

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities.

Information has been incorporated by reference into this short form prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request, without charge, from Partners Real Estate Investment Trust at 200-710 Redbrick Street, Victoria, BC V8T 5J3, (250) 940-5530 and are also available electronically at www.sedar.com.

The securities offered herein have not been and will not be registered under the United States Securities Act of 1933, as amended and, subject to certain exceptions, may not be offered or sold within the United States. See "Plan of Distribution".

## Short Form Prospectus

New Issue

June 6, 2012



### PARTNERS REAL ESTATE INVESTMENT TRUST

**\$20,017,000**

**2,705,000 Units**

This short form prospectus qualifies the distribution of 2,705,000 units (the "Units") of Partners Real Estate Investment Trust (the "Trust") at a price of \$7.40 per Unit (the "Offering") pursuant to an underwriting agreement (the "Underwriting Agreement") dated May 30, 2012 between the Trust and Scotia Capital Inc., Canaccord Genuity Corp., National Bank Financial Inc., TD Securities Inc. ("TD Securities"), CIBC World Markets Inc., RBC Dominion Securities Inc., Macquarie Capital Markets Canada Ltd., Raymond James Ltd., and M Partners Inc. (collectively, the "Underwriters"). The offering price of the Units was determined by negotiation between the Trust and the Underwriters.

The Trust is an unincorporated open-ended real estate investment trust governed by the laws of the Province of Ontario. The currently outstanding Units are listed and posted for trading on the Toronto Stock Exchange (the "TSX") under the trading symbol "PAR.UN". On May 23, 2012, the last trading day prior to the announcement of the Offering, the closing price of the Units on the TSX was \$7.65. The TSX has conditionally approved the listing of the Units issuable pursuant to the Offering on the TSX subject to the Trust fulfilling all of the listing requirements of the TSX on or prior to August 23, 2012.

**There are risks associated with an investment in the Units. See "Risk Factors" for a discussion of factors that should be considered by prospective investors and their advisors in assessing the appropriateness of an investment in the Units.**

#### Price \$7.40 per Unit

	Price to the Public	Underwriters' Fee <sup>(1)</sup>	Net Proceeds to the Trust <sup>(2)</sup>
Per Unit .....	<b>\$7.40</b>	<b>\$0.333</b>	<b>\$7.067</b>
Total <sup>(3)</sup> .....	<b>\$20,017,000</b>	<b>\$900,765</b>	<b>\$19,116,235</b>

**Notes:**

- (1) Pursuant to the terms of the Underwriting Agreement, the Underwriters will receive a fee equal to 4.50% of the gross proceeds of the Offering.
- (2) Before deducting the expenses of the Offering, estimated to be \$350,000.
- (3) The Trust has granted to the Underwriters an option (the "Over-Allotment Option") to purchase up to an additional 405,750 Units at a price of \$7.40 per Unit on the same terms and conditions as the Offering, exercisable in whole or in part from time to time up to the 30<sup>th</sup> day following the closing of the Offering for the purposes of covering the Underwriters' over-allocation position, if any. If the Over-Allotment Option is exercised in full, the total price to the public, Underwriters' fee and net proceeds to the Trust (before deducting expenses of the Offering) will be \$23,019,550, \$1,035,880 and \$21,983,670, respectively. This short form prospectus also qualifies for distribution the grant of the Over-Allotment Option and the issuance of Units pursuant to the exercise of the Over-Allotment Option. See "Plan of Distribution" and the table below. A person who acquires Units forming part of the Underwriters' over-allocation position acquires such Units under this short form

prospectus regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or in secondary market purchases.

The following table sets out the securities issuable to the Underwriters in connection with the Offering:

<b>Underwriters' Position</b>	<b>Maximum Size or Number of Securities Available</b>	<b>Exercise Period</b>	<b>Exercise Price</b>
Over-Allotment Option	Option to acquire up to 405,750 Units	Exercisable for a period of 30 days after the closing of the Offering	\$7.40 per Unit

The Underwriters, as principals, conditionally offer the Units, subject to prior sale, if, as and when issued by the Trust and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement referred to under "Plan of Distribution" and subject to approval of certain legal matters relating to the Offering on behalf of the Trust by McCarthy Tétrault LLP and on behalf of the Underwriters by Torys LLP.

**TD Securities is a wholly-owned subsidiary of a Canadian chartered bank which is a lender to the Trust. Consequently, the Trust may be considered a "connected issuer" of TD Securities within the meaning of applicable securities legislation. See "Plan of Distribution".**

Subscriptions for Units will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that closing of the Offering will occur on June 13, 2012 or such other date not later than June 27, 2012 as the Trust and the Underwriters may agree. The Units will be represented by a global certificate issued in registered form to CDS Clearing and Depository Services Inc. ("CDS") or its nominee under the book-based system administered by CDS. No certificates evidencing the Units will be issued to subscribers except in certain limited circumstances, and registration will be made in the depository service of CDS. Subscribers for Units will receive only a customer confirmation from the Underwriters or other registered dealer who is a CDS participant and from or through whom a beneficial interest in the Units is purchased.

Subject to applicable laws and policies, the Underwriters may, in connection with the Offering, effect transactions that stabilize or maintain the market price of the Units at levels other than those which might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time. The Underwriters propose to offer the Units initially at the offering price specified above. After a reasonable effort has been made to sell all of the Units at the price specified, the Underwriters may subsequently reduce the selling price to investors from time to time in order to sell any of the Units remaining unsold. Any such reduction will not affect the proceeds received by the Trust. See "Plan of Distribution".

Although the Trust intends to make distributions of a portion of its available cash to holders of the Units (the "Unitholders"), these cash distributions are not assured. A return on an investment in the Trust is not comparable to the return on an investment in a fixed-income security. The ability of the Trust to make cash distributions and the actual amount distributed will be dependent upon, among other things, the financial performance of the Trust, its debt covenants and obligations, its working capital requirements and its future capital requirements. The market value of the Units may deteriorate if the Trust is unable to maintain current levels of cash distributions in the future, and that deterioration may be material. An investment in the Units is subject to a number of risks and investment considerations that should be considered by a prospective purchaser. See "Risk Factors".

The Trust is not a trust company and is not registered under applicable legislation governing trust companies as it does not carry on or intend to carry on the business of a trust company. The Units are not “deposits” within the meaning of the Canada Deposit Insurance Corporation Act and are not insured under the provisions of that act or any other legislation.

Subject to certain conditions set out under “Eligibility for Investment” below, Units offered hereby will constitute a qualified investment for trusts governed by registered retirement savings plans (“**RRSPs**”), registered retirement income funds (“**RRIFs**”), deferred profit sharing plans, tax-free savings accounts (“**TFSAs**”), registered education savings plans and registered disability savings plans (collectively, “**Registered Plans**”). As set out under “Eligibility for Investment”, prospective purchasers of Units who intend to hold Units in their TFSA, RRSP or RRIF should consult their own advisors regarding their particular circumstances. See “Eligibility for Investment”.

Investors should be aware that the acquisition or disposition of the securities described in this prospectus may have tax consequences in Canada or elsewhere depending on each particular investor’s specific circumstances. Investors should consult their own tax advisors with respect to such tax considerations. The after-tax return from an investment in Units to Unitholders subject to Canadian income tax will depend, in part, on the composition for tax purposes of distributions paid by the Trust on Units, which may be fully or partially taxable or tax deferred. That composition may change over time, thus affecting a Unitholder’s after-tax return. See “Canadian Federal Income Tax Considerations” and “Risk Factors”.

Investors who are not residents of Canada for tax purposes should consult their own tax advisors concerning the consequences to them of the Offering. There are limits on ownership of Units by non-residents of Canada, as described in the revised annual information form of the Trust dated March 30, 2012 (the “**AIF**”).

The Trust is not a partnership.

The Trust’s head and registered office is located at 200-710 Redbrick Street, Victoria, BC V8T 5J3, (250) 940-5530.

