This short form prospectus is a base shelf prospectus. This short form prospectus has been filed under legislation in each of the provinces of Canada that permit certain information about these securities to be determined after this prospectus has become final and that permit the omission from this short form prospectus of that information. The legislation requires the delivery to purchasers of a prospectus supplement containing the omitted information within a specified period of time after agreeing to purchase any of these securities.

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. The securities offered hereby have not been, and will not be, registered under the United States Securities Act of 1933, as amended and, subject to certain exceptions, may be not be offered or sold in the United States or to U.S. persons.

Information has been incorporated by reference in 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 the Chief Financial Officer of Calloway Real Estate Investment Trust at 310, 855 – 8th Avenue SW, Calgary, Alberta T2P 3P1 (Telephone (403) 266-6442). For the purposes of the Province of Quebec, this simplified prospectus contains information to be completed by consulting the permanent information record. A copy of the permanent information record may be obtained from the Chief Financial Officer of the issuer at the above mentioned address and telephone number.*

BASE SHELF SHORT FORM PROSPECTUS

New Issue September 14, 2005

CALLOWAY
REAL ESTATE INVESTMENT TRUST

$2,000,000,000

Debt Securities

Units
and
Subscription Receipts

Calloway Real Estate Investment Trust ("**Calloway**" or the "**Trust**") may from time to time during the 25-month period that this short form base shelf prospectus (the "**Prospectus**"), including any amendments hereto, remains valid, offer for sale and issue trust units of the Trust ("**Units**"), subscription receipts ("**Subscription Receipts**") and debt securities, which may consist of debentures, notes or other types of debt and may be issuable in series (the "**Debt Securities**" and together with the Units and Subscription Receipts, the "**Trust Securities**"). The Trust may sell up to $2,000,000,000 in the aggregate of initial offering price of Trust Securities (or its equivalent in any other currency used to denominate the Trust Securities at the time of the offering) at any time.

The specific terms of any Trust Securities offered will be described in one or more shelf prospectus supplements (collectively or individually, as the case may be, a "**Prospectus Supplement**"), including, where applicable: (i) in the case of Units, the number of Units being offered, the offering price and any other specific terms; (ii) in the case of Subscription Receipts, the number of Subscription Receipts being offered, the offering price, the procedures for the exchange of the Subscription Receipts for Units and any other specific terms; and (iii) in the case of Debt Securities, the specific designation, the aggregate principal amount being offered, the denominations, the currency, the issue and delivery date, the maturity date, the issue price (or the manner of determination thereof if offered on a non-fixed price basis), the interest rate (either fixed or floating, and, if floating, the manner of calculation thereof), the interest payment date(s), the redemption, the exchange or conversion provisions (if any), the repayment terms, the form (either global or definitive), the authorized denominations and any other specific terms. A Prospectus Supplement may include specific variable terms pertaining to the Trust Securities that are not within the alternatives and parameters described in this Prospectus.

Calloway may sell Trust Securities to or through underwriters or dealers or to purchasers directly or through agents. Please see "Plan of Distribution". A Prospectus Supplement will set out the names of any underwriters, dealers or agents involved in the sale of the Trust Securities, the principal amount (if any) to be purchased by underwriters and the compensation of such underwriters, dealers or agents. Unless otherwise indicated in a Prospectus Supplement, an offering of Trust Securities will be subject to approval of certain legal matters on behalf of Calloway by Shea Nerland Calnan, Calgary, Alberta.

The Units are listed on the Toronto Stock Exchange (the "**TSX**") under the symbol "CWT.UN".

Unless otherwise specified in the applicable Prospectus Supplement, the Subscription Receipts and Debt Securities will not be listed on any securities exchange. Accordingly, unless so specified, there will be no market through which these securities may be sold and purchasers may not be able to resell securities purchased under this Prospectus.

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FORWARD-LOOKING STATEMENTS

Certain statements contained in this Prospectus, including those contained in certain documents incorporated by reference in this Prospectus, constitute "forward-looking statements". All statements, other than statements of historical fact, in this Prospectus and in documents incorporated by reference in this Prospectus that address activities, events or developments that Calloway or a third party expects or anticipates will or may occur in the future, including Calloway's future growth, results of operations, performance and business prospects and opportunities, and the assumptions underlying any of the foregoing, are forward-looking statements. These forward-looking statements reflect Calloway's current beliefs (or current beliefs at the time such statements were made, as the case may be) and are based on information currently available (or then currently available, as the case may be) to Calloway and on assumptions Calloway believes (or believed, as the case may be) are reasonable. Actual results and developments may differ materially from results and developments discussed in the forward-looking statements as they are subject to a number of significant risks and uncertainties, including those discussed under "Risk Factors" and elsewhere in this Prospectus. Certain of these risk factors and uncertainties are beyond Calloway's control. Consequently, all of the forward-looking statements made in this Prospectus and in documents incorporated by reference in this Prospectus are qualified by these cautionary statements and other cautionary statements or factors contained herein, and there can be no assurance that the actual results or developments will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, Calloway. These forward-looking statements are made as of the date of this Prospectus (or the date of the applicable document incorporated by reference, as the case may be) and Calloway assumes no obligation to update or revise them to reflect subsequent information, events or circumstances unless otherwise required by applicable securities legislation.

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 the documents incorporated herein by reference may be obtained on request without charge from the Chief Financial Officer of Calloway Real Estate Investment Trust at 310, 855 – 8th Avenue SW, Calgary, Alberta T2P 3P1 (Telephone (403) 266-6442). For the purposes of the Province of Quebec, this simplified prospectus contains information to be completed by consulting the permanent information record. A copy of the permanent information record may be obtained from the Chief Financial Officer of Calloway at the above mentioned address and telephone number.

The following documents of Calloway, which have been filed with the securities commission or similar authority in each of the provinces of Canada, are specifically incorporated by reference into and form an integral part of this Prospectus:

(a) the Annual Information Form of the Trust dated March 22, 2005 (the "**Annual Information Form**");

(b) the audited annual comparative consolidated financial statements of the Trust as at and for the year ended December 31, 2004 together with the notes thereto and the auditors' report thereon;

(c) management's discussion and analysis of financial condition and results of operations of the Trust for the annual comparative financial statements referred to in paragraph (a) above;

(d) the unaudited interim comparative consolidated financial statements of the Trust for the three and six month periods ended June 30, 2005 together with the notes thereto;

(e) management's discussion and analysis of financial condition and results of operations of the Trust for the interim comparative financial statements referred to in paragraph (d) above;

(f) the audited schedules of combined net operations for certain prior acquisitions of the Trust for the years ended December 31, 2003, 2002 and 2001 together with the notes thereto and the auditors report thereon, all of which can be found at pages F-20 to F-24 (the "**Centres**") and pages F-26 to F-31 (the "**Centres II**") of the Trust's prospectus dated April 30, 2004;

(g) the business acquisition report of the Trust dated February 11, 2005 including the audited schedules of combined net operations for certain prior acquisitions (the "**Phase I Centres**") of the Trust for the years ended December 31, 2003 and 2002 together with the notes thereto and the auditors report thereon and the unaudited interim comparative schedules of combined net operations for such acquisitions for the nine month periods ended September 30, 2004 and 2003, all of which can be found at pages 19 to 24 of that business acquisition report;

(h) the business acquisition report of the Trust dated May 10, 2005 including the audited schedules of combined net operations for certain prior acquisitions (the "**Phase II Centres**") of the Trust for the years ended December 31, 2004 and 2003 together with the notes thereto and the auditors report thereon, all of which can be found at pages 6 to 10 of that business acquisition report;

(i) the management information circular of the Trust dated June 9, 2005 (the "**Management Information Circular**") other than those portions of the Management Information Circular that, pursuant to National Instrument 44-101 of the Canadian Securities Administrators, are not required to be incorporated by reference herein;

(j) the material change report of the Trust dated February 16, 2005 relating to (i) an increase in the monthly distributions of the Trust; and (ii) the reaching of an agreement for the Trust to raise approximately $60 million by the issuance of subscription receipts;

(k) the material change report of the Trust dated February 24, 2005 relating to the closing of the Trust's previously announced private placement of subscription receipts for gross proceeds of approximately $60 million;

(l) the material change report of the Trust dated March 14, 2005 relating to the completion of the acquisition of the Phase II Centres;

(m) the material change report of the Trust dated April 19, 2005 relating to the receipt of the approval of the Board of Trustees of the Trust and the conditional agreements for the acquisition of the interests in certain properties (the "**Centres V**");

(n) the material change report of the Trust dated May 16, 2005 relating to amendments to the conditional agreements for the acquisition of interests in the Centres V;

(o) the material change report of the Trust dated June 3, 2005 relating to an agreement of the Trust to raise up to $175 million by the issuance of subscription receipts;

(p) the material change report of the Trust dated June 10, 2005 relating to an increase in the size of the aforementioned subscription receipt offering to up to $225 million;

(q) the material change report dated June 23, 2005 relating to the closing of the Trust's previously announced private placement of subscription receipts for gross proceeds of approximately $225 million;

(r) the material change report dated July 15, 2005 announcing that Calloway had completed its previously announced acquisition of the Centres V; and

(s) the material change report dated August 8, 2005 relating to the appointment of Mr. Marc Charlebois to the position of Chief Operating Officer of the Trust effective September 1, 2005.

