

The REIT partially funded the acquisition of the above properties with mortgages payable totalling \$109,856, bearing interest at an average contractual rate of 6.06% per annum. These mortgages payable have an average term of 16 years remaining and are non-recourse to the REIT but have recourse to the specific properties to which each mortgage applies. The REIT's initial levered return from these acquisitions is expected to be 10.8%.

The portfolio continues to remain in good condition. The average age of the total portfolio from the date built or renovated is 16.9 years at December 31, 2010 (December 31, 2009 - 16.3 years) and the average age of properties by type of asset is as follows:

Average Age by Type of Asset	December 31, 2010 (years)	December 31, 2009 (years)
Office	19.5	18.4
Industrial	17.6	16.9
Retail	12.1	12.1
Total	16.9	16.3

Legal title to each of the United States properties is held by a separate legal entity which is 100% owned, directly or indirectly, by H&R REIT (U.S.) Holdings Inc. ("U.S. Holdco"), a subsidiary of the REIT. The assets of each such separate entity are not available to satisfy the debts or obligations of any other person or entity; each such separate entity maintains separate books and records. The identity of the owner of a particular U.S. property is available from U.S. Holdco. This structure does not prevent distributions to U.S. Holdco provided there are no conditions of default.

The composition of the net book value of income properties expressed by type of asset and by region is as follows:

Net Book Value by Type of Asset (millions)	December 31, 2010	December 31, 2009
Office	\$1,555	\$1,565
Industrial	1,310	1,388
Retail	1,154	1,172
	\$4,019	\$4,125

Net Book Value by Region (millions)	December 31, 2010	December 31, 2009
Ontario	\$1,719	\$1,763
Alberta	582	595
Other	420	433
Quebec	235	238
Canada	2,956	3,029
United States	1,063	1,096
Total	\$4,019	\$4,125