## TABLE OF CONTENTS

NOTICE REGARDING FORWARD-LOOKING STATEMENTS .....	1
NON-IFRS AND NON-GAAP FINANCIAL MEASURES.....	1
GENERAL MATTERS .....	2
DOCUMENTS INCORPORATED BY REFERENCE.....	2
THE TRUST .....	4
BUSINESS OF THE TRUST.....	5
RECENT DEVELOPMENTS.....	5
USE OF PROCEEDS .....	7
CONSOLIDATED CAPITALIZATION.....	8
PRIOR SALES.....	9
TRADING PRICE AND VOLUME .....	10
DESCRIPTION OF THE UNITS.....	10
DISTRIBUTION POLICY .....	11
PLAN OF DISTRIBUTION .....	11
RISK FACTORS .....	13
CANADIAN FEDERAL INCOME TAX CONSIDERATIONS.....	13
ELIGIBILITY FOR INVESTMENT.....	19
INTERESTS OF EXPERTS .....	19
AUDITORS, TRANSFER AGENT AND REGISTRAR.....	19
PURCHASERS' STATUTORY RIGHTS.....	20
INDEPENDENT AUDITOR'S CONSENT .....	21
CERTIFICATE OF THE TRUST .....	C-1
CERTIFICATE OF THE UNDERWRITERS.....	C-2

## **NOTICE REGARDING FORWARD-LOOKING STATEMENTS**

This short form prospectus contains forward-looking statements within the meaning of Canadian securities laws that reflect the current expectations of management regarding our future growth, results of operations, performance and business prospects and opportunities. See “Business of the Trust – Business Overview” and “Risk Factors”. Forward-looking statements are only management’s beliefs, expectations and intentions and are not guarantees of performance. Wherever possible, words such as “may”, “would”, “could”, “will”, “believe”, “expect”, “estimate”, “endeavour”, “intend” and similar expressions have been used to identify these forward-looking statements. These statements reflect management’s beliefs with respect to future events and are based on information currently available to management. Forward-looking statements involve significant known and unknown risks, uncertainties and assumptions. Important assumptions relating to the forward-looking statements contained in this short form prospectus include expansions, capital expenditures, competitive conditions, general economic conditions and current levels of distributions. Many factors could cause our actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements, including, without limitation, risks and uncertainties relating to the closing of the purchase of Washington Park Shopping Centre (“**Washington Park**”) in Courtenay, British Columbia (the “**Washington Park Acquisition**”) described in “Recent Developments”, our expectations regarding increases in revenue and operating funds available to us as a result of the Washington Park Acquisition, our expectations regarding the entering into of management agreements in respect of the Washington Park Acquisition, our expectations regarding future occupancy rates of our properties, and including those risks and uncertainties discussed under the heading “Risk Factors” and elsewhere in our documents incorporated by reference. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results, performance or achievements could vary materially from those expressed or implied by the forward-looking statements contained in this short form prospectus. These factors should be considered carefully and prospective investors should not place undue reliance on the forward-looking statements. Although the forward-looking statements contained in this short form prospectus are based upon what management currently believes to be reasonable assumptions, we cannot assure prospective investors that actual results, performance or achievements will be consistent with these forward-looking statements.

These forward-looking statements are made as of the date of this short form prospectus or, in the case of documents incorporated by reference herein, as of the date of such documents, and we do not intend, and do not assume any obligation, to update these forward-looking statements, except as required by law. We cannot assure you that such statements will prove to be accurate as actual results and future events could differ materially from those anticipated in such statements. Investors are cautioned that forward-looking statements are not guarantees of future performance and accordingly investors are cautioned not to put undue reliance on forward-looking statements due to the inherent uncertainty therein.

## **NON-IFRS AND NON-GAAP FINANCIAL MEASURES**

Net operating income (“**NOI**”), funds from operations (“**FFO**”) and adjusted funds from operations (“**AFFO**”) are non-IFRS and non-GAAP measures often used by Canadian real estate investment trusts as measures of operating performance. “**IFRS**” means the International Financial Reporting Standards as issued by the International Accounting Standards Board, which is incorporated into Part I of the Canadian Institute of Chartered Accountants (“**CICA**”) Handbook. “**GAAP**” means Canadian generally accepted accounting principles determined with reference to Part V of the CICA Handbook. The Trust’s audited consolidated financial statements for the financial year ended December 31, 2011 have been prepared in accordance with IFRS with comparative figures prepared in IFRS for the prior year commencing January 1, 2010. Prior to January 1, 2011, the Trust prepared its financial statements in accordance with GAAP. The Trust’s unaudited condensed consolidated financial statements as at and for the three months ended March 31, 2012 have been prepared on a basis consistent with IFRS. All non-IFRS and non-GAAP financial measures are derived from information included in the annual audited consolidated financial statements for annual measures and in the unaudited interim consolidated financial statements for quarterly measures.

NOI, FFO and AFFO are presented herein and in the documents incorporated by reference herein because management believes these non-IFRS measures are relevant measures of the operating performance of the Trust. NOI is defined as operating income (revenues from income producing properties less property operating expenses, realty taxes and property management fees) plus amortization of tenant costs. For all references to NOI in this prospectus, amortization of tenant costs is nil; thus, there are no reconciling items between NOI and operating income, which is the closest comparable IFRS measure. Operating expenses do not include costs associated with financing, administration, amortization and depreciation,

income taxes, realized and unrealized gains and losses, and the equity pickup of an investment's net earnings. The Trust calculates FFO in accordance with the recommendations of the Real Property Association of Canada. The definition is meant to standardize the calculation and disclosure of FFO across real estate entities in Canada, and is modeled on the definition adopted by the National Association of Real Estate Investment Trusts ("NAREIT") in the United States. NAREIT's definition of FFO is net income (calculated in accordance with IFRS or GAAP) excluding gains or losses from the sale of property and fair value increases or decreases in property values, plus depreciation and amortization; adjusted for items that are not indicative of operating performance; and after adjustments for unconsolidated partnerships and joint ventures (which is also calculated to reflect FFO on the same basis). AFFO is defined as FFO net of actual leasing commissions, tenant improvements, capital expenditures that maintain the current rental operations, and straight-line rent.

**NOI, FFO and AFFO are not measures recognized under IFRS or GAAP and do not have a standardized meaning prescribed by IFRS or GAAP. NOI, FFO and AFFO should not be construed as an alternative to net earnings or cash flow from operating activities determined in accordance with IFRS. Management's method of calculating NOI, FFO and AFFO may differ from other issuers' methods of calculating NOI, FFO and AFFO and accordingly, may not be comparable to the NOI, FFO or AFFO reported by other issuers.**

### **GENERAL MATTERS**

In this prospectus, "we", "us" and "our" refer to the Trust unless the context otherwise requires.

All references in this prospectus to "dollars" or "\$" are to Canadian dollars unless otherwise noted. The Trust's audited consolidated financial statements for the financial year ended December 31, 2011 have been prepared in accordance with IFRS with comparative figures prepared in IFRS for the prior year commencing January 1, 2010. Prior to January 1, 2011, the Trust prepared its financial statements in accordance with GAAP. The Trust's unaudited condensed consolidated financial statements as at and for the three months ended March 31, 2012 have been prepared on a basis consistent with IFRS.

You should rely only on the information contained in this prospectus. We have not authorized anyone to provide you with information different from that contained in this prospectus. We are offering the Units only in jurisdictions where, and to persons to whom, such offering is lawfully permitted. The information contained in this prospectus is accurate only as of the date of this short form prospectus, regardless of the time of delivery of this prospectus or of any sale of the Units.

### **DOCUMENTS INCORPORATED BY REFERENCE**

**Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada.** Copies of documents incorporated herein by reference may be obtained on request without charge from the Trust at 200-710 Redbrick Street, Victoria, BC V8T 5J3, telephone (250) 940-5530, and are also available electronically at [www.sedar.com](http://www.sedar.com). The following documents, as filed with the various securities commissions or similar authorities in each of the provinces and territories of Canada are specifically incorporated by reference into and form an integral part of this short form prospectus:

- (a) the AIF;
- (b) the audited consolidated financial statements of the Trust for the financial years ended December 31, 2011 and December 31, 2010 together with the notes thereto and the auditor's report thereon;
- (c) the amended management's discussion and analysis of financial condition and results of operations for the Trust for the financial year ended December 31, 2011;
- (d) the unaudited condensed interim consolidated financial statements of the Trust as at and for the three months ended March 31, 2012 together with the notes thereto;
- (e) the management's discussion and analysis of financial condition and results of operations for the Trust for the three months ended March 31, 2012;
- (f) the joint management information circular dated November 16, 2011 relating to the special meeting of unitholders held on December 15, 2011;

- (g) the management information circular dated April 13, 2012 relating to the annual and special meeting of unitholders held on May 11, 2012;
- (h) the material change report dated January 27, 2012 relating to the announcement of an offering of units by the Trust (the “**February 2012 Unit Offering**”);
- (i) the material change report dated February 7, 2012 relating to the closing of the acquisition by the Trust of substantially all of the assets of NorRock Realty Finance Corporation (“**NorRock**”);
- (j) the material change report dated February 14, 2012 relating to the closing of the February 2012 Unit Offering;
- (k) the material change report dated February 14, 2012 relating to the completion of the Trust’s previously announced consolidation of its issued and outstanding units;
- (l) the material change report dated March 13, 2012 relating to the closing of the over-allotment option in connection with the February 2012 Unit Offering; and
- (m) the material change report dated May 24, 2012 relating to the announcement of the Washington Park Acquisition and the Offering;

Any document of the types referred to above, any material change reports and business acquisition reports (but excluding confidential material change reports) and any other document referred to in National Instrument 44-101F1, item 11.1 filed by the Trust with any securities regulatory authorities after the date of this short form prospectus and prior to the termination of this distribution will be deemed to be incorporated by reference into this prospectus.