All material change reports (excluding confidential material change reports), comparative interim financial statements, comparative annual financial statements and the auditors' report thereon, all management's discussion and analysis of financial condition and results of operation and information circulars (other than those portions that are not required to be incorporated by reference under applicable securities laws) which are filed by Calloway with a securities commission or similar regulatory authority in any of the provinces of Canada after the date of this Prospectus and prior to the termination of the offering shall be deemed to be incorporated by reference into this Prospectus.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded, for purposes of this Prospectus, to the extent that a statement contained herein or in any other subsequently filed document that 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 shall not 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 shall not be deemed in its unmodified or superseded form to constitute part of this Prospectus.

Upon a new annual information form and the related annual financial statements being filed by Calloway with, and, where required, accepted by the applicable securities regulatory authorities during the currency of this Prospectus, the previous annual information form, the previous annual financial statements and all interim financial statements, material change reports, business acquisition reports and annual filings or information circulars filed before the commencement of Calloway's fiscal year in which the new annual information form is filed will be deemed no longer to be incorporated by reference into this Prospectus for purposes of future offers and sales of Trust Securities under this Prospectus.

A Prospectus Supplement containing the specific terms in respect of any offering of Trust Securities, updated disclosure of interest coverage ratios (if applicable) and any additional or updated information Calloway may elect to include (provided that such information does not describe a material change that has not already been the subject of a material change report or a prospectus amendment) will be delivered to purchasers of such Trust Securities, together with this Prospectus, and will be deemed to be incorporated into this Prospectus as of the date of such Prospectus Supplement, but only for purposes of the offering of such Trust Securities.

CALLOWAY

Calloway is an unincorporated "open-end" trust constituted in accordance with the laws of the Province of Alberta, pursuant to a declaration of trust that was most recently amended and restated as of July 7, 2005 (the **"Declaration of Trust**"). Calloway was created to invest in income-producing rental properties located in Canada

The objectives of Calloway are: (i) to provide Unitholders with stable and growing cash distributions, payable monthly and, to the maximum extent possible, tax deferred through the acquisition of a portfolio of well-located, large format, unenclosed retail centres in Canada; (ii) to expand the asset base of Calloway and increase its Distributable Income (as defined in the Declaration of Trust, which definition is also included on page 51 of the Management Information Circular) through on-going active management of Calloway's assets and the acquisition of additional large format, unenclosed retail centres or interests therein; and (iii) to enhance the value of Calloway's assets and maximize long-term Unit value through efficient management and proactive leasing.

Calloway intends to invest primarily in large format, unenclosed retail rental properties with strong tenant covenants, stable yields, low vacancy levels and growth potential and to build a geographically diversified portfolio of such properties. Calloway believes it will be able to implement an investment strategy of acquiring additional properties with these characteristics to provide additional cash flow and further enhance the long-term portfolio value. To the extent that opportunities exist, and to the extent that management and the board of trustees of Calloway believe such opportunities are beneficial to Unitholders, Calloway will continue to acquire well-anchored large format, unenclosed retail centres.

The principal office of Calloway is currently at 310, 855 – 8th Avenue SW, Calgary, Alberta T2P 3P1. The Units of Calloway trade on the TSX under the symbol "CWT.UN". The 6% convertible unsecured subordinated debentures due June 30, 2014 of Calloway trade on the TSX under the trading symbol "CWT.DB".

Although Calloway is a "mutual fund trust" as defined in the *Income Tax Act* (Canada), Calloway is not a "mutual fund" and is not subject to the requirements of Canadian mutual fund policies and regulations under Canadian securities legislation.

Calloway is not a trust company and, accordingly, is not registered under the *Trust and Loan Companies Act* (Canada) or the trust company legislation of any province as it does not carry on, nor does it intend to carry on, the business of a trust company.

USE OF PROCEEDS

The use of proceeds from the sale of Trust Securities will be described in a Prospectus Supplement relating to a specific issuance of Trust Securities. Calloway may use net proceeds from the sale of Trust Securities to repay indebtedness outstanding from time to time, to fund the purchase of real property and other investments as permitted by the Declaration of Trust, for capital expenditures and for other general purposes.

EARNINGS COVERAGE RATIOS

After giving pro forma effect to the significant acquisitions as set out in the unaudited pro forma consolidated financial statements as at and for the six months ended June 30, 2005 and for the year ended December 31, 2004 included in the Prospectus which include the issuances of long-term debt and changes in indebtedness not reflected in the unaudited interim comparative consolidated financial statements of Calloway for the six month period ended June 30, 2005 or the audited annual comparative consolidated financial statements of the Trust as at and for the year ended December 31, 2004, Calloway's interest requirements for the twelve months ended December 31, 2004 and for the twelve months ended June 30, 2005, after giving effect to the pro forma transactions referred to above, would have been $77,675,000 and $78,261,000, respectively, and its net income (before deducting interest expense and income taxes) for such periods would have been $83,704,000 and $99,248,000, respectively, which is 1.08 and 1.27 times Calloway's interest requirements for such periods, respectively.

The following table sets out the earnings coverage ratios discussed above.

	For the 12 months ended **June 30 2005** [(1)] (Pro forma)	For the 12 months ended **December 31, 2004** [(1)] (Pro forma)
Interest Expense ($)	77,102,000	76,697,000
Capitalized Interest ($)	1,159,000	978,000
Denominator for Earnings Coverage Ratio ($)	**78,261,000**	**77,675,000**
Net Income ($)	22,146,000	7,007,000
Income Taxes ($) [(2)]	-	-
Interest Expense ($)	77,102,000	76,697,000
Numerator for Earnings Coverage Ratio ($)	**99,248,000**	**83,704,000**
Earnings Coverage Ratio	**1.27**	**1.08**

Notes:

(1) Pro forma numbers give effect to the significant acquisitions and related debt all as set out in the unaudited pro forma consolidated financial statements as at and for the six months ended June 30, 2005 and for the year ended December 31, 2004. The significant acquisitions include properties for which certain tenant premises were under construction during the pro forma periods. As a result, the pro forma Net Income includes rents from such tenants only from the dates that the premises were occupied by the tenants and does not represent the total annual rent payable by such tenants. Interest Expense is determined, however, on the basis that the full amount of the debt incurred to acquire the completed properties was outstanding for the entire pro forma periods.

(2) Calloway is taxed as a mutual fund trust for income tax purposes. Calloway intends to distribute all taxable income directly earned by Calloway directly to unitholders and to deduct such distributions for income tax purposes.

Each series of Debt Securities will contain covenants with respect to the interest coverage ratios that Calloway will be required to maintain. These coverage ratios will be described in the applicable Prospectus Supplement and will differ from the earnings coverage ratios set forth above, which are based on earnings and calculated in accordance with applicable Canadian securities law disclosure requirements.

DESCRIPTION OF TRUST SECURITIES

The following is a summary of the material attributes and characteristics of the Trust Securities. This summary does not purport to be complete.

Units

This section describes the general terms that will apply to any Units that may be offered by the Trust pursuant to this Prospectus. For a complete summary of the general terms that apply to Units of the Trust, see “Declaration of Trust and Description of Units” in the Trust’s Annual Information Form and see “Fourth Amended and Restated Declaration of Trust” in the Trust’s Management Information Circular each of which are incorporated by reference in this Prospectus.

