

# Real Estate



“The privatization of Sobeys will strengthen the already strong relationship between Empire’s food retailing and real estate businesses.”

FRANK C. SOBEJ PRESIDENT, ECL PROPERTIES LIMITED



\$218.8 Million  
REVENUE FOR 2007



#### OUTSTANDING LOCATIONS AND SERVICES

Sobej Leased Properties and ECL Properties – through ECL Developments and its investments in Crombie REIT and Genstar – are committed to developing and managing shopping centres, office buildings and residential communities with outstanding locations, facilities and services.

**T**his has been a year of change for Empire's real estate business – ECL Properties – as we continue the restructuring that began with the launch of Crombie REIT in 2006. Our goal is to structure our real estate assets and management to ensure we derive maximum value from the real estate we hold today while capitalizing on the development expertise that we've acquired over the past four decades.

Our real estate division continues to hold investments in both commercial and residential real estate. Both segments performed well in fiscal 2007. Empire holds a 35.7 percent ownership interest in Genstar, which had a record year in fiscal 2007 as it continued to benefit from unprecedented strength in the residential real estate market, particularly in Calgary and Edmonton, Alberta. While we anticipate more modest growth in the residential real estate market in fiscal 2008, we are confident that Genstar will continue to yield solid results for Empire shareholders.

In commercial real estate, as of May 5, 2007, our shareholders benefited from a 49 percent total investment return in Crombie REIT since its initial public offering in March, 2006. Empire continues to hold a 48.1 percent ownership interest. Much of Crombie REIT's success in fiscal 2007 can be attributed to its management team, which implemented strategies that increased rental income, decreased vacancy and controlled expenses.

#### **FOCUSED ON DEVELOPMENT**

With the launch of Crombie REIT in 2006, the role of ECL Properties shifted from property acquisition to property development. Under the umbrella of ECL Properties, ECL Developments will develop – or redevelop – food-anchored shopping plazas, which it will then offer for sale to Crombie REIT under the terms of their preferential development agreement. The privatization of Sobeys by Empire will strengthen the already strong relationship between Empire's food retailing and real estate businesses, allowing them to work more closely to formulate growth strategies. This should result in decreased risk and greater potential for value creation in both businesses.

#### **Our major goal for fiscal 2008 is to expand our pipeline of food-anchored shopping plazas.**

During fiscal 2007, ECL Properties completed several major redevelopment projects, including the Avalon Mall in St. John's, Newfoundland and the County Fair Mall in Summerside, Prince Edward Island. Ongoing redevelopment projects include the conversion of Fredericton Mall in New Brunswick into a power centre, Phase II of the Greenfield Park site in Montreal and the redevelopment of Highland Square Mall in New Glasgow, Nova Scotia, resulting in significant completion of our capital spending commitments to the REIT as part of the original agreement.

Sobey Leased Properties ("SLP"), our second wholly-owned commercial real estate subsidiary, provides a relatively consistent stream of income to the real estate group. The assets of SLP include Sobeys-anchored shopping plazas, Sobeys standalone stores and Sobeys convenience stores. We continue to focus on the renovation and expansion of our existing properties to meet Sobeys' requirements.

#### **REFINING OUR GOALS**

With the privatization of Sobeys now complete, we continue to be firmly focused on working together to develop attractive food-anchored shopping plazas. We are also focused on the review of our SLP property portfolio to determine if there are opportunities to offer certain properties for sale to Crombie REIT.

Our experience and expertise in real estate, as well as our commitment to our investment criteria, will help to ensure that Empire can withstand the traditional economic cycles of the real estate industry. We are building a solid team, capable of executing effectively and dedicated to expanding our presence without incurring undue risk.



Frank C. Sobey  
President, ECL Properties Limited  
and Sobey Leased Properties Limited  
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