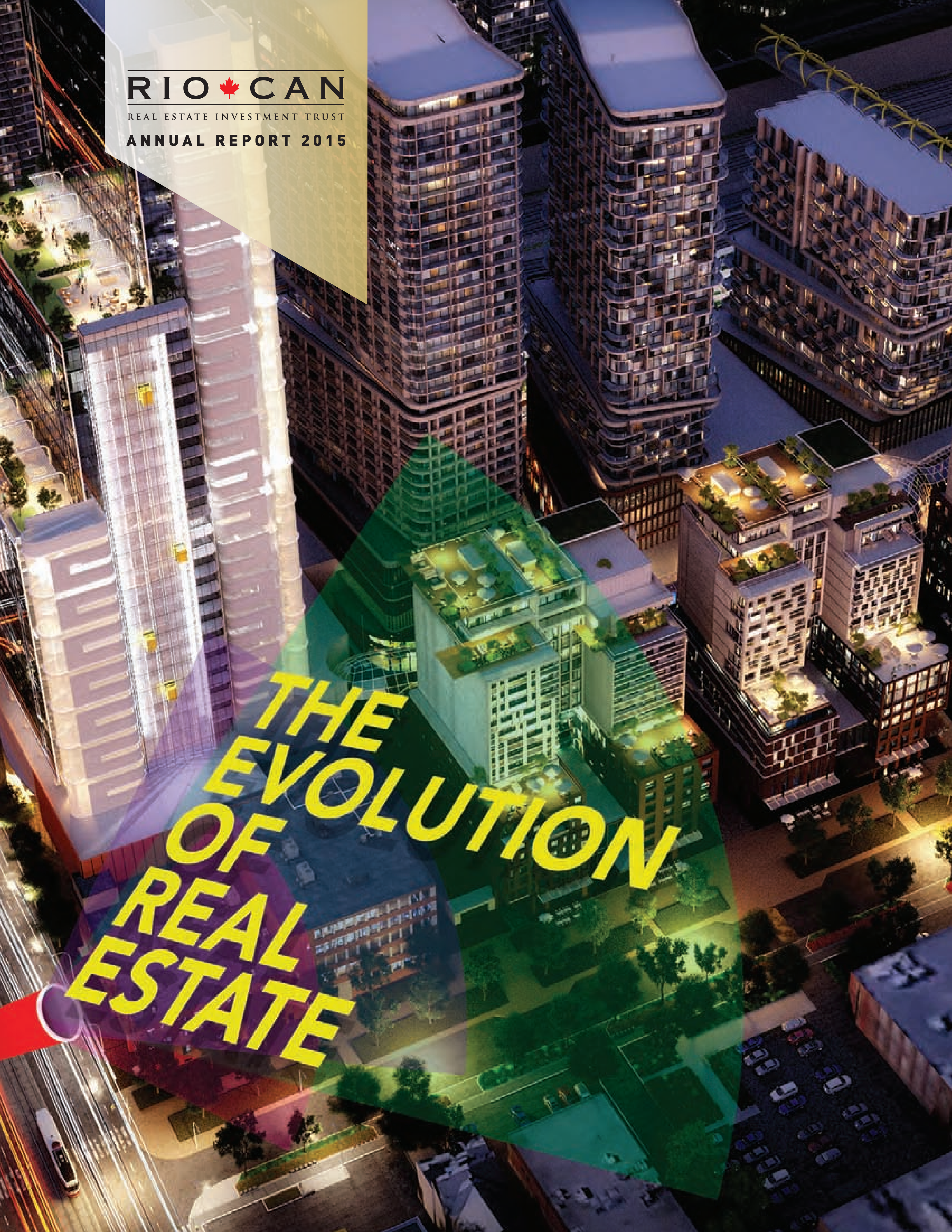
RIO CAN
REAL ESTATE INVESTMENT TRUST
ANNUAL REPORT 2015
THE EVOLUTION OF REAL ESTATE

CORPORATE PROFILE

RioCan

Founded in 1993, RioCan has become Canada's largest Real Estate Investment Trust. RioCan invests in, develops, and manages more than 300 properties, including shopping centres and mixed-use developments in Canada's six largest markets. Capitalizing on demographic, and retail trends, in key urban centres, RioCan's properties are major draws for tenants and customers alike. RioCan brings to market winning, mixed-use developments that satisfy a range of needs, from quality shopping experiences, to condominiums or rentals, and, in some instances, office spaces. **In Canada's six major markets, RioCan is redefining urban real estate.**

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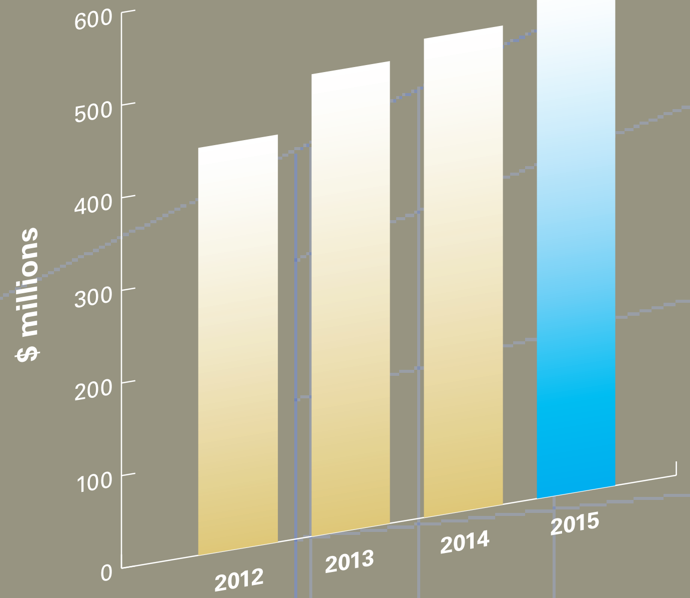
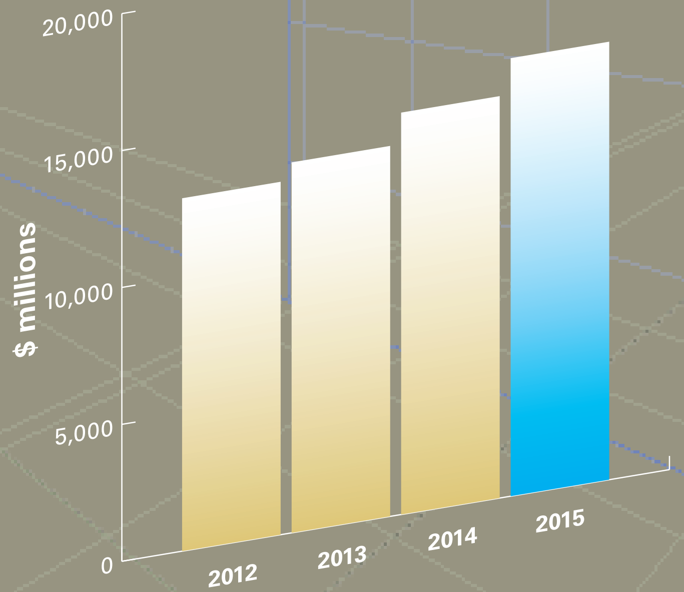
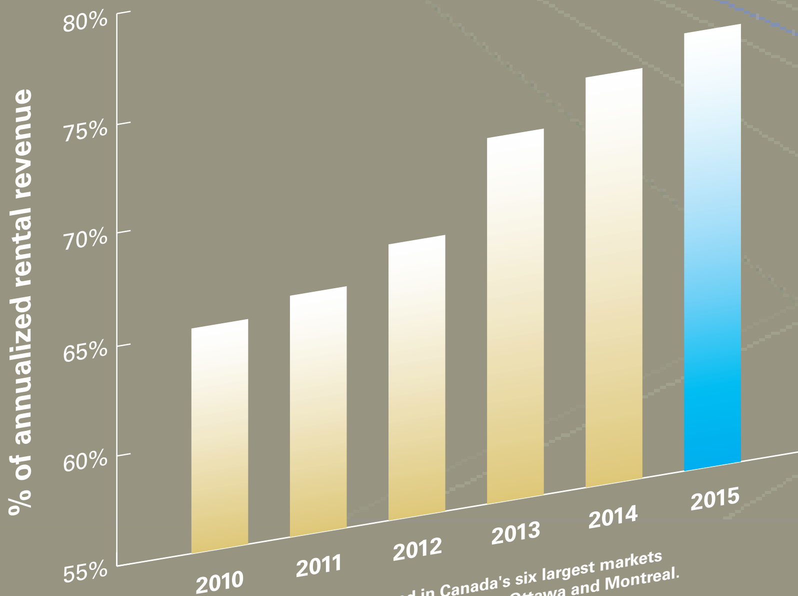
Financial Highlights







RioCan's portfolio is focused in Canada's six largest markets
Toronto, Vancouver, Edmonton, Calgary, Ottawa and Montreal.

EDWARD SONSHINE, O.ONT.,Q.C.

CHIEF EXECUTIVE OFFICER

Our Vision is in Our Strategy

RioCan is Canada's largest real estate investment trust with a total enterprise value of approximately $15 billion as of December 31, 2015. With 305 properties in Canada, RioCan offers more than 46 million square feet of leasable space, generating more than $1 billion in annualized rent.

THE RIGHT STRATEGY ...IMPLEMENTED

CEO'S LETTER TO UNITHOLDERS

Dear Unitholders,

Unlike any year in our history of more than 20 years, 2015 will be remembered for challenges that impacted all sectors of the economy. Under a difficult economic climate, RioCan was tested in numerous ways. I am proud that RioCan's model of fiscal discipline, risk management and diversification has stood the test of time and tribulation. RioCan is not standing still, however.

The year started off with an unexpected announcement: Target would depart the Canadian marketplace. As a result, Target eventually returned more than two million square feet of leasable space to your REIT. Although RioCan was Target's largest Canadian landlord, as part of your Trust's diversification strategy, Target's total leased space represented less than 2% of total annual rental revenue.

RioCan's management team had the foresight, experience, and leverage to negotiate a "parent guarantee" with Target, facilitating a rapid November 2015 settlement. Nonetheless, the scale of the Target space consumed a significant portion of the leasing and management teams' time and efforts. I am pleased to report that RioCan has made substantial progress leasing these spaces. As of the date of this year's report, for instance, RioCan has agreements in place or is in advanced stages of negotiations that will replace approximately 115% of this rent.

Difficulties during the year did not stop with Target, however. Best Buy/Future Shop, and a number of mid-range fashion retailers announced store closings, and this was just in the first quarter of 2015. Nonetheless, your Trust demonstrated its initiative, resiliency and strength of its high-traffic properties by achieving 7.6% growth in the Trust's operating funds from operations ("OFFO") on the year. RioCan is also slowly restoring occupancy rates in our Canadian properties from a low of 93.1% on June 30, 2015 to the current rate of 94.0%, and we expect to be back at our more usual rates of over 95% within the year.

RioCan thrives on the challenges of a constantly changing retail landscape. Rather than imposing a uniform design on every property, RioCan leads the market with customized site plans based on retail trends, demographics, income levels, and traffic patterns. RioCan offers consumers a range of shopping options in its properties, while designing residential living spaces in select urban sites. With rigorous research, financial discipline, and an innovative approach, RioCan brings the right solution to the right project.

RioCan is on the move. To ensure future growth, RioCan actively conceives – and develops select high-profile projects, some independently, and others with partners. RioCan's development pipeline is robust, comprising 16 transformative projects in the urban cores of Canada's six major markets.

Intensifying urban properties

In the highly populated urban centres in Canada's six major markets, where space is at a premium, RioCan has designated forty-six properties for potential intensification. These exciting mixed-use communities are conveniently located on or near major transit hubs, and provide easy access for people to live, work, shop and play.

With a blend of income from retail and residential streams, mixed-use properties help mitigate risk. The residential component provides stable cash flow, while adding value to the retail mix with an adjacent customer base. In sum, RioCan's projects satisfy a range of retail needs while helping consumers enhance their urban lifestyles.

Toronto awaits The Well

Toronto is abuzz with anticipation over The Well, a world-class development and community-gathering hub, located near Toronto's downtown core. The Well will be a landmark mixed-use community that features retail at grade, rental and condominium living, and an office tower on the northeast corner of the development. Developed by RioCan and its partners Allied Properties REIT and Diamond Corporation, this expansive site is spread over more than 7.5 acres, and offers 3 million square feet of space. By incorporating a dynamic retail mix, entertainment, leading restaurants, and green space, The Well will become a magnet for thousands of Torontonians living in the downtown west, as well as for visitors who seek out this exciting destination.

RioCan, in partnership with KingSett Capital, is currently redeveloping the Yonge Sheppard Centre. Earlier this year, zoning was approved for the redevelopment plans for this site at the intersections of two bustling subway lines in north Toronto. The retail section is currently being renovated. Key tenants include a Longo's grocery store which has leased 54,000 square feet and LA Fitness which has leased another 50,000 square feet. To complement the retail spaces, 339,000 square feet of residential rental space is included in the plan. Final approval for the site's redevelopment plan is anticipated in the first quarter of 2016.

Transforming urban centres

Both The Well and the Yonge Sheppard Centre are integral to RioCan's program to intensify forty-six properties with a residential component, either in the form of condominiums or rental properties. Based on current plans, RioCan has designated bringing to market up to approximately 18,000 residential units over the next decade.

Currently, RioCan has obtained planning approvals for seven mixed-use projects. RioCan has also filed applications for twenty-one mixed-use projects which, based on planning approvals, will comprise a total of approximately 13.6 million square feet, of which approximately 11 million square feet will be residential spaces, while 3.1 million square feet will be incremental commercial gross leasable area. Depending on market conditions, the mix between condominium and rental residential may change over time, but RioCan may have an interest in as many as 11,000 residential rental units.

Emerging from Target's departure in a strengthened position

Target Corporation's financial settlement provides a substantial amount of capital most of which will be used in the Trust's redevelopment efforts. To lease the former Target spaces, RioCan has entered into advanced discussions, conditional agreements or signed agreements with grocers, sporting goods suppliers, fitness operators, discount retailers, service providers, and others. Of note, these signings will replace an excess of the rental revenue that was previously generated from Target and provide more customer traffic for all our tenants.

With its array of new tenants, RioCan will benefit from increased cash flow derived from higher market-based rental revenue and cost recoveries, which were previously capped under the former Target Canada leases. In short, RioCan will capitalize on the stronger growth potential from a more diverse tenant pool than that of just Target Canada. For these reasons, RioCan has emerged from the Target departure in an even stronger position.

The United States: Opportune timing and a solid return on investment

In the summer of 2015, RioCan conducted a strategic review of the Trust's operations in the United States. Accordingly, RioCan entered into an agreement to sell its portfolio of 49 U.S. properties in the northeast and Texas. By design, the sale occurred at an opportune time: RioCan achieved impressive gains of approximately $930 million relative to its historical cost of $1.7 billion based on estimated Canadian dollar proceeds. RioCan proceeded with this transaction for a number of reasons. First, RioCan has realized significant gains from the accrued value of the U.S. properties. With the proceeds of the sale, the balance sheet will be considerably strengthened, providing liquidity, and financial flexibility for new projects. Finally, with a less complex business structure, RioCan will be a pure-play Canadian REIT that will focus exclusively on managing Canadian operations, and bringing to market our significant development pipeline.

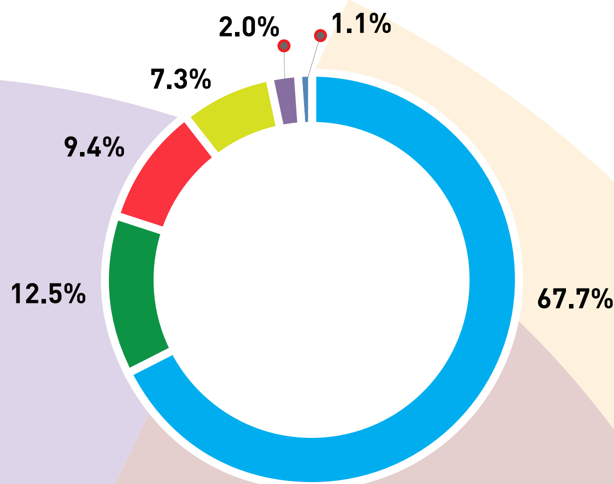
The sale proceeds of the U.S. properties resulted in an internal rate of return of approximately 16% in Canadian dollars. These gains are based on valuable properties coupled with the strength of the U.S. dollar relative to the Canadian currency. With these proceeds, RioCan can fortify the Trust's balance sheet and provide an even stronger financial foundation for future growth.

Management anticipates that in the near term, the proceeds from the sale will lower the Trust's operating funds from operations. With our acquisition of our partner Kimco's share in twenty-three Canadian properties, the Trust has also reduced a portion of near term dilution.

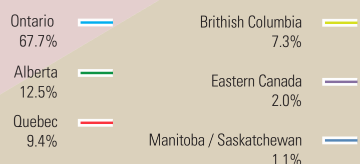
Even in a challenging 2015, on an OFFO basis, RioCan's business grew 7.6%. Looking ahead, the future is promising. Canadians count on RioCan for state-of-the-art developments that feature an appealing blend of retailers, services and restaurants in conveniently located centres and sites. With a creative blend of retail, and in some instances residential and office space, RioCan's team seizes every opportunity to create vibrant mixed-use communities that enhance urban life. Through the ownership, development and management of retail and residential real estate, RioCan intends to continue its twenty-three year track record of maintaining or increasing its distribution to Unitholders.

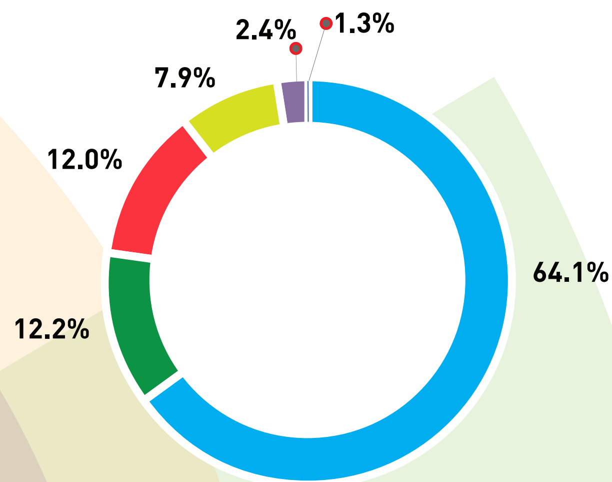
I thank you for your continued confidence in, and support of RioCan.

Edward Sonshine, O.Ont., Q.C.
Chief Executive Officer
RioCan Real Estate Investment Trust



Annualized rental revenue of the Canadian portfolio by geography at December 31, 2015





NLA of the Canadian portfolio by geography at December 31, 2015

Top 10 Tenants – Canadian Portfolio

As at December 31, 2015, RioCan's 10 largest tenants in Canada, as measured by annualized gross rental revenue, have the following profile:

	Tenant name	Percentage of annualized rental revenue	Number of locations	NLA (in thousands)	Percentage of total NLA	Weighted average remaining lease term (years)(i)
1	Loblaws/Shoppers Drug Mart (ii)	4.6%	82	2,099	5.0%	7.4
2	Canadian Tire Corporation (iii)	4.4%	90	2,402	5.7%	8.1
3	Walmart	4.0%	30	3,505	8.3%	10.9
4	Cineplex/Galaxy Cinemas	3.8%	29	1,443	3.4%	8.4
5	Metro/Super C/Loeb/Food Basics	3.5%	52	2,133	5.1%	6.7
6	Winners/HomeSense/Marshalls	3.4%	72	1,825	4.3%	7.4
7	Sobey's/Safeway	1.8%	33	1,053	2.5%	7.3
8	Cara/Prime Restaurants	1.7%	106	489	1.2%	5.8
9	Dollarama	1.5%	82	725	1.7%	6.5
10	Lowe's (iv)	1.4%	11	1,379	3.3%	12.7
		30.1%	587	17,053	40.5%	8.1

(i) Weighted average remaining lease term based on annualized gross rental revenue.
(ii) Loblaws/Shoppers Drug Mart includes No Frills, Fortinos, Zehrs and Maxi.
(iii) Canadian Tire Corporation includes Canadian Tire, PartSource, Mark's, Sport Chek, Sports Experts, National Sports and Atmosphere.
(iv) In February 2016, Lowe's announced its intent to purchase Rona. Upon closing of this transaction, Lowe's would become RioCan's ninth largest tenant by total annualized Canadian rental revenue.

THE EVOLUTION OF RETAIL REAL ESTATE

RioCan Yonge Sheppard Centre

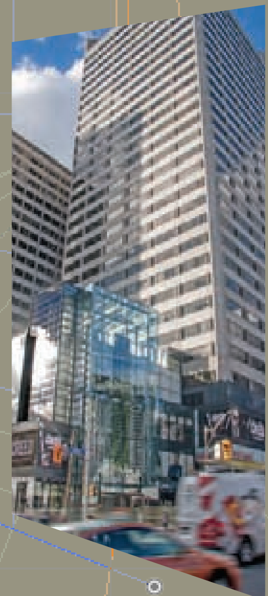
The Vision To Repurpose Existing Properties

The Sheppard Centre is an exciting mixed-use complex. Strategically located at the intersections of two bustling streets, Yonge and Sheppard, the Centre is easily acessible by pedestrians, local traffic, highways, and two major subway lines. In 555,000 square feet, Sheppard Centre tenants include national retail chains, two major banks, Shopper's Drug Mart, Winners and others. The demographics are compelling: more than half a million people, with an average household income of more than $130,000, are less than a 10 minute drive away.

Yonge Eglinton Centre
Located at one of Canada's busiest crossroads, Yonge Eglinton is thriving.

Newly renovated with exciting shops, restaurants, an expanded multi-plex cinema, and VIP theatres.

Winners and Sephora: two new and dynamic retailers at the centre.



THE EVOLUTION OF RETAIL REAL ESTATE

King and Portland

Vision Is The Ability To See Redevelopment

Just west of the downtown core, located at the intersection of **King and Portland**, is a 445,000 square foot mixed-use development. As a prime location, the site is an easy walk to the financial and theatre districts, and just a few minutes from a subway stop. Streetcar access is right at the door. The site will consist of mixed-use office, retail and residential space, with approximately 445,000 square feet of gross floor area.

Almost 300,000 households, with an average household income of $115,000, are within a 10 minute walk.

RioCan is partnering with Allied Properties on King and Portland and three other unique urban sites.

King and Portland

THE EVOLUTION OF RETAIL REAL ESTATE

The Well

Adapting A Vision Of Redevelopment For Our Tenants

RioCan, Diamondcorp, and Allied REIT are partnering on The Well, a transformative 7.7 acre development at the bustling intersection of Spadina and Front. This mixed-community of more than 3,000,000 square feet will appeal to residents, shoppers and office tenants alike. Featuring leading retailers, a range of restaurants, relaxing green space, and public art, this vibrant, community gathering hub will be Toronto's newest destination for downtown residents and visitors. Several new residential towers, extensive retail-lined mid-block pedestrian lanes, green spaces, and a state-of-the-art office tower will make The Well a compelling, must-see attraction in Toronto's downtown.

The Well features ground-level retail with residential and office above.

The Well

305,000 households, with an average household income of more than $115,000, are within a 10 minute drive.

PROPERTY PORTFOLIO

CANADA

ALBERTA

As at December 31, 2015 Property and Location	Ownership Interest (%)	RioCan's Interests NLA (sq. ft.)	Total Site NLA (sq. ft.)	Major or Anchor Tenants
17004 & 17008 107th Avenue NW Edmonton, AB	100%	11,963	11,963	
5008 5020 97th Street NW, Edmonton, AB	100%	11,943	11,943	
Brentwood Village, Calgary, AB	100%	290,898	290,898	Safeway, London Drugs, Sears Whole Home, Bed Bath & Beyond
Edmonton Walmart Centre, Edmonton, AB	40%	127,714	370,895	Walmart, Golf Town, Totem Building Supplies*
Glenmore Landing, Calgary, AB	50%	73,290	146,580	Safeway
Jasper Gates Shopping Centre Edmonton, AB	100%	91,063	146,063	London Drugs, Safeway*
Lethbridge Towne Square, Lethbridge, AB	100%	79,396	79,396	London Drugs
Lethbridge Walmart Centre Lethbridge, AB	100%	281,467	281,467	Walmart, Shoppers Drug Mart
Lowe's Sunridge Centre, Calgary, AB	100%	213,100	213,100	Lowe's, Golf Town
Mayfield Common, Edmonton, AB	50%	207,442	414,883	Winners, Save-On-Foods, Value Village, JYSK
Mill Woods Town Centre, Edmonton, AB	40%	233,444	578,692	Safeway (Co-op), Canadian Tire, GoodLife Fitness
North Edmonton Cineplex Centre Edmonton, AB	100%	75,836	75,836	Cineplex
Northgate Village Shopping Centre Calgary, AB	100%	277,685	404,775	Safeway, Gold's Gym, JYSK, Staples, Home Depot*
RioCan Beacon Hill, Calgary, AB	50%	263,944	786,888	Canadian Tire, Winners, Best Buy, Sport Chek, GoodLife Fitness, Home Depot*, Costco*
RioCan Centre Grande Prairie Grande Prairie, AB	100%	283,138	383,138	Winners, Michaels, JYSK, Rona, London Drugs, Cineplex, Staples, Walmart*
RioCan Meadows, Edmonton, AB	50%	154,694	409,388	Home Depot, Staples, Winners, Best Buy, Loblaws*
RioCan Shawnessy, Calgary, AB	100%	470,547	841,192	Lowe's, Sport Chek, Best Buy, Winners, Home Depot*, Co-op*, Walmart*, Canadian Tire*
RioCan Signal Hill Centre, Calgary, AB	100%	477,173	592,173	Lowe's, Winners, Michaels, Staples, Indigo, Loblaws*
Riverbend Square Shopping Centre Edmonton, AB	100%	141,036	141,036	Safeway, Shoppers Drug Mart
Southbank Centre, Calgary, AB	50%	72,607	389,449	Winners, Michaels, Home Depot*, Costco*
South Edmonton Common, Edmonton, AB	100%	430,418	981,488	London Drugs, The Brick, Home Outfitters, Old Navy, Home Depot*, Walmart*, Loblaws*, Cineplex*, Staples*, Best Buy*
South Trail Crossing, Calgary, AB	100%	313,913	313,913	Winners, HomeSense/Marshalls, Staples, Sport Chek
Southland Crossing Shopping Centre Calgary, AB	100%	132,063	132,063	Safeway
Summerwood Shopping Centre, Edmonton, AB	100%	83,980	83,980	Save-On-Foods, Shoppers Drug Mart

*Non-owned anchor

As at December 31, 2015 Property and Location	Ownership Interest (%)	RioCan's Interests NLA (sq. ft.)	Total Site NLA (sq. ft.)	Major or Anchor Tenants
The Market at Citadel, Edmonton, AB	100%	50,968	50,968	Shoppers Drug Mart
Timberlea Landing, Fort McMurray, AB	100%	105,379	105,379	Regional Municipality of Wood Buffalo