The Units may be offered separately or together with the Subscription Receipts or the Debt Securities, as the case may be.

An unlimited number of Units may be issued pursuant to the Trust’s Declaration of Trust. Each Unit is transferable and represents an equal undivided beneficial interest in any distributions from the Trust, whether of net income, net realized capital gains (other than net realized capital gains distributed to redeeming Unitholders) or other amounts, and in the net assets of the Trust in the event of termination or winding-up of the Trust.

All Units are of the same class with equal rights and privileges. The Units are not subject to future calls or assessments, and entitle the holders thereof to one vote for each whole Unit held at all meetings of Unitholders.

Subscription Receipts

This section describes the general terms that will apply to any Subscription Receipts that may be offered by the Trust pursuant to this Prospectus.

Subscription Receipts may be offered separately or together with the Units or the Debt Securities, as the case may be. The Subscription Receipts will be issued under a subscription receipt agreement.

The applicable Prospectus Supplement will include details of the subscription receipt agreement covering the Subscription Receipts being offered. The following sets forth certain general terms and provisions of the Subscription Receipts offered under this Prospectus. The specific terms of the Subscription Receipts, and the extent to which the general terms described in this section apply to those Subscription Receipts, will be set forth in the applicable Prospectus Supplement.

The particular terms of each issue of Subscription Receipts will be described in the related Prospectus Supplement. Such description will include, where applicable:

- the number of Subscription Receipts;
- the price at which the Subscription Receipts will be offered;
- the procedures for the exchange of the Subscription Receipts into Units;
- the number of Units that may be exchanged upon exercise of each Subscription Receipt;
- the designation and terms of any other Securities with which the Subscription Receipts will be offered, if any, and the number of Subscription Receipts that will be offered with each Security;
- material Canadian tax consequences of owning the Subscription Receipts (if any); and
- any other material terms and conditions of the Subscription Receipts.

Debt Securities

This section describes the general terms that will apply to any Debt Securities that may be offered by the Trust pursuant to this Prospectus.

The Debt Securities may be offered separately or together with the Units or the Subscription Receipts, as the case may be.

The following sets forth certain general terms and provisions of the Debt Securities offered under this Prospectus. The specified terms and provisions of the Debt Securities offered pursuant to an accompanying Prospectus Supplement, and the extent to which the general terms described in this section apply to those Debt Securities, will be set forth in the applicable Prospectus Supplement.

The Debt Securities will be direct unsecured obligations of the Trust. The Debt Securities will be senior or subordinated indebtedness of the Trust as described in the relevant Prospectus Supplement. In the event of the insolvency or winding-up of the Trust, the subordinated indebtedness of the Trust, including the subordinated Debt Securities, will be subordinate in right of payment to the prior payment in full of all other liabilities of the Trust (including senior indebtedness), except those which by their terms rank equally in right of payment with or are subordinate to such subordinated indebtedness.

The Debt Securities will be issued under one or more indentures (each, a "**Debt Security Indenture**"), in each case between the Trust and a trustee (each, a "**Debt Security Trustee**"), as trustee. The statements made hereunder relating to any Debt Security Indenture and the Debt Securities to be issued thereunder are summaries of certain anticipated provisions thereof and do not purport to be complete and are subject to, and are qualified in their entirety by reference to, all provisions of the applicable Debt Security Indenture.

Each Debt Security Indenture may provide that Debt Securities may be issued thereunder up to the aggregate principal amount which may be authorized from time to time by the Trust.

The particular terms of each issue of Debt Securities will be described in the related Prospectus Supplement. This description will include, where applicable:

- the designation, aggregate principal amount and authorized denominations of such Debt Securities;

- the currency or currency units for which the Debt Securities may be purchased and the currency or currency unit in which the principal and any interest is payable (in either case, if other than Canadian dollars);
- the percentage of the principal amount at which such Debt Securities will be issued;
- the date or dates on which such Debt Securities will mature;
- the rate or rates per annum at which such Debt Securities will bear interest (if any), or the method of determination of such rates (if any);
- the dates on which any such interest will be payable and the record dates for such payments;
- the Debt Security Trustee under the Debt Security Indenture pursuant to which the Debt Securities are to be issued;
- the designation and terms of any Securities with which the Debt Securities will be offered, if any, and the number of Debt Securities that will be offered with each Security;
- whether the Debt Securities are subject to redemption or call and, if so, the terms of such redemption or call provisions;
- whether such Debt Securities are to be issued in registered form, bearer form or in the form of temporary or permanent global securities and the basis of exchange, transfer and ownership thereof;
- any exchange or conversion terms;
- whether the Debt Securities will be subordinated to other liabilities of the Trust;
- material Canadian tax consequences of owning the Debt Securities, if any; and
- any other material terms and conditions of the Debt Securities.

Debt Securities of a single series may be issued at various times with different maturity dates, may bear interest at different rates and may otherwise vary.

PLAN OF DISTRIBUTION

Calloway will sell the Trust Securities to or through underwriters or dealers or purchasers directly or through agents. The Trust Securities may be sold from time to time in one or more transactions at a fixed price or prices, which may be changed or at market prices prevailing at the time of sale, at prices related to such prevailing market prices or at negotiated prices.

A Prospectus Supplement will set forth the terms of the offering, including the name or names of any underwriters, dealers or agents, the purchase price or prices of the Trust Securities, the proceeds to Calloway from the sale of the Trust Securities, any initial public offering price (or the manner of determination thereof if offered on a non-fixed price basis), any underwriting discount or commission and any discounts, concessions or commissions allowed or reallowed or paid by any underwriter to other dealers. Any initial public offering price and any discounts, concessions or omissions allowed or reallowed or paid to dealers may be changed from time to time.

Each series or issue of Debt Securities will be a new issue of securities with no established trading market. Unless otherwise specified in a Prospectus Supplement relating to an issue of Debt Securities, the Debt Securities will not be listed on any securities or stock exchange. In connection with any offering of Trust Securities, the underwriters may over-allot or effect transactions that stabilize or maintain the market price of the Trust Securities offered at a level above that which might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time. Any underwriters or agents to or through whom Trust Securities are sold by Calloway may make a market in the Trust Securities, but they will not be obligated to do so and may discontinue any market making at any time without notice. No assurance can be given that a trading market in any of the Trust Securities will develop or as to the liquidity of any trading market for the Trust Securities.

Underwriters, dealers and agents who participate in the distribution of the Trust Securities may be entitled under agreements to be entered into with Calloway to indemnification by Calloway against certain liabilities including liabilities under securities legislation, or to contribution with respect to payments that they may be required to make in respect thereof. Such underwriters, dealers and agents may be customers of, engage in transactions with, or perform services for Calloway in the ordinary course of business.

The Trust Securities have not been and will not be registered under the United States Securities Act of 1933 (the "**U.S. Securities Act**"). Accordingly, except in certain transactions exempt from the registration requirements of the U.S. Securities Act, the Trust Securities may not be offered, sold or delivered within the United States, and each underwriter or agent will agree that it will not offer, sell or deliver the Trust Securities within the United States. In addition, until 40 days after the commencement of an offering of Trust Securities, an offer or sale of such Trust Securities within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the U.S. Securities Act.

RECENT DEVELOPMENTS

On July 7, 2005, the unitholders of Calloway approved the acquisition by Calloway of freehold and leasehold interests in 35 retail properties and ten parcels of development land. The 35 retail properties comprise 5,421,000 square feet of existing newly constructed retail space in 35 shopping centres and the development lands provide Calloway the opportunity to construct an additional ten shopping centres with 1,194,000 square feet of retail space on completion.

On July 8, 2005, Calloway completed the acquisition of the interests in the 35 retail properties and four of the ten parcels of development land for consideration of approximately $1.154 billion including transaction costs. Six of the parcels of development land were subject to unfilled conditions at July 8, 2005. Subsequently, Calloway completed the acquisition of one additional parcel and expects to complete the acquisition of the remaining five parcels once conditions are satisfied. The estimated acquisition cost for the six parcels of development land not acquired on July 8, 2005 is $32.9 million. The unaudited pro forma consolidated balance sheet of the Trust as at June 30, 2005, and the unaudited pro forma consolidated statements of income for the six months ended June 30, 2005 and for the year ended December 31, 2004 have been prepared to reflect the acquisition on July 8, 2005 of the interests in 35 retail properties and four parcels of development land and the expected acquisition of the additional six parcels of development land.