**Any statement contained in this short form prospectus or in a document incorporated or deemed to be incorporated by reference herein will be deemed to be modified or superseded, for purposes of this short form prospectus, to the extent that a statement contained in this prospectus or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement is not to be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded will not, except as so modified or superseded, be deemed to constitute a part of this short form prospectus.**

## THE TRUST

The Trust is an unincorporated open-ended real estate investment trust established by a declaration of trust dated March 27, 2007, as amended and restated with effect as of June 4, 2010, November 3, 2010, December 15, 2011, March 29, 2012 and May 11, 2012 (the “**Declaration of Trust**”), and governed by the laws of the Province of Ontario.

On March 29, 2005, Charter Realty Holdings Ltd. (“**Charter Realty**”), the predecessor to the Trust, was incorporated pursuant to the provisions of the *Business Corporations Act* (Alberta). The common shares of Charter Realty were listed and posted for trading on the TSX Venture Exchange (the “**TSXV**”) commencing on September 2, 2005. On May 10, 2007, Charter Realty completed a plan of arrangement and corporate reorganization pursuant to which its outstanding shares and options were consolidated on a ten-for-one basis and exchanged for Units and Unit options. The Trust continued the business of Charter Realty from and after May 10, 2007.

The Trust’s head and registered office is located at 200-710 Redbrick Street, Victoria, BC V8T 5J3.



## **BUSINESS OF THE TRUST**

### **Business Overview**

The Trust is a real estate investment trust focused on acquiring and managing a portfolio of retail and mixed-use retail community and neighbourhood centres, generally in the mid-market range of \$10 million to \$50 million, in both primary and secondary markets throughout Canada. The Trust's goal is to generate a reliable and growing tax-efficient return for its Unitholders.

Management is of the view that retail centres are attractive investments because they offer stable cash flow where the majority of rents are derived from national and regional retailers with multi-year leases. These centres typically provide growth opportunities through the lease-up of vacant space, contractual rent escalations and through management's active re-merchandising and re-development of the properties. The Trust will look to create a base of retail assets that provide both a reliable, stable cash flow and an opportunity for yield enhancement through re-leasing, re-development and/or development of assets which it will use for rental purposes. Currently, the Trust's portfolio consists of 29 retail properties located in British Columbia, Alberta, Manitoba, Ontario and Québec comprising approximately 2.2 million square feet of leaseable space.

The Trust is currently managed by LAPP Global Asset Management Corp. (the "**Manager**"), an affiliate of IGW Public Limited Partnership ("**IGW**"). Pursuant to the terms of the management agreement between the Trust and the Manager dated March 30, 2012 (the "**Management Agreement**"), the Manager provides strategic, advisory, asset management and administrative services to the Trust. See "Recent Developments".

## **RECENT DEVELOPMENTS**

### **NorRock Acquisition**

On February 1, 2012, the Trust closed the previously announced acquisition of substantially all of the assets of NorRock, consisting of cash, cash equivalents, mortgages and other assets of NorRock, in exchange for the issuance of Units, certain rights to acquire Units, and cash. On March 29, 2012 the Trust sold three of the mortgage assets with a combined carrying value of approximately \$3.7 million for proceeds of \$3.2 million.

### **Consolidation**

Effective February 14, 2012, the Trust consolidated all of its issued and outstanding Units on the basis of one post-consolidation Unit for every four pre-consolidation Units (the "**Consolidation**"). Unless otherwise stated, all references to "Units" in this prospectus refer to Units as adjusted to reflect the Consolidation.

### **Management Agreement**

On March 30, 2012, the Trust entered into the Management Agreement, which replaced the prior management agreement between the Trust and the Manager dated June 4, 2010. For a description of the Management Agreement, see the section entitled "Management of the REIT" beginning on page 42 of the AIF.

### **Changes to Management**

On March 27, 2012, the Trust announced the appointment of Tony Quo Vadis as Chief Financial Officer of the Trust, which became effective on April 13, 2012. On May 11, 2012, David Bell was appointed Corporate Secretary of the Trust.

### **Graduation to the TSX**

On April 3, 2012, the Units of the Trust commenced trading on the TSX, at which point such Units were de-listed from the TSXV.

## Acquisitions

### *Belleville, Ontario - Quinte Crossroads*

On March 29, 2012, the Trust completed the previously announced acquisition of Quinte Crossroads (the “**Quinte Crossroads Acquisition**”), a newly developed 88,319 square foot power centre consisting of four recently constructed buildings on 14.26 acres in Belleville, Ontario. The centre is shadow-anchored by The Home Depot. The purchase price of approximately \$21.25 million was satisfied in part by cash and in part by a \$14.2 million new ten-year mortgage that bears interest at 4.0%. The property is currently 100% occupied and generates NOI of approximately \$1.4 million on an annualized basis. See “Non-IFRS and Non-GAAP Financial Measures”.

The Trust entered into a new property management agreement with a third party with respect to the Quinte Crossroads Acquisition. The agreement provides for a management fee of 2% of gross revenues, leasing fees ranging from \$1.50 to \$3.00 per square foot and other customary property management fees on market terms. The property management agreement has a term of one year and is terminable by either party on 90 days’ notice.

### *Grand Bend, Ontario - Grand Bend Towne Centre*

On May 1, 2012, the Trust announced that it had completed the acquisition of Grand Bend Towne Centre (the “**Grand Bend Acquisition**”), an existing 36,100 square foot shopping centre comprised of a Sobeys grocery store with a lease extending to April 2023 and a Shoppers Drug Mart with a lease extending to September 2017 located on Main Street East in downtown Grand Bend, Ontario. The Trust paid approximately \$8.1 million for the property, prior to an effective \$200,000 adjustment for the above market interest rate on the assumed mortgage, for a net acquisition price of \$7.9 million. The Grand Bend Acquisition was funded by the assumption of an existing mortgage of approximately \$3.2 million, originally maturing July 2017, with a stated interest rate of 5.44%, but with an effective interest rate of 3.85% taking into consideration the \$200,000 purchase price adjustment. The mortgage was increased by approximately \$0.8 million at an interest rate of 3.6% and maturing with the original mortgage. The balance of the acquisition was funded with cash on hand. The property currently generates NOI of approximately \$550,000 on an annualized basis. See “Non-IFRS and Non-GAAP Financial Measures”.

The Trust entered into a new property management agreement with a third party with respect to the Grand Bend Acquisition. The agreement provides for a management fee of 2% of gross revenues, leasing fees ranging from \$1.50 to \$3.00 per square foot and other customary property management fees on market terms. The property management agreement has a term of one year and is terminable by either party on 90 days’ notice.

### *Courtenay, British Columbia – Washington Park Shopping Centre*

On May 24, 2012, the Trust announced that it had signed an agreement (the “**Washington Park Acquisition Agreement**”) to acquire Washington Park, a two-building 32,912 square foot open-air shopping centre located in Courtenay, British Columbia on the east coast of Vancouver Island approximately 220 kilometres north of Victoria. Washington Park is anchored by a Tim Hortons and a Canadian chartered bank. The purchase price of \$11.95 million will be satisfied by a \$7.5 million first mortgage bearing interest at a floating rate equal to 175 basis points over five-year Government of Canada bonds with a 5-year term and a 25-year amortization period, with the balance paid in cash from the proceeds of the Offering. See “Use of Proceeds”. Washington Park is 100% occupied with approximately 45% of rental income derived from national and regional tenants, and is estimated to generate approximately \$770,000 in annualized NOI. See “Non-IFRS and Non-GAAP Financial Measures”.

The Washington Park Acquisition Agreement contains representations and warranties of the parties that are customary in arm’s length transactions of this nature, and the closing of the Washington Park Acquisition is conditional upon the satisfaction or waiver of customary conditions in favour of each party.

The Washington Park Acquisition is expected to close in June 2012.

## USE OF PROCEEDS

The estimated net proceeds to the Trust from the Offering, after deducting the Underwriters' fee of \$900,765 and the expenses of the Offering estimated to be approximately \$350,000, will be approximately \$18,766,235. The net proceeds from the Offering are expected to be used by the Trust to:

- pay out a 36-month loan facility (the "**FCC Loan Facility**") from Firm Capital Corporation for \$13.5 million (\$7.5 million of which is revolving). The FCC Loan Facility, which was used in connection with the acquisition on August 31, 2011 of Place Desormeaux, is currently secured against the Trust's portfolio of properties with a floating interest rate for the first 24 months that is the greater of: (a) 9.0% or (b) the posted bank prime rate of interest plus 4.0%;
- partially pay down the balance of the Acquisition Facility (approximately \$0.8 million) (as defined below under the heading "Plan of Distribution") put in place for the acquisition of Centuria Urban Village on May 16, 2011; and
- fund a portion of the consideration of the Washington Park Acquisition (approximately \$4.5 million).

The payments toward the FCC Loan Facility and the Acquisition Facility will further improve the financial profile of the Trust. The Washington Park Acquisition will strengthen the Trust's western Canadian retail portfolio. The Trust anticipates that the Washington Park Acquisition will close; however, there can be no assurance that all closing conditions will be satisfied. In such event, the proceeds that would have been used to close the Washington Park Acquisition will be used to pay down indebtedness.