BRITISH COLUMBIA

Property and Location	Ownership Interest (%)	RioCan's Interests NLA (sq. ft.)	Total Site NLA (sq. ft.)	Major or Anchor Tenants
Abbotsford Power Centre, Abbotsford, BC	100%	219,421	459,421	Lowe's, Winners, PetSmart, Costco*, Rona/Revy*
BMO-1225 Douglas St., Victoria, BC	100%	25,133	25,133	
BMO-2219 Oak Bay Ave., Victoria, BC	100%	3,541	3,541	
BMO-3290 Grandview Hwy., Vancouver, BC	100%	4,454	4,454	
BMO-5710 Victoria Dr., Vancouver, BC	100%	4,432	4,432	
BMO-585 England Ave., Courtenay, BC	100%	5,885	5,885	
BMO-7075 Kingsway, Burnaby, BC	100%	5,010	5,010	
Cambie Street, Vancouver, BC	100%	148,215	148,215	Canadian Tire, Best Buy
Chahko Mika Mall, Nelson, BC	100%	173,106	173,106	Walmart, Save-On-Foods
Clearbrook Town Square, Abbotsford, BC	100%	188,962	188,962	Safeway, Staples
Cowichan Commons, Duncan, BC	100%	186,629	186,629	Walmart
Dilworth Shopping Centre, Kelowna, BC	100%	197,058	197,058	Safeway, Staples, JYSK, World Gym
Grandview Corners, Surrey, BC	50%	265,031	615,062	Walmart, Best Buy, Indigo, Home Depot*
Impact Plaza, Surrey, BC	100%	134,382	134,382	T&T Supermarket
Parkwood Place, Prince George, BC	50%	186,362	372,724	The Bay, Overwaitea, London Drugs, Famous Players, Staples
Peninsula Village, South Surrey, BC	50%	85,372	170,744	Safeway, London Drugs
RioCan Langley Centre, Langley, BC	100%	380,029	380,029	Sears Whole Home, Chapters, HomeSense, Michaels, Marshalls, Winners
Southwinds Crossing, Oliver, BC	100%	72,972	72,972	Canadian Tire, Buy-Low Foods
Strawberry Hill Shopping Centre, Surrey, BC	100%	337,843	337,843	Home Depot, Cineplex, Winners, Chapters, Sport Chek
The Junction, Mission, BC	50%	141,267	330,607	Save-On-Foods, Famous Players, London Drugs, Canadian Tire*
Tillicum Centre, Victoria, BC	100%	466,961	466,961	Lowe's, Cineplex, Save-On-Foods, Winners, London Drugs
Vernon Square, Vernon, BC	100%	96,707	149,707	London Drugs, Safeway*

MANITOBA

Property and Location	Ownership Interest (%)	RioCan's Interests NLA (sq. ft.)	Total Site NLA (sq. ft.)	Major or Anchor Tenants
Garden City, Winnipeg, MB	30%	86,138	379,730	Canadian Tire, Winners, Sears*
Kildonan Crossing Shopping Centre Winnipeg, MB	100%	179,027	179,027	Safeway, PetSmart

*Non-owned anchor

NEW BRUNSWICK

As at December 31, 2015 Property and Location	Ownership Interest (%)	RioCan's Interests NLA (sq. ft.)	Total Site NLA (sq. ft.)	Major or Anchor Tenants
Brookside Mall, Fredericton, NB	50%	139,848	279,695	Sobeys, The Province of New Brunswick, GoodLife Fitness
Corbett Centre, Fredericton, NB	100%	195,086	290,086	Winners, HomeSense, Home Depot*, Costco*
Northumberland Square, Miramichi, NB	100%	158,454	158,454	Winners, Giant Tiger
Quispamsis Town Centre, Quispamsis, NB	100%	88,114	88,114	Shoppers Drug Mart, GoodLife Fitness

NEWFOUNDLAND

Property and Location	Ownership Interest (%)	RioCan's Interests NLA (sq. ft.)	Total Site NLA (sq. ft.)	Major or Anchor Tenants
Shoppers on Topsail, St. John's, NFLD	100%	29,656	29,656	Shoppers Drug Mart
Trinity Conception Square, Carbonear, NFLD	100%	182,155	182,155	Metro, Walmart

NOVA SCOTIA

Property and Location	Ownership Interest (%)	RioCan's Interests NLA (sq. ft.)	Total Site NLA (sq. ft.)	Major or Anchor Tenants
Halifax Walmart Centre, Halifax, NS	50%	68,909	137,818	Walmart

ONTARIO

Property and Location	Ownership Interest (%)	RioCan's Interests NLA (sq. ft.)	Total Site NLA (sq. ft.)	Major or Anchor Tenants
12 Vodden Street, Brampton, ON	100%	32,294	32,294	
1208 & 1216 Dundas Street East, Whitby, ON	100%	7,697	7,697	
1650-1660 Carling Avenue, Ottawa, ON	100%	142,188	142,188	Canadian Tire
1910 Bank Street, Ottawa, ON	100%	6,425	6,425	
3736 Richmond Road, Ottawa, ON	100%	2,938	2,938	
2422 Fairview Street, Burlington, ON	100%	6,221	6,221	
2950 Carling Avenue, Ottawa, ON	100%	10,442	10,442	Pharma Plus
2955 Bloor Street West, Toronto, ON	100%	8,777	8,777	
2990 Eglinton Avenue East, Toronto, ON	100%	6,200	6,200	
404 Town Centre, Newmarket, ON	100%	267,865	267,865	Walmart, Metro
4055-4065 Carlingview Avenue, Ottawa, ON	100%	22,496	22,496	
410 King Street North, Waterloo, ON	100%	2,067	2,067	
549-555 College Street, Toronto, ON	50%	28,805	57,610	
506 & 510 Hespeler Road, Cambridge, ON	100%	12,515	12,515	
649 Queen Street West, Toronto, ON	100%	14,200	14,200	CB2
6666 Lundy's Lane, Niagara Falls, ON	100%	8,434	8,434	
735 Queenston Road, Hamilton, ON	100%	8,818	8,818	
740 Dupont Street, Toronto, ON	100%	25,000	25,000	
Adelaide Centre, London, ON	100%	80,998	80,998	Metro
Ajax Marketplace, Ajax, ON	100%	68,239	68,239	Food Basics, Pharma Plus

*Non-owned anchor

As at December 31, 2015 Property and Location	Ownership Interest (%)	RioCan's Interests NLA (sq. ft.)	Total Site NLA (sq. ft.)	Major or Anchor Tenants
Albion Centre, Etobicoke, ON	100%	375,767	375,767	Canadian Tire, No Frills
Belleville Stream Centre, Belleville, ON	100%	89,237	89,237	Stream International
Belleville Walmart Centre, Belleville, ON	100%	275,410	275,410	Walmart
Bellfront Shopping Centre, Belleville, ON	100%	109,995	159,995	Bed Bath & Beyond, Canadian Tire*
BMO-1293 Bloor Street West, Toronto, ON	100%	5,683	5,683	
BMO-145 Woodbridge Avenue, Vaughan, ON	100%	4,973	4,973	
BMO-1556 Bank Street, Ottawa, ON	100%	4,835	4,835	
BMO-2 King Street West, Bowmanville, ON	100%	5,584	5,584	
BMO-200 Ouelette Avenue, Windsor, ON	100%	17,047	17,047	
BMO-270 Dundas Street, London, ON	100%	20,269	20,269	
BMO-297 King Street East, Kingston, ON	100%	8,856	8,856	
BMO-519 Brant Street, Burlington, ON	100%	5,190	5,190	
BMO-79 Durham Street, Sudbury, ON	100%	24,075	24,075	
BMO-81 King Street West, Hamilton, ON	100%	5,550	5,550	
BMO-945 Smyth Road, Ottawa, ON	100%	8,532	8,532	
Burlington Mall, Burlington, ON	50%	308,613	730,378	Canadian Tire, Indigo, Winners, HomeSense, Sport Chek, The Bay*
Cambrian Mall, Sault Ste. Marie, ON	100%	134,808	316,639	Sport Chek, Winners, Canadian Tire*, Loblaws*
Campus Estates, Guelph, ON	100%	72,859	72,859	No Frills
Chapman Mills Marketplace, Ottawa, ON	75%	338,805	566,740	Walmart, Winners, Staples, Indigo, Cineplex, Loblaws*
Cherry Hill Centre, Fergus, ON	100%	73,886	73,886	Zehrs
Churchill Plaza, Sault Ste. Marie, ON	100%	147,409	147,409	Metro
City View Plaza, Nepean, ON	100%	59,992	59,992	Le Baron Outdoot Sports, PartSource
Clarkson Crossing, Mississauga, ON	100%	213,069	213,069	Metro, Canadian Tire, Shoppers Drug Mart
Clarkson Village Shopping Centre Mississauga, ON	100%	63,844	63,844	HomeSense
Colborne Place, Brantford, ON	100%	70,406	70,406	No Frills
Coliseum Ottawa, Ottawa, ON	100%	109,260	109,260	Cineplex, Shoppers Drug Mart
Collingwood Centre, Collingwood, ON	100%	206,068	206,068	FreshCo (Sobeys), Canadian Tire, Sport Chek, Bed, Bath & Beyond, Winners
Commissioners Court Plaza, London, ON	100%	94,140	94,140	Food Basics
County Fair Mall, Smiths Falls, ON	100%	161,989	161,989	Target, Food Basics
Dufferin Plaza, Toronto, ON	100%	62,081	62,081	Staples
Dundas 427 Marketplace, Mississauga, ON	100%	97,885	97,885	Staples
Eagle's Landing, Vaughan, ON	100%	177,038	177,038	Metro (Yummy Market)
Eastcourt Mall, Cornwall, ON	100%	176,978	176,978	No Frills
Elmvale Acres, Ottawa, ON	100%	146,613	146,613	Loblaws, Pharma Plus
Empress Walk, Toronto, ON	100%	180,749	238,749	Cineplex, Best Buy, Loblaws*
Fairlawn Plaza, Ottawa, ON	100%	8,322	8,322	
Fallingbrook Shopping Centre, Orleans, ON	100%	97,145	97,145	Metro, Shoppers Drug Mart

*Non-owned anchor

As at December 31, 2015 Property and Location	Ownership Interest (%)	RioCan's Interests NLA (sq. ft.)	Total Site NLA (sq. ft.)	Major or Anchor Tenants
Five Points Shopping Centre, Oshawa, ON	100%	397,738	397,738	Metro, LA Fitness, JYSK
Flamborough Walmart Centre Flamborough, ON	100%	298,368	298,368	Walmart, Rona, Staples
Frontenac Mall, Kingston, ON	30%	83,881	279,602	Food Basics, Value Village
Galaxy Centre, Owen Sound, ON	100%	91,563	91,563	No Frills, Cineplex
Garrard & Taunton, Whitby, ON	100%	146,835	146,835	Lowe's
Gates of Fergus, Fergus, ON	50%	37,634	75,267	Giant Tiger
Glendale Marketplace, Pickering, ON	100%	53,963	53,963	Your Independent Grocer, Pharma Plus
Goderich Walmart Centre, Goderich, ON	100%	99,882	207,738	Walmart, Canadian Tire*, Zehrs*
GoodLife Plaza, St. Catharines, ON	100%	144,268	144,2683	GoodLife Fitness, Canadian Tire (call centre)
Grant Crossing, Ottawa, ON	60%	137,587	329,311	Winners, HomeSense, Michaels, Bed Bath & Beyond, Lowe's*
Green Lane Centre, Newmarket, ON	66%	105,749	417,668	Bed Bath & Beyond, Michaels, PetSmart, Costco*, Loblaws*
Halton Hills Shopping Plaza Georgetown, ON	100%	75,724	75,724	Food Basics
Hamilton Highbury Plaza, London, ON	100%	5,269	5,269	
Hamilton Walmart Centre, Hamilton, ON	100%	312,993	312,993	Walmart, Winners, Staples
Hartsland Market Square, Guelph, ON	100%	108,719	108,719	Zehrs
Hawkesbury Centre, Hawkesbury, ON	50%	36,233	72,466	
Heart Lake Town Centre, Brampton, ON	100%	126,347	126,347	Metro
Herongate Mall, Ottawa, ON	75%	69,641	92,854	Food Basics, Pharma Plus
Highbury Shopping Plaza, London, ON	100%	70,981	70,981	LA Fitness
Hunt Club Centre, Ottawa, ON	100%	67,186	67,186	Metro
Hunt Club Centre II, Ottawa, ON	100%	143,815	143,815	Lowe's
Huron & Highbury, London, ON	50%	43,640	87,279	Shoppers Drug Mart
Innes Road Centre, Gloucester, ON	100%	47,512	167,512	PetSmart, Costco*
Kanata Centrum Shopping Centre Kanata, ON	100%	284,826	384,826	Walmart, Chapters, Loblaws*
Kendalwood Park Plaza, Whitby, ON	100%	158,688	158,688	FreshCo (Sobeys), Shoppers Drug Mart
Kennedy Commons, Scarborough, ON	50%	200,796	482,591	The Brick, Metro, Sears Whole Home, Chapters, LA Fitness, Chapters, Michaels
Keswick Walmart, Keswick, ON	75%	120,363	160,484	Walmart
King & Portland, Toronto, ON	50%	38,206	76,412	
King George Square, Belleville, ON	100%	71,985	71,985	Metro
King Plaza, Oshawa, ON	100%	34,202	34,202	Shoppers Drug Mart
Lawrence Square, Toronto, ON	100%	673,269	673,269	Marshalls, HomeSense, Fortinos, Canadian Tire, Hudson Bay Company (office)
Lincoln Fields Shopping Centre, Ottawa, ON	100%	285,693	285,693	Walmart, Metro
London Plaza, London, ON	100%	122,183	122,183	Gold's Gym, Value Village
Markington Square, Scarborough, ON	100%	173,029	173,029	Metro, GoodLife Fitness
Meadow Ridge Plaza, Ajax, ON	100%	111,762	111,762	Sobeys, GoodLife Fitness
Meadowlands Power Centre, Ancaster, ON	100%	145,605	589,209	HomeSense, Best Buy, Sport Chek, Costco*, Home Depot*, Sobeys*, Staples*

*Non-owned anchor

As at December 31, 2015 Property and Location	Ownership Interest (%)	RioCan's Interests NLA (sq. ft.)	Total Site NLA (sq. ft.)	Major or Anchor Tenants
Merivale Market, Ottawa, ON	75%	59,136	78,848	Food Basics, Shoppers Drug Mart
Millcroft Shopping Centre, Burlington, ON	50%	151,252	354,736	Metro, Canadian Tire*
Mississauga Plaza, Mississauga, ON	100%	175,672	175,672	FreshCo (Sobeys)
New Liskeard Walmart Centre New Liskeard, ON	100%	110,522	155,278	Walmart, Canadian Tire*
Niagara Falls Plaza, Niagara Falls, ON	100%	79,588	79,588	Foodland, LA Fitness
Niagara Square, Niagara Falls, ON	30%	120,641	402,137	Winners, JYSK, The Brick, Cineplex, Michaels
Nortown Centre, Chatham, ON	50%	35,712	71,423	Food Basics
Norwest Plaza, Kingston, ON	100%	39,924	39,924	GoodLife Fitness
Oakridge Centre, London, ON	100%	34,024	139,524	Pharma Plus, Loblaws*
Orillia Square Mall, Orillia, ON	100%	311,112	311,112	Canadian Tire, No Frills, The Brick
Pine Plaza, Sault Ste. Marie, ON	100%	42,455	42,455	Food Basics
Queensway Cineplex, Toronto, ON	50%	61,488	122,976	Cineplex
RioCan Centre Barrie, Barrie, ON	100%	244,589	244,589	Loblaws, Lowe's, Mountain Equipment Co-op
RioCan Centre Belcourt, Orleans, ON	60%	156,609	403,015	Empire Theatres, Food Basics, Toys R Us, Lowe's*
RioCan Centre Burloak, Oakville, ON	50%	227,312	552,623	Cineplex, Home Outfitters, Longo's, Home Depot*
RioCan Centre Kingston, Kingston, ON	100%	631,007	752,052	Cineplex, Sears, Staples, Winners, HomeSense, Old Navy, Best Buy, Home Depot*
RioCan Centre London North, London, ON	100%	105,040	165,040	Chapters, PetSmart, Loblaws*
RioCan Centre London South, London, ON	100%	139,458	139,458	Metro
RioCan Centre Merivale, Nepean, ON	100%	201,613	201,613	Your Independent Grocer, Winners
RioCan Centre Milton, Milton, ON	100%	171,465	286,465	Cineplex, LA Fitness, Home Depot*, Longo's*
RioCan Centre Newmarket, Newmarket, ON	40%	26,688	66,721	Mark's Work Wearhouse, Staples
RioCan Centre Sudbury, Sudbury, ON	100%	403,769	669,165	Cineplex, Staples, Chapters, Sears, Winners, HomeSense, Costco*, Home Depot*
RioCan Centre Vaughan, Vaughan, ON	100%	262,336	262,336	Walmart
RioCan Centre Windsor, Windsor, ON	100%	239,321	349,321	Cineplex, Sears, The Brick, Staples, Costco*
RioCan Colossus Centre, Vaughan, ON	100%	460,635	590,635	HomeSense, Golf Town, Marshalls, Cineplex, Costco*
RioCan Durham Centre, Ajax, ON	100%	894,750	1,225,750	Walmart, Canadian Tire, Best Buy, Old Navy, Cineplex, Winners, Chapters, Sport Chek, HomeSense, Marshalls, Home Depot*, Loblaws*, Costco*
RioCan Elgin Mills Crossing Richmond Hill, ON	100%	320,325	441,325	Home Depot*, Costco, Michaels, Staples
RioCan Fairgrounds, Orangeville, ON	100%	366,437	510,512	Walmart, Best Buy, Cineplex, Winners, Canadian Tire*, Home Depot*
RioCan Georgian Mall, Barrie, ON	50%	254,706	625,926	Atmosphere, HomeSense, H&M, Victoria's Secret, Sears*, The Bay, Sephora
RioCan Grand Park, Mississauga, ON	50%	118,637	118,637	Winners, Shoppers Drug Mart, Staples
RioCan Gravenhurst, Gravenhurst, ON	100%	149,548	149,548	Canadian Tire, Sobeys
RioCan Hall, Toronto, ON	100%	227,326	227,326	Cineplex, Marshalls, GoodLife Fitness, Michaels
RioCan Leamington, Leamington, ON	100%	192,889	192,889	Walmart, Metro

*Non-owned anchor

As at December 31, 2015 Property and Location	Ownership Interest (%)	RioCan's Interests NLA (sq. ft.)	Total Site NLA (sq. ft.)	Major or Anchor Tenants
RioCan Leaside Centre, Toronto, ON	100%	133,035	133,035	Canadian Tire, PetSmart
RioCan Marketplace Toronto, Toronto, ON	66%	112,958	413,572	Winners, Loblaws*, Home Depot*
RioCan Niagara Falls, Niagara Falls, ON	100%	268,851	367,426	Staples, Zehrs, Home Depot*
RioCan Oakville Place, Oakville, ON	50%	230,570	461,140	The Bay, Sears, H&M, Sephora, Pusateri's, Shoppers Drug Mart, Sport Chek
RioCan Orleans, Cumberland, ON	100%	182,251	297,251	Metro, JYSK, Staples, Home Depot*
RioCan Renfrew Centre, Renfrew, ON	100%	53,099	127,099	No Frills*
RioCan Scarborough Centre, Scarborough, ON	100%	326,823	326,823	Staples, LA Fitness, Al's Premium Food Market
RioCan St. Laurent, Ottawa, ON	100%	308,031	308,031	Lowes, Metro, Food Basics, Winners
RioCan Thickson Ridge, Whitby, ON	50%	181,381	492,761	Winners, JYSK, HomeSense, Ikea, Buy Buy Baby, Sears, Whole Home, Home Depot*
RioCan Thickson Ridge – Bed Bath & Beyond, Whitby, ON	16%	4,374	28,222	Bed Bath & Beyond
RioCan Victoria, Whitby, ON	50%	49,290	98,579	
RioCan Warden, Scarborough, ON	100%	230,918	230,918	Lowe's, Marshalls, Michaels
RioCan West Ridge Place, Orillia, ON	100%	226,415	356,415	Sport Chek, Food Basics, Cineplex, Home Depot*
RioCan Yonge Eglinton Centre, Toronto, ON	100%	1,052,956	1,052,956	Cineplex, Indigo, Metro, Toys R Us, Winners
RioCentre Brampton, Brampton, ON	100%	103,607	103,607	Food Basics
RioCentre Kanata, Ottawa, ON	100%	108,562	108,562	Sobeys, Pharma Plus
RioCentre Newmarket, Newmarket, ON	100%	117,908	117,908	Metro, Shoppers Drug Mart
RioCentre Oakville, Oakville, ON	100%	106,884	106,884	Shoppers Drug Mart, Food Basics
RioCentre Thornhill, Thornhill, ON	100%	140,370	140,370	No Frills, Winners, HomeSense
Sandalwood Square Shopping Centre Mississauga, ON	100%	107,060	107,060	Value Village
Sheppard Centre, Toronto, ON	50%	262,556	525,111	Winners, Longo's, LA Fitness
Sherwood Forest Mall, London, ON	100%	218,208	218,208	Food Basics, Shoppers Drug Mart, GoodLife Fitness
Shoppers City East, Ottawa, ON	63%	23,355	37,189	
Shoppers Drug Mart Pembroke Pembroke, ON	100%	17,020	17,020	Shoppers Drug Mart
Shoppers on Argyle, Caledonia, ON	100%	17,024	17,024	Shoppers Drug Mart
Shoppers World Brampton, Brampton, ON	100%	693,969	693,969	Canadian Tire, Winners, Staples, Oceans, JYSK, Giant Tiger
Shoppers World Danforth, Toronto, ON	100%	326,519	326,519	Lowe's, Metro, Staples
Shoppes on Avenue, Toronto, ON	100%	20,884	20,884	Bank of Montreal, Pharma Plus
Shoppes on Queen West, Toronto, ON	100%	89,690	89,690	Loblaws, Winners
Silver City Gloucester, Gloucester, ON	80%	181,778	227,223	Cineplex, Chapters
South Cambridge Shopping Centre Cambridge, ON	100%	189,739	189,739	Zehrs, Home Hardware
South Hamilton Square, Hamilton, ON	100%	305,292	305,292	Fortinos, JYSK, GoodLife Fitness
Southgate Shopping Centre, Ottawa, ON	100%	72,627	72,627	Metro, Shoppers Drug Mart
Spring Farm Marketplace, Vaughn, ON	100%	73,077	73,077	Sobeys, Shoppers Drug Mart
Stratford Centre, Stratford, ON	100%	158,736	158,736	Metro, Value Village

*Non-owned anchor

As at December 31, 2015 Property and Location	Ownership Interest (%)	RioCan's Interests NLA (sq. ft.)	Total Site NLA (sq. ft.)	Major or Anchor Tenants
Sudbury Place, Sudbury , ON	100%	147,885	203,629	Canadian Tire, Real Canadian Superstore*
Sunnybrook Plaza, Toronto, ON	100%	51,013	51,013	Pharma Plus, CIBC
Tanger Outlets Cookstown, Cookstown, ON	50%	155,608	311,216	Under Armour, Coach, Tommy Hilfiger, Nike, Polo Ralph Lauren
Tanger Outlets Ottawa, Ottawa, ON	50%	139,644	279,287	Polo Ralph Lauren, Old Navy, Nike, Saks, Under Armour, Coach
The Stockyards, Toronto, ON	50%	255,127	510,253	Nations, Sport Chek, PetSmart, Winners, HomeSense, Old Navy, Michaels
Timiskaming Square, New Liskeard, ON	100%	158,793	158,793	Food Basics
Timmins Square, Timmins, ON	30%	117,095	390,318	Sears, No Frills, Winners, Sport Chek
Trafalgar Ridge Shopping Centre Oakville, ON	100%	131,251	131,251	GoodLife Fitness, Winners/HomeSense
Trenton Walmart Centre, Trenton, ON	100%	147,416	147,416	Walmart
Trinity Common Brampton, Brampton, ON	100%	611,957	826,957	Cineplex, Metro, Winners, HomeSense, Staples, Sport Chek, Michaels, Canadian Tire*, Home Depot*
Trinity Crossing, Ottawa, ON	100%	191,464	371,464	Michaels, Winners/HomeSense, Loblaws*
University Plaza, Dundas, ON	100%	183,435	183,435	Metro, Shoppers Drug Mart
Upper James Plaza, Hamilton, ON	100%	126,253	126,253	Canadian Tire, Metro
Victoria Crossing, Scarborough, ON	100%	64,635	64,635	FreshCo (Sobeys)
Viewmount Centre, Ottawa, ON	100%	127,270	127,270	Metro, Best Buy, HomeSense
Walker Place, Burlington, ON	50%	69,857	69,857	FreshCo (Sobeys)
Walker Towne Centre, Windsor, ON	100%	39,788	39,788	
The Well, Toronto, ON	40%	101,396	253,489	
West Side Place, Port Colborne, ON	100%	77,323	77,323	No Frills
Westgate Shopping Centre, Ottawa, ON	100%	165,660	165,660	Shoppers Drug Mart
Wharncliffe Centre, London, ON	100%	60,744	60,744	No Frills
White Shield Plaza, Toronto, ON	100%	162,601	162,601	Lone Thai Grocery
Woodview Place, Burlington, ON	100%	147,660	147,660	Metro, Chapters
Yonge & Erskine Avenue, Toronto, ON	50%	3,593	7,186	TD Canada Trust

PRINCE EDWARD ISLAND

Property and Location	Ownership Interest (%)	RioCan's Interests NLA (sq. ft.)	Total Site NLA (sq. ft.)	Major or Anchor Tenants
Charlottetown Mall, Charlottetown, PEI	50%	165,630	331,259	Loblaws Atlantic Superstore, Winners, Sport Chek, H&M

QUEBEC

Property and Location	Ownership Interest (%)	RioCan's Interests NLA (sq. ft.)	Total Site NLA (sq. ft.)	Major or Anchor Tenants
2335 Lapiniere Boulevard, Brossard, PQ	100%	2,259	2,259	
541 Saint-Joseph Boulevard Gatineau, PQ	100%	2,584	2,584	

*Non-owned anchor

As at December 31, 2015 Property and Location	Ownership Interest (%)	RioCan's Interests NLA (sq. ft.)	Total Site NLA (sq. ft.)	Major or Anchor Tenants
BMO-279 Rue St Charles Ouest Longueuil, PQ	100%	5,015	5,015	
Centre Carnaval LaSalle, LaSalle, PQ	100%	209,815	209,815	Super C, L'Aubainerie
Centre Carnaval Montreal, Montreal, PQ	100%	67,815	67,815	Super C
Centre Carnaval Pierrefonds Pierrefonds, PQ	100%	129,589	129,589	Super C
Centre Carnaval Trois Rivieres Trois Rivieres, PQ	100%	112,888	112,888	Super C
Centre Concorde, La Prairie, PQ	50%	31,649	63,298	Sobeys
Centre La Prairie, Laval, PQ	50%	34,541	69,081	IGA
Centre Regional Chateauguay Chateauguay, PQ	50%	104,963	209,925	Super C
Centre Rene A. Robert Centre Ste. Therese, PQ	50%	37,587	75,173	IGA
Centre RioCan Kirkland, Kirkland, PQ	100%	319,887	319,887	Cineplex, Winners
Centre Sicard, Ste. Therese, PQ	100%	106,404	106,404	IGA, Jean Coutu
Centre St. Jean St. Jean Sur Richelieu, PQ	100%	101,563	101,563	IGA
Centre St. Julie, Ste. Julie, PQ	50%	30,389	60,778	IGA
Centre St. Martin, Laval, PQ	100%	226,558	226,558	Provigo, Pharmaprix, Giant Tiger, L'Aubainerie
Desserte Ouest, Laval, PQ	50%	58,074	116,147	
Galeries Laurentides, St. Antoine, PQ	100%	452,895	452,895	Maxi
Galeries Mille-Iles, Rosemere, PQ	100%	252,450	252,450	Maxi, Staples
Granby, Granby, PQ	100%	48,870	48,870	L'Aubainerie
Lachute Walmart Centre, Lachute, PQ	100%	78,761	78,761	Walmart
Les Factories Tanger Bromont Bromont, PQ	50%	81,317	162,633	Atmosphere, Tommy Hilfiger, Ouma
Les Factories Tanger St. Sauveur Prevost, PQ	50%	57,859	115,717	Atmosphere, Nike
Les Galeries Lachine, Montreal, PQ	100%	169,347	169,347	Maxi, Pharmaprix
Levis, Levis, PQ	100%	18,988	18,988	
Mega Centre Notre Dame Sainte Dorothée, PQ	100%	424,807	494,360	Winners/HomeSense, Sports Experts, Super C*, Shoppers Drug Mart*
Mega Centre Rive-Sud, Levis, PQ	100%	204,649	393,518	Walmart, Canadian Tire*, Home Depot*
Place Carnaval Laval, Laval, PQ	100%	108,346	108,346	Adonis, Jean Coutu
Place Newman, LaSalle, PQ	100%	189,487	189,487	Maxi, Winners
RioCan Gatineau, Gatineau, PQ	100%	300,007	300,007	Walmart, Canadian Tire, Super C
RioCan Greenfield, Greenfield Park, PQ	100%	359,735	359,735	Maxi, Winners, Staples, Guzzo Cinemas
RioCan La Gappe, Gatineau, PQ	100%	355,840	355,840	Walmart, Winners, Golf Town
Shoppers Drug Mart Repentigny Repentigny, PQ	100%	17,050	17,050	Shoppers Drug Mart
Silver City Hull, Hull, PQ	100%	84,590	499,775	Cineplex, Rona*, Walmart*, Maxi*, Super C*, Winners*