Subsequent to the announcement by Calloway of the agreement to purchase the freehold and leasehold interests in the 35 retail properties and ten parcels of development lands noted above, Calloway also agreed to acquire an additional 15% interest in the Vaughan Sevenbridge Wal-Mart Centre, an additional 15% interest in the Woodbridge Centre, and an additional 50% interest in the Kenora Wal-Mart Centre (an interest in each of which was included in the original agreement as described in the Management Information Circular) for consideration of approximately $29.6 million. Calloway closed the acquisitions of these additional interests on July 8, 2005 but has not reflected these acquisitions in the pro forma financial statements included herein.

CONSOLIDATED CAPITALIZATION OF THE TRUST

As at December 31, 2004, the year end of its most recently completed financial year, Calloway had 33,263,171 Units issued and outstanding. From December 31, 2004 to July 31, 2005, 16,508,772 Units, and securities convertible into up to a further 12,594,458 Units, have been issued by Calloway or one of its subsidiaries, either: (i) through the raising of equity financing; (ii) as partial consideration for acquisitions; or (iii) upon the exercise of previously outstanding convertible securities.

As at December 31, 2004, the indebtedness of Calloway, consisting of mortgages payable, capital lease obligations and convertible debentures was $600,525,000. That indebtedness has since increased by approximately $864,815,000 primarily due to various acquisitions completed by Calloway.

RISK FACTORS

Prospective investors in a particular offering of the Trust Securities should carefully consider, in addition to information contained in the Prospectus Supplement relating to that offering and the information incorporated by reference herein, the risks described in Calloway's annual information form and management's discussion and analysis which are incorporated by reference herein as at the date of the Prospectus Supplement relating to the particular offering of the Trust Securities.

Development Risks

In addition to the risk factors referenced above, as a result of Calloway's entry into the property development business following the transactions described under "Recent Developments" and further described in the Management Information Circular, Calloway is now also subject to the risks usually attributable to development projects, which include: (i) construction or other unforeseeable delays; (ii) cost overruns; and (iii) the failure of tenants to occupy and pay rent in accordance with lease agreements, some of which are conditional.

Unitholder Holding a Significant Number of Units

Further, according to reports filed under applicable Canadian securities legislation, Mitchell Goldhar of Vaughan, Ontario currently beneficially owns or controls a number of the outstanding units of the Trust which, together with the securities he holds which are exchangeable at his option for units of the Trust for no additional consideration and the associated special voting units, represent a 26% voting interest in the Trust. Further, according to the above mentioned reports, Mr. Goldhar currently beneficially owns or controls additional rights to acquire units of the Trust which, if exercised or converted, would result in him increasing his economic and voting interest in the Trust to as much as 43%. If Mr. Goldhar sells substantial amounts of units in the public market, the market price of the units could fall. The perception among the public that these sales will occur could also produce such effect. As a result of his voting interest in the Trust, Mr. Goldhar may be able to exert significant influence over matters that are to be determined by votes of the unitholders of the Trust. The timing and receipt of any takeover or control premium by unitholders could depend on the determination of Mr. Goldhar as to when to sell units. This could delay or prevent a change of control that would be attractive to, and provide liquidity for, unitholders, and could limit the price that investors are willing to pay in the future for units.

LEGAL MATTERS

Certain legal matters relating to the offering of the Trust Securities will be passed upon on behalf of Calloway by Shea Nerland Calnan. As of September 14, 2005, the partners and associates of Shea Nerland Calnan beneficially owned, directly or indirectly, less than 1% of the outstanding units of Calloway. David M. Calnan, a partner of Shea Nerland Calnan, is a member of the board of Trustees of Calloway.

AUDITORS

Calloway's auditors are Kenway Mack Slusarchuk Stewart LLP, Chartered Accountants of 220, 333 – 11^{th} Avenue SW, Calgary, Alberta T2R 1L9.

PURCHASERS' STATUTORY RIGHTS

Securities legislation in certain of the provinces 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, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that such remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal adviser.

AUDITORS' CONSENTS

Kenway Mack Slusarchuk Stewart LLP, Chartered Accountants

We have read the base shelf short form prospectus of Calloway Real Estate Investment Trust (the "Trust") dated September 14, 2005 relating to the issuance and sale of Trust Securities. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use through incorporation by reference in the above-mentioned base shelf short form prospectus of our report dated February 19, 2005 (except Note 22 which is dated March 2, 2005) on the consolidated balance sheets of the Trust as at December 31, 2004 and 2003 and the consolidated statements of income, unitholders' equity and cash flows for the years ended December 31, 2004 and 2003.

We also consent to the use through incorporation by reference in the above-mentioned base shelf short form prospectus of our compilation report dated February 11, 2005 on the unaudited pro forma consolidated balance sheet of the Trust as at September 30, 2004 and the unaudited pro forma consolidated statements of income for the nine months ended September 30, 2004 and for the year ended December 31, 2003.

We also consent to the use through incorporation by reference in the above-mentioned base shelf short form prospectus of our compilation report dated May 5, 2005 on the unaudited pro forma consolidated balance sheet of the Trust as at December 31, 2004 and the unaudited pro forma consolidated statement of income for the year ended December 31, 2004.

We also consent to the use through incorporation by reference in the above-mentioned base shelf short form prospectus of our compilation report dated June 9, 2005 on the unaudited pro forma consolidated balance sheet of the Trust as at March 31, 2005 and the unaudited pro forma consolidated statements of income for the three months ended March 31, 2005 and for the year ended December 31, 2004.

We also consent to the use in the above-mentioned short form prospectus of our compilation report dated September 14, 2005 on the unaudited pro forma consolidated balance sheet of the Trust as at June 30, 2005 and the unaudited pro forma consolidated statements of income for the six months ended June 30, 2005 and for the year ended December 31, 2004.

Calgary, Alberta September 14, 2005	(signed) *"Kenway Mack Slusarchuk Stewart LLP"* Chartered Accountants

KPMG LLP, Chartered Accountants

We have read the base shelf short form prospectus of Calloway Real Estate Investment Trust (the "**Trust**") dated September 14, 2005 relating to the issuance and sale of Trust Securities. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use through incorporation by reference in the above-mentioned base shelf short form prospectus of our reports to the partners of the Wal-Mart-First Pro Realty Partnership on the schedules of combined net operations relating to The Centres and The Centres II for the years ended December 31, 2003, 2002 and 2001. Our reports are dated March 26, 2004.

We also consent to the use through incorporation by reference in the above-mentioned base shelf short form prospectus of our report to the partners of the Wal-Mart-First Pro Realty Partnership on the schedules of combined net operations relating to the Phase I Centres for the years ended December 31, 2003 and 2002. Our report is dated February 10, 2005.

We also consent to the use through incorporation by reference in the above-mentioned base shelf short form prospectus of our report to the co-owners of the Wal-Mart-First Pro Realty Co-ownerships on the schedules of combined net operations relating to the Phase II Centres for the years ended December 31, 2004 and 2003. Our report is dated April 29, 2005.

We also consent to the use through incorporation by reference in the above-mentioned base shelf short form prospectus of our report to the co-owners of the Wal-Mart-First Pro Realty Co-ownerships on the schedules of combined net operations relating to the Centres V Phase 1 for the years ended December 31, 2004 and 2003. Our report is dated April 29, 2005.

We also consent to the use through incorporation by reference in the above-mentioned base shelf short form prospectus of our report to the co-owners of the Wal-Mart-First Pro Realty Co-ownerships on the schedules of combined net operations relating to the Centres V Phase II for the years ended December 31, 2004 and 2003. Our report is dated April 29, 2005.

Toronto, Ontario September 14, 2005	(signed) *"KPMG LLP"* Chartered Accountants

The Sacks Partnership, Chartered Accountants

We have read the base shelf short form prospectus of Calloway Real Estate Investment Trust (the "**Trust**") dated September 14, 2005 relating to the issuance and sale of Trust Securities. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use through incorporation by reference in the above-mentioned base shelf short form prospectus of our report to the owners of Centres V Phase III on the schedule of combined net operations relating to Centres V Phase III for the years ended December 31, 2004 and 2003. Our report is dated May 17, 2005.