If the Underwriters exercise the Over-Allotment Option in full, the estimated net proceeds to the Trust from the Offering, after deducting the Underwriters' fee of \$1,035,880 and the estimated expenses of the Offering of \$350,000, will be approximately \$21,633,670. The Trust intends to use the additional funds to further pay down the Acquisition Facility and for general Trust purposes.

**The Trust intends to spend the funds available to the Trust as stated in this short form prospectus; however, there may be circumstances where, for sound business reasons, a reallocation of funds may be deemed prudent or necessary.**

In connection with the February 2012 Unit Offering, the Trust received net proceeds of approximately \$21.1 million following the issuance of 3,049,062 Units, which proceeds were used by the Trust to partially fund the Quinte Crossroads Acquisition and to partially fund the acquisitions of Plaza des Seigneurs, Crossing Bridge Square, King George Square, Manning Crossing, St. Clair Beach Towne Centre and the Thunder Centre (collectively, the "**Acquisitions**"). The Trust's use of proceeds varied from the intended use of proceeds previously disclosed in the following ways:

Use of Proceeds	Approximate Intended Amount (\$ million) <sup>(1)</sup>	Actual Amount (\$ million)
Pay out FCC Loan Facility	13.5	NIL
Pay down Acquisition Facility and for general Trust purposes	7.6	NIL
Acquisitions	NIL	21.1

**Notes:**

(1) As disclosed in the short form prospectus of the Trust dated February 1, 2012.

The above variances had no impact on the Trust's ability to achieve its business objectives and milestones.

## CONSOLIDATED CAPITALIZATION

The following table sets forth the consolidated capitalization of the Trust as at March 31, 2012:

	<b>As at March 31, 2012</b>	<b>As adjusted as at March 31, 2012<sup>(1)</sup></b>	<b>As adjusted as at March 31, 2012<sup>(2)</sup></b>
<b>Indebtedness</b>			
Mortgages Payable	\$ 211,700,065	\$215,700,065	\$ 223,200,065
Credit Facilities	32,503,466	14,000,000	18,187,231
Debentures	<u>26,838,706</u>	<u>26,838,706</u>	<u>26,838,706</u>
Total Indebtedness	<u>271,042,237</u>	<u>256,538,771</u>	<u>268,226,002</u>
<b>Exchangeable LP Units<sup>(3)</sup></b>	<u>2,104,500</u>	<u>2,104,500</u>	<u>2,104,500</u>
<b>Unitholders' Equity</b>	<u>126,954,979</u>	<u>145,721,214</u>	<u>145,721,214</u>
<b>Number of outstanding Units</b>	18,219,058	20,924,058	20,924,058

**Notes:**

- (1) Adjusted to give effect to the receipt of net proceeds of this Offering (assuming the Underwriters' fee of \$900,765 and expenses of the Offering of approximately \$350,000 and assuming the Over-Allotment Option is not exercised) and to the Grand Bend Acquisition described under "Recent Developments". See "Risk Factors".
- (2) Adjusted to give effect to the receipt of net proceeds of this Offering (assuming the Underwriters' fee of \$900,765 and expenses of the Offering of approximately \$350,000 and assuming the Over-Allotment Option is not exercised), to the Grand Bend Acquisition and to the Washington Park Acquisition described under "Recent Developments". See "Risk Factors".
- (3) "Exchangeable LP Units" reflects the issuance of 287,500 partnership units in a limited partnership that are exchangeable into Units at the option of the non-controlling partner.

## PRIOR SALES

The Trust has not issued any Units or securities convertible into Units for the 12-month period before the date of this prospectus, other than in connection with the February 2012 Unit Offering and other than as noted in the table below. The “Number of Units” and the “Price per Unit” have been adjusted for the Consolidation.

<b>Date of Issuance</b>	<b>Securities</b>	<b>Number of Units</b>	<b>Price per Unit</b>
June 15, 2011	Units <sup>(1)</sup>	2,385	\$7.32
July 15, 2011	Units <sup>(1)</sup>	3,630	\$7.24
August 15, 2011	Units <sup>(1)</sup>	3,915	\$6.76
September 15, 2011	Units <sup>(1)</sup>	4,209	\$6.56
September 28, 2011	Warrants to acquire Units <sup>(2)</sup>	625,000	\$7.20
October 17, 2011	Units <sup>(1)</sup>	3,705	\$6.68
November 15, 2011	Units <sup>(1)</sup>	3,489	\$6.96
December 19, 2011	Agreement to issue Units <sup>(3)</sup>	287,500	\$7.20
December 15, 2011	Units <sup>(1)</sup>	3,174	\$7.20
January 16, 2012	Units <sup>(1)</sup>	2,993	\$7.48
February 1, 2012	Units <sup>(4)</sup>	7,393,833	\$6.92
February 8, 2012	Units	2,688,250	\$7.44
February 13, 2012	Units <sup>(1)</sup>	2,099	\$7.36
March 8, 2012	Units	360,812	\$7.44
March 15, 2012	Units <sup>(1)</sup>	5,467	\$7.26
April 16, 2012	Units <sup>(1)</sup>	6,458	\$7.31
May 15, 2012	Units <sup>(1)</sup>	6,802	\$7.42

**Notes:**

- (1) Units issued pursuant to the Trust’s distribution reinvestment and optional unit purchase plan.
- (2) In connection with the FCC Loan Facility, the Trust issued 625,000 purchase warrants to Firm Capital Mortgage Fund Inc. as a funding fee.
- (3) In connection with the issuance of exchangeable limited partnership units, the Trust issued 287,500 Units at a value of \$7.20 per Unit.
- (4) In connection with the acquisition of NorRock, the Trust issued 7,393,833 Units at a value of \$6.92 per Unit.

### TRADING PRICE AND VOLUME

The Units are listed and posted for trading on the TSX under the symbol “PAR.UN”. Prior to April 3, 2012, the Units were listed and posted for trading on the TSXV. The following table sets forth, for the periods indicated, the reported high and low closing trading prices and aggregate volume of trading of the Units on the TSX and the TSXV, as applicable, adjusted in each case for the Consolidation.

<u>Period</u>	<u>High (\$)</u>	<u>Low (\$)</u>	<u>Volume (#)</u>
<b>2011</b>			
June.....	7.36	7.20	143,017
July.....	7.24	7.00	89,859
August.....	7.20	6.36	466,324
September.....	6.88	6.40	233,592
October.....	7.24	6.32	173,998
November.....	7.60	6.68	294,834
December.....	7.36	7.16	176,731
<b>2012</b>			
January.....	7.96	7.28	360,216
February.....	7.36	7.04	1,318,606
March.....	7.39	7.26	1,221,621
April.....	7.48	7.15	801,923
May.....	7.69	7.35	1,743,675
June 1-5.....	7.39	7.28	113,820

The 8.0% extendible convertible unsecured subordinated debentures (the “**Debentures**”) of the Trust are listed and posted for trading on the TSX under the symbol “PAR.DB”. Prior to April 3, 2012, the Debentures were listed and posted for trading on the TSXV. The following table sets forth, for the periods indicated, the reported high and low closing trading prices and aggregate volume of trading of the Debentures on the TSX and the TSXV, as applicable.

<u>Period</u>	<u>High (\$)</u>	<u>Low (\$)</u>	<u>Volume (\$)</u>
<b>2011</b>			
June.....	105.00	101.00	848,000
July.....	104.00	103.00	196,000
August.....	103.50	98.00	372,000
September.....	100.00	95.50	203,000
October.....	100.75	93.50	384,000
November.....	101.50	100.50	167,000
December.....	101.00	100.25	377,000
<b>2012</b>			
January.....	103.00	101.00	346,000
February.....	103.05	102.50	104,000
March.....	103.50	102.50	126,000
April.....	103.50	102.55	1,030,000
May.....	106.10	103.00	248,000
June 1-5.....	103.00	102.60	136,000

### DESCRIPTION OF THE UNITS

See the section entitled “Declaration of Trust and Description of Units” beginning on page 77 of the AIF for a description of the terms and provisions of the Units. As of June 5, 2012, there were 18,232,318 Units outstanding. After giving effect to the Offering and assuming the Over-Allotment Option is exercised in full, there will be 21,343,068 Units outstanding.

## DISTRIBUTION POLICY

The amount of the Trust's cash distributions is determined by, or in accordance with, guidelines established from time to time by the trustees of the Trust (the "**Trustees**"). It is the intention of the Trustees that the aggregate amount of cash distributions made in respect of a calendar year not be less than the amount necessary to ensure that the Trust will not be liable to pay income tax under Part I of the *Income Tax Act* (Canada) (the "**Tax Act**") for such year. Distributions are paid monthly. The Trustees have discretion in declaring distributions and review these distributions on a regular basis. Distributions are paid in the month following declaration.