*Non-owned anchor

As at December 31, 2015 Property and Location	Ownership Interest (%)	RioCan's Interests NLA (sq. ft.)	Total Site NLA (sq. ft.)	Major or Anchor Tenants
St. Hyacinthe Walmart Centre Ste. Hyacinthe, PQ	100%	166,892	254,392	Walmart, Staples, Canadian Tire*
Vaudreuil Shopping Centre Vaudreuil-Dorion, PQ	100%	117,908	197,908	Golf Town, Staples, Canadian Tire*, Super C*

SASKATCHEWAN

Property and Location	Ownership Interest (%)	RioCan's Interests NLA (sq. ft.)	Total Site NLA (sq. ft.)	Major or Anchor Tenants
Parkland Mall, Yorkton, SA	100%	266,662	266,662	Canadian Tire, Shoppers Drug Mart, Winners, Save-On-Foods

*Non-owned anchor

CANADIAN REAL ESTATE PORTFOLIO KEY FACTS *as at December 31, 2015 (all metrics stated at RioCan's interest)*

Net Leasable Area ("NLA") (sq.ft.):	Canadian Properties		
	Retail	Office	Total
Income Producing Properties	**40,280,000**	**1,844,000**	**42,124,000**
Properties Under Development	**3,939,000**	**—**	**3,939,000**
Total	**44,219,000**	**1,844,000**	**46,063,000**
Number of Tenancies			**6,545**

Portfolio Occupancy

	Canadian Properties
Retail	**93.9%**
Office	**96.8%**
Total	**94.0%**

Canadian Geographic Diversification

		Number of Canadian properties		
	Percentage of annualized rental revenue	Income producing properties	Properties under development	Total
Ontario	**67.7%**	**189**	**12**	**201**
Alberta	**12.5%**	**30**	**4**	**34**
Quebec	**9.4%**	**36**	**—**	**36**
British Columbia	**7.3%**	**23**	**—**	**23**
Eastern Canada	**2.0%**	**8**	**—**	**8**
Manitoba / Saskatchewan	**1.1%**	**3**	**—**	**3**
	100.0%	**289**	**16**	**305**

Canadian Anchor and National Tenants

Percentage of:	Canadian Properties
Annualized rental revenue	**84.1%**
Total NLA	**82.9%**

Top Ten Sources of Revenue by Canadian Property Tenant

Rank	Tenant	Percentage of annualized rental revenue	Weighted average remaining lease term (yrs)
1	Loblaws/Shoppers Drug Mart (i)	**4.6%**	**7.4**
2	Canadian Tire Corporation (ii)	**4.4%**	**8.1**
3	Walmart	**4.0%**	**10.9**
4	Cineplex/Galaxy Cinemas	**3.8%**	**8.4**
5	Metro/Super C/Loeb/Food Basics	**3.5%**	**6.7**
6	Winners/HomeSense/Marshalls	**3.4%**	**7.4**
7	Sobey's/Safeway	**1.8%**	**7.3**
8	Cara/Prime Restaurants	**1.7%**	**5.8**
9	Dollarama	**1.5%**	**6.5**
10	Lowe's (iii)	**1.4%**	**12.7**
		30.1%	**8.1**

(i) Loblaws/Shoppers Drug Mart includes No Frills, Fortinos, Zehrs and Maxi.
(ii) Canadian Tire Corporation includes Canadian Tire, PartSource, Mark's, Sport Chek, Sports Experts, National Sports and Atmosphere.
(iii) In February 2016, Lowe's announced its intent to purchase Rona. Upon closing of this transaction, Lowe's would become RioCan's ninth largest tenant by total annualized Canadian rental revenue.

Canadian Properties Lease Expiries

	Total	2016	2017	2018	2019	2020
NLA	42,124,000	3,578,000	4,181,000	4,720,000	5,376,000	4,916,000
Average expiring rent per square foot	$ 17.11	$ 18.76	$ 18.19	$ 18.32	$ 18.07	$ 17.13

RioCan
FINANCIAL REVIEW MANAGEMENT'S DISCUSSION AND ANALYSIS

THE EVOLUTION OF REAL ESTATE

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ABOUT THIS MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management’s Discussion and Analysis ("MD&A") is provided to enable a reader to asses our results of operations and financial condition for the fiscal year ended December 31, 2015. This MD&A is dated February 17, 2016 and should be read in conjunction with our annual consolidated financial statements and related notes for the year ended December 31, 2015 ("2015 Annual Consolidated Financial Statements"). Unless the context indicates otherwise, references to “RioCan”, the "Trust”, "we", "us" and "our" in this MD&A refer to RioCan Real Estate Investment Trust and its consolidated operations. Unless otherwise specified, all amounts are based on financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These documents, as well as additional information relating to RioCan, including our most recently filed Annual Information Form, have been filed electronically with Canadian securities regulators through the System for Electronic Document Analysis and Retrieval ("SEDAR") and may be accessed through the SEDAR website at www.sedar.com or RioCan's website at www.riocan.com.

Unless otherwise specified, all amounts are in thousands of Canadian dollars and all percentage changes are calculated using whole numbers. In addition, during 2015, RioCan reclassified the manner in which certain items are categorized as described in more detail in *Business Overview, Outlook and Strategy* section herein. Accordingly, the results for 2014 have been adjusted on a comparative basis to conform with the current presentation.

FORWARD-LOOKING INFORMATION

Certain information included in this MD&A contains forward-looking information within the meaning of applicable Canadian securities laws. This information includes, but is not limited to, statements made in *2015 Financial Highlights*, *Business Overview, Outlook and Strategy*, *Asset Profile*, *Capital Strategy and Resources*, and other statements concerning RioCan’s objectives, its strategies to achieve those objectives, as well as statements with respect to management’s beliefs, plans, estimates, and intentions, and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts. Forward-looking information generally can be identified by the use of forward-looking terminology such as “outlook”, “objective”, “may”, “will”, “would”, “expect”, “intend”, “estimate”, “anticipate”, “believe”, “should”, “plan”, “continue”, or similar expressions suggesting future outcomes or events. Such forward-looking information reflects management’s current beliefs and is based on information currently available to management. All forward-looking information in this MD&A is qualified by these cautionary statements.

Forward-looking information is not a guarantee of future events or performance and, by its nature, is based on RioCan’s current estimates and assumptions, which are subject to numerous risks and uncertainties, including those described under *Risks and Uncertainties* in this MD&A which could cause actual events or results to differ materially from the forward-looking information contained in this MD&A. Those risks and uncertainties include, but are not limited to, those related to: liquidity and general market conditions; tenant concentrations and related risk of bankruptcy or restructuring (and the terms of any bankruptcy or restructuring proceeding), occupancy levels and defaults, including the failure to fulfill contractual obligations by the tenant or a related party thereof; lease renewals and rental increases; the ability to re-lease and find new tenants for vacant space; retailer competition; access to debt and equity capital; interest rate and financing risk; joint ventures and partnerships; the relative illiquidity of real property; unexpected costs or liabilities related to acquisitions and dispositions; development risk associated with construction commitments, project costs and related approvals; environmental matters; litigation; reliance on key personnel; unitholder liability; income and indirect taxes; and credit ratings.

The sale of our U.S. portfolio remains subject to certain closing conditions and there are risks and uncertainties with respect to the completion of the transaction on the terms agreed upon, or at all, together with other statements concerning RioCan's objectives, its strategies to achieve those objectives, as well as statements with respect to management's beliefs, plans, estimates, and intentions, and similar statements concerning anticipated future events, results, leverage ratios, circumstances, performance or expectations that are not historical facts, including but without limitation, to the intended use of sale proceeds.

RioCan currently qualifies as a real estate investment trust for Canadian tax purposes and intends to qualify for future years. The *Income Tax Act (Canada)* contains provisions which potentially impose tax on publicly traded trusts that qualify as specified investment flow-through entities (the SIFT Provisions). However, the SIFT Provisions do not impose tax on a publicly traded trust which qualifies as a REIT. Should RioCan no longer qualify as a Canadian REIT under the SIFT Provisions, certain statements contained in this MD&A may need to be modified. RioCan is still subject to Canadian tax in their incorporated Canadian subsidiaries.

RioCan's U.S. subsidiary qualifies as a REIT for U.S. income tax purposes. The subsidiary expects to distribute all of its U.S. taxable income (if any) to Canada and is entitled to deduct such distributions for U.S. income tax purposes. The subsidiary’s qualification as a REIT depends on the REIT’s satisfaction of certain asset, income, organizational, distribution, unitholder ownership and other requirements on a continuing basis. We anticipate that the subsidiary will continue to qualify as a U.S. REIT until the closing of the sale of our U.S. asset portfolio. Our U.S. subsidiary is subject to a 30% or 35% withholding tax on distributions to Canada. Previously, we expected to flow-out any withholding tax paid to unitholders as foreign tax paid. Based upon the intended sale of our U.S. retail asset portfolio, however, RioCan expects to pay and deduct the U.S. withholding taxes payable, if any, related to the disposition proceeds.

Other factors, such as general economic conditions, including interest rate and foreign exchange rate fluctuations, may also have an effect on RioCan’s results of operations. Material factors or assumptions that were applied in drawing a conclusion or making an estimate set out in the forward-looking information may include, but are not limited to: a stable retail environment; relatively low and stable interest costs; a continuing trend toward land use intensification, including residential development in urban markets; access to equity and debt capital markets to fund, at acceptable costs, future capital requirements and to enable our refinancing of debts as they mature; and the availability of investment opportunities for growth in Canada and the U.S. For a description of additional risks that could cause actual results to materially differ from management’s current expectations, refer to

Risks and Uncertainties in this MD&A and *Risks and Uncertainties* in RioCan's AIF. Although the forward-looking information contained in this MD&A is based upon what management believes are reasonable assumptions, there can be no assurance that actual results will be consistent with this forward-looking information. Certain statements included in this MD&A may be considered "financial outlook" for purposes of applicable Canadian securities laws, and as such the financial outlook may not be appropriate for purposes other than this MD&A. The forward-looking information contained in this MD&A is made as of the date of this MD&A, and should not be relied upon as representing RioCan's views as of any date subsequent to the date of this MD&A.

Management undertakes no obligation, except as required by applicable law, to publicly update or revise any forward-looking information, whether as a result of new information, future events or otherwise.

BUSINESS OVERVIEW, OUTLOOK AND STRATEGY

Business Overview

RioCan is an unincorporated "closed-end" real estate investment trust listed on the Toronto Stock Exchange ("TSX") under the symbol REI.UN. We are Canada's largest real estate investment trust based on market capitalization with a total enterprise value of approximately $15 billion at December 31, 2015. RioCan owns and manages Canada's largest portfolio of shopping centres with ownership interests in a portfolio of 305 Canadian retail and mixed use properties, including 16 properties under development, containing an aggregate net leasable area ("NLA") of 46,063,000 square feet.

As discussed in more detail later in this MD&A, near the end of 2015 RioCan entered into an agreement to sell its U.S. portfolio of 49 wholly-owned investment properties to Blackstone Real Estate Partners VIII ("Blackstone"), predominantly comprised of grocery anchored and new format retail centres located in the State of Texas and the Northeastern United States. The sale is expected to close by the end of April 2016, subject to certain closing conditions. Until such time as such conditions are satisfied or waived, there is no assurance that the transaction will be completed on the terms contemplated. The Trust's U.S. properties previously represented its U.S. geographic segment. We have reclassified the assets and liabilities associated with this U.S. disposal group to 'held for sale' at December 31, 2015 and we are reporting our former U.S. geographic segment performance as discontinued operations with comparative income statement amounts restated to reflect this change, unless otherwise noted. As a result, RioCan no longer distinguishes or groups its operations on a geographical or any other basis and, accordingly, has a single reportable segment, which is consistent with the change in accounting presentation described in note 3 and further described in note 4 of our 2015 Annual Consolidated Financial Statements.

RioCan's Canadian property portfolio includes grocery anchored, new format retail, urban retail, mixed use and non-grocery anchored centres, of which 245 properties are 100% owned (239 income properties and 6 properties under development) and 60 (including 10 under development) are co-owned through joint arrangements with co-owners. RioCan's primary joint arrangements are with Allied Properties REIT (Allied), Canada Pension Plan Investment Board (CPPIB), Hudson's Bay Company (HBC), Kimco Realty Corporation (Kimco), KingSett Capital (KingSett), Tanger Factory Outlet Centres, Inc. (Tanger), and Trinity Development Group (Trinity). The partnership with CPPIB is RioCan's largest in terms of our ownership share of assets totalling $592 million.

During the year, we made changes to our co-ownership arrangements which included the commencement of the unwinding of a Canadian co-ownership with our long-standing partner, Kimco. The Kimco joint venture dissolution was largely achieved through the purchase of Kimco's interest in a portfolio of 23 properties for $774 million (including the acquisition of Tillicum in December) and marketing for sale a second group of seven retail assets as at December 31, 2015. These acquisitions increase RioCan's concentration in Canada's six major markets, most notably within the Greater Toronto Area.

In 2015, we also formed a joint venture with HBC comprising 12 properties focused on real estate growth opportunities in Canada. The joint venture enables RioCan and HBC to build on the strength of existing real estate assets through potential future redevelopment, as well as identify new real estate acquisition and reinvestment opportunities.

In terms of tenant mix, the most significant change occurred on January 15, 2015 when Target Corporation (Target) announced plans to discontinue its Canadian operations. At the time of the announcement, RioCan had 26 locations under lease with Target's wholly-owned subsidiary, Target Canada, representing 2,091,000 square feet of NLA (on a 100% basis). During 2015, Target Canada disclaimed the leases and ceased paying rent at 19 of these locations pursuant to the *Companies' Creditors Arrangement Act* ("CCAA"). We were able to successfully assign the lease obligations at the other seven locations to new tenants under the same CCAA process. All but one of the 19 disclaimed leases were guaranteed through an indemnity provided by Target for the remaining term of each lease. The one disclaimed location not covered by the Target indemnity has reverted to Walmart Canada through a pre-existing covenant and Walmart Canada has resumed payment of the annual rental obligation. In December 2015, in exchange for a release of Target from the indemnity agreements, RioCan reached a full settlement with the U.S. parent of Target Canada for $149 million (inclusive of $17 million of HST), of which $105 million represents RioCan's share (inclusive of $13 million of HST), with the remainder distributed to various co-owners. The proceeds of the settlement are being used to mitigate losses caused by Target Canada's departure, including funding of the redevelopments underway at the 18 disclaimed locations. RioCan's leasing team continues to make significant progress on the re-leasing of the former Target space. Our redevelopment plan is highly focused on utilizing the space more optimally so as to improve the overall shopping centre and increase revenues in the most efficient, expedient and effective manner possible.

Outlook

Canada's growth performance outlook remains mixed due to the negative growth impact in recent quarters of lower oil prices, but with some indications of an improving manufacturing sector. The Bank of Canada cut its target for overnight interest rates twice during 2015 and interest rates are expected to remain low in 2016.

Overall, we remain well positioned to withstand an unsettled retail environment due to our large size and dominant position in urban locations, including Canada's six major markets from which 74.8% of our portfolio net rental revenues are derived. In

addition to the competitive advantage provided by RioCan's significant scale and urban presence, our resiliency is also due to the depth of our management team, our well diversified and stable portfolio, an unparalleled retail development pipeline, solid tenant base, flexible capital structure and conservative borrowing practices.

We expect to achieve continued organic growth over the long term. Considering the recent events with Target and other tenant disruptions, however, we also expect that there may be some quarter to quarter volatility in our same property results over the next one to two years as we reposition some of the portfolio to become more productive assets. We may also see an impact on same store results to the extent we experience additional vacancies or rent reductions triggered by co-tenancy provisions in connection with the Target departure. In addition, following the anticipated sale of the U.S. portfolio, operating earnings may decline in the near term subject to the potential reinvestment of sales proceeds. We have put in place a strategy that will reduce the dilutive effects of the sale and allow RioCan to fortify its balance sheet in 2016. A portion of the the sales proceeds will be used to repay our operating lines and other debt obligations, generating considerable interest savings. Refer to the *Sale of U.S. Operations* section below for details.

In 2016, on a full year basis, we are expecting same store growth in Canada to be flat to slightly positive, assuming the current market conditions prevail.

Macro Economic and Market Trends

Declining Canadian dollar

The Canadian dollar lost over 15% of its value against the U.S. dollar in 2015, largely due to depressed oil prices and increases in interest rates by the U.S. Federal Reserve. While we expect divergent monetary policies in Canada and the U.S. to result in continued downward pressure on the Canadian dollar, we do not expect this trend to have a significant impact on RioCan's business or our tenants' operations. The prolonged weakness in the Canadian dollar has negatively impacted retailers that import goods from the U.S., although there may be some positive growth in retail sales resulting from fewer Canadians shopping in the U.S. The weaker Canadian dollar may also attract more tourists and foreign retailers to Canada, and more specifically to Canada's major urban centres where we have a significant presence; although growth in profit will depend on our tenants' ability to manage import costs and pass through price increases.

Energy prices

A slumping energy sector contributed to the slower pace of economic recovery both in Canada and abroad during 2015. The decline in energy prices has created uncertainty in markets dependent on the oil and gas industries, causing energy companies to make significant cuts in spending which will likely continue in 2016. If energy prices remain at the current low levels, the headwinds on Canada's oil producing provinces will likely persist this year resulting in a negative impact on economic growth and housing markets. We expect the potential decline in growth from low energy prices to be offset, in part, by increased consumer spending from energy cost savings.

Interest rates

In its latest meeting, the Bank of Canada maintained the overnight interest rate at 0.5%, which we expect to remain unchanged for most of 2016. The Bank of Canada's January 2016 forecast update showed the economy growing at a 1.5% average rate in 2016, partly attributable to the stimulative effects of low interest rates and a weaker Canadian dollar. The relatively low interest rate environment in Canada is a positive for RioCan and should continue to provide interest savings on our maturing debt. We will monitor the economy and real estate markets with a view to ensuring we have adequate access to capital, either by way of equity, debt or strategic asset dispositions (subject to market conditions) to meet our business requirements and to maximize financing opportunities as they become available.

E-commerce

While there appears to be an increasing desire for consumers to shop online, we have found that the entertainment and personal services, food and beverage, grocery, home improvement, luxury fashion and healthcare markets tend to be less affected. In our opinion, consumer trends in 2016 will be towards greater sales in enclosed malls and grocery anchored shopping centres for which the shopping experience is still important to the majority of consumers. It is also expected that existing retail models will be adapted to integrated sales depots for online sales, commonly referred to as omni channeling. We believe that we are well positioned for online sales trends based upon the depth and breadth of our retail portfolio, especially in urban markets. Grocery stores have been typically resilient to online consumer spending. We continue to proactively bolster our portfolio through a greater focus on national and/or grocery anchored tenants offering specialty/ethnic foods and an improved overall shopping experience.

Canadian retail environment

We expect fundamentals in Canadian retail real estate to remain steady in 2016, particularly necessity-based retail. This view is supported by projected average growth in Canadian real gross domestic product and annualized household spending of about 2% for 2016. There will be some disruption as a result of Target's departure from Canada and other announced store closures that occurred in 2015. These closures have created a more cautious environment with retailers, however, the pace of store closures slowed toward the end of 2015. The Canadian market benefits from a largely sound retail tenant base who exhibit financial strength. Over the long term, we expect that there is unlikely to be a continued supply imbalance as a result of low development activity in Canada.

Strategy

RioCan's purpose is to deliver to its unitholders ("Unitholders") stable and reliable cash distributions that increase over the long term. We accomplish this goal by following a core strategy of owning, operating, developing, redeveloping and intensifying retail

properties of all formats as well as mixed use development projects (including retail, residential and office). We have grown our business by using prudent strategies, core competencies, conservative financial leverage and capital management, long-term strategic partnerships and by adapting to changing trends in commercial real estate. Our investment strategy is to focus on stable, lower risk retail properties in stable and/or urban markets to create consistent and growing cash flows over time from the property portfolio.

To achieve our strategic objectives, management continues to:

- Actively manage the existing portfolio to drive high occupancy levels and rent growth;
- Develop, redevelop and intensify retail properties consisting of all retail formats as well as mixed use, including a residential component;
- Acquire well-located properties primarily where value creation opportunities exist, including sites in close proximity to existing properties, and to dispose of non-core lower growth assets in order to improve our position in our six major markets;
- Selectively review secondary market assets with low growth prospects and examine each property to ensure its highest and best use over the long term;
- Strengthen our financial position through a focused and prudent capital management strategy that provides flexibility in raising capital and managing our overall cost of capital; and
- Capitalize on the strength of our existing and new partner relationships and co-ownerships.

Late in 2015, we made the strategic decision to exit our U.S. business. While this decision will have an impact on our earnings in the short term, we believe that by redeploying proceeds into opportunities in Canada and paying down debt, we will strengthen the Trust in the longer term.

Sale of U.S. Operations

Since we embarked on the expansion of our property portfolio into the United States during late 2009, that portfolio has been an important contributor to the Trust's growth profile. We have benefited from the growth in the value of the U.S. portfolio from both an asset value and foreign currency perspective, as well as having benefited from increased cash flow generated by this portfolio. In December 2015, we received Board of Trustee approval to enter into an agreement with Blackstone to sell our U.S. portfolio of 49 retail properties located in the Northeastern U.S. and Texas for a total sale price of US$1.9 billion. The sale is expected to be completed before April 30, 2016, subject to certain closing conditions.

We have decided to increase our U.S. net investment hedge in order to reduce our exposure to fluctuations in the Canadian/U.S. foreign exchange rate on our U.S. net asset position. To date, we have increased our U.S. dollar denominated borrowings by US $258 million and repaid outstanding Canadian debt utilizing the Canadian equivalent dollars from the U.S. borrowings converted at an average exchange rate of 1.3921, which was established using a series of short-term forward derivative contracts. The Trust has designated these additional U.S. borrowings as part of its existing net foreign investment hedge and will repay such debt using a portion of the U.S. sale proceeds received on closing. In addition to the in-place U.S. property specific mortgages, we have hedged an additional US$585 million or approximately 84% of the anticipated gross U.S. sale proceeds to be received on transaction closing.

There are a number of benefits from selling our U.S. portfolio. The sale is expected to generate proceeds of approximately $1.2 billion (US$ 0.9 billion) net of outstanding mortgages payable, transaction costs and taxes. The proceeds from the sale will not only enhance our corporate liquidity to fund our Canadian growth strategy and development pipeline, but will also significantly deleverage our balance sheet. Upon closing of this sale transaction, we plan to simplify our business structure and improve our strategic advantage in Canada by allowing management to focus exclusively on its Canadian operations.

In 2015, the U.S. portfolio contributed NOI of $166 million (US$128 million) and OFFO of $112 million (US$87 million). RioCan will continue to benefit from the ownership of the U.S. portfolio until the sale is completed, which is currently anticipated to be before the end of April 2016. In addition, we have put in place a strategy that will reduce the dilutive effects of the sale and allow RioCan to fortify its balance sheet in 2016. Blackstone will assume or repay the debt on the portfolio of US$0.9 billion which carries a weighted average contractual interest rate of approximately 4.3% and a weighted average term to maturity of approximately 5.5 years. Taxes and transaction costs are estimated to be approximately US$130 million. Anticipated annualized interest savings of approximately $18 million will further reduce the dilutive effects of the sale of our U.S. portfolio (or an estimated $12 million of interest savings in 2016 based on the anticipated closing date). The Kimco acquisition is expected to contribute approximately $40 million of OFFO in 2016, net of interest carrying costs on the operating lines for the first four months of 2016, thus replacing a portion of OFFO that was contributed by the U.S. portfolio.

From the sales proceeds of approximately $1.2 billion, approximately $510 million will be used to repay operating lines that were used to complete RioCan's acquisition of Kimco's interest in 23 properties in Canada. We have temporarily increased our leverage in the short-term to fund the Kimco acquisition primarily through the use of floating rate facilities. A portion of the anticipated remaining net proceeds of approximately $725 million from the sale of our U.S. portfolio will be used to repay our operating lines and other debt obligations and further strengthen our balance sheet by reducing overall debt leverage to approximately 39% following the disposal, on a pro forma basis, as compared to 46.1% at December 31, 2015. A more conservative balance sheet will strengthen various financial ratios and potentially reduce our cost of capital over time. However, our debt metrics will remain elevated until the closing of the U.S. sale, noting that the Kimco portfolio acquisition was was funded with 100% debt.

For the first quarter of 2016, we are forecasting OFFO of approximately US$22 million from our US operations.

Development Program

The Trust will continue to pursue a disciplined approach to the development of new properties and the redevelopment and intensification of existing properties in Canada, with a focus on major urban markets.

RioCan is committed to ensuring that the individual properties in its portfolio are utilized to their highest and best use over the long term. While there are numerous ways to utilize its existing properties beyond their current use of conventional retail centres, RioCan has focused on mixed use projects containing predominantly multi-residential (both rentals and condominiums), retail and, to a lesser extent, office rental buildings.

In addition to opportunities being identified with the existing portfolio, certain properties owned as part of our real estate joint venture with HBC have strong potential for intensification as urban mixed-used properties.

Residential Inventory

During 2015 RioCan continued with its initiative to incorporate redevelopment mixed-use projects with a residential component into its transit-oriented major market developments. This strategy capitalizes on opportunities for growth through the addition of both condominium and rental residential assets into our property portfolio. The allocation of condominium and rental residential development may change over time based on market conditions. Over the long term, this intensification of existing properties should contribute to net operating income growth in an efficient manner, leveraging the existing asset base and increasing net asset value.

There are numerous attributes that attracted RioCan to the multi-unit residential sector. The addition of a residential component is expected to enhance the value of the underlying retail element of the property. As well, we will be able to leverage our ownership of land in key urban locations, often those along mass transit lines, which should provide a competitive cost advantage. It is a sector that allows a steady and continuous income stream with a growth profile that will serve as a hedge against inflation. The residential rental sector serves as a healthy diversification to RioCan's retail portfolio. Given our overall scale, we expect to drive long term efficiencies going forward. RioCan owns the underlying land, often at irreplaceable transit oriented locations, thus giving it the unique opportunity to exploit and create a tremendous amount of portfolio value. Finally, residential rental projects will typically attract favourable financing terms based on the availability of Canadian Mortgage and Housing Corporation (CMHC) insurance.

RioCan has established a team to carry forward the residential rental initiative, drawing from its existing areas of expertise. The team is comprised of existing RioCan executives as well as third-party consultants. As the initiative continues to grow, additional resources will be added to the platform to facilitate such growth, including potentially bringing in partners that have residential development and management expertise.

Properties Under Development

RioCan's properties under development are expected to be a key driver of future operating funds from operations growth, through the realization of growth in certain urban markets with strong economic and population growth, such as the Greater Toronto Area. RioCan's joint venture with Tanger for the development of outlet shopping centres in Canada and RioCan's urban focused joint venture with Allied further expand the potential development and intensification opportunities available across multiple retail formats.