Toronto, Ontario September 14, 2005	(signed) *"The Sacks Partnership"* Chartered Accountants

CALLOWAY REAL ESTATE INVESTMENT TRUST
PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE SIX MONTHS ENDED JUNE 30, 2005
AND YEAR ENDED DECEMBER 31, 2004
(UNAUDITED)

COMPILATION REPORT ON
PRO FORMA FINANCIAL STATEMENTS

To the Trustees of
Calloway Real Estate Investment Trust

We have read the accompanying unaudited pro forma consolidated balance sheet of Calloway Real Estate Investment Trust ("Calloway") as at June 30, 2005 and the unaudited pro forma consolidated statements of income for the six months ended June 30, 2005 and for the year ended December 31, 2004, and have performed the following procedures:

1. With respect to the unaudited pro forma consolidated balance sheet of Calloway as at June 30, 2005, we have performed the following procedures:

    a) Compared the amounts in the column captioned "Calloway" to the unaudited consolidated financial statements of Calloway as at June 30, 2005 and found them to be in agreement.

    b) Compared the amounts in the columns captioned "Centres V" to the summary of the acquisition of the Centres V table presented in Note 3 in the notes to the unaudited pro forma consolidated financial statements and found them to be in agreement.

       In addition, we recalculated the aggregate of the amounts in the summary of the acquisition of the Centres V table in Note 3 and found them to be arithmetically correct.

    c) Recalculated the aggregate of the amounts in the columns captioned "Calloway" and "Centres V" and found the amounts in the column captioned "Pro Forma" to be arithmetically correct.

2. With respect to the unaudited pro forma consolidated statement of income of Calloway for the six months ended June 30, 2005, we have performed the following procedures:

    a) Compared the amounts in the column captioned "Calloway" to the unaudited consolidated financial statements of Calloway for the six months ended June 30, 2005 and found them to be in agreement.

    b) Compared the amounts in the columns captioned "Centres V" to Schedule 1 to the unaudited pro forma consolidated financial statements and found them to be in agreement.

    c) Recalculated the application of the pro forma adjustments to the aggregate of the dollar amounts in the columns captioned "Calloway" and "Centres V" and found the dollar amounts in the column captioned "Pro Forma" to be arithmetically correct.

    d) Recalculated the arithmetic accuracy of the net income per unit amounts in the column captioned "Pro Forma" using the pro forma weighted average number of units presented in Note 5 to the notes to the unaudited pro forma consolidated financial statements, and found the per unit amounts to be arithmetically correct.

3. With respect to the unaudited pro forma consolidated statement of income of Calloway for the year ended December 31, 2004, we have performed the following procedures:

    a) Compared the amounts in the column captioned "Calloway" to the audited consolidated financial statements of Calloway for the year ended December 31, 2004 and found them to be in agreement.

b) Compared the amounts in the column captioned “Phase II Centres” to the audited schedules of combined net operations of the Phase II Centres for year ended December 31, 2004 and found them to be in agreement.

c) Compared the amounts in the column captioned “Centres V” to Schedule 1 to the unaudited pro forma consolidated financial statements and found them to be in agreement.

d) Recalculated the application of the pro forma adjustments to the aggregate of the dollar amounts in the columns captioned “Calloway”, “Phase II Centres” and “Centres V” and found the dollar amounts in the column captioned “Pro Forma” to be arithmetically correct.

e) Recalculated the arithmetic accuracy of the net income per unit amounts in the column captioned “Pro Forma” using the pro forma weighted average number of units presented in Note 5 in the notes to the unaudited pro forma consolidated financial statements, and found the per unit amounts to be arithmetically correct.

4. With respect to Schedule 1 to the unaudited pro forma consolidated financial statements, for the six months ended June 30, 2005, we have performed the following procedures:

   a) Compared the amounts in the columns captioned “Centres V Phase I”, “Centre V Phase II” and “Centres V Phase III” to unaudited schedules of combined net operations of Centres V Phase I, Centre V Phase II and Centres V Phase III for the six months ended June 30, 2005 prepared by Calloway management and found them to be in agreement.

   b) Recalculated the aggregate of the amounts in the columns captioned “Centres V Phase I”, “Centres V Phase II” and “Centres V Phase III” and found the amounts in the column captioned “Centres V Combined” to be arithmetically correct.

5. With respect to Schedule 1 to the unaudited pro forma consolidated financial statements, for the year ended December 31, 2004, we have performed the following procedures:

   a) Compared the amounts in the column captioned “Centres V Phase I” to the audited schedules of combined net operations of Centres V Phase I for the year ended December 31, 2004 and found them to be in agreement.

   b) Compared the amounts in the column captioned “Centres V Phase II” to the audited schedules of combined net operations of Centres V Phase II for the year ended December 31, 2004 and found them to be in agreement.

   c) Compared the amounts in the column captioned “Centres V Phase III” to the audited schedule of combined net operations of Centres V Phase III for the year ended December 31, 2004 and found them to be in agreement.

   d) Recalculated the aggregate of the amounts in the columns captioned “Centres V Phase I”, “Centres V Phase II” and “Centres V Phase III” and found the amounts in the column captioned “Centres V Combined” to be arithmetically correct.

6. Made enquiries of certain officials of Calloway who have responsibility for financial and accounting matters about:

   a) the basis for determination of the pro forma adjustments, and

b) whether the unaudited pro forma consolidated financial statements comply as to form in all material respects with the requirements of the various Securities Commissions in Canada.

The officials:

a) described to us the basis for determination of the pro forma adjustments, and

b) stated that the unaudited pro forma consolidated financial statements comply as to form in all material respects with the requirements of the various Securities Commissions in Canada.

7. Read the notes to the unaudited pro forma consolidated financial statements and found them to be consistent with the basis described to us for the determination of the pro forma adjustments.

A pro forma financial statement is based on management assumptions and adjustments which are inherently subjective. The foregoing procedures are substantially less than either an audit or a review, the objective of which is the expression of assurance with respect to management's assumptions, the pro forma adjustments, and the application of the adjustments to the historical financial information. Accordingly, we express no such assurance.

The foregoing procedures would not necessarily reveal matters of significance to the unaudited pro forma consolidated financial statements, and we therefore make no representation about the sufficiency of the procedures for the purposes of a reader of such statements.

Calgary, Alberta
September 14, 2005

(signed) "Kenway Mack Slusarchuk Steward LLP"
Chartered Accountants

CALLOWAY REAL ESTATE INVESTMENT TRUST
PRO FORMA CONSOLIDATED BALANCE SHEET
As at June 30, 2005
(unaudited)
(In thousands of dollars)

	Calloway $	Centres V $ (Note 3)	Pro Forma $
ASSETS			
Real estate assets			
Income properties	1,093,821	1,048,972	2,142,793
Properties under development	44,068	138,078	182,146
Mortgages and loans receivable	43,193	-	43,193
Deferred leasing costs	347	-	347
Assets held for sale	21,191	-	21,191
	1,202,620	1,187,050	2,389,670
Deferred financing costs	5,379	2,317	7,696
Prepaid expenses and deposits	10,420	-	10,420
Accounts receivable	9,299	-	9,299
Cash and cash equivalents	17,210	18,912	36,122
	1,244,928	1,208,279	2,453,207
LIABILITIES			
Mortgages payable	697,068	552,590	1,249,658
Mortgages payable related to assets held for sale	6,691	-	6,691
Capital lease obligations	474	-	474
Convertible debentures	33,517	-	33,517
Unsecured bridge loan	-	175,000	175,000
Accounts payable and accrued liabilities	36,878	-	36,878
	774,628	727,590	1,502,218
UNITHOLDERS' EQUITY	470,300	480,689	950,989
	1,244,928	1,208,279	2,453,207

See accompanying notes to the unaudited pro forma consolidated financial statements.

