

“The Bow” - EnCana's Corporate Headquarters In Calgary



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THE BOW

Introduction



- H&R REIT is currently developing The Bow, a world class, “AAA” office property located in the heart of Calgary’s Financial Core
 - ▶ Approximately 2.0 million SF 58-storey office tower
 - ▶ 100% of The Bow is leased to EnCana for 25 years on a fully net basis and will serve as EnCana’s corporate headquarters
 - ▶ Annual net rent of approximately \$94.3 million with annual contractual rental rate escalations of 0.75% for office rent and 1.50% for parking rent
 - ▶ The Bow’s budgeted cost is ~\$1.5 billion, with full completion and the lease commencement date expected by April 2012
 - ▶ World class design by Foster + Partners architects
 - ▶ EnCana is one of Canada’s largest public companies with a current market capitalization of approximately \$42 billion
 - EnCana is the leading North American unconventional natural gas producer, and a technical and cost leader in the in-situ recovery of bitumen
 - EnCana is a strong investment grade rated company by all major ratings agencies (A(low) DBRS; A- S&P; Baa2 Moody’s)

Encana Key Figures at Q1 2009 (LTM) (US\$ billions)			
EBITDA (LTM)	\$14.5	Total Debt/ EBITDA (2009E)	0.7x
Net Income (LTM)	\$6.8	Debt/Equity (2009E)	40.4%
Enterprise Value	\$45.8	Net Debt/Capital (2009E)	27.0%
Market Cap	\$41.9	EBITDA/Interest (2009E)	26.1x

Highlights



- **Landmark AAA office tower in Calgary, Canada**
 - The Bow, a world class 58 storey, ~2.0 million SF state-of-the-art steel and glass tower designed by Foster + Partners architects and set in a fully integrated downtown development, will consolidate the corporate headquarters of EnCana, one of Canada's largest public companies

- **Fully-net 25 year lease upon completion**
 - EnCana is pre-leasing 100% of the Bow for 25 years, on a fully-net basis, generating in excess of \$94.0 million of NOI in the first year of the lease, with annual rent increases thereafter

- **Strong investment grade rated industry leading tenant**
 - EnCana, the leading North American unconventional natural gas producer, and a technical and cost leader in the in-situ recovery of bitumen, is a strong investment grade rated company by all major credit rating agencies

- **Excellent location within downtown Calgary**
 - The Bow located in the heart of downtown Calgary, will provide occupants with an expansive view of the surrounding environment, including panoramic views of the Rocky Mountains, the Bow River Valley, and the Canadian Prairies
 - The project is located on a major station in Calgary's Light Rail Transit System (LRT) and will be completely integrated into Calgary's "Plus-15" elevated pedestrian walkway system

Update Regarding Construction Process and Financing



- As at March 31, 2009, H&R REIT has spent approximately \$420.0 million of the \$1.33 billion budget, excluding capitalized interest costs for accounting purposes (the "Total Budget")
 - The Total Budget includes approximately \$85.0 million in development cost contingencies
- In order to minimize the risk of cost overruns, H&R REIT has entered into fixed-price contracts amounting to 68.0% of the \$1.05 billion of hard construction costs
- On April 23, 2009 H&R REIT announced that it closed a \$425-million, 42-month construction facility (the "Financing") for H&R REIT's development project in Calgary "The Bow", with a syndicate of lenders led by RBC Capital Markets and TD Securities and including The Bank of Nova Scotia, Bank of Montreal, Alberta Treasury Branches and Canadian Western Bank
- H&R REIT has entered into an interest rate swap that will hedge its interest rate exposure during the term of the Financing
 - The annual effective interest rate for the Financing, including the cost of the swap, will be 6.90%
 - Budgeted interest expense, including the cost of the swap, for the Financing will be capitalized to the Total Budget
- The interest rate swap, together with the fixed-price construction contracts awarded and costs incurred to date, results in H&R REIT having effectively locked in 80% of the Total Budget before contingencies

World Class Owner and Development Team Led by H&R REIT

- H&R REIT, a premier landlord and developer with a real estate portfolio encompassing 35 office, 123 industrial and 121 retail properties containing 42 million SF (excl. the Bow) and one of Canada's largest publicly traded real estate companies (\$1.4 billion market cap as at April 23, 2009) is executing this development
- H&R REIT's development team is comprised of first class architects, developers, designers and consultants, including:
 - Matthews Developments (Alberta) Inc. (development manager)
 - Ledcor Construction Limited (construction manager)
 - Foster + Partners (design architect)
 - Altus Helyar (cost consultant and project monitor)