RioCan is committed to property development and redevelopment opportunities and is focused on completing the development pipeline currently underway. Development activity is primarily concentrated in the six major markets in Canada and serves as an important component of RioCan's organic growth strategy. The markets of Toronto, Calgary and Ottawa are a principal focus for development and intensification efforts where historically strong economic and population growth have afforded RioCan the opportunity to increase its development activity. We expect that beginning in late 2017, significant additions to operating results will begin to be realized through our various completed developments projects.

Active Portfolio Management

RioCan is committed to remaining focused on its portfolio in order to preserve high occupancy levels through active management and leasing of its portfolio, which allows RioCan to maintain a stable stream of cash flows from long term assets which have historically increased in value. The Trust also expects to realize organic growth by way of contractual rental increases in existing leases, additional rental income from positive rental spreads on lease renewals and the potential for positive absorption in occupancy.

Acquisitions and Dispositions

There is greater competition for acquisitions because of a significant number of well-capitalized high net worth investors and institutions seeking quality investments, especially due to the current low interest rate environment in Canada. RioCan will continue to seek acquisitions in selected markets, with a focus on properties that meet our investment criteria in Canada. RioCan will also take advantage of dispositions of non-core assets in order to recycle capital into developments and acquisitions in higher growth major markets. We also evaluate the sale of selected assets as part of a process of actively managing our portfolio and as a means of increasing the portfolio weighting in the six major markets in Canada. Consistent with the foregoing, RioCan is regularly engaged in discussions with respect to possible acquisitions of new properties, dispositions of existing properties in RioCan's portfolio and other real estate investment arrangements involving potential strategic joint ventures. There can be no assurance that any of the discussions related to potential acquisition or dispositions will result in a definitive agreement, and, if they do, what the terms or timing of any acquisition, investment or disposition would be.

Given the competitive nature of the acquisition market and limited supply of acquisitions that meet RioCan's criteria, it is not currently expected that significant acquisitions will be a primary growth driver in the near term. In addition and on occasion, management may be approached by a partner interested in disposing of its interest in a co-owned property. Our ability to acquire our co-owners' interests in property where we already have an efficient management structure in place represents a competitive

advantage because we can acquire managing interests in highly desirable assets that are unavailable on the open market. Consistent with our acquisition strategy noted above, we will continue to maintain a disciplined approach to evaluating these acquisition opportunities to ensure they meet our investment criteria.

RioCan will continue its focus on the enclosed mall and urban retail segment, particularly in major markets, as a means of leveraging its retail tenant base across Canada. There are additional opportunities for organic growth within the acquired shopping centres, which RioCan believes it can realize with its deep infrastructure, management strength and operational synergies.

Capital Management

RioCan's prudent management of its balance sheet and access to capital has historically provided it with the ability to take advantage of opportunities through same store rental income growth, acquisitions, greenfield development, redevelopments and asset intensification. RioCan conducts these activities either on its own or through strategic joint ventures and partner relationships.

Management believes that the quality of RioCan's assets and strong balance sheet are attractive to both lenders and equity investors and should enable RioCan to continue to access multiple sources of capital at competitive rates. In addition, management believes that current market conditions will continue to provide opportunities for RioCan - a well capitalized, highly experienced and growing company - to acquire or develop high-quality assets at attractive returns.

To support growth, RioCan employs a three-fold capital strategy: provide the capital necessary to fund growth; maintain sufficient flexibility to access capital in many forms, both public and private; and manage the overall financial structure in a fashion that preserves investment grade credit ratings.

RioCan strives for an optimal financial structure to drive appropriate risk adjusted total returns. The principal objectives of the capital strategy are to:

- optimize the risk-adjusted cost of capital through an appropriate mix of debt and equity;
- raise debt from a variety of sources and maintain a well staggered maturity schedule and a large pool of unencumbered assets;
- maintain and expand as necessary significant committed undrawn loan facilities to support current and future business requirements;
- actively manage financial risks, including interest rate, foreign exchange, liquidity and counterparty risks; and
- selectively sell assets as part of actively managing the portfolio and to increase the portfolio weighting to the six urban markets in Canada as a means to strategically recycle capital.

It is management's intention that we continually have access to the capital resources necessary to expand and develop our business. Accordingly, we may, from time-to-time, seek to obtain funds through additional common and preferred equity offerings, unsecured debt financings and/or mortgage or construction loan financings and other capital alternatives in a manner consistent with our intention to operate with a conservative debt structure, along with the recycling of capital through selective asset sales. A further source of capital is our distribution reinvestment and direct purchase plans. Unitholder distributions reinvested through such plans result in the issuance of units, as opposed to a cash outlay, thereby providing an additional source of capital to fund RioCan's working capital and development activities. On larger development projects, we may also partner with other firms as a means of accessing capital, balancing risk and acquiring expertise.

RioCan staggers its debt maturities to reduce its exposure to potential volatility in the availability of debt and interest rate movements. RioCan is able to access multiple sources of capital including, but not limited to, secured and unsecured debt and preferred and common equity unit capital, which provide us with flexibility in raising capital and managing the overall cost of capital.

Co-owner Relationships

We will continue to capitalize on the strength of our co-owner relationships to acquire property, enhance our development projects, leverage partner expertise and generate additional unitholder value pursuant to arrangements where RioCan earns fees for its services.

PRESENTATION OF FINANCIAL INFORMATION AND NON-GAAP MEASURES

Presentation of Financial Information

Unless otherwise specified herein, financial results, including related historical comparatives, contained in this MD&A are based on RioCan's 2015 Annual Consolidated Financial Statements. In connection with the sale of our U.S. assets, RioCan's investment properties and mortgages payable associated with its U.S. geographic segment were reclassified to a disposal group held for sale on the consolidated balance sheet. The consolidated statement of earnings results from our U.S. geographic segment were presented as discontinued operations in accordance with IFRS.

All references, herein, to "Canada" and "U.S." represent the results from our continuing and discontinued operations, respectively. Continuing operations is comprised of our former Canadian geographic segment and discontinued operations is comprised of our former U.S. geographic segment.

Non-GAAP Measures

Consistent with our management framework, we use certain measures to assess its financial performance that are not generally accepted accounting principles ("GAAP") measured under IFRS. These measures do not have any standardized definition prescribed by IFRS and are, therefore, unlikely to be comparable to similar measures presented by other reporting issuers. Non-GAAP measures should not be considered as alternatives to net earnings or comparable metrics determined in accordance with IFRS as indicators of RioCan’s performance, liquidity, cash flows and profitability. We use these measures to aid in assessing our core performance and we present these additional measures so that investors may do the same. Management believes that the non-GAAP measures described below, which supplement the IFRS disclosures, provides readers with a more comprehensive understanding of management's perspective on our operating performance.

Effective July 1, 2015, certain financial information previously presented in this MD&A as "RioCan's Interest" is now disclosed in accordance with IFRS. Debt metrics are shown on both an IFRS and RioCan proportionate basis (as defined below). Unless otherwise indicated, comparative financial information has been updated to reflect the current year's presentation.

The following discussion describes the non-GAAP measures we use in evaluating our operating results. For greater clarity, each measure defined below includes results from both continuing and discontinued operations on a combined basis.

Funds From Operations (FFO)

FFO is a non-GAAP financial measure of operating performance widely used by the real estate industry. The Real Property Association of Canada (REALpac) has published a white paper describing the intended use of FFO and RioCan considers FFO to be a meaningful measure of operating performance as it adjusts for items included in IFRS net earnings that do not necessarily provide an accurate depiction of our past or recurring performance, such as unrealized changes in the fair value of real estate property, gains and losses on the disposal of income properties, acquisition and disposition transaction costs and other non-cash items.

FFO should not be construed as an alternative to net earnings or cash flows provided by operating activities determined in accordance with IFRS. RioCan’s method of calculating FFO is in accordance with REALpac’s recommendations but may differ from other issuers’ methods and, accordingly, may not be comparable to FFO reported by other issuers.

During 2014, REALpac issued a revision to the November 2012 FFO definition, which adds adjustments for:

1) incremental leasing costs of full-time or salaried staff and related costs accounted for under IAS 17, *Leases* (IAS 17) which prior to 2014, were previously capitalized; and

2) property taxes expensed under International Financial Reporting Interpretations Committee Issue 21, *Levies* (IFRIC 21), for which the Trust had prior to 2014, recorded on a rateable basis over the relevant reporting periods to match the timing around which operating costs were recovered from tenants.

A reconciliation of IFRS net earnings attributable to unitholders to FFO can be found under *Results of Operations* section in this MD&A.

Operating Funds From Operations (OFFO)

OFFO is a non-GAAP measure of operating performance representing the recurring cash flow generated through the ownership and management of income properties or investments in arrangements or entities that generate their earnings through the ownership and management of income properties. RioCan considers OFFO to be a meaningful measure because it adjusts for items included in FFO that management views as capital or transactional in nature and, therefore, not indicative of RioCan's core income producing activities. In addition to the adjusting items to arrive at FFO, OFFO also excludes transaction gains and losses (net of tax) as well as expenditures related to development activities that, in management’s view, form part of the costs of its development projects. In 2015, the $88 million in net proceeds from the Target settlement, which is net of $3.5 million in certain costs, is excluded from the calculation of OFFO because management does not believe it is a representative measure of recurring annual operating performance. OFFO is also a key measure of business performance that the Trust uses to determine the level of its employee variable incentive-based compensation and certain long-term incentive based equity unit plans each year. There is no standard industry-defined measure of OFFO. As such, RioCan’s method of calculating OFFO will differ from other issuers’ methods and, accordingly, will not be comparable to such amounts reported by other issuers. Refer to *Results of Operations* for a calculation of OFFO.

Adjusted Funds From Operations (AFFO)

AFFO is a non-GAAP financial measure of operating performance widely used in the real estate industry. Management views AFFO as an alternative measure of cash generated from operations. Management also considers AFFO generated as one of its inputs in determining the appropriate level of distribution to unitholders. AFFO is calculated by adjusting OFFO (which is based upon FFO and adjusted as prescribed above) for straight-line rent adjustments, non-cash compensation expenses, normalized costs for capital expenditures on income properties, and leasing costs for maintaining shopping centres and current lease revenues.

Capital expenditures and leasing costs can vary widely from quarter to quarter due to the lease expiry profile, vacancies and capital expenditure estimates due to the life cycle of the property resulting in volatility in AFFO. As well, the Trust reviews capital spending levels based on the performance of the portfolio. For these reasons, normalized income property capital expenditures and leasing costs have been estimated based on historical activity and management’s expectations on a normalized level of activity. Capital expenditures are further discussed in the *Capital Expenditures on Income Properties section* indicating the Trust’s expectation of such annualized expenditures. In 2015, the net proceeds received from the Target settlement have been excluded from AFFO largely because these funds will be reinvested into the former Target space in order to redevelop these locations for future tenants.

In addition, non-recurring costs that impact operating cash flow may be adjusted. There is no standard industry-defined measure of AFFO. As such, RioCan's method of calculating AFFO will differ from other issuers' methods and, accordingly, will not be comparable to such amounts reported by other issuers. Refer to *Results of Operations* for a calculation of AFFO.

A reconciliation of cash flows provided by operating activities (an IFRS measure) to AFFO is presented under *Results of Operations*.

Net Operating Income (NOI)

NOI is a non-GAAP measure and is defined by RioCan as rental revenue from income properties less property operating costs adjusted to normalize the impact of the application of the requirements of IFRIC 21 by matching the pro-rata expense over the period of property ownership with the actual timing of tenant cost recoveries.

Rental revenue includes all amounts earned from tenants related to lease agreements, including property tax and operating cost recoveries, to the extent recoverable under tenant leases. Amounts payable by tenants to terminate their lease prior to the contractual expiry date (lease cancellation fees) are included in rental revenue. The amount of property taxes and operating costs that can be recovered from tenants is impacted by property vacancy and fixed cost recovery tenancies.

NOI is an important measure of the income generated from the income producing real estate portfolio and is used by the Trust in evaluating the performance of the portfolio, as well as a key input in determining the value of the portfolio. RioCan's method of calculating NOI may differ from other issuers' methods and, accordingly, may not be comparable to NOI reported by other issuers.

Same Store NOI

Same store NOI is a non-GAAP financial measure used by RioCan to assess the period-over-period performance of the same asset base having consistent leasable area in both periods, which includes the impact of acquisitions and dispositions on a pro rata basis. To calculate same store NOI growth, NOI for the period is adjusted to remove the impact of straight-line rents, lease cancellation fees, foreign exchange and other non-recurring items. Same store performance is a common measure of NOI growth used by the retail industry. RioCan considers this a meaningful measure because it allows management to determine what portion of its period-over-period rental income increase is attributed to rent growth and leasing activity.

Same Property NOI

Same property NOI is a non-GAAP financial measure that is consistent with the definition of same-store NOI above, except that same property includes the NOI impact of redevelopment or expansion of assets within the real estate portfolio. Same property performance is a meaningful measure of operating performance because it allows management to assess rent growth and leasing activity of its portfolio on a RioCan property basis and the impact of capital investments.

Enterprise Value

Enterprise value is a non-GAAP measure calculated as the sum of RioCan's total debt measured on a proportionate basis, Unit market capitalization and Preferred Unit market capitalization.

RioCan's Proportionate Share

All references to "RioCan's proportionate share" refer to a non-GAAP financial measure representing RioCan's proportionate interest in the financial position and results of operations of its entire portfolio, taking into account the difference in accounting for joint ventures using proportionate consolidation versus equity accounting. Management considers certain results presented on a proportionate basis to be a meaningful measure because it is consistent with how RioCan and its partners manage the net assets and assess operating performance of each of its co-owned properties. The Trust currently accounts for its investments in joint ventures and associates using the equity method of accounting.

The remaining definitions outlined below pertain to measures and/or inputs to our financial leverage, coverage ratios and other key metrics that we use to manage capital and to assess our liquidity, borrowing capacity and cost of capital. All of these measures exclude the net proceeds of the Target settlement for reasons discussed above and include the results of both continuing and discontinued operations for the years ended December 31, 2015 and 2014. In our opinion, the following ratios calculated on the basis of the combined continuing and discontinued operations provides a more meaningful measure of financial performance with respect to the fiscal years reported.

Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (Adjusted EBITDA)

Adjusted EBITDA is a non-GAAP measure that is used as an input in several of our debt metrics, providing information with respect to certain financial ratios that we use in measuring our debt profile and assessing our ability to satisfy obligations, including servicing our debt. Adjusted EBITDA is used in place of IFRS net earnings because it excludes major non-cash items (including amortization and depreciation, unit-based compensation costs and fair value gains and losses on investment properties), interest expense, transaction-related costs and other items that management considers non-operating in nature. In 2015, the proceeds received from the Target settlement have been excluded from Adjusted EBITDA largely because these funds will be reinvested into the former Target space in order to redevelop these locations for future tenants.

A reconciliation of Adjusted EBITDA to IFRS net earnings and the debt metrics that utilize Adjusted EBITDA are presented under *Capital Resources and Liquidity - Debt and Leverage Metrics* in this MD&A.

Operating EBITDA

Operating EBITDA is a non-GAAP measure that is used in the computation of certain debt metrics, providing information with respect to certain financial ratios that we use in measuring our debt profile. In addition to the adjusting items to arrive at Adjusted EBITDA as defined above, Operating EBITDA also excludes the impact to EBITDA of transaction gains and losses as well as

expenditures related to properties under development that, in management’s view, form part of the capital cost of its development projects.

A reconciliation of Operating EBITDA to IFRS net earnings is presented under *Capital Resources and Liquidity - Debt and Leverage Metrics.*

Net Debt to Adjusted EBITDA

Net debt to adjusted EBITDA is a non-GAAP measure of our financial leverage calculated on a rolling twelve month basis and defined as our average debt outstanding at the reporting period date (net of cash) divided by Adjusted EBITDA.

Net Operating Debt to Operating EBITDA

Net operating debt to operating EBITDA is a non-GAAP measure of our financial leverage calculated on a rolling twelve month basis and defined as our average debt outstanding at the reporting period date (net of cash) less its debt related to properties under development divided by Operating EBITDA.

Debt Service Coverage

Debt service coverage is a non-GAAP measure of our financial leverage calculated on a rolling twelve month basis and is defined as Adjusted EBITDA divided by total interest expense (including interest that has been capitalized) and scheduled mortgage principal amortization.

Interest Coverage

Interest Coverage is a non-GAAP measure of our financial leverage calculated on a rolling twelve month basis and is defined as Adjusted EBITDA divided by total interest expense (including interest that has been capitalized).

Fixed Charge Coverage

Fixed Charge Coverage is a non-GAAP measure of our financial leverage calculated on a rolling twelve month basis and is defined as Adjusted EBITDA divided by total interest expense (including interest that has been capitalized) and distributions to common and preferred unitholders.

RESULTS OF OPERATIONS

Financial Information

(thousands of dollars, except where otherwise noted) *As at and for the year ended December 31,*		**2015**		2014		2013 (not restated) (i)
Total revenue from continuing operations (ii)	**$**	**1,087,736**	$	1,025,003	$	1,137,809
Net earnings from continuing operations before taxes and fair value adjustments	**$**	**510,404**	$	413,342	$	484,679
Increase (decrease) in fair value of investment properties - continuing operations	**$**	**(91,548)**	$	34,423	$	228,409
Net earnings from continuing operations attributable to unitholders	**$**	**416,892**	$	447,008	$	709,451
Net earnings per unit from continuing operations attributable to unitholders – basic	**$**	**1.26**	$	1.41	$	2.30
Net earnings per unit from continuing operations attributable to unitholders – diluted	**$**	**1.26**	$	1.40	$	2.29
Adjusted EBITDA - continuing operations (iii)	**$**	**649,814**	$	626,262	$	746,140
Net earnings attributable to unitholders	**$**	**141,763**	$	663,258	$	709,451
Net earnings per unit attributable to common Unitholders – basic	**$**	**0.40**	$	2.11	$	2.30
Net earnings per unit attributable to common Unitholders – diluted	**$**	**0.40**	$	2.10	$	2.29
FFO (iv)	**$**	**622,364**	$	506,785	$	470,789
FFO per Unit	**$**	**1.95**	$	1.65	$	1.56
OFFO (iv)	**$**	**556,680**	$	517,414	$	492,383
OFFO per Unit (iv)	**$**	**1.74**	$	1.68	$	1.63
AFFO (v)	**$**	**500,976**	$	463,556	$	446,655
AFFO per Unit (v)	**$**	**1.57**	$	1.51	$	1.48
Distributions as a percentage of AFFO		**90.4 %**		93.4%		95.3%
Same store growth % (Canada) (vi)		**(1.4)%**		2.0%		1.7%
Same store growth % (U.S.) (vi)		**0.9 %**		3.0%		1.2%
Same property growth % (Canada) (vii)		**(1.8)%**		1.6%		1.3%
Same property growth % (U.S.) (vii)		**0.5 %**		3.0%		1.2%
Weighted average common units outstanding – basic (in thousands)		**319,492**		307,910		302,324
Distributions to common Unitholders	**$**	**453,094**	$	433,274	$	426,324
Distributions to common Unitholders per unit	**$**	**1.41**	$	1.41	$	1.41
Distributions to common Unitholders net of distribution reinvestment plan	**$**	**310,379**	$	311,710	$	316,534
Distributions to common Unitholders net of distribution reinvestment plan per unit	**$**	**0.97**	$	1.02	$	1.04
Common Unit issue proceeds under distribution reinvestment plan	**$**	**142,715**	$	121,564	$	109,790
Distribution reinvestment plan (DRIP) participation rate (viii)		**31.5 %**		28.1%		25.8%

(thousands of dollars, except where otherwise noted) As at		**December 31, 2015**		December 31, 2014		December 31, 2013
Total enterprise value (ix)	**$**	**15,318,314**	$	15,116,002	$	13,794,000
Total assets	**$**	**15,996,491**	$	14,677,677	$	13,529,341
Debt (x)	**$**	**7,413,370**	$	6,443,565	$	5,959,395
Debt – RioCan's proportionate share	**$**	**7,478,627**	$	6,482,711	$	5,988,444
Debt to total assets (net of cash) (xi)		**46.1 %**		43.7%		43.9%
Debt to total enterprise value (xii)		**48.4 %**		42.6%		43.2%
Debt service coverage ratio (xiii)		**2.39**		2.20		2.10
Interest coverage ratio (xiii)		**3.10**		2.89		2.83
Fixed charge coverage ratio (xiii)		**1.12**		1.08		1.06
Net debt to Adjusted EBITDA (xiii)		**8.34**		8.09		7.52
Net operating debt to Operating EBITDA (xiii)		**7.93**		7.67		7.24
Unencumbered Canadian assets to unsecured debt (xiv)		**166 %**		137%		142%
Unencumbered Canadian assets	**$**	**3,321,413**	$	2,553,661	$	2,068,000
Total unitholders' equity	**$**	**7,926,039**	$	7,868,570	$	7,261,000
Common units outstanding (in thousands)		**322,483**		315,986		304,075
Common units – market capitalization (xv)	**$**	**7,639,622**	$	8,351,510	$	7,531,938
Preferred units – market capitalization (xvi)	**$**	**200,065**	$	281,781	$	274,000

RioCan's method of calculating non-GAAP measures may differ from other issuers' methods and accordingly may not be comparable to such amounts reported by other issuers.

(i) Comparative figures for 2013 have not been restated to conform to the current year's presentation. All references to "continuing operations" include the results of operations for both our Canadian and U.S. geographic segments for the 2013 period.

(ii) Total revenue from continuing operations is the sum of rental income, residential inventory sales and property and asset management fees.

(iii) A non-GAAP measurement. Adjusted EBITDA is presented at RioCan's proportionate share. A reconciliation of Adjusted EBITDA to net earnings can be found under *Capital Resources and Liquidity* section.

(iv) A non-GAAP measurement. A reconciliation to net earnings can be found under *Results of Operations* section.

(v) A non-GAAP measurement for which a reconciliation to AFFO from FFO can be found in RioCan's discussion under *Results of Operations* section.

(vi) Same store NOI growth is a non-GAAP financial measure used by RioCan to assess the year-over-year performance of the same asset base having consistent leasable area in both periods, which includes the impact of acquisitions and dispositions. To calculate same store NOI growth, NOI for the period is adjusted to remove the impact of straight-line rents, lease cancellation fees, foreign exchange and other non-recurring items.

(vii) Same property NOI growth is a non-GAAP financial measure that is consistent with the definition of same store NOI above, except that same property includes the NOI impact of redevelopment or expansion of assets within the real estate portfolio. Same property performance is a meaningful measure of operating performance because it allows management to assess rent growth and leasing activity of its portfolio on a RioCan property basis and the impact of capital investments.

(viii) RioCan's DRIP ratio is defined as the ratio of units that holders elect to participate in the DRIP to total units outstanding.

(ix) A non-GAAP measurement. Calculated as debt at RioCan's proportionate share plus common unit market capitalization plus total preferred unit market capitalization.

(x) Debt is defined as the sum of mortgages payable, lines of credit, mortgages on properties held for sale and debentures payable.

(xi) A non-GAAP measurement. Calculated as debt, net of cash, divided by total assets net of cash.

(xii) A non-GAAP measurement. Calculated as debt divided by total enterprise value.

(xiii) Defined as found in *Non-GAAP Measures* section and prepared at RioCan's proportionate share.

(xiv) Unencumbered assets to unsecured debt is defined as unencumbered assets divided by unsecured debentures payable.

(xv) A non-GAAP measurement. Calculated as closing market price of the common units trading on the Toronto Stock Exchange on the respective period end dates, multiplied by the number of common units outstanding at such date.

(xvi) A non-GAAP measurement. Calculated as the aggregate of the closing market price of each series of preferred units trading on the Toronto Stock Exchange on the respective period end dates, multiplied by the number of preferred units of such series outstanding at such date.

2015 Financial Highlights

Due to the anticipated sale of our U.S. retail portfolio, we have presented our results on both a continuing and discontinued operations basis below.

	Three months ended December 31,		Year ended December 31,	
(thousands of dollars, except per unit amounts)	**2015**	2014	**2015**	2014
OFFO	**$ 142,157**	$ 129,518	**$ 556,680**	$ 517,414
OFFO per unit	**$ 0.44**	$ 0.42	**$ 1.74**	$ 1.68
Net earnings attributable to unitholders from continuing operations	**$ 199,796**	$ 105,483	**$ 416,892**	$ 447,008
Net earnings per unit attributable to unitholder from continuing operations (basic)	**$ 0.61**	$ 0.33	**$ 1.26**	$ 1.41

Overall, despite some headwinds encountered earlier in the year with the announced Target exit from Canada and other tenant bankruptcies and restructurings during the first half 2015, our full year performance compared to 2014 reported 7.6% growth in OFFO. Although same store performance from our rental operations in Canada was slightly negative, our operating results from our continuing and discontinued operations benefited from other growth drivers. Our results were aided in 2015 by a strengthening U.S. dollar relative to the Canadian dollar and the continued low interest rate environment. We also undertook some key strategic changes to our co-ownership arrangements, including the unwinding of our Canadian joint venture with Kimco.

For a discussion of some of the key performance highlights impacting our OFFO results for the year and the fourth quarter of 2015, refer to *Funds from Operations (FFO) and Operating Funds from Operations (OFFO)* section in this MD&A.

Net earnings (loss) attributable to unitholders

	Three months ended December 31,		Year ended December 31,	
(thousands of dollars, except per unit amounts)	**2015**	2014	**2015**	2014
Net earnings (loss) attributable to unitholders:				
Continuing operations	**$ 199,796**	$ 105,483	**$ 416,892**	$ 447,008
Discontinued operations	**(377,837)**	66,285	**(275,129)**	216,250
Net earnings (loss) attributable to unitholders	**$ (178,041)**	$ 171,768	**$ 141,763**	$ 663,258
Net earnings (loss) per unit attributable to unitholders (basic):				
Continuing operations	**$ 0.61**	$ 0.33	**$ 1.26**	$ 1.41
Discontinued operations	**(1.17)**	0.21	**(0.86)**	0.70
Net earnings (loss) per unit attributable to unitholders (basic)	**$ (0.56)**	$ 0.54	**$ 0.40**	$ 2.11

Continuing Operations

2015

Net earnings from continuing operations attributable to unitholders for 2015 is $417 million compared to $447 million in 2014, representing a decrease of $30 million or 7%. Excluding $127 million in fair value adjustments and increases in deferred taxes, net earnings from continuing operations attributable to unitholders for 2015 is $510 million compared to $413 million in 2014, representing an increase of $97 million or 23%.

The increase of $97 million is primarily explained by the following:

- $92 million increase in other income primarily due to proceeds received related to our settlement with Target ($88 million net) and, to a lesser extent, higher investment income earned on marketable securities holdings;
- $10 million increase in our share of net earnings from equity accounted investments, comprising a $5 million increase related to the WhiteCastle Funds and $4 million related to our joint venture with HBC. The latter amount was completely offset by the impact of reduced NOI resulting from property interests having been transferred to the joint venture;
- $9 million increase in operating earnings primarily due to net gains on the sale of residential townhomes, increased acquisitions in Canada, net of dispositions and transfers to joint ventures, completed greenfield developments and higher lease cancellation fees; and
- $7 million in lower borrowing costs resulting from interest savings on the refinancing of debt at lower interest rates;

partially offset by the following items which negatively impact net earnings:

- $10 million early repayment charge during the year on the redemption of our Series O and N debentures; and
- $6 million in higher transaction costs mostly relating to land transfer taxes paid in connection with our Kimco portfolio acquisition and selling costs related to the sale of a Quebec property portfolio in early 2015.

