

# A SUSTAINABLE COMPETITIVE ADVANTAGE

During fiscal 2009, the real estate division accelerated the pace of its development in close cooperation with Sobeys and Crombie REIT. We believe this strategic partnership represents a significant and sustainable competitive advantage.

At the heart of this advantage is an integrated real estate strategy focused on food-anchored commercial property development. Sobeys brings valued site selection expertise for commercial locations, with ECL Developments as the developer for the sites. Crombie REIT, in which we currently have a 47.4 percent equity interest, has in turn the operational expertise to further optimize value creation.

Our growth strategy is disciplined with every investment decision guided by pre-established criteria, including:

- ▶ Great property location;
- ▶ Disciplined cost controls;
- ▶ Beneficial competitive effect for Sobeys; and
- ▶ Satisfactory return on investment.

This investment discipline, combined with coast-to-coast exposure and regional intelligence, enhances our potential for success, even in the toughest environment.

## **Steady results from our investments**

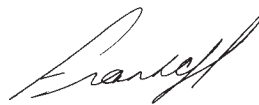
Our interest in Crombie REIT continued to generate solid operating results in fiscal 2009 with operating income contribution to Empire increasing 45.6 percent. There was improvement in operating performance from existing properties and profitable growth from new acquisitions. At the end of March, 2009, the overall occupancy rate at Crombie REIT's properties was a healthy 94.2 percent.

With respect to residential real estate operations, as we expected, Genstar's contribution to Empire's operating income declined in fiscal 2009 as a result of diminishing activity in new home construction. However, we are confident that this investment will continue to yield solid returns over the long term.

## **Going forward**

We are confident that Empire will continue to generate value from its real estate assets throughout the economic cycle. Our real estate development activities are focused on a very defensive sector of the commercial real estate market and we are working closely with the Sobeys' food retailing team.

The unique and integrated relationship that ECL Developments has with Sobeys and Crombie REIT promises to deliver long-term sustainable value. We will continue to take advantage of the opportunities generated by this unique relationship.

A handwritten signature in black ink, appearing to read 'Frank C. Sobey'.

**Frank C. Sobey**  
President  
ECL Properties Limited  
June 26, 2009



**PROJECT PIPELINE**  
**1.7**  
million square feet  
18 projects

Today, our growing retail development pipeline consists of 18 projects in Ontario, Québec and Atlantic Canada with more than 1.7 million square feet of gross leasable area. More than 90 percent of our current projects under development will be anchored by a Sobeys business. In the year ahead, we plan to invest up to \$100 million in additional development opportunities to support Sobeys' growth.



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[Empireco.ca](http://Empireco.ca)  
[Crombiereit.com](http://Crombiereit.com)  
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Frank C. Sobey (left), President,  
ECL Properties Limited with  
Donald E. Clow, President,  
ECL Developments Limited