed against currency fluctuations. The currency guarantee receivable of $28.2 million is carried at fair value. The junior subordinated notes have a fair value of $70.6 million (December 31, 2007 - $58.6 million). 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.

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 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 is maturing in 2009, and only $64.4 million, or 2.2% is maturing in 2010. This maturing debt has a weighted average interest rate of 6.69% and 7.66% respectively.

The Company has been very 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 can continue to look to these unique financing markets for additional funds.

The Company has 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 to €75 million ($43.1 to $129.3 million). These funds will be utilized to strengthen the Company's balance sheet.

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 chose 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 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.

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 $2.6 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 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).

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, 2012.

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.

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 €75.0 million ($129.3 million) 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.

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 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.

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.

e) 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.

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 as such expects to adopt at the earliest 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.

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.

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 reducing 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 Invest Inc.
Consolidated Financial Statements
Canadian GAAP

December 31, 2008

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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

	2008	2007
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

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 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.
Consolidated financial statements prepared under International Financial Reporting Standards are also available.

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

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 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

	2008 Cost	2008 Accumulated Depreciation	**2008 Net Book Value**	2007 Cost	2007 Accumulated Depreciation	2007 Net Book Value
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 (000's)	Fully Vested (000's)	Date of grant	Expiration Date		Exercise Price
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.