During 2015, we recognized a $126 million decline in gross fair value year-over-year, which represents the difference between a gain of $34 million in 2014 and a loss of $92 million this year. The reduction in fair value is primarily due to the impact of the following: Target's exit from Canada in the first half of 2015; increased projected costs to complete at certain development properties due to changes in development plans; interior renovation costs at some of our enclosed malls; partially offset by fair value gains on certain properties that were acquired during the year and slight reductions in capitalization rates on assets located in primary markets.

Q4 2015

Net earnings from continuing operations attributable to unitholders for the fourth quarter is $200 million compared to $105 million for the same period in 2014, representing an increase of $94 million or 89.5%. Excluding $3.9 million in fair adjustments and increases in deferred taxes, net earnings from continuing operations attributable to unitholders for the fourth quarter of 2015 is $200 million compared to $102 million in 2014, representing an increase of $98 million or 97%.

The increase of $98 million is primarily due to the following: a $95 million increase in other income driven largely by the $88 million of net proceeds received related to our settlement with Target and higher investment income earned on marketable securities holdings.

Discontinued Operations

2015

The net loss from discontinued operations attributable to unitholders for 2015 is $275 million compared to earnings of $216 million for 2014, representing a decrease of $491 million. Excluding $499 million of fair value adjustments and increases in current and deferred income taxes, net earnings from discontinued operations attributable to unitholders for 2015 is $111 million compared to $103 million in 2014.

During 2015, we recognized a gross decline of $260 million in year-over-year fair value related to our discontinued operations, which is mostly attributable to an increase in capitalization rates of our Northeast U.S. portfolio as well as other property specific adjustments. Higher transaction costs of $3.4 million also contributed to the overall net loss from discontinued operations. The deferred taxes and transaction costs are both related to our U.S. asset sale to Blackstone that was entered into in December 2015 and is anticipated to close in April 2016.

Pursuant to IFRS, the deferred income tax provision of $230 million primarily represents a taxable temporary difference calculated on the difference between the accounting and tax bases of the Trust's U.S. investment properties. The timing of the tax liability recognition is triggered by having entered into a binding agreement with Blackstone to sell the portfolio because this indicates a change in our intent with respect to how we plan to realize value on the U.S. portfolio. As we do not intend to fully distribute to unitholders the withholding taxes arising on the disposition proceeds, if any, the deferred income tax liability is measured based on the Trust's U.S. withholding obligation as of December 31, 2015 related to the unrealized gain on investment property. Since the deferred tax liability does not incorporate future transaction costs, and differences between the accounting and tax bases at December 2015 compared to transaction amounts at the closing date, the amount recorded in the consolidated financial statements may be materially different than the actual withholding taxes paid.

Q4 2015

The net loss from discontinued operations attributable to unitholders for the fourth quarter is $378 million compared to net earnings of $66 million for the same period in 2014, representing a decrease of $444 million. Excluding the impact of fair value adjustments and deferred taxes, net earnings from discontinued operations attributable to unitholders for the fourth quarter of 2015 is $36 million, which is unchanged from 2014. Operating performance in 2015 was largely impacted by a strengthening U.S. dollar, which was offset by higher transaction costs of $3.5 million related to the sale of our U.S. business.

Operating Earnings

All references, herein, to "Canada" and "U.S." represent the results from our continuing and discontinued operations, respectively. Continuing operations is comprised of our former Canadian geographic segment and discontinued operations is comprised of our former U.S. geographic segment.

The operating earnings for our Canadian continuing operations and U.S. discontinued operations for the years ended December 31, 2015 and 2014 are as follows:

Year ended December 31,	**2015**		2014	
(thousands of dollars)	Canada	U.S.	Canada	U.S.
Revenue	**$ 1,087,736**	**$ 233,613**	$ 1,025,003	$ 194,619
Direct costs	**423,506**	**66,823**	369,534	55,962
Operating earnings	**$ 664,230**	**$ 166,790**	$ 655,469	$ 138,657

Revenue from our Canadian continuing operations benefited from the sale of 179 townhomes sold at our Stouffville townhouse development project, which increased total revenue $32 million compared to 2014 or $2.7 million in operating earnings after deducting cost of sales. The total project consists of 272 units and we expect the remaining units to close during Q1 2016. Base rent, common area maintenance and realty tax recovery revenue were all up compared to 2014 mainly due to to new leasing, renewal leasing, rent steps and higher acquisition activity, net of dispositions. The increase in direct costs is in line with the increased gross revenue, although non-recoverable costs increased approximately $5.9 million compared to 2014 mainly due to higher vacancies.

The operating earnings for our Canadian continuing operations and U.S. discontinued operations for the quarter ended December 31, 2015 and 2014 are as follows:

Three months ended December 31,	**2015**		2014	
(thousands of dollars)	Canada	U.S.	Canada	U.S.
Revenue	**$ 291,136**	**$ 61,086**	$ 262,738	$ 49,825
Direct costs	**124,265**	**8,124**	95,113	5,768
Operating earnings	**$ 166,871**	**$ 52,962**	$ 167,625	$ 44,057

Net Operating Income (NOI)

The NOI for our Canadian continuing operations and U.S. discontinued operations for the year ended December 31, 2015 and 2014 is as follows:

Year ended December 31,	**2015**		2014	
(thousands of dollars)	Canada	U.S.	Canada	U.S.
Rental Revenue				
Base rent (including straight line rent)	**$ 666,016**	**$ 171,340**	$ 653,992	$ 143,654
Percentage rent	**6,201**	**654**	5,088	708
Property taxes and operating cost recoveries	**355,498**	**61,391**	345,227	50,257
	1,027,715	**233,385**	1,004,307	194,619
Lease cancellation fees	**11,353**	**228**	5,115	—
	1,039,068	**233,613**	1,009,422	194,619
Property operating costs				
Recoverable under tenant leases	**373,698**	**60,551**	354,951	51,164
Non-recoverable from tenants	**20,465**	**6,272**	14,583	4,798
Accrued property taxes under IFRIC 21 (i)	**—**	**1,176**	—	—
	394,163	**67,999**	369,534	55,962
NOI	**$ 644,905**	**$ 165,614**	$ 639,888	$ 138,657
NOI as a percentage of rental revenue (excluding the impact of lease cancellation fees)	**62.8%**	**71.0%**	63.7%	71.2%
Add: NOI of proportionate share of equity accounted investments				
RioCan-HBC JV	**5,531**	**—**	—	—
Other (ii)	**1,054**	**1,167**	409	3,815
NOI - RioCan's proportionate share	**$ 651,490**	**$ 166,781**	$ 640,297	$ 142,472

(i) Represents the favourable impact of foreign exchange on the timing of U.S. realty tax payments throughout the year.

(ii) Includes NOI from RioCan's equity accounted investments in RioCan-HBC JV, Dawson-Yonge LP, WhiteCastle New Urban Fund, LP, WhiteCastle New Urban Fund 2, LP, WhiteCastle New Urban Fund 3, LP. and RioKim Montgomery JV LP (Texas).

The NOI for our Canadian continuing operations and U.S. discontinued operations for the quarter ended December 31, 2015 and 2014 is as follows:

Three months ended December 31,	**2015**		2014	
(thousands of dollars)	Canada	U.S.	Canada	U.S.
Rental Revenue				
Base rent (including straight line rent)	**$ 168,997**	**$ 45,457**	$ 169,309	$ 37,484
Percentage rent	**2,527**	**237**	1,629	224
Property taxes and operating cost recoveries	**91,870**	**15,392**	88,019	12,091
	263,394	**61,086**	258,957	49,799
Lease cancellation fees	**499**	**—**	261	26
	263,893	**61,086**	259,218	49,825
Property operating costs				
Recoverable under tenant leases	**96,386**	**6,327**	90,522	4,905
Non-recoverable from tenants	**6,316**	**1,797**	4,591	863
Accrued property taxes under IFRIC 21 (i)	**—**	**9,473**	—	7,873
	102,702	**17,597**	95,113	13,641
NOI	**$ 161,191**	**$ 43,489**	$ 164,105	$ 36,184
NOI as a percentage of rental revenue (excluding the impact of lease cancellation fees)	**61.2%**	**71.2%**	63.4%	72.7%
Add: NOI of proportionate share of equity accounted investments				
RioCan-HBC JV	**2,858**	**—**	—	—
Other (ii)	**279**	**—**	118	1,355
NOI - RioCan's proportionate share	**$ 164,328**	**$ 43,489**	$ 164,223	$ 37,539

(i) Represents a non-GAAP adjustment to normalize the impact of the application of the requirements of IFRIC 21 to the calculation of NOI by matching the pro-rata expense over the period of property ownership with the actual timing of tenant cost recoveries.

(ii) Includes NOI from RioCan's equity accounted investments in RioCan-HBC JV, Dawson-Yonge LP, WhiteCastle New Urban Fund, LP, WhiteCastle New Urban Fund 2, LP, WhiteCastle New Urban Fund 3, LP. and RioKim Montgomery JV LP (Texas).

Canadian Portfolio

Same store and same property NOI for the quarter and year ended December 31, 2015 and 2014 for the Canadian portfolio, representing our continuing operations, are as follows:

	Three months ended December 31,		Increase	Year ended December 31,		Increase
(thousands of dollars)	**2015**	2014	(decrease)	**2015**	2014	(decrease)
Same store (i) (ix)	**$ 140,313**	$ 143,852	(2.5%)	**$ 567,227**	$ 575,521	(1.4%)
Redevelopment and intensification (ii)	**5,644**	7,200	(21.6%)	**12,511**	14,944	(16.3%)
Same Properties (iii)	**145,957**	151,052	(3.4%)	**579,738**	590,465	(1.8%)
Acquisitions - IPP (iv)	**11,545**	188	nm	**23,953**	2,746	nm
Dispositions - IPP (v)	**(114)**	6,901	nm	**1,358**	18,679	(92.7%)
Greenfield development (vi)	**2,050**	1,548	32.4%	**19,359**	11,988	61.5%
NOI before adjustments	**159,438**	159,689	(0.2%)	**624,408**	623,878	0.1%
Lease cancellation fees, net	**127**	187	(32.1%)	**10,062**	4,915	104.7%
Straight line rent adjustment	**574**	2,688	(78.6%)	**7,056**	6,941	1.7%
Straight line lease write offs related to lease cancellations	**—**	—	nm	**(404)**	(452)	(10.6%)
NOI from properties under development (vii)	**1,052**	1,541	(31.7%)	**3,783**	4,606	(17.9%)
NOI	**$ 161,191**	$ 164,105	(1.8%)	**$ 644,905**	$ 639,888	0.8%
Add: NOI of proportionate share of equity accounted investments:						
RioCan-HBC JV	**2,858**	—	nm	**5,531**	—	nm
Other (viii)	**279**	118	136.4%	**1,054**	409	157.7%
NOI - RioCan's proportionate share	**$ 164,328**	$ 164,223	0.1%	**$ 651,490**	$ 640,297	1.7%

"nm" – not meaningful.

(i) Refer to Same Store definition in *Non-GAAP Measures* section.

(ii) Redevelopment and Intensification – Includes NOI from Income Producing Properties (IPP) or specific units within a property being re-positioned or expanded.

(iii) Refer to Same Property definition in *Non-GAAP Measures* section.

(iv) Acquisitions – Includes NOI for IPP acquired within the periods being compared.

(v) Dispositions – Includes NOI for IPP disposed of in the periods being compared.

(vi) Greenfield Development – Includes NOI from Greenfield properties as each individual unit is 100% income producing for two comparable periods.

(vii) NOI from properties under development – Includes NOI from properties acquired for re-development purposes.

(viii) Includes NOI from RioCan's equity accounted investments in RioCan-HBC JV, Dawson-Yonge LP, WhiteCastle New Urban Fund, LP, WhiteCastle New Urban Fund 2, LP and WhiteCastle New Urban Fund 3, LP.

(ix) Full year same store NOI includes $1.4 million related to second quarter 2015 Target rent receivables that were deemed collected as part of the overall Target settlement. No impact to Q4 2015 results.

2015

In 2015, same store NOI decreased (1.4%) or $8.3 million compared to 2014 as explained by the following aggregate changes in Canadian same store NOI:

- $29.4 million of lower total NOI caused by the following: approximately $27 million of lower NOI attributable to increased vacancies, including the impact of previously agreed upon lease cancellations; $1.7 million due to an increase in bad debt expense and $1 million due to Target co-tenancy losses; partially offset by
- $21.4 million of higher total NOI resulting from the following: $10.1 million from new leasing; $8.6 million from renewals and rent steps; and another $2.7 million from re-leasing of space vacated due to bankruptcies and lease cancellations.

Based on leasing activity during the year, economic occupancy decreased from 95.8% in Q4 2014 to 92.2% in Q4 2015, Target was responsible for 3.1% of this decrease.

During 2015, Canadian NOI benefited from higher lease cancellation fees of $5.1 million compared to 2014. Lease cancellation fees primarily include $4.8 million received from one tenant at our RioCan Centre Victoria property and $3.7 million related to two tenants at our RioCan Yonge Eglinton Centre location. During 2014, lease cancellations totalled $4.9 million, which was mostly comprised of a $2.5 million fee for seven locations under the Big Lots banner. Other miscellaneous lease cancellations fees from various smaller tenants made up the balance in 2014.

NOI in Canada benefited from higher acquisition activity, net of dispositions, which included the acquisitions of an 18-property BMO portfolio and a collection of 23 Kimco properties in connection with the dissolution of our RioKim Canadian joint venture. In aggregate, acquisitions generated an additional $21 million of Canadian NOI, which was partially offset by dispositions that resulted in a $17.3 million decline in Canadian NOI. These disposals included a group of Quebec properties in early 2015 and the sale of a 50% interest in each of Georgian Mall and Oakville Place to our RioCan-HBC joint venture.

Completed greenfield developments also contributed $7.4 million to Canadian NOI during 2015.

Q4 2015

For fourth quarter, same store NOI decreased (2.5%) or $3.5 million compared to 2014 as explained by the following aggregate changes in Canadian same store NOI:

- $9.8 million of lower total NOI caused by the following: $7.9 million of lower NOI attributable to increased vacancies, including the impact of previously agreed upon lease cancellations; $1.3 million due to an increase in bad debt expense and $0.6 million due to Target co-tenancy losses; partially offset by
- $6.2 million of higher total NOI resulting from the following: $3.3 million from new leasing; $2.0 million from renewals and rent steps; and another $0.9 million from re-leasing of space vacated due to bankruptcies and lease cancellations.

Canadian same property NOI growth showed declines of (3.4%) and (1.8%) for the quarter and year ended December 31, 2015, respectively, primarily driven by the reasons cited above for same store growth decline and the 18 disclaimed Target properties that have been reclassified to development as of July 1, 2015, partially offset by the completion of other development properties.

Straight line rent during fourth quarter decreased $1.5 million due to the write-off of unamortized Target rents. The remaining decrease is primarily due to a number of new developments taking possession during the third quarter of 2014, including Stockyards, Tanger Ottawa, Tanger Cookstown, Collingwood, Mississauga Plaza, Kennedy Commons and Niagara Falls Plaza.

U.S. Portfolio

Same store and same property NOI for the quarter and year ended December 31, 2015 and 2014 for our U.S. portfolio classified as discontinued operations are as follows:

(thousands of dollars)	Three months ended December 31, 2015	Three months ended December 31, 2014	Increase (decrease)	Year ended December 31, 2015	Year ended December 31, 2014	Increase (decrease)
Rental revenue – US$	**$ 44,210**	$ 43,451	1.7%	**$ 175,251**	$ 172,322	1.7%
Property operating costs – US$	**12,971**	11,820	9.7%	**52,488**	50,610	3.7%
Same store (i) – US$	**31,239**	31,631	(1.2%)	**122,763**	121,712	0.9%
Re-development	**—**	124	(100.0%)	**—**	454	(100.0%)
Same properties (ii) – US$	**31,239**	31,755	(1.6%)	**122,763**	122,166	0.5%
Acquisitions – IPP (iii)	**700**	—	nm	**3,714**	1,237	200.2%
NOI before adjustments	**31,939**	31,755	0.6%	**126,477**	123,403	2.5%
Lease cancellation fee	**—**	23	(100.0%)	**177**	—	nm
Straight line rent adjustment	**460**	545	(15.6%)	**1,745**	2,253	(22.5%)
NOI – US$	**32,399**	32,323	0.2%	**128,399**	125,656	2.2%
Foreign currency translation adjustment	**11,090**	3,861	187.2%	**37,215**	13,001	186.2%
NOI	**$ 43,489**	$ 36,184	20.2%	**$ 165,614**	$ 138,657	19.4%
Add: NOI from RioKim Montgomery JV LP (Texas)	**—**	1,355	(100.0%)	**1,167**	3,815	(69.4%)
NOI - RioCan's proportionate share	**$ 43,489**	$ 37,539	15.9%	**$ 166,781**	$ 142,472	17.1%

"nm" – not meaningful.
(i) Refer to Same Store definition in *Non-GAAP Measures* section.
(ii) Refer to Same Property definition in *Non-GAAP Measures* section.
(iii) Acquisitions - Includes NOI for IPP acquired within the periods being compared.

2015

During the year, same store and same property NOI increased 0.9% and 0.5%, respectively, compared to 2014 primarily due to the following: $2.8 million in new leasing and $1.5 million in renewals and rent steps; partially offset by $2.9 million reduced NOI from tenant vacancies and bad debt expenses.

Q4 2015

During the quarter, same store and same property NOI decreased (1.2)% and (1.6%), respectively, compared to 2014 primarily due to higher bad debt expenses of $0.4 million.

Other Revenue

Continuing Operations

(thousands of dollars)	Three months ended December 31, 2015	Three months ended December 31, 2014	Year ended December 31, 2015	Year ended December 31, 2014
Share of net earnings in associates and joint ventures	**$ 4,510**	$ 541	**$ 10,378**	$ 729
Income earned on available-for-sale investments	**4,386**	2,168	**12,790**	5,944
Transaction gains (losses), net	**4,608**	—	**(2,631)**	—
Interest income	**1,457**	957	**5,370**	7,854
Target settlement proceeds, net	**88,267**	—	**88,267**	—
Fair value gains (losses) on investment properties, net	**1,183**	3,458	**(91,548)**	34,423
Total other revenue	**$ 104,411**	$ 7,124	**$ 22,626**	$ 48,950

2015

Total other revenue from continuing operations in 2015 decreased $26 million or 53.8% mainly due to higher fair value losses, partially offset by the Target net settlement proceeds and higher income from marketable security investments.

Net earnings from equity accounted investments increased $9.6 million compared to 2014. This increase is primarily due to higher gains on our investments in the WhiteCastle Funds and income from our joint venture with HBC. The income from the RioCan-HBC JV is completely offset by the reduced operating earnings from the disposal of property interests into the joint venture.

During the year, we earned higher income from marketable securities holdings of $6.8 million and incurred transaction losses totaling $2.6 million mainly due to a difference between the IFRS fair value and transaction pricing on certain assets.

Interest income decreased $2.5 million due to reductions in the size of our mezzanine loan portfolio that took place in early 2014 and 2015 related to the buyout of certain co-owner interests.

Other income increased $92 million compared to 2014 mainly due to $88 million of aggregate net cash proceeds relating to the Target settlement. The settlement amount is net of $3.5 million related to outstanding Target rents due as of the disclaimer date and other direct costs of settlement, such as legal fees.

The $126 million decline in gross fair value year-over-year represents the difference between a gain of $34 million in 2014 and a loss of $92 million this year. The reduction in fair value is primarily due to the impact of the following: Target's exit from Canada in the first half of 2015; increased projected costs to complete at certain development properties due to changes in development plans; interior renovation costs at some of our enclosed malls; partially offset by fair value gains on certain properties that were acquired during the year and slight reductions in capitalization rates on assets located in primary markets.

Q4 2015

Total other revenue from continuing operations during fourth quarter increased $97 million compared to 2014 mainly due to RioCan having received the Target settlement proceeds in the quarter, partially offset by higher fair value losses.

Transaction gains of $4.6 million are primarily due to favorable transaction pricing differences during the quarter on certain HBC properties related to our RioCan-HBC joint venture.

Other income increased $95 million primarily due to the $88 million of Target settlement net proceeds received during the fourth quarter and, to a lesser extent, the following: higher investment income from marketable securities holdings, gains related to our investments in the WhiteCastle Funds and income earned from our investment in the new joint venture with HBC (offset by reduced property NOI relating to the contribution of interests in two enclosed malls to this joint venture).

Discontinued Operations

	Three months ended December 31,		Year ended December 31,	
(thousands of dollars)	**2015**	2014	**2015**	2014
Share of net earnings (loss) in associates and joint ventures	**$ —**	$ 4,839	**$ (4,145)**	$ 12,176
Transaction gains, net	**—**	—	**7,529**	—
Fair value gains (losses) on investment property, net	**(174,782)**	30,196	**(147,060)**	113,009
Total other revenue (loss)	**$ (174,782)**	$ 35,035	**$ (143,676)**	$ 125,185

2015

Our share of the net earnings from this equity accounted investment decreased $16 million compared to 2014 primarily due to fair value losses and RioCan having sold its U.S. joint venture investment in July 2015.

Net transaction gains related to discontinued operations increased $7.5 million compared to 2014 due to a foreign exchange gain realized upon disposal of our U.S. joint venture investment (Montgomery Plaza).

The gross decline of $260 million in year-over-year fair value is mostly attributable to an increase in capitalization rates of our Northeast U.S. portfolio, as well as other property specific adjustments.

Q4 2015

Other revenue was mainly impacted by a $205 million gross decline in fair value, which is mostly attributable to an increase in capitalization rates of our Northeast U.S. portfolio, as well as other property specific adjustments during the quarter. Other revenue also decreased $4.8 million compared to the same period in 2014 due to the recognition of our pro-rata share of fair value losses in our Montgomery equity method investee.

Other Expenses

Interest

Continuing Operations

The components of interest expense are as follows:

	Three months ended December 31,		Year ended December 31,	
(thousands of dollars)	**2015**	2014	**2015**	2014
Total interest expense	**$ 55,285**	$ 56,176	**$ 214,203**	$ 226,473
Capitalized to real estate and other capital projects	**(7,432)**	(7,740)	**(27,431)**	(32,400)
Net interest expense	**$ 47,853**	$ 48,436	**$ 186,772**	$ 194,073
Percentage capitalized to real estate investments	**13.4%**	13.8%	**12.8%**	14.3%

2015

Net interest expense from continuing operations decreased $7.3 million compared to 2014 mainly due to interest savings resulting from the refinancing of maturing mortgages and debentures at lower interest rates, partially offset by higher temporary financing related to the Kimco property acquisitions. At December 31, 2015, the weighted average contractual interest rate of our Canadian debt is 3.65%, which is 39 basis points lower in comparison to the December 31, 2014 rate of 4.04%.

Interest capitalized to investment properties under development during 2014 includes a $2.9 million yield maintenance charge related to an early mortgage repayment and $1.0 million in capitalized interest allocable to the Trust's completed ERP and reporting project. During 2015, interest capitalized to real estate properties decreased mainly due to lower weighted average interest rates compared to the prior year (4.2% in 2015 versus 4.5% for 2014).

Q4 2015

Net interest expense for the fourth quarter decreased slightly by $0.6 million compared to fourth quarter 2014 due to interest savings resulting from the refinancing of maturing debt at lower interest rates, offset by higher overall leverage.

Discontinued Operations

Net interest expense relating to discontinued operations for 2015 increased $8.1 million compared to 2014. This increase is mostly due to an unfavourable foreign exchange impact of $10.2 million on our U.S. dollar denominated borrowings. As at December 31, 2015, the weighted average contractual interest rate of the U.S. debt portfolio is 4.25%, which is 31 basis points lower in comparison to the December 31, 2014 weighted average contractual rate of 4.56%.

General and Administrative

Continuing Operations

	Three months ended December 31,		Year ended December 31,	
(thousands of dollars)	**2015**	2014	**2015**	2014
Non-recoverable salaries and benefits	**$ 9,131**	$ 14,862	**$ 36,555**	$ 35,694
Directly capitalized to investment properties (i)	**(1,641)**	(2,100)	**(6,942)**	(6,237)
Leasing costs (ii)	**(2,064)**	(2,656)	**(8,407)**	(7,532)
	5,426	10,106	**21,206**	21,925
Unit-based compensation expense	**1,615**	328	**4,741**	4,075
Depreciation and amortization	**1,073**	1,153	**4,434**	4,019
Other general and administrative (iii)	**6,740**	5,276	**20,670**	18,931
General and administrative expense	**$ 14,854**	$ 16,863	**$ 51,051**	$ 48,950
As a percentage of rental revenue	**5.6%**	6.5%	**4.9%**	4.8%

(i) Amounts capitalized to investment properties are comprised of salaries and benefits related to development activities and tenant installation costs.

(ii) Effective January 1, 2014, we no longer capitalize leasing costs pursuant to the adoption of IAS 17. As a result of this change, the Trust records leasing costs on the consolidated statement of earnings.

(iii) Other general and administrative primarily includes the following: information technology, public company costs, travel, marketing and professional fees.

2015

General and administrative expenses related to continuing operations increased $2.1 million or 4.3% compared to 2014 primarily due to an increase in the following costs: $1.7 million in other general and administrative expenses related to higher marketing, promotion and certain tax compliance costs, $0.7 million in unit-based compensation and $0.4 million in depreciation and amortization. These increases are partly offset by a $0.7 million decrease in net non-recoverable salaries and benefits. Although the latter results in a favourable overall cost decrease after capitalization of direct costs of development, gross non-recoverable salaries and benefits increased $0.9 million mainly due to increased planning, development and leasing activity reflecting growth in the size of our property portfolio.

Q4 2015

During the fourth quarter, total general and administrative costs decreased $2.0 million or 11.9% compared to the same period in 2014 primarily driven by a decrease of $4.7 million in net non-recoverable salaries and benefits due to the timing of recognition of variable compensation costs. Partially offsetting this decrease is $1.5 million in higher other administrative expenses mainly related to higher marketing, promotion and tax compliance costs and $1.3 million in higher unit-based compensation, the latter of which is due to a recovery recognized on forfeited unit options from a senior executive's retirement at the end of 2014.

Leasing Costs

Leasing costs related to continuing operations are comprised of the payroll expense of our internal leasing department as well as related administration costs. Leasing costs increased $1.1 million to end the full year at $9.8 million compared to $8.7 million in 2014. Headcount increases in our Canadian leasing and administrative operations were the main reason for this increase. Any external leasing costs, however, continue to be capitalized to the underlying properties.

Transaction and Other Costs

Transaction and other costs associated with continuing operations increased $5.6 million for the year compared to 2014. Most of this increase relates to our share of the land transfer taxes paid on the acquisition of the Kimco property portfolio in late 2015, as well as higher legal and selling costs incurred on the disposition of a portfolio of Quebec properties earlier in the year.

Transaction and other costs related to our discontinued operations were $3.4 million higher compared to 2014. This was due, in large part, to higher legal and professional fees, employee retention and contract termination costs related to our announced U.S. asset sale. Also in connection with our disposal our investment in the Montgomery U.S. joint venture, we paid withholding taxes of $8.5 million which are included as current income tax expense in the results of our discontinued operations.