Since January 2009, the Trust has paid monthly distributions of \$0.0533 per Unit (adjusted for the Consolidation as applicable). The first distribution that purchasers of Units offered under the Offering would be entitled to receive, if declared by the Trustees, is the distribution expected to be paid for the month of June 2012, which will be paid on or about July 16, 2012 to Unitholders of record on June 29, 2012.

## PLAN OF DISTRIBUTION

Under the Underwriting Agreement, the Trust has agreed to issue and sell and the Underwriters have agreed to purchase on June 13, 2012 or on such other date as the Trust and the Underwriters may agree, but in any event not later than June 27, 2012, an aggregate of 2,705,000 Units at a price of \$7.40 per Unit, payable in cash to the Trust against delivery, for total gross proceeds to the Trust of \$20,017,000. The obligations of the Underwriters under the Underwriting Agreement are conditional and may be terminated at their discretion upon the occurrence of certain stated events. The Underwriters are, however, obligated to take up and pay for all of the Units if any of the Units are purchased under the Underwriting Agreement. The obligations of the Underwriters to purchase the Units are several (and not joint or joint and several). The terms of the Offering and the prices of the Units have been determined by negotiation between the Trust and the Underwriters.

Under the Underwriting Agreement, the Trust has agreed to pay the Underwriters a fee of \$0.333 per Unit for an aggregate fee payable by the Trust of \$900,765 in consideration for their services in connection with the Offering. The Underwriters' fee in respect of the Units is payable on closing of the Offering. Subscriptions for Units will be received subject to rejection or allocation in whole or in part and the right is reserved to close the subscription books at any time without notice.

The Trust has granted the Underwriters the Over-Allotment Option, exercisable in whole or in part for a period of 30 days from the date of the closing of the Offering, to purchase up to 405,750 additional Units on the same terms set forth above, to cover over-allotments, if any, and for market stabilization purposes. This short form prospectus also qualifies the granting of the Over-Allotment Option and the distribution of any Units issuable on the exercise of such option. A purchaser who acquires Units forming part of the Underwriters' over-allocation position acquires those Units under this short form prospectus, regardless of whether the Underwriters' over-allotment position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. If the Underwriters exercise the Over-Allotment Option in full, the total price to the public relating to the Offering, the Underwriters' fee and the net proceeds to the Trust before deducting the expenses of the Offering will be \$23,019,550, \$1,035,880 and \$21,983,670, respectively.

The TSX has conditionally approved the listing of the Units issuable pursuant to the Offering on the TSX subject to the Trust fulfilling all of the listing requirements of the TSX on or prior to August 23, 2012.

Under the Underwriting Agreement, the Trust has agreed to indemnify and hold harmless the Underwriters and their respective officers, directors, employees, shareholders, partners, advisors and agents against certain liabilities, including civil liabilities under Canadian securities legislation, and to contribute to payments the Underwriters may be required to make in respect thereof.

Subject to certain exceptions, the Trust has agreed that, its trustees and officers, IGW and their respective affiliates will not issue or sell any Units or other securities convertible into Units for a period of 90 days subsequent to the closing of the Offering without the consent of the Underwriters, which consent may not be unreasonably withheld.

This Offering is being made in each of the provinces of Canada except Quebec. The Units have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**U.S. Securities Act**") or any state securities laws and may not be offered or sold within the United States, or to, or for the account or benefit of, a U.S. person (as defined in Regulation S of the U.S. Securities Act). Accordingly, the Units may not be offered, sold or delivered within the United



States, and each Underwriter has agreed that it will not offer, sell or deliver the Units within the United States except in certain transactions exempt from the registration requirements of the U.S. Securities Act and applicable state securities laws. In addition, until 40 days after the commencement of this Offering of the Units, any offer or sale of the Units offered hereby within the United States by any dealer (whether or not participating in this Offering) may violate the registration requirements of the U.S. Securities Act.

Pursuant to policy statements of certain regulators, the Underwriters may not, throughout the period of distribution, bid for or purchase Units. The foregoing restriction is subject to exceptions, on the condition that the bid or purchase is not engaged in for the purpose of creating actual or apparent active trading in, or raising the price of, Units. These exceptions include a bid or purchase permitted under the bylaws and rules of the TSX relating to market stabilization and passive market-making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution. Under the first-mentioned exception, in connection with the Offering, the Underwriters may over-allot or effect transactions which stabilize or maintain the market price of the Units at levels other than those which might otherwise prevail in the open market. Those transactions, if commenced, may be discontinued at any time.

The Underwriters propose to offer the Units to the public initially at the offering price specified on the cover page of this short form prospectus. After the Underwriters have made a reasonable effort to sell all of the Units at the offering price specified on the cover page, the offering price for the Units may be decreased and may be further changed from time to time to amounts not greater than those set forth in the cover page, and the compensation realized by the Underwriters will be decreased by the amount that the aggregate price paid by the purchasers of the Units is less than the amount paid by the Underwriters to the Trust.

The Trust may be considered to be a “connected issuer” of TD Securities, which is a wholly-owned subsidiary of a Canadian chartered bank that is a lender to the Trust and/or its subsidiaries (the “**Bank**”). The Trust was indebted to the Bank for an aggregate principal amount of approximately \$5.7 million as at June 5, 2012 under a revolving operating and acquisition facility credit agreement between the Trust, as borrower, and the Bank, as initial lender and administrative agent, dated as of May 16, 2011 (the “**Acquisition Facility**”). Approximately \$0.8 million of the proceeds of this Offering are intended to be applied to reduce the indebtedness to the Bank. See “Use of Proceeds”. The Acquisition Facility is currently secured by a charge against Centuria Urban Village, located in Kelowna, British Columbia. The Trust is in compliance with the terms of the Acquisition Facility and no breach thereunder has been waived by the Bank under the Acquisition Facility since the execution of the Acquisition Facility. There has been no material change in the financial position of the Trust since the execution of the Acquisition Facility, except as described elsewhere in this short form prospectus and in the documents incorporated by reference herein. The decision by TD Securities to purchase Units was made independently of the Bank, which had no influence as to the determination of the terms of the distribution of the Units. The offering price of the Units and the other terms and conditions of the Offering were established through negotiations between the Trust and the Underwriters, without involvement of the Bank. In addition, neither TD Securities nor the Bank will receive any benefit from the Offering, other than TD Securities’ portion of the Underwriters’ fee payable by the Trust.



## RISK FACTORS

An investment in the Units involves risk. Any prospective investor should carefully consider the risk factors set forth in the AIF (starting on page 55) and other information incorporated by reference herein, and all of the other information contained in this short form prospectus before purchasing any of the Units distributed under this short form prospectus. From time to time, the stock market experiences significant price and volume volatility that may affect the market price of the Units for reasons unrelated to the Trust's performance. Additionally, the Units are subject to market value fluctuations based upon factors which influence the Trust's operations, such as the tax status of the Trust, global economic conditions, concentration of the Trust's assets, government regulation, environmental matters, risks related to acquisitions and the integration thereof, lease renewal and occupancy rates, dependence on the relationship with the Manager, and continued access to financing and the interest rates thereon. Additional risks and uncertainties not currently known to the Trust, or that the Trust currently deems immaterial, may also materially and adversely affect its business.

## CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of McCarthy Tétrault LLP, counsel to the Trust, and Torys LLP, counsel to the Underwriters, the following is a summary as at the date hereof of the principal Canadian federal income tax considerations generally applicable under the Tax Act to the acquisition, holding and disposition of Units to a Unitholder that acquires such Units pursuant to this Offering. This summary is applicable to a Unitholder who, for purposes of the Tax Act at all relevant times is resident in Canada, deals at arm's length and is not affiliated with the Trust, and holds Units as capital property. Generally, Units will be considered to be capital property to a Unitholder provided that the Unitholder does not hold the Units in the course of carrying on a business of trading or dealing in securities and has not acquired the Units in one or more transactions considered to be an adventure in the nature of trade.

Certain Unitholders who might not otherwise be considered to hold their Units as capital property may, in certain circumstances, be entitled to have them and all other "Canadian securities", as defined in the Tax Act, owned or subsequently acquired by the Unitholder, treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act. Unitholders interested in making this election should consult their own tax advisors for advice as to whether the election is available and advisable, having regard to their own particular circumstances.

This summary is not applicable to a Unitholder: (i) that is a "financial institution" for purposes of the "mark-to-market" rules, (ii) that is a "specified financial institution", (iii) an interest in which is a "tax shelter investment", (iv) that has elected to report Canadian tax results in a currency other than Canadian dollars, or (v) that holds Units acquired upon the exercise of rights to acquire such Units received in respect of, in the course of, or by virtue of employment with the Trust or any corporation or "mutual fund trust" not dealing at arm's length for purposes of the Tax Act with the Trust (all within the meaning of the Tax Act). Any such Unitholders should consult their own tax advisors to determine the tax consequences to them of the acquisition, holding and disposition of Units.