Approved by the Board of Trustees:

signed "Simon Nyilassy"
Trustee

signed "David M. Calnan"
Trustee

CALLOWAY REAL ESTATE INVESTMENT TRUST
PRO FORMA CONSOLIDATED STATEMENT OF INCOME
For the Six months Ended June 30, 2005
(unaudited)
(In thousands of dollars except per unit amounts)

	Calloway $	Centres V $ (Schedule 1)	Pro Forma Adjustments $	Notes	Pro Forma $
Revenues					
Rentals from income properties	66,053	50,798	4,206	4(a)(i)	121,057
Interest	2,145	-	-		2,145
	68,198	50,798	4,206		123,202
Expenses					
Property operating costs	21,033	15,936	1,269	4(a)(i)	38,238
Interest - mortgages and other	18,020	-	18,672	4(b)(i)	36,692
Interest - debentures	1,679	-	-		1,679
Amortization of income properties					
- tangible components	10,647	-	11,776	4(c)(i)	22,423
- intangible components	10,831	-	6,967	4(c)(i)	17,798
General and administrative	1,070	-	-		1,070
Amortization of deferred financing costs	333	-	137	4(d)(ii)	470
Amortization of deferred leasing costs	37	3,561	(3,561)	4(d)(i)	37
	63,650	19,497	35,260		118,407
Income from continuing operations	4,548	31,301	(31,054)		4,795
Discontinued operations					
Net income from discontinued operations	509	-	-		509
Gain from sale of real estate assets	13,338	-	-		13,338
	13,847	-	-		13,847
Net income	18,395	31,301	(31,054)		18,642
Net income per unit (Note 5)					
Basic					
Continuing operations	0.128				0.079
Discontinued operations	0.390				0.228
Net income	0.518				0.307
Diluted					
Continuing operations	0.128				0.079
Discontinued operations	0.388				0.228
Net income	0.516				0.307

See accompanying notes to the unaudited pro forma consolidated financial statements.

CALLOWAY REAL ESTATE INVESTMENT TRUST
PRO FORMA CONSOLIDATED STATEMENT OF INCOME
For the Year Ended December 31, 2004
(unaudited)
(In thousands of dollars except per unit amounts)

	Calloway $	Phase II Centres $	Centres V $	Pro Forma Adjustments $	Notes	Pro Forma $
Revenues			(Schedule 1)			
Rentals from income properties	85,593	21,279	92,544	21,684	4(a)(ii)	221,100
Interest	2,355	-	-	-		2,355
	87,948	21,279	92,544	21,684		223,455
Expenses						
Property operating costs	27,071	5,558	29,442	7,016	4(a)(ii)	69,087
Interest - mortgages and other	21,796	-	-	49,576	4(b)(ii)	71,372
Interest – debentures	2,180	-	-	1,267	4(b)(iii)	3,447
Amortization of income properties						
- tangible components	13,643	-	-	30,401	4(c)(ii)	44,044
- intangible components	9,346	-	-	18,189	4(c)(ii)	27,535
General and administrative	1,919	-	-	-		1,919
Amortization of deferred financing costs	481	-	-	466	4(d)(iii)	947
Amortization of deferred leasing costs	121	1,253	7,173	(8,426)	4(d)(i)	121
	76,557	6,811	36,615	98,489		218,472
Income from continuing operations	11,391	14,468	55,929	(76,805)		4,983
Discontinued operations	2,024	-	-	-		2,024
Net income	13,415	14,468	55,929	(76,805)		7,007
Net income per unit (Note 5)						
Basic						
Continuing operations	0.435					0.084
Discontinued operations	0.077					0.034
Net income	0.512					0.118
Diluted						
Continuing operations	0.430					0.084
Discontinued operations	0.076					0.034
Net income	0.506					0.118

See accompanying notes to the unaudited pro forma consolidated financial statements.

CALLOWAY REAL ESTATE INVESTMENT TRUST
NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS
For the Six months Ended June 30, 2005 and the Year Ended December 31, 2004
(unaudited)
(In thousands of dollars)

1. BASIS OF PRESENTATION

Calloway Real Estate Investment Trust ("Calloway") is an unincorporated open-end real estate investment trust governed by the laws of the Province of Alberta, created under a declaration of trust dated December 4, 2001 subsequently amended and restated on October 24, 2002, October 31, 2003, January 16, 2004 and July 7, 2005.

These unaudited pro forma consolidated financial statements ("pro forma statements") have been prepared by Calloway management for inclusion in the Base Shelf Short Form Prospectus (the "Prospectus") of Calloway dated September 14, 2005 relating to sale and issue from time to time of units of the trust, subscription receipts and debt securities.

During 2004 and 2005, Calloway completed the following significant acquisitions:

- On February 16, 2004, the acquisition of twelve shopping centres ("The Centres") from the Wal-Mart-FirstPro Realty Partnership (the "Partnership").
- On May 14, 2004, the acquisition of twelve shopping centres ("The Centres II") from the Partnership.
- On November 30, 2004, the acquisition of six shopping centres (the "Phase I Centres") from the Partnership.
- On March 10, 2005, the acquisition of 100% undivided interests in three retail properties and 60% undivided interests in five other retail properties (the "Phase II Centres") from Wal-Mart Canada Realty Inc. ("Wal-Mart") and the FirstPro Group of Companies ("FirstPro").
- On July 8, 2005, the acquisition of substantially all of the freehold and leasehold interests in 45 properties described in further detail in Note 3 (the "Centres V") from Wal-Mart, FirstPro and other vendors.

The Centres, The Centres II, Phase I Centres, Phase II Centres and the Centres V are collectively referred to as the "Collective Centres".

These pro forma statements have been prepared from the following financial statements:

- Calloway's unaudited consolidated financial statements for the six months ended June 30, 2005.
- Calloway's audited consolidated financial statements for the year ended December 31, 2004.
- Centres V Phase I ("Centres V-1"), Centres V Phase II ("Centres V-II") and Centres V Phase III ("Centres V-III") unaudited schedules of combined net operations for the six months ended June 30, 2005 which were prepared by Calloway management and are not included or incorporated by reference in the Prospectus.
- Centres V-I, Centres V-II and Centres V-III audited schedules of combined net operations for the year ended December 31, 2004.
- Phase II Centres audited schedules of combined net operations for the year ended December 31, 2004.

The Centres V-I, Centres V-II and Centres V-III net operations for the six months ended June 30, 2005 and for the year ended December 31, 2004 have been combined on Schedule 1 attached to these pro forma statements and presented in the pro forma consolidated statements of income on a combined basis.

The unaudited pro forma consolidated balance sheet gives effect to the acquisitions of the Centres V as if they had occurred on June 30, 2005. The unaudited pro forma consolidated statements of income for the six months ended June 30, 2005 and for the year ended December 31, 2004 give effect to the acquisitions of the Centres V as if they had occurred on January 1, 2004. Calloway's June 30, 2005 consolidated financial statements contains the actual operations of the Phase II Centres from the date of acquisition by Calloway in 2005 to June 30, 2005. The pro forma consolidated statement of income for the six months ended June 30, 2005 contains adjustments outlined in Note 4 to provide for certain revenues and expenses for the Phase II Centres for the period from January 1, 2005 to the date of acquisition by Calloway in 2005. Calloway's December 31, 2004 consolidated financial statements contains the actual operations of The Centres, The Centres II and the Phase I Centres from various dates of acquisition by Calloway in 2004 to December 31, 2004. The pro forma consolidated statement of income for the year ended December 31, 2004 contains adjustments outlined in Note 4 to provide for certain revenues and expenses for The Centres, The Centres II and the Phase I Centres for the period from January 1, 2004 to the date of acquisition by Calloway in 2004.

The pro forma statements are not necessarily indicative of the results that would have actually occurred, had the transactions reflected therein been in effect on the dates indicated, nor are they necessarily indicative of future operating results or the financial position of Calloway.

2. SIGNIFICANT ACCOUNTING POLICIES

In addition to the policies disclosed below, the accounting policies used in the preparation of the pro forma statements are in accordance with those disclosed in Calloway's audited consolidated financial statements for the year ended December 31, 2004 and Calloway's unaudited consolidated financial statements for the six months ended June 30, 2005. These pro forma statements do not include all of the information and disclosure required by Canadian generally accepted accounting principles ("GAAP"), and therefore should be read in conjunction with the December 31, 2004 and June 30, 2005 consolidated financial statements of Calloway.