Funds from Operations (FFO) and Operating Funds from Operations (OFFO)

The following table presents a reconciliation of IFRS net earnings from continuing and discontinued operations attributable to unitholders to FFO and OFFO on a comparable basis:

	Three months ended December 31,		Year ended December 31,	
(thousands of dollars, except per unit amounts)	**2015**	2014	**2015**	2014
Net earnings from continuing operations attributable to unitholders	**$ 199,796**	$ 105,483	**$ 416,892**	$ 447,008
Add back/(Deduct):				
Fair value (gains) losses, net	**(1,183)**	(3,458)	**91,548**	(34,423)
Non-controlling interest relating to fair value gains	**43**	—	**674**	659
Fair value losses included in equity accounted investments and joint ventures	**468**	—	**676**	—
Deferred income tax expense (recovery)	**1,350**	(250)	**1,290**	50
Leasing costs	**2,340**	2,986	**9,750**	8,693
Transaction (gains) losses, net (i)	**(4,608)**	—	**2,632**	—
Transaction costs (ii)	**4,574**	43	**8,459**	2,753
Preferred unit distributions	**(3,397)**	(3,397)	**(13,590)**	(13,590)
Foreign exchange loss	**—**	128	**131**	176
FFO from continuing operations	**$ 199,383**	$ 101,535	**$ 518,462**	$ 411,326
Net earnings (loss) from discontinued operations attributable to unitholders	**$ (377,837)**	$ 66,285	**$ (275,129)**	$ 216,250
Add back/(Deduct):				
Fair value (gains) losses, net	**174,782**	(30,196)	**147,060**	(113,009)
Fair value (gains) losses included in equity accounted investments and joint ventures	**—**	(4,258)	**4,694**	(10,030)
Deferred income tax expense	**230,474**	—	**230,474**	—
Leasing costs	**185**	607	**2,022**	2,248
Accrued property taxes under IFRIC 21	**(8,297)**	(7,873)	**—**	—
Foreign exchange gain related to realty taxes (iii)	**(1,176)**	—	**(1,176)**	—
Transaction (gains) losses, net (i)	**—**	—	**(7,529)**	—
Transaction costs (ii)	**3,464**	—	**3,486**	—
FFO from discontinued operations	**$ 21,595**	$ 24,565	**$ 103,902**	$ 95,459
FFO	**$ 220,978**	$ 126,100	**$ 622,364**	$ 506,785
FFO from continuing operations	**$ 199,383**	$ 101,535	**$ 518,462**	$ 411,326
Add back/(Deduct):				
Costs not capitalized during the development period:				
Property recoverable operating costs under tenant leases (iv)	**354**	541	**1,175**	1,290
Interest expense (iv)	**1,833**	1,757	**6,811**	7,222
Demolition costs (iv)	**487**	1,049	**2,164**	2,208
Proceeds from sale of residential inventory, net of costs (v)	**(1,285)**	71	**(2,594)**	(91)
Target settlement proceeds, net	**(88,267)**	—	**(88,267)**	—
Expense for early retirement of debentures	**—**	—	**9,929**	—
Other transaction gains, net (vi)	**(421)**	—	**(3,380)**	—
OFFO from continuing operations	**$ 112,084**	$ 104,953	**$ 444,300**	$ 421,955
FFO from discontinued operations	**$ 21,595**	$ 24,565	**$ 103,902**	$ 95,459
Add back: Transaction losses, net (i)	**8,478**	—	**8,478**	—
OFFO from discontinued operations	**$ 30,073**	$ 24,565	**$ 112,380**	$ 95,459
OFFO	**$ 142,157**	$ 129,518	**$ 556,680**	$ 517,414

(i) Includes gains and losses related to certain equity accounted investments and the disposal of a development property.

(ii) Represents property acquisition and disposition costs.

(iii) Represents the favourable impact of foreign exchange based on the timing of U.S. realty tax payments.

(iv) To calculate OFFO, the Trust adjusts for certain costs not capitalized during the development period for accounting purposes that, in management's view, forms part of the cost of its development projects.

(v) Includes gross proceeds from the sale of residential inventory, net of direct cost of sales.

(vi) Represents WhiteCastle Fund transaction gains and $1.5 million previously written off straight-line rents related to Target recovered through the settlement proceeds.

FFO and OFFO Summary

(thousands of dollars, except per unit amounts)	Three months ended December 31, 2015	Three months ended December 31, 2014	Increase (Decrease)	Year ended December 31, 2015	Year ended December 31, 2014	Increase (Decrease)
FFO from:						
Continuing operations (i)	**$ 199,383**	$ 101,535	96.4%	**$ 518,462**	$ 411,326	26.0%
Discontinued operations	**21,595**	24,565	(12.1%)	**103,902**	95,459	8.8%
FFO	**$ 220,978**	$ 126,100	75.2%	**$ 622,364**	$ 506,785	22.8%
FFO per unit	**$ 0.69**	$ 0.40	69.8%	**$ 1.95**	$ 1.65	18.4%
OFFO from:						
Continuing operations	**$ 112,084**	$ 104,953	6.8%	**$ 444,300**	$ 421,955	5.3%
Discontinued operations	**30,073**	24,565	22.4%	**112,380**	95,459	17.7%
OFFO	**$ 142,157**	$ 129,518	9.8%	**$ 556,680**	$ 517,414	7.6%
OFFO per unit	**$ 0.44**	$ 0.42	6.4%	**$ 1.74**	$ 1.68	3.7%

(i) For the year ended December 31, 2015, FFO from continuing operations includes the $88 million net Target settlement proceeds and operating earnings arising from the sale of residential inventory of $2.7 million.

OFFO Highlights

2015

OFFO for 2015 is $557 million compared to $517 million in 2014, representing an increase of $40 million or approximately 7.6%. On a per unit basis, OFFO is $1.74 compared to $1.68, representing an increase of $0.06 or approximately 3.7%.

Continuing Operations

In 2015, OFFO from continuing operations increased $22 million compared to 2014, primarily due to the following: higher NOI of $5.0 million mainly driven by lease cancellation fees and the impact of completed property developments, lower interest expense of $7.3 million, higher income earned on marketable securities holdings of $6.8 million and net earnings from equity accounted investments of $5.3 million, partially offset by lower interest income of $2.5 million and higher general and administrative costs of $2.1 million.

Discontinued Operations

In 2015, OFFO from our U.S. discontinued operations increased $17 million compared to 2014, primarily driven by higher NOI of $27 million, which is partly offset by higher interest costs of $8.1 million and $2.1 million of lower earnings generated from our equity accounted investments due to the sale of a U.S. property in the third quarter.

The overall favourable impact of foreign exchange on our net earnings from discontinued operations is $14 million for the year and includes $24 million in exchange gains, partially offset by $10.2 million in higher translated interest expense on U.S. dollar denominated debt.

Q4 2015

OFFO for the fourth quarter of 2015 is $142 million compared to $130 million in 2014, representing an increase of $12 million or approximately 10%. On a per unit basis, OFFO is $0.44 compared to $0.42, representing an increase of $0.02 or approximately 6.4%.

Continuing Operations

During the fourth quarter of 2015, OFFO from continuing operations increased $7.1 million compared to 2014 primarily due to higher net earnings from equity accounted investments and income from available-for-sale investments as well as lower general and administrative expenses.

Discontinued Operations

During the fourth quarter of 2015, OFFO from discontinued operations increased $5.5 million compared to 2014, primarily due to higher NOI of $7.3 million, largely due to foreign exchange gains, party offset by an increase of interest expense of $2.2 million.

The overall favourable impact of foreign exchange on net earnings from discontinued operations is $3.7 million for the quarter and includes $7.2 million in exchange gains, partially offset by $3.6 million in higher translated interest expense on U.S. dollar denominated debt.

Adjusted Funds from Operations (AFFO)

The following table is a reconciliation of FFO to AFFO prepared based on the results of our continuing and discontinued operations for all periods shown:

	Three months ended December 31,		Year ended December 31,	
(thousands of dollars, except per unit amounts)	**2015**	2014	**2015**	2014
FFO (i)	**$ 220,978**	$ 126,100	**$ 622,364**	$ 506,785
Add back/(Deduct):				
Costs not capitalized during the development period: (ii)				
Property recoverable operating costs under tenant leases (ii)	**354**	541	**1,175**	1,290
Interest expense (ii)	**1,833**	1,757	**6,811**	7,222
Demolition costs (ii)	**487**	1,049	**2,164**	2,208
Deduction of straight-line rents	**(1,285)**	(3,608)	**(9,328)**	(9,309)
Non-cash unit based compensation expense	**1,765**	672	**5,135**	5,451
Normalized capital expenditures:				
Leasing commissions and tenant improvements	**(6,250)**	(6,250)	**(25,000)**	(25,000)
Capital expenditures recoverable from tenants	**(3,750)**	(3,750)	**(15,000)**	(15,000)
Capital expenditures not recoverable from tenants	**(2,500)**	(2,500)	**(10,000)**	(10,000)
Proceeds from sale of residential inventory, net of costs (iii)	**(1,285)**	71	**(2,594)**	(91)
Target settlement proceeds, net	**(88,267)**	—	**(88,267)**	—
Expense for early retirement of debentures	**—**	—	**9,929**	—
Other transaction losses, net (iv)	**6,546**	—	**3,587**	—
AFFO (v)	**$ 128,626**	$ 114,082	**$ 500,976**	$ 463,556

(i) A reconciliation of IFRS net earnings from continuing and discontinued operations attributable to unitholders to FFO is presented under *Funds from Operations (FFO) and Operating Funds from Operations (OFFO)* section.

(ii) To calculate AFFO, the Trust adjusts for certain costs not capitalized during the development period for accounting purposes that, in management's view, forms part of the cost of its development projects.

(iii) Includes gross proceeds from the sale of residential inventory, net of direct cost of sales.

(iv) Includes gains and losses related to the disposal of an equity accounted investment and WhiteCastle Funds.

(v) AFFO is calculated by adjusting FFO for straight-line rent adjustments, non-cash compensation expenses, costs for capital expenditures and leasing costs for maintaining shopping centre infrastructure and current lease revenues. In addition, non-recurring costs that impact operating cash flow may be adjusted. FFO amounts related to transaction gains and losses and development/redevelopment are also excluded from AFFO.

AFFO Highlights

	Three months ended December 31,		Increase	Year ended December 31,		Increase
(thousands of dollars, except per unit amounts)	**2015**	2014	(Decrease)	**2015**	2014	(Decrease)
AFFO	**$ 128,626**	$ 114,082	12.7%	**$ 500,976**	$ 463,556	8.1%
AFFO per unit	**$ 0.40**	$ 0.37	8.0%	**$ 1.57**	$ 1.51	3.8%
Distributions as a percentage of AFFO	**90.1%**	95.3%	(5.2%)	**90.4%**	93.4%	(3.0%)

2015

AFFO for the year ended December 31, 2015 was $501 million or $1.57 per Unit, compared to $464 million or $1.51 per Unit for the same period in 2014, representing an increase of $37 million or 8.1%. On a per Unit basis, AFFO increased by $0.06 per Unit or 3.8%. The increase in AFFO was primarily due to higher NOI and income from available-for-sale investments, partly offset by a decrease in interest income and higher general and administrative expenses.

Distribution as a percentage of AFFO continued to improve during the year and was 90.4% compared to 93.4% for the year 2014. Over the long term, the Trust targets a payout ratio of AFFO on a rolling twelve month basis, which allows RioCan to provide a sustainable distribution of cash flow to unitholders, while retaining a portion of operational cash flow to reinvest into income producing and development properties, and if necessary, to fund any unexpected expenditures for property maintenance that might arise.

However, in the near term (2016/2017), with the sale of the U.S. operations we expect the AFFO payout ratio to be higher than 2015 with the full intention to improve the ratio towards our 90% target over the longer term with the growth and reinvestment of proceeds.

Q4 2015

AFFO for the fourth quarter of 2015 was $129 million or $0.40 per unit compared to $114 million or $0.37 per unit for the fourth quarter in 2014, representing an increase of approximately $15 million or 12.7%. On a per unit basis, AFFO increased by $0.03 per unit or 8.0%. The increase in AFFO was primarily due to higher NOI and income from available-for-sale investments, lower

general and administrative expenses, partly offset by a decrease in interest income.

Reconciliation of cash flows provided by operating activities to AFFO

The following table is a reconciliation of cash provided by operating activities to AFFO:

	Three months ended December 31,		Year ended December 31,	
(thousands of dollars)	**2015**	2014	**2015**	2014
Cash provided by operating activities from continuing and discontinued operations	**$ 296,808**	$ 157,772	**$ 609,255**	$ 501,694
Net change in non-cash operating items	**(73,649)**	(27,132)	**(3,507)**	815
Share of net earnings in associates and joint ventures	**4,510**	5,380	**6,233**	12,905
Fair value losses (gains) included in equity accounted investments and joint ventures	**468**	(4,258)	**5,370**	(10,030)
Costs not capitalized during the development period:				
Property recoverable operating costs under tenant leases	**354**	541	**1,175**	1,290
Interest expense	**1,833**	1,757	**6,811**	7,222
Demolition costs	**487**	1,049	**2,164**	2,208
Transaction costs	**8,038**	43	**11,945**	2,753
Depreciation and amortization - corporate assets	**(1,115)**	(1,167)	**(4,655)**	(4,041)
Preferred unit distributions	**(3,397)**	(3,397)	**(13,590)**	(13,590)
Normalized productive capacity maintenance capital expenditures:				
Leasing commissions and tenant improvements	**(6,250)**	(6,250)	**(25,000)**	(25,000)
Maintenance capital expenditures recoverable from tenants	**(3,750)**	(3,750)	**(15,000)**	(15,000)
Maintenance capital expenditures not recoverable from tenants	**(2,500)**	(2,500)	**(10,000)**	(10,000)
Non-controlling interests	**(43)**	—	**(674)**	(707)
Accrued property taxes under IFRIC 21	**(8,297)**	(7,873)	**—**	—
Foreign exchange gain related to realty taxes (i)	**(1,176)**	—	**(1,176)**	—
Leasing costs	**2,525**	3,593	**11,772**	10,941
Foreign exchange loss	**—**	128	**131**	176
Proceeds from sale of residential inventory, net of costs (ii)	**(1,285)**	71	**(2,594)**	(91)
Target settlement proceeds, net	**(88,267)**	—	**(88,267)**	—
Expense for early retirement of debentures	**—**	—	**9,929**	—
Other transaction losses, net (iii)	**3,449**	—	**201**	—
Other adjustments	**(117)**	75	**453**	2,011
AFFO	**$ 128,626**	$ 114,082	**$ 500,976**	$ 463,556

(i) Represents the favourable impact of foreign exchange based on the timing of U.S. realty tax payments.

(ii) Includes gross proceeds from the sale of residential inventory, net of direct cost of sales.

(iii) Includes gains and losses related to certain equity accounted investments, the disposal of a development property and WhiteCastle Fund transaction gains.

OPERATIONS

RioCan has remained focused on its core portfolio and continues to execute its growth strategy through acquisitions and developments, along with organic growth. In addition, RioCan is selectively paring its portfolio in order to increase its focus on major urban markets.

Net Leasable Area

(thousands of square feet, except where otherwise noted)	**2015**				2014			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
NLA at 100% (i)								
Income properties								
Canada	**57,898**	58,092	58,412	58,292	58,677	58,259	58,002	57,645
U.S.	**13,208**	13,208	13,388	13,382	13,379	13,380	13,298	13,295
Properties under development (ii)	**6,985**	7,085	7,095	6,972	7,021	8,781	9,692	10,835
NLA at RioCan's interest								
Income properties								
Canada	**42,124**	39,282	39,926	39,845	39,994	39,676	39,382	39,120
U.S.	**10,027**	10,027	10,038	10,033	10,031	10,031	9,949	9,946
Properties under development (ii)	**3,939**	3,968	3,975	3,840	3,896	4,525	5,065	5,512

(i) Includes non-owned anchors.

(ii) Includes active and non-active projects in greenfield and urban intensification developments located in Canada.

Canadian Investment Properties NLA

As at December 31, 2015, NLA at RioCan's interest was 42,124,000 square feet compared to 39,994,000 square feet as at December 31, 2014.

The increase of 2,130,000 square feet of NLA during the year was due to higher acquisitions net of dispositions, NLA from completed developments partially offset by NLA transferred to properties under development, during the year.

Acquisitions

RioCan acquired approximately 3,507,000 additional square feet in connection with certain investment property acquisitions during the year. Approximately 3,071,000 square feet of this additional NLA is related to the acquisition of Kimco's interest in certain Canadian properties.

Dispositions

During 2015, RioCan disposed of approximately 1,405,000 square feet in connection with certain investment properties located in Ontario and Quebec.

NLA Transfers

During 2015, NLA increased by 381,000 square feet due to completed development projects which was partially offset by an NLA decrease of 353,000 square feet due in part to the planned redevelopment of former Target properties. Refer to *Development Activity in 2015* section in this MD&A for further discussion.

Occupancy and Leasing

Committed Occupancy

The historical portfolio committed occupancy rates for our Canadian and U.S. property operations are as follows:

	2015				2014			
(in percentages)	**Q4**	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Canada	**94.0**	93.2	93.1	96.7	97.0	97.0	97.0	96.9
U.S.	**96.3**	97.1	97.3	96.6	97.1	96.9	96.7	96.6

RioCan's overall portfolio committed occupancy rate is calculated as leased NLA divided by total portfolio NLA. The Canadian committed occupancy rate has been adversely impacted as a result of Target's exit from Canada. During the year, the committed occupancy rate for Canadian properties decreased 3% from 97.0% as at December 31, 2014 to 94.0% as at December 31, 2015. 2.2% of this decrease was due to disclaimed Target leases during 2015. Refer to *Tenant Vacancies* section in this MD&A for further details.

Economic Occupancy

The historical portfolio economic occupancy rates for our Canadian and U.S. property operations are as follows:

	2015				2014			
(in percentages)	**Q4**	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Canada	**92.2**	91.6	91.9	95.3	95.8	95.9	95.5	95.6
U.S.	**95.6**	96.4	96.8	96.0	96.7	96.5	96.4	96.4

Included in the occupancy rate is 789,000 square feet of NLA that has been leased but is not yet generating rent, resulting in an economic occupancy rate of 92.2%, which represents the occupied NLA for which tenants are paying rent. The annualized rental impact once these tenants take occupancy and commence paying rent is approximately $16.9 million.

The Canadian economic occupancy has also been impacted as a result of Target's exit from Canada. During the year, the economic occupancy rate for Canadian properties decreased 3.6% from 95.8% as at December 31, 2014 to 92.2% as at December 31, 2015. 3.1% of this decrease was due to disclaimed Target leases during 2015. The remainder of the decrease in economic occupancy is attributable to vacancies incurred during 2015 and the resulting downtime to lease the premises to new tenants. Refer to *Tenant Vacancies* section in this MD&A for further details.

A rent commencement timeline for the NLA on Canadian properties, which has been leased but is not currently open as at December 31, 2015, is as follows:

(in thousands, except percentage amounts)	Total	Q1 2016	Q2 2016	Q3 2016	Q4 2016	2017+
Square feet:						
NLA commencing	789	127	191	88	17	366
Cumulative NLA commencing	789	127	318	406	423	789
% of NLA commencing		16.1%	24.2%	11.1%	2.2%	46.4%
Cumulative % total		16.1%	40.3%	51.4%	53.6%	100.0%
Average net rent:						
Monthly rent commencing	$ 1,407	$ 352	$ 433	$ 179	$ 30	$ 413
Cumulative monthly rent commencing	$ 1,407	$ 352	$ 785	$ 964	$ 994	$ 1,407
% of rent for NLA commencing		25.0%	30.8%	12.7%	2.1%	29.4%
Cumulative % total rent commencing		25.0%	55.8%	68.5%	70.6%	100.0%

Average In-Place Rent

The historical portfolio average in-place rent for our Canadian and U.S. properties is as follows:

	2015				2014			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Canada	**$ 17.11**	$ 17.08	$ 17.02	$ 16.63	$ 16.69	$ 16.51	$ 16.50	$ 16.59
U.S. (US$)	**$ 13.96**	$ 13.87	$ 13.89	$ 14.02	$ 14.01	$ 14.01	$ 13.82	$ 13.75

Average in place rent increased during the year, primarily due to higher contractual rent steps and rents from renewals and has been positively impacted by Target's exit from Canada as the average net rent for the disclaimed stores was $6.49 per square foot. During the fourth quarter of 2015, average in-place rent also increased as a result of RioCan gaining higher rents from the acquisition of Kimco's interest in certain Canadian properties.

New Leasing Activity

RioCan's portfolio new leasing activity is as follows:

	2015					2014				
(in thousands, except per sqft amounts)	**Full Year**	**Q4**	Q3	Q2	Q1	Full Year	Q4	Q3	Q2	Q1
NLA at 100%										
Canada	**2,319**	**532**	693	481	613	1,312	429	327	251	305
U.S.	**242**	**30**	34	131	47	124	40	18	47	19
Average net rent per sqft (i)										
Canada	**$ 18.99**	**$ 18.91**	$ 16.23	$ 23.31	$ 18.81	$ 22.19	$ 22.24	$ 20.65	$ 28.82	$ 18.30
U.S.	**$ 19.71**	**$ 22.47**	$ 21.32	$ 17.91	$ 21.83	$ 21.34	$ 19.98	$ 24.39	$ 20.44	$ 23.44

(i) Net rent is primarily contractual basic rent pursuant to tenant leases.

During 2015, new leasing activity NLA in Canada increased 1,007,000 square feet, which included 573,000 square feet of re-leased vacant space related to former Target properties.

Also during 2015, new leasing activity in Canada realized lower average net rents per square foot of $18.99 compared to $22.19 in 2014. The decrease in average net rents per square foot from the prior year, were due to increased volume of leases with greater than 20,000 square feet compared to 2014. RioCan completed new leases totaling 1,238,000 square feet at an average rental rate of $14.51 per square foot in units in excess of 20,000 square feet.

Renewal Leasing

A summary of our 2015 and 2014 renewal leasing activity for the Canadian and U.S. property portfolios is as follows:

	2015					2014				
(in thousands, except per sqft amounts)	**Full Year**	**Q4**	Q3	Q2	Q1	Full Year	Q4	Q3	Q2	Q1
Square feet renewed:										
Canada	**4,607**	**1,001**	1,300	1,117	1,189	4,192	603	1,133	1,174	1,282
U.S.	**285**	**47**	72	91	75	396	62	115	159	60
Average net rent per square foot:										
Canada	**$ 18.37**	**$ 18.19**	$ 17.75	$ 18.07	$ 19.47	$ 18.00	$ 23.20	$ 17.57	$ 18.50	$ 15.47
U.S. (US$)	**$ 21.99**	**$ 27.80**	$ 17.89	$ 22.72	$ 21.42	$ 22.16	$ 25.61	$ 20.11	$ 22.17	$ 22.53
Increase in average net rent per square foot:										
Canada	**$ 1.37**	**$ 0.71**	$ 1.41	$ 1.57	$ 1.69	$ 1.84	$ 2.45	$ 2.01	$ 2.26	$ 1.02
U.S. (US$)	**$ 1.57**	**$ 0.46**	$ 1.60	$ 2.18	$ 1.49	$ 1.60	$ 1.69	$ 1.71	$ 1.44	$ 1.73
Percentage increase in average net rent per square foot:										
Canada	**8.1%**	**4.0%**	8.6%	9.5%	9.5%	11.4%	11.8%	12.9%	13.9%	7.0%
U.S.	**7.7%**	**1.7%**	9.8%	10.6%	7.5%	7.8%	7.1%	9.3%	7.0%	8.3%
Retention rate:										
Canada	**85.7%**	**81.4%**	89.8%	87.7%	83.5%	89.7%	85.0%	91.7%	88.8%	91.2%
U.S.	**75.1%**	**73.7%**	80.5%	91.7%	58.9%	90.7%	78.3%	92.2%	97.3%	86.4%

Our percentage increase in average net rent per square foot for 2015 is 8.1% for Canada, which is attributable to strong growth achieved in lease renewals completed with tenants particularly those located in western Canada. During the fourth quarter of 2015, Canadian renewal retention decreased as a result of certain large space tenants not renewing. Although we experienced a slight decline in retention rates during 2015, we expect renewal leasing rates for Canada to remain steady for 2016.

Including anchor tenants, the components of renewal activity for our Canadian and U.S. property portfolio is as follows:

	2015					2014				
(in thousands, except per sqft amounts)	**Full Year**	**Q4**	Q3	Q2	Q1	Full Year	Q4	Q3	Q2	Q1
Renewals at market rental rates:										
Canada										
Square feet renewed	**2,959**	**806**	662	704	787	2,223	482	594	580	567
Average net rent per sqft	**$ 20.82**	**$ 19.77**	$ 20.62	$ 20.48	$ 22.37	$ 22.33	$ 24.86	$ 20.89	$ 24.42	$ 19.56
U.S.										
Square feet renewed	**124**	**25**	17	31	51	150	29	40	58	23
Average net rent per sqft (US$)	**$ 26.91**	**$ 29.83**	$ 31.32	$ 29.49	$ 22.46	$ 24.07	$ 28.05	$ 18.80	$ 28.24	$ 17.81
Renewals at fixed rental rates:										
Canada										
Square feet renewed	**1,648**	**195**	638	413	402	1,969	121	537	594	717
Average net rent per sqft	**$ 13.97**	**$ 11.67**	$ 14.78	$ 13.97	$ 13.79	$ 13.11	$ 16.55	$ 13.91	$ 12.72	$ 12.25
U.S.										
Square feet renewed	**163**	**22**	56	61	24	246	33	76	101	36
Average net rent per sqft (US$)	**$ 18.26**	**$ 25.53**	$ 13.89	$ 19.27	$ 19.20	$ 20.99	$ 23.51	$ 20.79	$ 18.67	$ 25.62

Tenant Vacancies

We strive to diversify our tenant base by location, property type and anchor type and by minimizing the degree of reliance on any single tenant. In the regular course of business, we will, however, encounter tenants that are subject to restructuring, insolvency or bankruptcy activities. Except for the cessation of Target rent for 18 disclaimed leases, for the duration of the year rent

continues to be paid in most other cases by, or on behalf of, RioCan's tenants. We actively monitor such situations and in those cases where vacancies occur, RioCan endeavours to replace tenants as quickly as possible at economically similar or better lease terms. In certain instances, such vacancies will give rise to rights in favour of other tenants in the property that is the subject of the vacancy. This is commonly referred to as a co-tenancy right and entitles co-tenants to certain rent reductions resulting or lease terminations.

	2015					2014				
(in thousands, except per sqft amounts)	**Full Year**	**Q4**	Q3	Q2	Q1	Full Year	Q4	Q3	Q2	Q1
Total vacancies (i)										
100%										
Canada	**3,621**	**476**	493	2,195	457	1,148	182	283	260	423
U.S	**217**	**93**	30	15	79	71	18	18	14	21
RioCan's interest										
Canada	**2,880**	**343**	363	1,792	382	930	151	244	204	331
U.S	**217**	**93**	30	15	79	71	18	18	14	21
Vacated space re-leased										
100%										
Canada	**1,400**	**116**	234	835	215	483	48	73	127	235
U.S	**72**	**2**	13	8	49	9	1	—	—	8
RioCan's interest										
Canada	**1,135**	**91**	189	656	199	390	31	72	112	175
U.S	**72**	**2**	13	8	49	9	1	—	—	8

(i) Excluding lease buyouts.

During the year ended December 31, 2015, RioCan experienced vacancies of approximately 3,621,000 square feet, of which RioCan's interest was 2,880,000 square feet. The average gross rent on RioCan's ownership interest was $19.81 per square foot. Approximately 1,400,000 square feet of space vacated in 2015 has been leased to new tenants, of which RioCan's interest was 1,135,000 square feet, at an average gross rent of $23.21 per square foot. Most of the 2015 vacancies in Canada is the result of Target's exit from Canada.

Target

On January 15, 2015, Target announced plans to exit Canada through its indirectly wholly-owned subsidiary, Target Canada, utilizing the CCAA to wind down its operations. In April 2015, Target Canada liquidated its store inventory and closed all of its Canadian locations. At the time of the announcement, RioCan had 26 locations under lease with Target Canada, seven of which were successfully assigned by RioCan to new tenants who assumed the full lease obligation under the same CCAA process. The remaining 19 locations were disclaimed by Target Canada during the year and represent 1,662,978 square feet of NLA, which represented an average remaining lease term of approximately 12.7 years, at RioCan's interest. All but one of the 19 disclaimed leases were guaranteed through an indemnity provided by Target for the remaining term of each lease. The one disclaimed location not covered by the Target indemnity is RioCan Niagara Falls. This lease has reverted to Walmart Canada through a pre-existing covenant and Walmart Canada has resumed payment of the annual rental obligation.