This summary does not address the deductibility of interest by a Unitholder who has borrowed money to acquire Units.

This summary is based on the facts set out in this prospectus and in a certificate provided to counsel by an officer of the Trust (the "**Officer's Certificate**"). The Officer's Certificate assumes that the Tax Proposals (defined below), including the proposals in relation to the REIT Exception (defined below), are enacted in their current form. This summary assumes that the representations made in the Officer's Certificate are true and correct, including the representations that (i) the Trust has at all times qualified and currently qualifies as a "mutual fund trust" and a "real estate investment trust" for purposes of the Tax Act, (ii) the Trust should continue to qualify as a "mutual fund trust" and a "real estate investment trust" for the purposes of the Tax Act while the Units remain outstanding, and (iii) the Trust has complied and will at all times comply with the Declaration of Trust. This summary is also based upon the current provisions of the Tax Act and the regulations thereunder (the "**Regulations**"), taking into account proposed amendments to the Tax Act and the Regulations publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the "**Tax Proposals**"), and counsel's understanding of the current administrative and assessing policies and practices published in writing by the CRA prior to the date hereof. This summary assumes the Tax Proposals will be enacted in the form proposed. There can be no assurance that the Tax Proposals will be implemented in their current form or at all.

This summary does not otherwise take into account or anticipate any changes of law or practice, whether by judicial, governmental or legislative decision or action or changes in the administrative and assessing policies and practices of the CRA. There can be no assurance that such changes, if made, might not be retroactive. Modifications or amendments of the Tax Act or Tax Proposals could significantly alter the tax status of the Trust and the tax consequences of investing in Units.

This summary also does not take into account provincial, territorial or foreign tax legislation or considerations, which may differ significantly from the Canadian federal income tax considerations discussed herein.

**This summary is not exhaustive of all possible Canadian federal tax considerations applicable to an investment in Units. The income and other tax consequences of acquiring, holding, or disposing of Units will vary depending on the particular circumstances of the Unitholder, including the province or provinces in which the Unitholder resides or carries on business. Accordingly, this summary is of a general nature only and is not, and is not intended to be, legal or tax advice to any prospective Unitholder. Consequently, prospective Unitholders should consult their own tax advisors for advice with respect to the tax consequences to them of an investment in Units based on their particular circumstances.**

For the purposes of this summary and the opinion given under the heading “Eligibility for Investment”, references to the Trust are to Partners Real Estate Investment Trust and not to any of its subsidiaries or other entities in which it holds an interest.

## **Status of the Trust**

### *Qualification as a “Mutual Fund Trust”*

This summary is based on the assumption that the Trust qualifies as a “mutual fund trust” as defined in the Tax Act and will continuously so qualify at all material times. If the Trust were to not qualify as a mutual fund trust at any time, the income tax considerations would, in some respects, be materially and adversely different.

Currently, a trust will not be considered to be a mutual fund trust if, among other things, it is established or maintained primarily for the benefit of Non-residents of Canada unless certain conditions are met. This summary assumes that the Trust was not established and is not maintained primarily for the benefit of Non-residents. Counsel is of the view that this assumption is reasonable in light of the Officer’s Certificate and the restrictions on the ownership of Units by Non-residents contained in the Declaration of Trust.

### *Qualification as a “Real Estate Investment Trust”*

As discussed below, the SIFT Rules do not apply to a trust that qualifies as a “real estate investment trust” for the year (the “**REIT Exception**”). If the Trust does not satisfy the REIT Exception throughout the year, the SIFT Rules will apply to the Trust for that year. No assurances can be given that adverse consequences to the Trust and/or Unitholders will not arise as a consequence of the application of the SIFT Rules to the Trust.

The Trust’s ability to comply with the REIT Exception during 2012 is predicated upon certain Tax Proposals being enacted, as described below. If the December 16, 2010 Proposals (as defined below) are not enacted in their current form, the SIFT Rules are expected to apply to the Trust during its 2012 taxation year as a result of the nature of certain assets purchased from NorRock (as described in the AIF). Management of the Trust believes that the application of the SIFT Rules would have no impact on the Trust or Unitholders and that no financial statement liability for taxes would be required as the Trust should have no taxable income in 2012 taking into consideration available tax deductions. Furthermore, to the extent that the Trust is subject to the SIFT Rules during its 2012 taxation year due solely to the acquisition of certain assets from NorRock, Management of the Trust expects to dispose of such assets in 2012 so that the Trust would not be subject to the SIFT Rules in 2013. Unitholders should refer to “Risk Factors – Risks Relating to the REIT” starting on page 55 of the AIF.

## SIFT Rules

The Tax Act contains rules (the “**SIFT Rules**”), which tax certain publicly-traded or listed trusts and partnerships in a manner similar to corporations and which tax certain distributions from such trusts and partnerships as taxable dividends from a taxable Canadian corporation.

The SIFT Rules apply to any trust or partnership that is a “specified investment flow-through” (a “**SIFT**”) and its investors. A SIFT includes a Canadian resident trust (a “**SIFT trust**”) where investments in the trust are listed or traded on a stock exchange or other public market, and the trust holds one or more “non-portfolio properties” (as defined in the Tax Act). “Non-portfolio properties” include certain investments in real properties situated in Canada and certain investments in corporations and trusts resident in Canada and in partnerships with specified connections in Canada.

Pursuant to the SIFT Rules, a SIFT cannot deduct any part of the amounts payable to Unitholders in respect of (i) aggregate net income from businesses it carries on in Canada; (ii) aggregate net income (other than taxable dividends received by the SIFT) from its non-portfolio properties; and (iii) aggregate net taxable capital gains from its disposition of non-portfolio properties. Distributions which a SIFT is unable to deduct will be taxed in the SIFT at rates of tax designed to emulate the combined federal and provincial corporate tax rates.

Distributions of a SIFT's income that are not deductible to the SIFT will be treated as dividends payable to Unitholders from a taxable Canadian corporation. Such dividends deemed to be received by an individual (other than certain trusts) will be included in computing the individual's income for tax purposes and will be subject to the enhanced gross-up and dividend tax credit rules normally applicable to eligible dividends received from taxable Canadian corporations. Such dividends deemed to be received by a Unitholder that is a corporation generally will be deductible in computing the corporation's taxable income. Certain corporations, including "private corporations" or "subject corporations" (as such terms are defined in the Tax Act), may be liable to pay a refundable tax under Part IV of the Tax Act of 33 1/3% on dividends received or deemed to be received to the extent that such dividends are deductible in computing taxable income.

### REIT Exception

Trusts that satisfy the REIT Exception are not subject to the SIFT Rules.

On December 16, 2010 the Department of Finance released, for public comment, certain Tax Proposals to amend the Tax Act concerning the income tax treatment of real estate investment trusts and, in particular, the conditions which must be met in order for a trust to qualify for the REIT Exception (the "**December 16, 2010 Proposals**"). Assuming that such Tax Proposals, which are generally relieving in nature, are enacted as proposed they will be effective for the 2011 and subsequent taxation years and, on an elective basis, for earlier taxation years.

Assuming that the December 16, 2010 Proposals are enacted as proposed, the following conditions must be met (in addition to the trust being resident in Canada throughout the taxation year) in order for a trust to qualify for the REIT Exception in a year subsequent to 2010:

- (a) at each time in the taxation year, the total fair market value at that time of all non-portfolio properties that are "qualified REIT properties" (as described below) held by the trust must be at least 90% of the total fair market value at that time of all non-portfolio properties held by the trust;
- (b) not less than 90% of the trust's "gross REIT revenue" (as described below) for the taxation year must be derived from one or more of the following: "rent from real or immovable properties" (as described below), interest, capital gains from dispositions of "real or immovable properties" (as described below), dividends, royalties and gains from dispositions of "eligible resale properties" (as described below);
- (c) not less than 75% of the trust's gross REIT revenue for the taxation year must be from one or more of the following: rent from real or immovable properties, interest from mortgages or hypothecs on real or immovable properties, and capital gains from dispositions of real or immovable properties;
- (d) at no time in the taxation year can the total fair market value of, stated generally, properties comprised of real or immovable properties, cash, deposits in a bank or credit union, indebtedness of Canadian corporations represented by bankers' acceptances and debt issued or guaranteed by governments in Canada be less than 75% of the "equity value" of the trust at that time; and
- (e) investments in the trust must be, at any time in the taxation year, listed or traded on a stock exchange or other public market.

Generally, the SIFT Rules contain look-through rules under which a trust could qualify for the REIT Exception where it holds its real properties indirectly through intermediate entities.