(a) Basis of consolidation

As further described herein, a limited partnership ("Calloway LP") was formed to facilitate the acquisition of certain of the Centres V, and Calloway is indirectly a general partner as well as a limited partner. These pro forma statements present the accounts and operations of Calloway Real Estate Investment Trust, its wholly owned subsidiary Calloway Financial Inc., and Calloway LP.

Calloway carries out certain activities through co-ownerships and these investments are accounted for using the proportionate consolidation method.

(b) Exchangeable units

As further described in Note 3, limited partnership units of Calloway LP were issued to FirstPro and other vendors that are exchangeable into units of Calloway. Holders of the exchangeable units are entitled to receive distributions of earnings economically equivalent to distributions received by units of Calloway. The units are non-transferable to third parties without first exchanging them for units of Calloway. Accordingly the units are presented, in accordance with the guidance for exchangeable securities issued by subsidiaries of income trusts, as a component of unitholders' equity.

(c) Leases

As further described in Note 3, Calloway leased certain properties from FirstPro. Leases are classified as either capital or operating leases. Leases that transfer substantially all of the benefits and inherent risks of ownership of property to Calloway are accounted for as capital leases. At the time a capital lease is entered into, an asset is recorded together with its related long-term obligation to reflect the acquisition and financing. Components of income properties recorded under capital leases are amortized on the same basis as described in the annual financial statements. Rental payments under operating leases are expensed over the period to which they relate.

(In thousands of dollars)

3. PRO FORMA BALANCE SHEET ADJUSTMENTS AND ASSUMPTIONS

Completed and probable acquisition of the Centres V

Acquisition

On July 7, 2005, the unitholders of Calloway approved the acquisition by Calloway directly or through Calloway LP of the Centres V (consisting of freehold and leasehold interests in thirty-five retail properties and ten parcels of development land) from Wal-Mart, FirstPro and other vendors.

On July 8, 2005, Calloway completed the acquisition of Wal-Mart's 60% freehold interests in eight retail properties and adjacent undeveloped lands with future development potential for $275,477. Calloway acquired FirstPro and other vendors freehold interests in thirty retail properties and adjacent undeveloped lands for $656,941 and four of the ten parcels of development land for $8,965. Calloway also leased interests in three other retail properties, including adjacent undeveloped lands, from FirstPro for a term of 35 years subject to certain early termination events. Calloway prepaid its entire lease obligations under the lease agreements in the amount of $188,647. Land transfer taxes and other transaction costs amounted to $12,092 and the fair value of the right to acquire units related to property under development described below has been estimated at $12,000, resulting in an aggregate cost at closing to Calloway of $1,154,122.

The aggregate purchase price was satisfied as follows:

- By non-interest bearing vendor take-back mortgages for the amount of the purchase price for certain of the undeveloped lands		$33,091
- By assumption of existing mortgages		
– face value	342,863	
– market rate adjustment	22,386	365,249
- By issuance of exchangeable partnership units to FirstPro		250,000
- By cash payment		
– From the net proceeds of new mortgage financing	153,495	
– From the net proceeds of unsecured bridge loan	174,688	
– From the net proceeds of the Private Placement	165,599	493,782
- By granting the right to acquire units related to property under development		12,000
		$1,154,122

On July 8, 2005, Calloway acquired four of the ten parcels of development land included in the Centres V. Six parcels of development land were subject to unfulfilled conditions at the time. Subsequently, Calloway has acquired one additional parcel of development land. It is assumed for the purpose of the pro forma statements that Calloway will acquire the remaining six parcels of development land that were not acquired on July 8, 2005 for \$32,928. The purchase price will be satisfied from net proceeds obtained from the Private Placement (described below).

In conjunction with the July 8, 2005 acquisition of the Centres V, Calloway took on a portion of FirstPro's leasing and development operations through an offer of positions to FirstPro employees. Calloway's preliminary assessment is that no material allocation of the purchase price will be assigned to assets acquired and liabilities assumed as a result of the acquisition of these operations.

Calloway assumed existing mortgages on certain of the properties in the amount of \$342,863 and incurred related mortgage assumption fees in the amount of \$1,250. The assumed mortgages have a weighted average interest rate of 6.41% which is in excess of current rates and Calloway received a credit of \$22,386 from the vendors as a mark to market adjustment at closing. The mortgage assumption fees will be amortized to deferred financing costs and the market rate adjustment will be amortized against interest expense over the term of the applicable assumed mortgages.

FirstPro and other vendors subscribed for approximately \$250,000 of Class B exchangeable units (representing 12,594,458 Class B exchangeable units at \$19.85 per unit) of Calloway LP, as partial payment for the Centre V properties acquired by Calloway LP, and 8,500,000 Class C exchangeable units of Calloway LP, representing future potential equity value of the undeveloped lands acquired by Calloway LP.

Holders of the Class B exchangeable units are entitled to cash distributions in amounts equal on a per unit basis to monthly distributions made by Calloway to its unitholders. The Class B exchangeable units carry no voting rights at meetings of Calloway unitholders. Class B exchangeable units are exchangeable on a one for one basis for units of Calloway, at the option of the holder.

Holders of the Class C exchangeable units are only entitled to nominal cash distributions and have no voting rights at meetings of Calloway unitholders. The Class C exchangeable units are exchangeable, on a one for one basis, at the holder's option, into Class B exchangeable units on the completion of certain developments on the undeveloped lands and development land ("Centres V Undeveloped Lands"). The 8,500,000 Class C exchangeable units available for issuance represents FirstPro's right to receive 40% of the estimated proceeds on development of those Centres V Undeveloped Lands acquired by Calloway LP in units priced at \$20.10 per unit. Any Class C exchangeable units that remain outstanding 10 years after the closing of this acquisition will be cancelled.

FirstPro also has the right to receive up to 2,500,000 units of Calloway representing 40% of the estimated proceeds on completion of development of those Centres V Undeveloped Lands acquired directly by Calloway in units priced at \$20.10 per unit.

Calloway has estimated the fair value of the right to acquire 8,500,000 Class B exchangeable LP units and 2,500,000 units of Calloway upon development of the Centres V Undeveloped Lands described in the two preceding paragraphs to be \$12,000.

Calloway is authorized to issue an unlimited number of Special Voting units which shall be entitled to one vote per unit at meetings of Calloway unitholders but otherwise shall have no economic value. These units provide voting rights but no equity participation. The number of outstanding Special Voting units will be equivalent to the number of outstanding Class B exchangeable units.

FirstPro and other vendors received 12,594,458 (the total of the Class B exchangeable units of Calloway LP issued) Special Voting units. Calloway will issue additional Special Voting units if Class C exchangeable units are exchanged for Class B exchangeable units, with the total outstanding Special Voting units to equal the outstanding Class B exchangeable units. The number of Special Voting units issued to FirstPro and other vendors may increase due to future developments of Centres V Undeveloped Lands acquired by Calloway LP. In addition, FirstPro has been granted the right, under certain circumstances, to receive additional Special Voting units of Calloway in order to maintain a voting interest at a minimum of 25%. This right will expire at the end of five years unless an additional $800,000 in assets is transferred from FirstPro to Calloway (inclusive of assets which will be acquired by Calloway under existing development agreements) and other conditions are fulfilled, in which case the 25% minimum voting right will extend for an additional five year term.

The Centres V Undeveloped Lands will be developed directly and indirectly by Calloway under the terms of development agreements with FirstPro and Wal-Mart. It is assumed for the purpose of these pro forma statements that these undeveloped lands remain undeveloped and that no material development costs and no earnouts under the terms of these development agreements are incurred during the year ended December 31, 2004 and the six months ended June 30, 2005.

New mortgage financing

Calloway arranged new mortgage financing on four of the retail properties in the amount of $154,250 at a weighted average interest rate of 5.069%. The net proceeds to Calloway of $153,495, after deducting financing fees and other costs related to the new mortgage financing, were used by Calloway to partially fund the cash component of the July 8, 2005 acquisition cost of the Centres V.

Unsecured bridge loan

Calloway arranged an unsecured bridge loan facility in the amount of $175,000 at average interest rates of 4.25%. The net proceeds to Calloway of $174,688, after deducting financing fees and other costs related to the new unsecured bridge loan, were used by Calloway to partially fund the cash component of the July 8, 2005 acquisition cost of the Centres V.