The 18 remaining disclaimed Target locations that we ceased recording rent upon the disclaim date of each lease, represents approximately 1.5% of our 2015 base rent revenue of our Canadian operations. These leases had annualized base rent of approximately $10.1 million, annualized common area maintenance costs and taxes of approximately $6.2 million and NLA of 1,557,000 square feet at an average net lease rate of $6.49 per square foot (all figures quoted at RioCan's proportionate share).

In December 2015, in exchange for a release of Target from the indemnity agreements, RioCan reached a full settlement with the U.S. parent of Target Canada for $149 million (inclusive of $17 million of HST), of which $105 million represents RioCan's share (inclusive of $13 million of HST), with the remainder distributed to various co-owners. The proceeds of the settlement are being used to mitigate losses caused by Target Canada's departure, including funding of the redevelopments underway at the 18 disclaimed locations, which is currently estimated at $119 million at RioCan's proportionate share. RioCan's leasing team continues to make significant progress on the re-leasing of the former Target space. Our redevelopment plan is highly focused on utilizing the space more optimally so as to improve the overall shopping centre and increase revenues in the most efficient, expedient and effective manner possible.

The following table is a reconciliation of the vacant NLA associated with the 18 former Target locations, for which we are no longer receiving rents:

	Site	City	Province	RioCan % ownership	NLA (100%)	NLA (RioCan %)
1	Burlington Mall	Burlington	Ontario	50%	121,523	60,762
2	Charlottetown Mall	Charlottetown	Prince Edward Island	50%	107,806	53,903
3	County Fair Mall	Smiths Falls	Ontario	100%	92,989	92,989
4	Desserte Ouest	Laval	Quebec	50%	116,147	58,074
5	Five Points Mall	Oshawa	Ontario	100%	102,444	102,444
6	Flamborough Power Centre	Flamborough	Ontario	100%	116,493	116,493
7	Gates of Fergus	Fergus	Ontario	50%	95,978	47,989
8	Lawrence Square	Toronto	Ontario	100%	89,432	89,432
9	Mill Woods Town Centre	Edmonton	Alberta	40%	122,804	49,539
10	Millcroft Shopping Centre	Burlington	Ontario	50%	115,566	57,783
11	Orillia Square Mall	Orillia	Ontario	100%	91,440	91,440
12	RioCan Durham Centre	Ajax	Ontario	100%	121,280	121,280
13	RioCan Niagara Falls (i)	Niagara Falls	Ontario	100%	106,103	106,103
14	RioCan Scarborough Centre	Scarborough	Ontario	100%	116,241	116,241
15	Shopper's World Brampton	Brampton	Ontario	100%	121,490	121,490
16	South Hamilton Square	Hamilton	Ontario	100%	93,125	93,125
17	Stratford Centre	Stratford	Ontario	100%	88,935	88,935
18	The Stockyards	Toronto	Ontario	50%	153,456	76,728
19	Trinity Common Brampton	Brampton	Ontario	100%	118,228	118,228
Subtotal					2,091,480	1,662,978
Less: RioCan Niagara Falls (i)					(106,103)	(106,103)
NLA of 18 former Target locations not paying rent					1,985,377	1,556,875

(i) This lease has reverted to Walmart Canada through a pre-existing covenant and Walmart Canada has assumed payment of the annual rent obligation.

By August 2015, RioCan had transfered the above 18 Target stores to development, which had a total carrying value of $135 million. These properties are in various stages of redevelopment to backfill the vacant space.

The seven leases that were not disclaimed have been assigned to new tenants (six to Lowe's Canada and one to Canadian Tire) with annualized base rent of $3.4 million and NLA of 825,000 square feet (at RioCan's proportionate share). The new tenants assumed all obligations including the rental obligations on the closing date of the respective assignments. Details of these assigned leases is as follows:

	Site	City	Province	RioCan % ownership (i)	NLA
1	Abbotsford Power Centre	Abbotsford	British Columbia	100%	115,407
2	RioCan Shoppes at Shawnessy	Calgary	Alberta	100%	124,216
3	RioCan St. Laurent	Ottawa	Ontario	100%	103,568
4	Shopper's World Danforth	Toronto	Ontario	100%	134,845
5	Signal Hill Centre	Calgary	Alberta	100%	116,288
6	Sudbury Place	Sudbury	Ontario	100%	109,554
7	Tillicum Centre	Victoria	British Columbia	100%	120,684
					824,562

(i) Ownership interests are stated as at December 31, 2015 and reflect the updated ownerships as a result of the closing of the acquisition of a property portfolio with Kimco.

During November 2015, RioCan entered into a binding agreement with Target concluding the terms of settlement relating to the 18 disclaimed leases. We have recorded $88 million in net settlement proceeds relating to the release of Target from the indemnity agreements, which is net of $3.5 million of receivable amounts related to outstanding Target rents due as of the disclaimer date and other direct costs of settlement, such as legal fees.

Leasing Update

A summary of our leasing progress to date is as follows:

	Deal count	Square feet at 100%	Square feet at RioCan's Interest	Annual base rental revenue at RioCan's interest (i)
Former Target Canada space	19	2,091,480	1,662,977	$10.9
Backfill progress:				
Committed space	17	572,660	418,199	7.4
Conditional agreements	4	89,453	78,203	1.3
Advanced discussions	11	396,943	348,209	3.8
Total backfill progress	**32**	**1,059,056**	**844,611**	**$12.5**
Space currently being marketed (ii)		255,442	136,238	n.a.
NLA included in the Expansion & Redevelopment table		**1,314,498**	**980,849**	
Flamborough Power Centre (iii)		60,000	60,000	
RioCan Niagara Falls (iv)		132,416	132,416	
Total NLA upon completion of redevelopment		**1,506,914**	**1,173,265**	
Potential GLA converted for landlord uses (common area, loading docks, etc.) (ii)		415,446	320,593	n.a.
Space for demolition/potential redevelopment		195,433	195,433	n.a.
Total (v)		**2,117,793**	**1,689,291**	

(i) Amounts in millions of Canadian dollars.

(ii) Represents square footage based on current redevelopment plans and is subject to change based on tenant demand.

(iii) Property is currently being marketed and is classified as a Greenfield development project.

(iv) Represents one of the 19 disclaimed Target properties, which Walmart Canada has assumed making payments on the annual rent obligation in accordance with a pre-existing covenant.

(v) Expansion space at RioCan Niagara Falls results in an additional 26,000 square feet of net leasable area at this property.

We are actively in discussions with potential retailers to backfill the vacant premises. For most of the disclaimed Target Canada leases, it is unlikely that a single tenant will be found to utilize the entirety of such space. Consequently, there will likely be a need to break-up the space which will require incremental capital expenditures and time to complete the related work. We believe it will take an estimated 18 to 24 months for a new tenant to commence paying rent in these reconfigured spaces, taking into consideration lease negotiations, construction approvals, construction time and fitting out of such space. We are working diligently to fill the disclaimed Target Canada lease space in the most efficient and effective manner possible and have made significant progress. Over the long run, we believe that the re-tenanting of the larger Target boxes will result in a more diversified revenue stream and a better draw for consumers.

To date, we have completed 17 leases totalling 573,000 square feet at 100% or 418,000 at RioCan's interest. These 17 leases, will generate $7.4 million of base rental revenue per year, at RioCan's proportionate share.

We have 4 conditional offers to lease space totalling 89,000 square feet at 100% or 78,000 at RioCan's interest. These 4 conditional leases are expected to generate $1.3 million of base rental revenue per year, at RioCan's proportionate share.

In addition, we are in advanced stages of negotiation for another 11 leases totalling approximately 397,000 square feet at 100% that are expected to be finalized by the end of the first quarter of 2016 (348,000 square feet at RioCan's interest). These 11 leases are expected to generate $3.8 million of base rental revenue per year, at RioCan's proportionate share.

Collectively, these 32 leases represent approximately $12.5 million or 115% of the total net rental revenue lost through Target's departure (at RioCan's proportionate share). The expected cost to complete the redevelopment work related to the 32 leases is currently estimated to be approximately $116 million (approximately $93 million at RioCan's proportionate share). The overall redevelopment costs will evolve as additional tenants are secured, development plans are completed and construction costs finalized.

There is also 255,000 square feet at 100% that is currently being marketed, but is not presently the subject of active lease negotiations where redevelopment plans are being prepared (136,000 square feet at RioCan's interest).

The area that will be converted for landlord purposes including common area, loading docks and other uses represents 415,000 square feet at 100% (321,000 square feet at RioCan's interest), which is subject to change based on tenant demand. The remaining 195,000 square feet at 100% and RioCan's interest represents space for potential redevelopment where plans have not yet been finalized.

The lease agreements are in various stages of negotiations and there can be no assurance as to how many of the lease agreements will be completed or their timelines.

Other Store Closures

On March 28, 2015, Best Buy Canada announced its consolidation of Future Shop and Best Buy stores under the Best Buy format. As at December 31, 2015, RioCan had ten Future Shop locations under lease, of which five locations were converted to a Best Buy. The remaining five Future Shop locations were closed by Best Buy, however, the tenant continued to honour the terms of the lease. RioCan subsequently worked with Best Buy to backfill all five of the locations with national tenants that include Ikea, Winners and Michaels. These deals were done with no interruption of rent to RioCan at an average rent that exceeded what Future Shop paid on the premises.

During 2015, in addition to Target and Best Buy, RioCan has experienced additional store closures from several chains such as Co-mark Inc. (includes Ricki's, Cleo's and Bootlegger banners), Radio Shack, Mexx and Herbal Magic.

Subsequent to year end, on February 4, 2016, Danier Leather announced that it entered insolvency proceedings. As at December 31, 2015 we have 8 Danier Leather locations under lease representing approximately 27,000 square feet of total NLA with an average remaining lease term of 3.63 years.

Lease Expiries

RioCan's lease expiries for the Canadian portfolio for the next five years are as follows:

(in thousands, except per sqft and percentage amounts)	Portfolio NLA (i)	Lease expiries for the years ending 2016	2017	2018	2019	2020
Square feet	42,124	3,578	4,181	4,720	5,376	4,916
Square feet expiring/Portfolio NLA		8.5%	9.9%	11.2%	12.8%	11.7%
Average net rent per occupied square foot		$ 18.76	$ 18.19	$ 18.32	$ 18.07	$ 17.13

(i) Represents RioCan's proportionate ownership share.

Approximately 71% of our Canadian portfolio NLA is comprised of new format retail and grocery anchored centres. Lease expiries over the next five years in Canada will remain relatively steady averaging between 8% and 13% with a slight increase occurring in between 2018 and 2019.

The components of our remaining Canadian lease expiries for 2016 are as follows:

(in thousands, except per sqft amounts)	Total Canada
2016 expiries at market rental rates:	
Square feet expiring	2,615
Average net rent per sqft	$ 20.13
2016 expiries with fixed rental rate options:	
Square feet expiring	964
Average in-place net rent per sqft	$ 15.03
Average renewal net rent per sqft	$ 15.98
Increase in average net rent per sqft	$ 0.95
Total:	
Square feet expiring	3,578
Average net rent per sqft	$ 18.76

Canadian Contractual Rent Increases

Certain of our leases allow for periodic increases in rates during the lease term which contributes to growth in same store NOI. Contractual rent increases (including rent increases at the time of renewal) in each year for the next five years for our Canadian properties are as follows:

(in thousands) For the years ending	2016	2017	2018	2019	2020
Contractual rents	$ 8,346	$ 5,319	$ 6,004	$ 5,571	$ 4,109

Property Ownership by Geographic Area

(in thousands of sqft) As at December 31, 2015	NLA at RioCan's Interest	NLA at Partners' Interest	Retailer Owned Anchors	Total Site NLA	Percentage of annualized gross rental revenue	Occupancy percentage
Ontario	**27,020**	**4,015**	**5,086**	**36,121**	**67.7%**	**93.5%**
Alberta	**5,143**	**1,537**	**2,175**	**8,855**	**12.5%**	**97.4%**
Quebec	**5,071**	**436**	**657**	**6,164**	**9.4%**	**93.2%**
British Columbia	**3,329**	**678**	**426**	**4,433**	**7.3%**	**97.1%**
Eastern Canada	**1,029**	**375**	**95**	**1,499**	**2.0%**	**84.0%**
Manitoba / Saskatchewan	**532**	**201**	**93**	**826**	**1.1%**	**94.8%**
Income producing properties	**42,124**	**7,242**	**8,532**	**57,898**	**100.0%**	**94.0%**
Properties under development	**3,939**	**2,730**	**316**	**6,985**	**—%**	**—%**
Canadian investment properties	**46,063**	**9,972**	**8,848**	**64,883**	**100.0%**	**94.0%**
U.S. income producing properties	**10,027**	**—**	**3,181**	**13,208**		**96.3%**

Six Canadian Major Markets

(in thousands of square feet) As at December 31, 2015	NLA at RioCan's Interest	NLA at Partners' Interest	Retailer Owned Anchors	Total Site NLA
Calgary, Alberta	**2,650**	**638**	**1,266**	**4,554**
Edmonton, Alberta	**1,621**	**899**	**758**	**3,278**
Montreal, Quebec	**3,210**	**402**	**150**	**3,762**
Ottawa, Ontario (i)	**3,912**	**551**	**1,012**	**5,475**
Toronto, Ontario (ii)	**14,299**	**2,561**	**2,225**	**19,085**
Vancouver, British Columbia (iii)	**1,909**	**492**	**373**	**2,774**
Income producing properties	**27,601**	**5,543**	**5,784**	**38,928**
Properties under development	**3,717**	**2,730**	**316**	**6,763**
Total	**31,318**	**8,273**	**6,100**	**45,691**

(i) Area extends from Nepean and Vanier to Gatineau, Quebec.

(ii) Area extends north to Barrie, Ontario, west to Burlington, Ontario and east to Oshawa, Ontario.

(iii) Area extends east to Abbotsford, British Columbia.

As at December 31, 2015, the percentage of net revenue base derived from the six major markets increased to 74.8% compared to 74.4% at September 30, 2015 and 73.3% at December 31, 2014. The increase during 2015 is in line with management's strategy to acquire properties located in our six major markets and dispose of non-core lower growth assets.

Top 25 Tenants – Canadian Portfolio

We strive to reduce its exposure to rental revenue risk in the shopping centre portfolio through geographical diversification, staggered lease maturities, investment in residential developments, diversification of revenue sources resulting from a large tenant base, avoiding dependence on any single tenant by ensuring no individual tenant contributes a significant percentage of our gross revenue and ensuring a considerable portion of rental revenue is earned from national and anchor tenants.

At December 31, 2015, RioCan's 25 largest Canadian tenants measured by annualized gross rental revenue have the following profile:

Rank	Tenant name	Annualized rental revenue	Number of locations	NLA (in thousands of square feet)	Percentage of total NLA	Weighted average remaining lease term (years) (i)
1	Loblaws/Shoppers Drug Mart (ii)	**4.6%**	**82**	**2,099**	**5.0%**	**7.4**
2	Canadian Tire Corporation (iii)	**4.4%**	**90**	**2,402**	**5.7%**	**8.1**
3	Walmart	**4.0%**	**30**	**3,505**	**8.3%**	**10.9**
4	Cineplex/Galaxy Cinemas	**3.8%**	**29**	**1,443**	**3.4%**	**8.4**
5	Metro/Super C/Loeb/Food Basics	**3.5%**	**52**	**2,133**	**5.1%**	**6.7**
6	Winners/HomeSense/Marshalls	**3.4%**	**72**	**1,825**	**4.3%**	**7.4**
7	Sobey's/Safeway	**1.8%**	**33**	**1,053**	**2.5%**	**7.3**
8	Cara/Prime Restaurants	**1.7%**	**106**	**489**	**1.2%**	**5.8**
9	Dollarama	**1.5%**	**82**	**725**	**1.7%**	**6.5**
10	Lowe's (iv)	**1.4%**	**11**	**1,379**	**3.3%**	**12.7**
11	Staples/Business Depot	**1.4%**	**35**	**740**	**1.8%**	**4.8**
12	Reitmans/Penningtons/Smart Set/Addition-Elle/Thyme Maternity	**1.3%**	**95**	**435**	**1.0%**	**4.8**
13	TD Bank	**1.2%**	**56**	**302**	**0.7%**	**5.3**
14	Bank Of Montreal	**1.1%**	**50**	**384**	**0.9%**	**8.8**
15	PetSmart	**1.1%**	**30**	**439**	**1.0%**	**6.0**
16	GoodLife Fitness	**1.0%**	**29**	**572**	**1.4%**	**10.8**
17	Michaels	**1.0%**	**22**	**419**	**1.0%**	**7.9**
18	Best Buy (v)	**0.9%**	**18**	**367**	**0.9%**	**4.5**
19	Chapters/Indigo	**0.8%**	**25**	**298**	**0.7%**	**3.0**
20	Bluenotes/Stitches/Suzy Shier/Urban Planet/West 49 (YM Inc.)	**0.8%**	**56**	**342**	**0.8%**	**5.2**
21	The Bay/Home Outfitters	**0.7%**	**9**	**425**	**1.0%**	**7.6**
22	LA Fitness	**0.7%**	**8**	**306**	**0.7%**	**11.9**
23	Rexall Pharma Plus	**0.6%**	**17**	**148**	**0.4%**	**10.2**
24	Leon's/The Brick	**0.6%**	**13**	**307**	**0.7%**	**5.9**
25	DSW/ Town Shoes/ The Shoe Company	**0.6%**	**32**	**219**	**0.5%**	**7.8**
		43.9%	**1,082**	**22,756**	**54.0%**	**7.7**

(i) Weighted average remaining lease term based on annualized gross rental revenue.

(ii) Loblaws/Shoppers Drug Mart includes No Frills, Fortinos, Zehrs and Maxi.

(iii) Canadian Tire Corporation includes Canadian Tire, PartSource, Mark's, Sport Chek, Sports Experts, National Sports and Atmosphere.

(iv) In February 2016, Lowe's announced its intent to purchase Rona. Upon closing of this transaction, Lowe's would become RioCan's ninth largest tenant by total annualized Canadian rental revenue.

(v) On March 28, 2015, Best Buy Canada announced its consolidation of Future Shop and Best Buy stores under the Best Buy format. Refer to the *Tenant Vacancy* section in this MD&A for further discussion.

Selected Quarterly Canadian Key Performance Indicators

The key performance indicators related to operating and leasing Canadian properties over the last eight quarters are as follows (note all metrics are stated at RioCan's interest, unless otherwise indicated):

	2015				2014			
(thousands of square feet, except where otherwise noted)	**Q4**	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net leasable area (NLA):								
NLA at 100% (i)								
Income properties	**57,898**	58,092	58,412	58,292	58,677	58,259	58,002	57,645
Properties under development (ii)	**6,985**	7,085	7,095	6,972	7,021	8,781	9,692	10,835
	64,883	65,177	65,507	65,264	65,698	67,040	67,694	68,480
NLA at RioCan's interest								
Income properties	**42,124**	39,282	39,926	39,845	39,994	39,676	39,382	39,120
Properties under development (ii)	**3,939**	3,968	3,975	3,840	3,896	4,525	5,065	5,512
	46,063	43,250	43,901	43,685	43,890	44,201	44,447	44,632
Occupancy:								
Committed occupancy	**94.0 %**	93.2 %	93.1 %	96.7 %	97.0%	97.0%	97.0%	96.9%
Economic occupancy	**92.2 %**	91.6 %	91.9 %	95.3 %	95.8%	95.9%	95.5%	95.6%
NLA leased but not paying rent	**789**	616	494	565	469	446	473	500
Annualized rental impact	**$16,884**	$16,076	$15,273	$16,235	$ 14,652	$ 14,641	$ 14,368	$ 12,459
Average in-place rent	**$ 17.11**	$ 17.08	$ 17.02	$ 16.63	$ 16.69	$ 16.51	$ 16.50	$ 16.59
Percentage of portfolio net rental revenue derived from six Canadian major markets (iii)	**74.8 %**	74.4 %	74.4 %	73.6 %	73.3%	73.3%	73.0%	72.2%
New Leasing:								
NLA	**532**	693	481	613	429	327	251	305
Average net rent per sqft	**$ 18.91**	$ 16.23	$ 23.31	$ 18.81	$ 22.24	$ 20.65	$ 28.82	$ 18.30
Renewal Leasing:								
NLA	**1,001**	1,300	1,117	1,189	603	1,133	1,174	1,282
Average net rent per sqft	**$ 18.19**	$ 17.75	$ 18.07	$ 19.47	$ 23.20	$ 17.57	$ 18.50	$ 15.47
Retention rate	**81.4 %**	89.8 %	87.7 %	83.5 %	85.0%	91.7%	88.8%	91.2%
Number of employees (excluding seasonal) (iv)	**727**	732	736	736	747	730	705	700

(i) Includes non-owned anchors.

(ii) Includes active and non-active projects in greenfield and urban intensification developments located in Canada.

(iii) The six Canadian major markets include the following: Calgary, AB; Edmonton, AB; Montreal, QC; Ottawa, ON (includes Gatineau region); Toronto, ON; and Vancouver, BC.

(iv) Number of employees at December 31, 2015 includes 30 U.S.-based employees for our U.S. management platform.

ASSET PROFILE

Investment Property

Refer to note 5 of the 2015 Annual Consolidated Financial Statements for the year ended December 31, 2015 for the change in consolidated IFRS carrying values of our income properties.

Change in the Fair Value of Investment Properties During 2015

For the year ended December 31, 2015, we reported a $92 million fair value loss related to continuing operations of which $79 million related to income properties and $13 million to properties under development. The majority of the fair value loss on income properties is due to write-downs in value associated with the disclaimed Target locations. The carrying value of our investment property at December 31, 2015 also reflects other property specific valuation adjustments resulting from interior renovation costs at some of our enclosed malls and other tenant locations, higher net operating income and a reduction in capitalization rates on Canadian primary market assets.

As at December 31, 2015 the weighted average capitalization rate for our investment properties and Canadian properties held for sale is 5.72% (December 31, 2014 - 5.77%).

The tables below provide details of the average capitalization rate (weighted based on stabilized NOI) by market category as at December 31, 2015.

Canadian Portfolio

	Weighted Average Capitalization Rate		
Retail Class	Overall portfolio	Primary market	Secondary market
Enclosed Shopping Centre	**6.32%**	**5.87%**	**6.66%**
Grocery Anchored Shopping Centre	**5.88%**	**5.70%**	**6.27%**
Mixed Use	**5.56%**	**5.35%**	**7.11%**
New Format Retail	**5.56%**	**5.38%**	**6.05%**
Non-Grocery Anchored Centre	**6.28%**	**5.95%**	**6.74%**
Urban Retail	**5.11%**	**5.11%**	**—**
Total average portfolio capitalization rate	**5.72%**	**5.47%**	**6.32%**

Acquisitions During 2015

During the three months ended December 31, 2015, RioCan completed acquisitions of interests in 25 income properties aggregating $778 million at a weighted average capitalization rate of 6.0%, representing RioCan's share of the purchase price and comprised of approximately 3,081,000 additional square feet. In connection with these acquisitions, RioCan assumed mortgage financing of $263 million bearing interest at a weighted average interest rate of 4.0%.

During the year ended December 31, 2015, RioCan completed acquisitions of interests in 49 income properties aggregating $997 million at a weighted average capitalization rate of 5.9%, representing RioCan's share of the purchase price and comprised of approximately 3,744,000 additional square feet. In connection with these acquisitions, RioCan assumed mortgage financing of $287 million bearing interest at a weighted average interest rate of 4.0%.

Property name and location	Capitalization rate	RioCan’s purchase price (i) (thousands)	NLA at RioCan’s interest (in thousands of sqft)	Weighted average in place rent	Asset class (ii)	Year built	% Leased	Weighted average remaining lease term (years) (iii)	Largest tenant(s) and NLA (thousands of sqft)	RioCan’s ownership interest
Q4 2015: CANADA										
Kimco Joint Venture dissolution - 22 properties	6.0%	$ 715,016	2,835	$ 16.69	Various		93 %	4.1	Various	(iv)
Tillicum Centre, Victoria, BC (remaining 50%)	5.9%	$ 58,947	236	$ 16.12	ENC	1982	97 %	4.1	Lowe's (121)	100%
Canada – Q4 2015 Acquisitions	6.0%	$ 773,963	3,071	$ 16.65						
Q4 2015: UNITED STATES										
Monroe Marketplace - Two Pads, Selinsgrove, PA	6.4%	$ 4,361	10	$ 37.59	GA	2015	100 %	10.0	Restaurants (10)	100%
U.S. – Q4 2015 Acquisitions	6.4%	$ 4,361	10	$ 37.59						
Total Q4 2015 Acquisitions	6.0%	$ 778,324	3,081	$ 16.72						

Property name and location	Capitali-zation rate	RioCan's purchase price (i) (thousands)	NLA at RioCan's interest (in thousands of sqft)	Weighted average in place rent	Asset class (ii)	Year built	% Leased	Weighted average remaining lease term (years) (iii)	Largest tenant(s) and NLA (thousands of sqft)	RioCan's ownership interest
Q3 2015: UNITED STATES										
Stassney Heights, Austin, TX	6.0%	$ 24,604	103	$ 15.08	GA	1999	99 %	5.3	Fiesta Mart (62)	100%
McKinney Marketplace, Dallas, TX	6.7%	21,958	119	13.33	NFR	2000	98 %	3.1	Kohl's (87), Dollar Tree (9)	100%
U.S. – Q3 2015 Acquisitions	6.3%	$ 46,562	222	$ 14.14						
Total Q3 2015 Acquisitions	6.3%	$ 46,562	222	$ 14.14						
Q2 2015: UNITED STATES										
Bird Creek Shopping Centre - Mattress Firm Pad	7.8%	$ 2,775	5	$ 35.00	GA	2014	100 %	9.5	Mattress Firm (5)	100%
U.S. – Q2 2015 Acquisitions	7.8%	$ 2,775	5	$ 35.00						
Total Q2 2015 Acquisitions	7.8%	$ 2,775	5	$ 35.00						
Q1 2015: CANADA										
RioCan Leaside Centre (remaining 50%), Toronto, ON	5.5%	$ 31,500	67	$ 26.48	NFR	1996	100 %	1.8	Canadian Tire (95), PetSmart (24)	100%
18 property BMO Portfolio, ON, BC and QC	5.5%	50,238	174	15.92	NGA	1892-1992	100 %	12.5	BMO (174)	100%
Brentwood Village, Calgary AB (remaining 50%)	5.3%	69,132	135	21.76	NFR	1988, 2000	100 %	4.3	Sears Home (46), Bed Bath & Beyond (38), Canada Safeway (25)	100%
Grand Park, Mississauga ON (remaining 50%)	6.0%	18,405	60	20.13	NFR	2004	100 %	4.8	Winners (27), Staples (20), Shoppers Drug Mart (16)	100%
Canada – Q1 2015 Acquisitions	5.5%	$ 169,275	436	$ 19.93						
Total Q1 2015 Acquisitions	5.5%	$ 169,275	436	$ 19.93						
Total 2015 Acquisitions:										
Canada	**5.9%**	**$ 943,238**	**3,507**	**$ 17.06**						
U.S.	**6.4%**	**$ 53,698**	**237**	**$ 15.57**						
Total 2015 Acquisitions	**5.9%**	**$ 996,936**	**3,744**	**$ 16.97**						

(i) RioCan's purchase price includes closing costs and other acquisition related costs.

(ii) "GA" - Grocery Anchored centre; "NGA" - Non Grocery Anchored centre; "NFR" - New Format Retail centre; " MIX" - Mixed use retail centre; "OUT" - Outlet mall; "ENC" - Enclosed shopping mall; "URB" - Urban retail centre; "OFF" - Office building.

(iii) Weighted average based on gross rental revenue.