Under the SIFT Rules (assuming that the December 16, 2010 Proposals are enacted as proposed):

- (a) "eligible resale property" means real or immovable property (other than capital property) of an entity, in which a trust the investments in which are listed or traded on a stock exchange or other public market holds a security,
  - (i) that is contiguous to a particular real or immovable property that is capital property of the entity or of another

entity in which the trust holds a security, and (ii) the holding of which is necessary, and incidental, to the holding of the particular real or immovable property;

- (b) “gross REIT revenue”, of an entity for a taxation year, means the total of all amounts each of which is (i) an amount received in the taxation year or receivable in the taxation year (depending on the method regularly followed by the entity in computing the entity’s income) by the entity otherwise than as or on account of capital, or (ii) a capital gain of the entity for the taxation year;
- (c) “qualified REIT property” of a trust at any time means, generally, a property held by the trust that is at that time:
  - (i) a real or immovable property that is capital property of the trust;
  - (ii) a security of a “subject entity” (as described below) all or substantially all of the gross REIT revenue of which (for the subject entity’s taxation year that ends in the trust’s taxation year that includes that time) is from maintaining, improving, leasing or managing real or immovable properties that are capital properties of the trust or of an entity of which the trust holds a share or interest or that are eligible resale properties of each such subject entity (other than the trust);
  - (iii) a security of a subject entity if the entity holds no property other than (A) legal title to real or immovable properties of the trust or of another subject entity all of the securities of which are held by the trust and (B) property described in (iv) below; and
  - (iv) tangible personal property (or for civil law corporeal moveable property) ancillary to the earning by the trust of rents from, and capital gains from the dispositions of, real or immovable property;
- (d) “real or immovable property” includes generally a security of a trust that satisfies (or of any other entity that would, if it were a trust, satisfy) the criteria in (a), (b), (c) and (d) required to qualify for the REIT Exception discussed above and an interest in certain real property or a real right in immovables, but excludes any depreciable property other than a depreciable property included (otherwise than by an election) in capital cost allowance (“CCA”) Class 1, 3 or 31, a property ancillary to the ownership or utilization of such depreciable property and a lease or leasehold interest in respect of land or such depreciable property;
- (e) “rent from real or immovable properties” includes rent or similar payments for the use of or right to use real or immovable properties, payment for services ancillary to the rental of real or immovable properties and customarily supplied or rendered in connection therewith, but does not include any other payments for services supplied or rendered, fees for managing or operating such properties, payment for the occupation, use or right to use a room in a hotel or other similar lodging facility, or rent based on profits; and
- (f) “subject entity” means (i) a corporation resident in Canada, (ii) a trust resident in Canada, (iii) a Canadian resident partnership or (iv) a non-resident person, or a partnership that is not a Canadian resident partnership, the principal source of income of which is one or more sources in Canada.

The REIT Exception contains a number of technical tests and the determination as to whether the Trust qualifies for the REIT Exception in any particular taxation year can only be made at the end of the taxation year. Based on representations as to factual matters set out in the Officer’s Certificate, the Trust believes that it has satisfied the requirements under the REIT Exception throughout each taxation year since its inception and that it intends to continue to operate in a manner so that the Trust should continue to qualify for the REIT Exception throughout 2012 and in each subsequent taxation year, in reliance on the December 16, 2010 Proposals. No assurance can be provided in this regard. The Trust has not obtained, nor sought, an advance tax ruling from the CRA in respect of the non-application to the Trust of the SIFT Rules, including the availability of the REIT Exception. There can be no assurance that subsequent investments or activities undertaken by the Trust will not result in the Trust failing to comply with the REIT Exception. The Declaration of Trust provides that the Trust shall use its reasonable best efforts not to be a SIFT trust, in the circumstances and on the basis set forth in the Declaration of Trust. Counsel will not review the Trust’s compliance with the conditions for the REIT Exception.

The summary assumes that the Trust has and will continue to qualify for the REIT Exception at all times. Should the Trust cease to qualify under the REIT Exception for a taxation year, the income tax considerations could be materially different from those described in this summary – in particular, non-deductible distribution amounts, as previously described, could be

taxable to the Trust (with the result that the amount of cash available for distribution by the Trust would be reduced) and could also be included in the income of Unitholders for purposes of the Tax Act as taxable dividends. The REIT Exception is applied on a taxation year basis. Accordingly, even if the Trust does not qualify for the REIT Exception in a particular taxation year, it may be able to do so in a subsequent taxation year.

### **Taxation of the Trust**

The Trust will be subject to tax under Part I of the Tax Act on its income for the year, including net realized taxable capital gains, less the portion thereof that it deducts in respect of amounts paid or payable to Unitholders. An amount will be considered to be payable to a Unitholder in a taxation year if it is paid to the Unitholder in the year by the Trust or if the Unitholder is entitled in that year to enforce payment of the amount. The taxation year of the Trust is the calendar year.

In computing its income for purposes of the Tax Act, the Trust may generally deduct reasonable administrative costs, interest and other expenses of a current nature incurred by it for the purpose of earning income. The Trust may also deduct on a five-year straight line basis (subject to pro-ration for short taxation years) reasonable expenses incurred by it in the course of issuing Units. Counsel has been advised that in computing its taxable income, except as the Trustees otherwise determine, the Trust shall claim the maximum of CCA and other discretionary deductions available to the Trust under the Tax Act.

Generally, under the Declaration of Trust, unless the Trustees otherwise determine, an amount equal to all of the net income (including taxable capital gains) of the Trust (determined without reference to paragraph 82(1)(b) and subsection 104(6) of the Tax Act), together with the non-taxable portion of any net capital gains realized by the Trust, but excluding income and capital gains arising in connection with a distribution in specie on the redemption of Units which are designated by the Trust to redeeming Unitholders, and capital gains the tax on which may be offset by capital losses carried forward from prior years or is recoverable by the Trust, will be payable in the year to Unitholders by way of cash distributions, subject to the following exception. Where income of the Trust in a taxation year exceeds the total cash distributions for that year, such excess income may be distributed to Unitholders in the form of additional Units.

Losses incurred by the Trust cannot be allocated to Unitholders, but may be deducted by the Trust in future years in accordance with the Tax Act.

The Trust will be entitled for each taxation year to reduce (or receive a refund in respect of) its liability, if any, for tax on its net realized taxable capital gains by an amount determined under the Tax Act based on the redemption of Units during the year (the “**capital gains refund**”). In certain circumstances, the capital gains refund in a particular taxation year may not completely offset the Trust’s tax liability for that taxation year arising in connection with the distribution of its property on the redemption of Units. The Declaration of Trust provides that all or a portion of any income (including taxable capital gains) realized by the Trust as a result of that redemption may, at the discretion of the Trustees, be treated as income paid or payable to the redeeming Unitholder, and will be deductible by the Trust in computing its income.

Counsel has been advised that the Trust intends to make sufficient distributions in each year of its net income for tax purposes and net realized capital gains so that the Trust generally should not be liable in that year for tax under Part I of the Tax Act.

### **Taxation of Unitholders**

#### *Distributions*

A Unitholder will generally be required to include in computing income for a particular taxation year the portion of the net income for tax purposes of the Trust for a taxation year, including net realized taxable capital gains, that is paid or payable to the Unitholder in the particular taxation year, whether such portion is received in cash, additional Units or otherwise.

The after-tax return to Unitholders (other than Unitholders exempt from tax) from an investment in Units will depend, in part, on the composition for tax purposes of distributions paid by the Trust, portions of which may be fully or partially taxable or may constitute non-taxable returns of capital. The composition for tax purposes of distributions by the Trust may change over time, thus affecting the after-tax return to such Unitholders.

Provided that appropriate designations are made by the Trust, such portion of the net taxable capital gains and taxable dividends received or deemed to be received on shares of taxable Canadian corporations as are paid or payable, or deemed to



be paid or payable, to a Unitholder, will effectively retain their character and be treated as such in the hands of the Unitholder for purposes of the Tax Act. To the extent that amounts are designated as having been paid to Unitholders out of the net taxable capital gains of the Trust, such designated amounts will be deemed for tax purposes to be received by Unitholders in the year as a taxable capital gain and will be subject to the general rules relating to the taxation of capital gains. To the extent that amounts are designated as having been paid to Unitholders out of taxable dividends received or deemed to be received on shares of taxable Canadian corporations, the normal (or in the case of eligible dividends, the enhanced) gross-up and dividend tax credit rules will apply to individuals, the deduction in computing taxable income will be available to corporations, and the refundable tax under Part IV of the Tax Act will be payable by Unitholders that are “private corporations” or “subject corporations” (as such terms are defined in the Tax Act). Unitholders should consult their own tax advisors for advice with respect to the potential application of these provisions.

The non-taxable portion of any net realized capital gains of the Trust that is paid or payable to a Unitholder in a taxation year will not be included in computing the Unitholder’s income for the year. Any other amount in excess of the net income of the Trust that is paid or payable to a Unitholder or deemed to be paid or payable to a Unitholder in that year will generally not be included in the Unitholder’s income for the taxation year. However, where such an amount is paid or payable to a Unitholder (other than as proceeds of disposition or deemed disposition of Units or any part thereof), the Unitholder will generally be required to reduce the adjusted cost base of the Unitholder’s Units by that amount (except to the extent it represents the Unitholder’s share of the non-taxable portion of the net realized capital gains of the Trust for the year, the taxable portion of which was designated by the Trust in respect of the Unitholder). To the extent that the adjusted cost base of a Unit would otherwise be a negative amount, the negative amount will be deemed to be a capital gain realized by the Unitholder and the adjusted cost base of the Unit to the Unitholder will immediately thereafter be nil. Refer to the discussion of “Taxation of Capital Gains and Capital Losses” below.