Private placement

Pursuant to private placements of subscription receipts (the “Private Placement”) Calloway issued 11,336,000 trust units at an issuance price of $19.85 per unit, for net proceeds of $218,689 (after deducting underwriters’ fees and issue costs of $6,331). Net proceeds of $165,599 were used by Calloway to partially fund the cash component of the July 8, 2005 acquisition cost of the Centres V. The remaining net proceeds of $53,090 will be used as follows:

(In thousands of dollars)

– Acquisition of remaining six parcels of development land	$32,928
– Working capital	20,162
	$53,090

Summary of the acquisition of the Centres V

A summary of the assets acquired, using the purchase method of accounting based on preliminary allocations, and liabilities assumed or incurred resulting from the completed and probable acquisition of the Centres V is as follows:

Assets		
Income properties		
Tangible assets	$ 871,519	
Intangible assets	177,453	1,048,972
Property under development		138,078
		1,187,050
Deferred financing costs		2,317
Cash		18,912
		1,208,279
Liabilities		
Mortgages payable		
Vendor take-back mortgages	33,091	
Assumed mortgages		
- face value	342,863	
- market rate adjustment	22,386	
New mortgages payable	154,250	552,590
Unsecured bridge loan		175,000
		727,590
Net assets acquired		$480,689

Consideration for the net assets acquired was obtained from the following:

Calloway LP Class B exchangeable units	$250,000
Private Placement of trust units (net of issue costs)	218,689
Right to acquire units related to property under development	12,000
	$480,689

4. PRO FORMA STATEMENT OF INCOME ADJUSTMENTS

(a) Revenues and property operating costs

(i) Rentals from income properties and property operating costs have been increased to provide for rentals from income properties and property operating costs for the Phase II Centres for the period from January 1, 2005 to the respective date of acquisition by Calloway in 2005.

(ii) Rentals from income properties and property operating costs have been increased to provide for rentals from income properties and property operating costs for The Centres, The Centres II and the Phase I Centres for the period from January 1, 2004 to the respective date of acquisition by Calloway in 2004.

(b) Interest expense

(i) Interest expense has been increased to provide for interest on the mortgage financing and the unsecured bridge loan financing assumed or put in place on the Phase II Centres and the Centres V. Interest expense has been decreased for amortization of the market rate adjustment on the Centres V assumed mortgages.

(ii) Interest expense has been increased to provide for interest on the mortgage financing and the unsecured bridge loan financing assumed or put in place on the Collective Centres. Interest expense has been decreased for amortization of the market rate adjustment on the Centres V assumed mortgages.

(iii) Interest expense has been increased to provide for interest and accretion on the convertible debentures that were issued in connection with the acquisition of The Centres II.

(c) Amortization of income properties

(i) Amortization of income properties has been increased to provide for amortization of the tangible components and the intangible components of the Phase II Centres and the Centres V purchase price.

(ii) Amortization of income properties has been increased to provide for amortization of the tangible components and the intangible components of the Collective Centres' purchase price.

(d) Amortization of deferred expenses

(i) Amortization of deferred leasing costs has been decreased to eliminate the historical amortization of deferred expenses on the Phase II Centres and/or the Centres V.

(ii) Amortization of the deferred financing costs has been increased to provide for amortization of deferred financing fees incurred on the mortgage financing and the unsecured bridge loan financing of the Phase II Centres and the Centres V.

(iii) Amortization of deferred financing costs has been increased to provide for amortization of deferred financing fees incurred on the mortgage financing, the convertible debenture financing and the unsecured bridge loan financing of the Collective Centres.

(In thousands of dollars)

(e) General and administrative

No adjustments have been made to reflect the probable increased general and administrative expenses of Calloway resulting from the increased property portfolio, expenses related to the relocation of the head office and turnover in senior management including bonuses, nor compensation expense associated with establishment of the deferred unit plan for trustees and officers approved by the unitholders July 7, 2005.

5. WEIGHTED AVERAGE NUMBER OF UNITS

The following table presents the weighted average number of units for use in the calculation of pro forma basic and diluted net income per unit:

	June 30, 2005	December 31, 2004
Weighted average number of units	35,540,215	26,190,956
Adjustment for units issued in connection with the acquisition of the Centres V on the basis that the units were issued at the beginning of the period		
Calloway LP Class B exchangeable units	12,594,458	12,594,458
Private Placement of trust units	11,336,000	11,336,000
Adjustment for units issued in connection with the acquisitions of The Centres, The Centres II, the Phase I Centres and the Phase II Centres on the basis that the units were issued at the beginning of the period	1,182,149	8,971,100
Weighted average number of units for basic net income per unit	60,652,822	59,092,514
Effect of dilutive securities		
Unit option plan & warrants	119,093	296,237
Weighted average number of units for diluted net income per unit	60,771,915	59,388,751

6. INCOME TAXES

Properties purchased from FirstPro and other vendors by Calloway LP were acquired with an income tax base which is $250,000 lower than the assigned acquisition costs. Under the terms of the Calloway LP partnership agreement, any taxable income of Calloway LP will be allocated to all Calloway LP unitholders prorata based on distributions made by Calloway LP.

7. RELATED PARTY TRANSACTIONS

A nominee of FirstPro owned or controlled directly and indirectly approximately 16% of the outstanding units of Calloway prior of the Centres V acquisition and owns approximately 27% of the outstanding units (including Calloway LP exchangeable units) after the Centres V acquisition. An officer of FirstPro was also a member of the Board of Trustees of Calloway prior to the Centres V acquisition. As a result of the Centres V acquisition FirstPro is entitled to nominate three of the nine members of the Board of Trustees. The properties acquired from FirstPro have been recorded at the exchange amount.

A legal firm in which a trustee is a partner was paid legal fees of $693 related to the acquisition and financing of the Centres V. Another trustee was paid a fee of $338 for consulting services for the Private Placement.

In conjunction with the acquisition of the Centres V, Calloway entered into property management agreements with FirstPro to provide for the management of the majority of the Centres V properties. Calloway also entered into certain temporary head leases with FirstPro relating to specific tenants who have entered into lease agreements, but whose space is not yet available for occupancy.

8. COMMITMENTS

Calloway, directly and indirectly, entered into development agreements with FirstPro for the development of the Centres V Undeveloped Lands. The estimated commitments payable by Calloway under the agreements are $233,000.

CALLOWAY REAL ESTATE INVESTMENT TRUST
SCHEDULE 1 TO THE PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS
For the Six months Ended June 30, 2005 and the Year Ended December 31, 2004
(unaudited)
(In thousands of dollars)

CENTRES V COMBINED SCHEDULES OF NET OPERATIONS

Six months Ended June 30, 2005

	Centres V Phase I $	Centres V Phase II $	Centres V Phase III $	Centres V Combined $
Rental revenue from income properties	$ 17,996	$ 5,458	$ 27,344	$ 50,798
Expenses				
Property operating costs	5,575	1,551	8,810	15,936
Amortization of deferred expenses	761	330	2,470	3,561
	6,336	1,881	11,280	19,497
Net operations	$ 11,660	$ 3,577	$ 16,064	$ 31,301

Year Ended December 31, 2004

	Centres V Phase I $	Centres V Phase II $	Centres V Phase III $	Centres V Combined $
Rental revenue from income properties	$ 32,697	$ 8,675	$ 51,172	$ 92,544
Expenses				
Property operating costs	10,994	2,366	16,082	29,442
Amortization of deferred expenses	1,461	592	5,120	7,173
	12,455	2,958	21,202	36,615
Net operations	$ 20,242	$ 5,717	$ 29,970	$ 55,929

CERTIFICATE

Dated: September 14, 2005

This short form prospectus, together with the documents incorporated in this prospectus by reference, will, as of the date of the last supplement to this prospectus relating to the securities offered by this prospectus and the supplement(s), constitute full, true and plain disclosure of all material facts relating to the securities offered by this prospectus and the supplement(s) as required by the securities legislation of each of the provinces of Canada and will not contain any misrepresentation likely to affect the value or market price of the securities to be distributed.

(signed) "Simon Nyilassy"	*(signed) "Mark A. Suchan"*
President, Chief Executive Officer and Trustee	Chief Financial Officer

On behalf of the Trustees

(signed) "David M. Calnan"	*(signed) "Al Mawani"*
Trustee	Trustee