#### *Dispositions of Units*

On the disposition or deemed disposition of a Unit, whether on a redemption or otherwise, the Unitholder will realize a capital gain (or sustain a capital loss) equal to the amount by which the Unitholder’s proceeds of disposition exceed (or are less than) the aggregate of the adjusted cost base of the Unit and any reasonable costs of disposition. Proceeds of disposition will not include an amount payable by the Trust that is otherwise required to be included in the Unitholder’s income, including any capital gain or income realized by the Trust in connection with a redemption which has been designated by the Trust to the redeeming Unitholder. Refer to the discussion of “Taxation of Capital Gains and Capital Losses” below.

The adjusted cost base of a Unit to a Unitholder will include all amounts paid by the Unitholder for the Unit, subject to certain adjustments. The cost to a Unitholder of additional Units received in lieu of a cash distribution of income (including net capital gains) will be the amount of income (together with the applicable non-taxable portion of net capital gains) distributed by the issue of those respective Units. For the purpose of determining the adjusted cost base to a Unitholder, when a Unit is acquired, the cost of the newly acquired Unit will be averaged with the adjusted cost base of all of the Units owned by the Unitholder as capital property immediately before the acquisition.

Where Units are redeemed by the distribution by the Trust of notes or other property of the Trust, the proceeds of disposition to the redeeming Unitholder will be equal to the fair market value of the notes or other property of the Trust so distributed less any income or capital gain realized by the Trust in connection with such redemption which is paid or payable by the Trust to the redeeming Unitholder. Where income (including a taxable capital gain) is realized by the Trust upon or in connection with an in specie distribution of property on a redemption of Units and such income is paid or payable by the Trust to the redeeming Unitholder, the Unitholder will be required to include in the Unitholder’s income such income as is paid or payable to the Unitholder. The cost of any property distributed in specie by the Trust to a Unitholder upon redemption of Units will be equal to the fair market value of that property at the time of the distribution. The Unitholder will thereafter be required to include in income interest or other income derived from the property, in accordance with the provisions of the Tax Act.

#### *Taxation of Capital Gains and Capital Losses*

One-half of any capital gain (a “**taxable capital gain**”) realized by a Unitholder on a disposition of a Unit and the amount of any net taxable capital gains designated by the Trust in respect of a Unitholder will generally be included in the Unitholder’s income for the year. One-half of any capital loss (an “**allowable capital loss**”) sustained by the Unitholder on the disposition of a Unit may generally be deducted by such Unitholder against taxable capital gains for the year. Any excess allowable capital losses over taxable capital gains of the Unitholder for that year may be carried back up to three taxation years or

forward indefinitely and deducted against net taxable capital gains in those other years, subject to the detailed provisions of the Tax Act.

The amount of any capital loss otherwise realized by a Unitholder that is a corporation or a trust (other than a mutual fund trust) on the disposition of a Unit may be reduced by the amount of dividends received by the Trust and previously designated by the Trust to the Unitholder except to the extent that a loss on a previous disposition of a Unit has been reduced by such amounts. Similar rules may apply where a corporation or trust (other than a mutual fund trust) is a member of a partnership that disposes of Units. **Unitholders to whom these rules may be relevant should consult their own tax advisors.**

#### *Special Tax on Certain Corporations*

A Unitholder that is a “Canadian-controlled private corporation” (as defined in the Tax Act) may be liable to pay an additional refundable tax of 6 2/3% on its “aggregate investment income” (as defined in the Tax Act), including taxable capital gains.

#### *Alternative Minimum Tax*

In general terms, net income of the Trust paid or payable to a Unitholder who is an individual (other than certain trusts) that is designated as taxable dividends or as net taxable capital gains and capital gains realized on a disposition of Units by such Unitholder may increase the Unitholder’s liability for alternative minimum tax.

### **ELIGIBILITY FOR INVESTMENT**

In the opinion of McCarthy Tétrault LLP, counsel to the Trust, and Torys LLP, counsel to the Underwriters, based on the provisions of the Tax Act and the Regulations in effect on the date hereof, provided that the Trust at all relevant times qualifies as a “mutual fund trust” for purposes of the Tax Act and the Regulations, or the Units are listed on the TSX (or other designated stock exchange), the Units will on the date of the closing of the Offering be qualified investments for trusts governed RRSPs, RRIFs, TFSAs, registered disability savings plans, deferred profit sharing plans, and registered education savings plans.

Notwithstanding that Units may be qualified investments for a trust governed by a TFSA, RRSP or RRIF, the holder of a TFSA or the annuitant of an RRSP or RRIF, as the case may be, will be subject to a penalty tax if the Units are a “prohibited investment” for the TFSA, RRSP or RRIF. Units will generally be a “prohibited investment” for such Registered Plan if the holder or annuitant thereof does not deal at arm’s length (for purposes of the Tax Act) with the Trust or has a “significant interest” (within the meaning of the Tax Act for the purposes of the prohibited investment rules) in the Trust or a corporation, partnership or trust with which the Trust does not deal at arm’s length for purposes of the Tax Act. Unitholders who intend to hold Units in a TFSA, RRSP, or RRIF should consult with their own tax advisors regarding the application of the foregoing prohibited investment rules having regard to their particular circumstances.

### **INTERESTS OF EXPERTS**

Certain legal matters in connection with the issuance of the Units offered by this short form prospectus will be passed upon at the date of closing on behalf of the Trust by McCarthy Tétrault LLP and on behalf of the Underwriters by Torys LLP. Further, each of McCarthy Tétrault LLP and Torys LLP are named as having provided certain legal opinions included in this short form prospectus. As of the date hereof, the partners and associates of each of McCarthy Tétrault LLP, as a group, and Torys LLP, as a group, beneficially own, directly or indirectly, less than 1% of the outstanding Units.

### **AUDITORS, TRANSFER AGENT AND REGISTRAR**

Deloitte & Touche LLP of Calgary, Alberta are the Trust’s auditors.

Computershare Investor Services Inc. is the Trust’s transfer agent and registrar at its principal offices in Toronto, Ontario.

## **PURCHASERS' STATUTORY RIGHTS**

Securities legislation in certain of the provinces and territories of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces and territories, securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that such remedies for rescission, revision of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. You should refer to applicable provisions of the securities legislation of your province or territory for the particulars of these rights or consult with a legal advisor.



### **INDEPENDENT AUDITOR'S CONSENT**

We have read the short form prospectus of Partners Real Estate Investment Trust (the "**Trust**") dated June 6, 2012 relating to the issue and sale of 2,705,000 units of the Trust. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the incorporation by reference in the above-mentioned short form prospectus of our report to the unitholders of the Trust on the consolidated statements of financial position of the Trust as at December 31, 2011, December 31, 2010 and January 1, 2010 and the consolidated statements of comprehensive income, consolidated statements of changes in unitholders' equity and consolidated statements of cash flows for the years ended December 31, 2011 and December 31, 2010. Our report is dated March 15, 2012.

(signed) "*Deloitte & Touche LLP*"

Chartered Accountants  
Calgary, Alberta  
June 6, 2012

**CERTIFICATE OF THE TRUST**

June 6, 2012

This short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Nova Scotia, New Brunswick, Prince Edward Island and Newfoundland and Labrador.

(signed) "*Adam Gant*"  
Chief Executive Officer

(signed) "*Tony Quo Vadis*"  
Chief Financial Officer

On behalf of the Trustees  
of the Trust

(signed) "*Saul Shulman*"  
Trustee

(signed) "*Jon van Haastrecht*"  
Trustee

**CERTIFICATE OF THE UNDERWRITERS**

June 6, 2012

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Nova Scotia, New Brunswick, Prince Edward Island and Newfoundland and Labrador.

**SCOTIA CAPITAL INC.**

By: (signed)

*“Bryce Stewart”*

**CANACCORD GENUITY CORP.**

By: (signed)

*“Justin Bosa”*

**NATIONAL BANK FINANCIAL  
INC.**

By: (signed)

*“Andrew Wallace”*

**TD SECURITIES INC.**

By: (signed)

*“John Mishra”*

**CIBC WORLD MARKETS INC.**

By: (signed)

*“Mark Johnson”*

**RBC DOMINION SECURITIES  
INC.**

By: (signed)

*“Dino Ferrari”*

**MACQUARIE CAPITAL  
MARKETS CANADA LTD.**

By: (signed)

*“John Bartkiw”*

**RAYMOND JAMES LTD.**

By: (signed)

*“Graham Fell”*

**M PARTNERS INC.**

By: (signed)

*“Tom Kofman”*