(iv) RioCan acquired the remaining 50% interests in 20 of the 22 property portfolio acquired from Kimco and acquired additional 33% interests in the other two properties, bringing RioCan's ownership to 66% in both of those properties, with another partner continuing to own 33% interests in both.

Dissolution of Canadian Joint Venture with Kimco

During the fourth quarter of 2015, RioCan and Kimco carried out a transaction that marked the substantial unwinding of our Canadian joint venture. We acquired Kimco's interest in a portfolio of 23 Canadian properties at a purchase price of $774 million. Under the terms of the transaction, we assumed Kimco's share of the existing in-place debt of $263 million with an average interest rate of 4.0% and a weighted average term to maturity of about 3.5 years.

The initial closing of our acquisition of Kimco's interest in 19 properties was completed on October 6, 2015 at a purchase price of $477 million. We assumed Kimco's share of the existing in-place debt of $127 million. The subsequent closing of our acquisition of Kimco's interest in three properties was completed on December 15, 2015 at a purchase price of $238 million where we assumed Kimco's share of the existing in-place debt of $104 million. The portfolio is immediately accretive and is expected to generate additional annualized net operating income of approximately $45 million. In a separate transaction on December 17, 2015, we acquired Kimco's 50% interest in Tillicum Centre at a purchase price of $59 million where we assumed Kimco's share of

the existing in-place mortgage financing of $32 million. We estimate that the acquisition is expected to generate incremental NOI of approximately $3.6 million on an annualized basis.

As our management team has provided leasing, asset, and property management duties on these properties since the inception of our joint venture relationship with Kimco, the increased interest in the portfolio has been easily absorbed by the Trust. This acquisition increases the concentration of our portfolio located in Canada's six major markets, most notably in the Greater Toronto Area.

We continue to market for sale a second group of retail assets, which are in various stages of the disposition process. As at December 31, 2015, there were seven properties to be disposed of, which has increased to eight properties as at the date of this report. Refer to *Dispositions Under Contract and Being Marketed* section of this MD&A for details. There is no assurance that these sale transactions will be completed. There remains a third group of three transitional properties that were previously occupied by Target, which will be dealt with at a future date.

U.S.

On December 24, 2015, RioCan completed the acquisitions of 100% interests in two pads aggregating 10,000 square feet at Monroe Marketplace in Selinsgrove, Pennsylvania, at an aggregate purchase price of US$3.1 million ($4.4 million Canadian equivalent), representing a weighted average capitalization rate of 6.4%. The assets were acquired free and clear of financing. These assets will be sold to Blackstone as part of the divestiture from the U.S. Monroe Marketplace, a new format retail centre owned 100% by RioCan, is comprised of 365,000 square feet of leasable area anchored by Giant Foods, Kohl's and Dick's Sporting Goods.

Joint Venture with Hudson's Bay Company

During 2015, Hudson's Bay Company (HBC) and RioCan announced the formation of a joint venture focused on real estate growth opportunities in Canada (the RioCan-HBC JV). The initial property contributions occurred in two tranches as described below.

First tranche closing on July 9, 2015:

- The RioCan-HBC JV acquired properties for approximately $1.6 billion generating annual cash rents of $81 million. New and assumed debt by the RioCan-HBC JV totaled $494 million comprised of $352 million in new debt and $142 million of assumed mortgages.
- HBC contributed seven owned or ground-leased properties (including Hudson's Bay flagship properties in downtown Vancouver, Calgary, Ottawa, and Montreal) with approximately 2.6 million square feet. The transaction valued the first tranche of the HBC real estate contribution at approximately $1.3 billion based on a capitalization rate of 5.0%, resulting in an initial HBC equity stake of $950 million or 86.6% in the RioCan-HBC JV.
- HBC received $352 million in cash proceeds from third-party financing arranged in conjunction with the closing and assumed by the RioCan-HBC JV.
- RioCan contributed a 50% interest in two mall properties in Ontario (Oakville Place and Georgian Mall) at a gross sales price of $299 million based on a capitalization rate of 5.2%, net of existing debt and capital lease obligations aggregating to $152 million. Our contribution resulted in an initial equity stake of $147 million or 13.4% in the RioCan-HBC JV.

Second tranche closing on November 25, 2015:

- HBC indirectly contributed three ground-leased properties consisting of Yorkdale Shopping Centre, Scarborough Town Centre and Square One (collectively, the YSS Properties) totaling 736,000 square feet to the RioCan-HBC JV. Considering both tranches, the RioCan-HBC JV acquired properties at a total purchase price of approximately $2.0 billion. New and assumed debt at the RioCan-HBC JV level totaled $541 million made up of $399 million in new debt and $142 million of assumed mortgages.
- The transaction valued this second tranche of the HBC real estate contribution at approximately $379 million based on a capitalization rate of 5.3%. As part of the transaction, the HBC mortgage on the Yorkdale ground lease of approximately $48 million was assumed by an entity related to the RioCan-HBC JV.
- Across the two tranches, the contributions of real estate from HBC were valued at approximately $1.6 billion, resulting in a total HBC equity stake of $1.3 billion or 89.7% in the RioCan-HBC JV with a 10.3% equity interest for RioCan.
- On August 4, 2015, HBC obtained a favourable court declaration and order from the Superior Court of Justice-Ontario which permits the indirect contribution of the three ground-leased YSS Properties to the RioCan-HBC JV. This declaration and order was appealed by the related landlord and was upheld by the Ontario Court of Appeal. As a result, the transaction for the YSS Properties is final.

We have committed to contribute a total of $325 million to the RioCan-HBC JV for an eventual pro forma equity stake of approximately 20%. The balance of our contributions will consist of $53 million in tenant allowances and $125 million to be used to fund future property acquisitions and diversify the tenant base. These contributions are expected to be made by the third anniversary of the first tranche closing date.

The RioCan-HBC JV has established a dedicated management team focused on overseeing the contributed properties and growing the portfolio, with support from HBC and RioCan. The RioCan-HBC JV Board is comprised of four directors, two of whom have been appointed by each partner. Unanimous Board consent is required for all major operating decisions. RioCan will continue to act as property manager for the enclosed malls that it has contributed to the RioCan-HBC JV's portfolio.

Acquisitions Completed Subsequent to December 31, 2015

On January 20, 2016, RioCan acquired a 100% interest in one income property at a purchase price of approximately $37 million, representing a capitalization rate of 3.7%. The asset was acquired free and clear of financing.

Acquisitions Under Contract

As at the date of this report, RioCan does not have any income property acquisitions under contract.

Dispositions During 2015

As a further means of raising and re-cycling capital, the Trust evaluates the sale of selected assets as part of a process of actively managing the portfolio and a means of increasing the portfolio weighting to the urban markets in Canada.

During the quarter ended December 31, 2015, RioCan did not dispose of any interests in income properties.

During the year ended December 31, 2015, RioCan disposed of interests in nine income properties aggregating $448 million representing a weighted average capitalization rate of 5.7%, comprised of approximately 1,405,000 square feet. The Trust's mortgage obligations related to these properties was $155 million.

Property name and location	Capitalization rate	RioCan's sales price (thousands)	Debt associated with property (thousands)	GLA disposed of at RioCan's interest (in thousands of sqft)	Asset class (i)	Ownership interest disposed of by RioCan
Q4 2015						
None						
Total Q4 2015 Dispositions		**$ —**	**$ —**	**—**		
Q3 2015						
Georgian Mall, Barrie, ON (ii)	5.3%	$ 174,313	$ 88,291	256	ENC	50%
Oakville Place, Oakville, ON (ii)	5.0%	124,692	53,734	235	ENC	50%
Centre Jacques Cartier, Longueuil, QC	7.9%	8,875	—	109	ENC	50%
Brant Street Power Centre, Burlington, ON	5.8%	20,275	—	57	NFR	50%
Total Q3 2015 Dispositions	**5.3%**	**$ 328,155**	**$ 142,025**	**657**		
Q2 2015						
None						
Total Q2 2015 Dispositions		**$ —**	**$ —**	**—**		
Q1 2015						
Carrefour Neufchatel, Quebec City, QC	6.2%	$ 34,910	$ —	205	GA	100%
Carrefour Carnaval - St. Leonard, Montreal, QC	7.0%	28,090	—	171	GA	100%
Centre Carnaval, Drummondville, QC	7.2%	18,521	—	147	GA	100%
Centre Commercial Forest, Montreal, QC	7.5%	17,950	—	119	NGA	100%
Place Kennedy, Levis, QC	7.0%	20,589	13,180	106	NGA	100%
Total Q1 2015 Dispositions	**6.8%**	**$ 120,060**	**$ 13,180**	**748**		
Total 2015 Dispositions	**5.7%**	**$ 448,215**	**$ 155,205**	**1,405**		

(i) "GA" - Grocery Anchored Centre; "NGA" - Non Grocery Anchored Centre; "NFR" - New Format Retail; "ENC" - Enclosed shopping centre; "Land" - Excess density.

(ii) The disposition of a 50% interest in this property forms part of the formation of the new joint venture with Hudson's Bay Company - Refer to the *Joint Venture with Hudson's Bay Company* section, herein.

Joint Venture with Hudson's Bay Company

As part of the agreement with HBC discussed previously in the *Acquisitions During 2015* section of this MD&A, on July 9, 2015 RioCan contributed to the RioCan-HBC JV 50% interests in two income properties at a sale price of approximately $299 million (at the 50% interests disposed of), representing a weighted average capitalization rate of 5.2%. RioCan has retained the remaining 50% interest in each property and will continue to manage. There is approximately $142 million of debt associated with these properties (at the 50% interests disposed of), carrying interest at a weighted average rate of 3.7% and maturing in 2018 and 2021.

Disposition of equity accounted investment

On July 6, 2015, the Trust completed the disposition of its 80% non-managing interest in one income property in the U.S. that was accounted for using the equity method for proceeds of $43 million (US$35 million).

Dispositions Completed Subsequent to December 31, 2015

Subsequent to year end, RioCan disposed of interests in two income properties for $46 million representing a weighted average capitalization rate of 5.2%, comprised of approximately 121,000 square feet. There was $14 million of mortgage financing associated with these properties at the time of disposition.

Dispositions Under Contract and Being Marketed

RioCan has one income property disposition in Canada under firm contract where conditions have been waived that, if completed, would represent a disposition of approximately $11 million. There is approximately $2 million of mortgage financing associated with this property.

RioCan has income property dispositions in Canada under conditional contracts where conditions have not yet been waived that, if completed, would represent dispositions of approximately $48 million. There is approximately $5 million of mortgage financing associated with these properties. These transactions are undergoing due diligence procedures and while efforts will be made to complete the transactions, no assurance can be given.

RioCan is also in the process of marketing for sale income properties in Canada with an aggregate fair value as at December 31, 2015 calculated in accordance with IFRS of approximately $41 million. There is approximately $16 million of mortgage financing associated with these properties. RioCan is under no obligation to proceed with the proposed dispositions which, if completed, will be done to facilitate its objectives of paring its portfolio and focusing on major markets.

In September 2015, RioCan and Kimco announced that they have agreed to unwind their Canadian joint venture, as discussed in the *Dissolution of Canadian Joint Venture with Kimco* section in this MD&A. As at December 31, 2015, there were seven properties to be disposed of, which has increased to eight properties as at the date of this report. Of the eight properties to be disposed of as at the date of this report, two property dispositions have been completed at a sales price of $46 million (included in the *Dispositions Completed Subsequent to December 31, 2015* section above) while six properties with an IFRS carrying value of $100 million are at various stages of the disposition process (included in the preceding paragraphs of this section). There is no assurance that these sale transactions will be completed. There remains a third group of three transitional properties that were previously occupied by Target, which will be dealt with at a future date.

Capital Expenditures on Income Properties

Capital expenditures

Capital expenditures refer to investments that are necessary to maintain the existing earnings capacity of our property portfolio and are dependent upon many factors, including, but not limited to the age and location of the income properties. As at December 31, 2015, the estimated weighted average age of the income property portfolio is 21.8 and 12.0 years for the Canadian and U.S. portfolios, respectively (December 31, 2014 - 20.3 and 12.4 years for the Canadian and U.S. portfolios, respectively). Capital expenditures are considered in determining our calculation of AFFO, which influences amounts that are distributed to unitholders, primarily consisting of leasing commissions, tenant improvements and certain recoverable and non-recoverable capital expenditures.

Leasing Commissions and Tenant Improvements

Our portfolio requires ongoing investments of capital for tenant installation costs related to new and renewal tenant leases. Tenant installation costs consist of tenant improvements and other leasing costs, including compensation costs associated with our internal leasing professionals.

Investments of capital for tenant installation costs for our income properties are dependent upon many factors, including, but not limited to, the lease maturity profile, unforeseen tenant bankruptcies and the location of the income properties.

Recoverable and Non-recoverable Capital Expenditures

We also invest capital on a regular basis to physically maintain the income properties. Typical costs incurred are for expenditures such as roof replacement programs and the resurfacing of parking lots. Tenant leases generally provide for the ability to recover a significant portion of such costs from tenants over time as property operating costs. We expense or capitalize these amounts to income properties, as appropriate.

As the majority of the portfolio is located in Canada and the northeastern U.S., the majority of such activities occur when weather conditions are favourable. As a result, these expenditures are not consistent throughout the year.

Revenue enhancing capital expenditures

Capital spending for new or existing income properties that is expected to create, improve and/or add to the overall earnings capacity of the property portfolio are considered revenue enhancing. RioCan considers such amounts to be investing activities. As a result, we do not expect such expenditures to be funded from cash flows from operating activities and do not consider such amounts as a key determinant in setting the amount that is distributed to its unitholders. Revenue enhancing capital expenditures are not included in the determination of AFFO.

Expenditures for leasing commissions and tenant improvements and recoverable, non-recoverable and revenue enhancing capital expenditures included in consolidated income properties are as follows:

Continuing Operations

(thousands of dollars)	Three months ended December 31, 2015	2014	Year ended December 31, 2015	2014	Estimated Canadian property expenditures for 2016	Annual normalized expenditures on Canadian properties (ii)
Leasing commissions and tenant improvements	**$ 7,807**	$ 3,480	**$ 21,626**	$ 22,164	$ (19,000)	$ 18 - 23
Capital expenditures:						
Recoverable from tenants	**8,141**	2,259	**14,438**	9,946	(15,000)	12 - 15
Non-recoverable from tenants	**7,303**	4,384	**11,520**	9,179	(10,000)	8 - 10
Revenue enhancing	**473**	3,109	**2,238**	5,770		
	23,724	13,232	**49,822**	47,059	$ (44,000)	$ 38 - 48
Office capital investment (i)	**1,053**	1,057	**4,770**	4,042		
	$ 24,777	$ 14,289	**$ 54,592**	$ 51,101		

(i) Includes certain expenditures related to one-time upgrades to mechanical and electrical components of the office component of the RioCan Yonge Eglinton Centre, a portion of which is recoverable from the office tenants.

(ii) Amounts in millions of Canadian dollars.

Discontinued Operations

(thousands of dollars)	Three months ended December 31, 2015	2014	Year ended December 31, 2015	2014
Leasing commissions and tenant improvements	**$ 1,273**	$ 2,472	**$ 9,179**	$ 6,614
Capital expenditures:				
Recoverable from tenants	**143**	238	**1,737**	513
Non-recoverable from tenants	**1,224**	1,235	**2,405**	1,700
	$ 2,640	$ 3,945	**$ 13,321**	$ 8,827

Capital expenditures on U.S. properties for Q1 2016 are estimated to be approximately $2 million.

Co-ownership Arrangements

Co-ownership activities represent real estate investments in which RioCan owns an undivided interest and where it has joint control with its co-owners.

The Trust's co-ownership arrangements are governed by co-ownership agreements with its various co-owners. RioCan's standard co-ownership agreement provides exit and transfer provisions, including, but not limited to, buy/sell and/or right of first offers or refusals that allow for the unwinding of these co-ownership arrangements should the circumstances necessitate.

Generally, the Trust is only liable for its proportionate share of the obligations of the co-ownerships in which it participates, except in limited circumstances. Credit risk arises in the event that co-owners default on the payment of their proportionate share of such obligations. Co-ownership agreements will typically provide RioCan with an option to remedy any non-performance by a defaulting co-owner. These credit risks are mitigated as the Trust has recourse against the asset under its co-ownership agreements in the event of default by its co-owners, in which case the Trust's claim would be against both the underlying real estate investments and the co-owners that are in default. In addition to the matter noted above, RioCan has provided guarantees on debt totalling $197 million as at December 31, 2015 (December 31, 2014 - $309 million) on behalf of co-owners.

During 2015, with our acquisition of Kimco's interest in a portfolio of 23 Canadian properties, our maximum exposure to loss under guarantee contracts with Kimco was reduced by $119 million.

RioCan's more significant co-ownership arrangements relationships are as follows:

Allied

- Allied is a leading owner, manager and developer of urban office environments.
- The joint venture with RioCan is focused on acquisition and redevelopment of sites in urban areas of major Canadian cities that are well suited for mixed use intensification.
- Three Toronto development projects - College & Manning, 491 College and King & Portland.

Allied/Diamond

- The Well joint venture formed with Allied and Diamond Corp. (Diamond), acquired 7.74 acres of land since December 2012 in downtown Toronto.
- RioCan and Allied have an undivided 40% interest and Diamond has an undivided 20% interest (RioCan's effective ownership is 43.9% as a result of its investment in Diamond's WhiteCastle New Urban Fund 2, LP).

- The existing tenant is expected to vacate the premises at the end of 2016. The property will be redeveloped as a mixed-use development comprising approximately three million square feet of retail, office and residential space.
- It should be noted that we are exploring strategic options, including bringing in a partner on the residential component.

CPPIB

- CPPIB is a professional investment management firm that invests the assets of the Canada Pension Plan.
- Seven income producing and development properties, located in Ontario, Alberta and British Columbia.
- Major co-owner on East Hills, Calgary development project and sole co-owner on McCall Landing, Calgary.

HBC

- HBC is principally a North American retailer with a focus on department stores, with such leading banners as Hudson's Bay, Lord and Taylor, Saks Fifth Avenue and Saks Fifth Avenue Off Fifth.
- During the third quarter of 2015 HBC and RioCan formed a joint venture with each partner contributing properties and debt. During the fourth quarter, HBC indirectly contributed an additional three ground-leased properties and the debt associated with one of the assets. The joint venture currently owns 12 properties together located in Ontario, Quebec, British Columbia and Alberta.

Kimco

- Kimco is a publicly traded REIT that owns and operates North America’s largest portfolio of neighbourhood and community shopping centres.
- During the fourth quarter of 2015, RioCan and Kimco carried out a transaction that marked the substantial unwinding of their Canadian joint venture, with RioCan acquiring Kimco’s interest in a portfolio of 23 Canadian properties.

KingSett

- KingSett is a private equity real estate business with investments focused on office, retail and industrial properties in the central and suburban business districts of Canada’s major markets.
- The co-ownerships with RioCan are focused on acquisitions of greenfield development and prominent urban centres with intensification and/or redevelopment potential.
- Two income properties in the Greater Toronto Area, RioCan Yonge Sheppard Centre (intensification project) and Burlington Mall.
- One Alberta development project - Sage Hill.

Tanger

- Tanger has been a public REIT since 1993 and a leading developer and manager of outlet shopping centres in the U.S., each one known as a Tanger Outlet Center.
- The joint venture with RioCan is focused on acquisition, development and leasing of outlet shopping centres similar in concept and design to those within the existing Tanger U.S. portfolio, located in close proximity to larger urban markets and tourist areas across Canada.
- Tanger and RioCan own together four income properties in Ontario and Quebec - Cookstown Outlet Mall, Les Factoreries Tanger - Bromont, Tanger Outlets Ottawa and Les Factoreries Tanger - Saint-Sauveur.

Trinity

- Trinity, a private company, has played a prominent role in the development of new format regional retail centres across Canada.
- Trinity and RioCan own eleven income producing and development properties together, located in Ontario and Alberta.

Selected Financial Information by Joint Operation - Proportionate Share

(thousands of dollars) As at December 31, 2015	RioCan's ownership interest	Number of Investment Properties (i)	Assets (ii)	Liabilities (ii)	Three months ended December 31, 2015 NOI (iii)	Year ended December 31, 2015 NOI (iii)
Allied	**50%**	**3**	**$ 45,236**	**$ 5,825**	**$ 393**	**$ 1,234**
Allied/Diamond (The Well)	**40%**	**1**	**100,657**	**41,127**	**337**	**1,365**
Bayfield	**30% -40%**	**5**	**108,179**	**45,801**	**1,498**	**6,607**
CMHC Pension Fund	**50%**	**1**	**40,499**	**19,849**	**436**	**1,979**
CPPIB	**40% - 50%**	**7**	**592,057**	**90,338**	**3,638**	**20,574**
First Gulf	**50%**	**1**	**81,094**	**34,820**	**1,132**	**4,222**
Kimco	**15.5% - 50%**	**12**	**243,623**	**66,993**	**6,918**	**55,361**
KingSett	**50%**	**3**	**297,022**	**101,996**	**2,489**	**10,736**
Metropia/Bazis	**50%**	**1**	**113,293**	**66,761**	**(16)**	**(52)**
Sun Life	**40% - 50%**	**2**	**94,982**	**14,410**	**1,298**	**5,248**
Tanger	**50%**	**4**	**184,429**	**18,627**	**2,167**	**7,915**
Trinity	**50%-81.25%**	**11**	**478,669**	**223,774**	**5,414**	**19,164**
Other	**50%-75%**	**9**	**143,383**	**46,697**	**1,848**	**12,936**
Total Joint Operations		**60**	**$ 2,523,123**	**$ 777,018**	**$ 27,552**	**$ 147,289**

(i) Includes properties under development and is based on the number of proportionately owned properties as at December 31, 2015.

(ii) Assets and liabilities are stated at RioCan's proportionate share.

(iii) Represents the proportionate share of NOI related to all properties for which we owned a proportionate interest during the reporting period.

Total Assets by Joint Arrangement

(thousands of dollars) As at December 31, 2015	Income properties	PUD (i)	Residential development inventory	Other (ii)	Total	December 31, 2014
Proportionately consolidated joint operations						
Allied	**$ 20,007**	**$ 23,181**	**$ —**	**$ 2,048**	**$ 45,236**	$ 41,398
Allied/Diamond (The Well)	**—**	**98,068**	**—**	**2,589**	**100,657**	99,347
Bayfield	**105,258**	**1,805**	**—**	**1,116**	**108,179**	114,634
CMHC Pension Fund	**38,021**	**1,992**	**—**	**486**	**40,499**	42,620
CPPIB	**477,050**	**108,872**	**—**	**6,135**	**592,057**	590,445
First Gulf	**77,669**	**3,142**	**—**	**283**	**81,094**	80,896
Kimco	**228,432**	**12,202**	**—**	**2,989**	**243,623**	1,221,916
KingSett	**231,720**	**64,338**	**—**	**964**	**297,022**	291,336
Metropia/Bazis (iii)	**2,512**	**68,178**	**37,290**	**5,313**	**113,293**	75,161
Sun Life	**94,241**	**—**	**—**	**741**	**94,982**	25,659
Tanger	**167,363**	**12,803**	**—**	**4,263**	**184,429**	184,249
Trinity (iii)	**402,693**	**56,317**	**7,986**	**11,673**	**478,669**	397,538
Other	**130,335**	**11,980**	**—**	**1,068**	**143,383**	165,198
Total assets of proportionately consolidated joint operations	**$ 1,975,301**	**$ 462,878**	**$ 45,276**	**$ 39,668**	**$ 2,523,123**	$ 3,330,397
Equity accounted joint ventures (iv):						
HBC (RioCan-HBC JV)	**$ 200,667**	**$ —**	**$ —**	**$ 205**	**$ 200,872**	$ —
Kimco (RioKim Montgomery JV LP)	**—**	**—**	**—**	**—**	**—**	76,779
Marketvest Corporation/Dale-Vest Corporation (Dawson-Yonge LP)	**8,480**	**—**	**—**	**58**	**8,538**	8,169
Total assets of equity accounted joint ventures	**209,147**	**—**	**—**	**263**	**209,410**	84,948
Total Joint Arrangements	**$ 2,184,448**	**$ 462,878**	**$ 45,276**	**$ 39,931**	**$ 2,732,533**	$ 3,415,345

(i) The value of properties under development includes active development projects as well as the value of excess density where development is currently non-active.

(ii) Primarily includes cash, rents receivable and other operating expenditures recoverable from tenants.

(iii) Residential development inventory includes the following properties: Northeast Yonge Eglinton e-condos (Metropia and Bazis Inc.) and Stouffville excess residential density (Minto and Trinity).

(iv) Includes the Trust's equity accounted joint arrangements only, and thus excludes our investment in the WhiteCastle Funds. For RioCan's ownership interests in these equity accounted joint ventures, refer to note 6 of the 2015 Annual Consolidated Financial Statements.

NOI by Joint Arrangement

(thousands of dollars)	Year ended December 31, **2015**	2014
Proportionately consolidated joint operations (i)		
Allied	**$ 1,234**	$ 1,465
Allied/Diamond (The Well)	**1,365**	1,463
Bayfield	**6,607**	6,963
CMHC Pension Fund	**1,979**	2,102
CPPIB	**20,574**	21,997
First Gulf Corporation	**4,222**	3,300
Kimco	**55,361**	70,396
KingSett	**10,736**	11,488
Metropia/Bazis	**(52)**	97
Sun Life	**5,248**	3,906
Tanger	**7,915**	5,741
Trinity	**19,164**	23,202
Other	**12,936**	9,327
Total NOI of proportionately consolidated joint operations	**$ 147,289**	$ 161,447
Equity accounted joint ventures (ii):		
HBC (RioCan-HBC JV)	**$ 5,531**	$ —
Kimco (RioKim Montgomery JV LP)	**1,167**	3,815
Marketvest Corporation/Dale-Vest Corporation (Dawson-Yonge LP)	**499**	458
Total NOI of equity accounted joint ventures	**7,197**	4,273
Total Joint Arrangements	**$ 154,486**	$ 165,720

(i) Represents the proportionate share of NOI related to all properties for which we owned a proportionate interest during the reporting period.

(ii) Includes the Trust's equity accounted joint arrangements only, and thus excludes our investment in the WhiteCastle Funds. For RioCan's ownership interests in these equity accounted joint ventures, refer to note 6 of the 2015 Annual Consolidated Financial Statements.

Properties Under Development

RioCan has a development program primarily focused on mixed-use and urban retail centres. The provisions of the Trust's Declaration have the effect of limiting direct and indirect investments, net of related mortgage debt, in non-income producing properties to no more than 15% of the Adjusted Unitholders' Equity of the Trust. "Adjusted Unitholders' Equity" is a non-GAAP measure defined in RioCan's Declaration as the amount of unitholders' equity plus the amount of accumulated amortization of income properties recorded by the Trust, calculated in accordance with GAAP. As at December 31, 2015, RioCan's investments in non-income producing properties as a percentage of Adjusted Unitholders' Equity was 2.9% and, therefore, the Trust is in compliance with this restriction.

In addition to RioCan's various development projects, the Trust also contributes to portfolio growth through the intensification and redevelopment of existing properties where RioCan has identified opportunities to increase density or add to an existing asset. This intensification and redevelopment of existing properties contributes to NOI growth in an efficient manner, leveraging the existing asset base, and can also lead to significant gains resulting from the sale of residential rights.

Development square feet by geographic area as at December 31, 2015 is as follows:

(in thousands of square feet)	Toronto	Suburban GTA	Alberta	Other Ontario	Total
NLA	1,985	1,057	675	222	3,939

Development Properties

Refer to note 5 of the 2015 Annual Consolidated Financial Statements for the change in consolidated IFRS carrying value of the Trust's development properties.

Development Property Acquisitions

During the three months ended December 31, 2015, RioCan acquired an interest in one development property in Canada at a purchase price of $4 million.

During the year ended December 31, 2015, RioCan acquired interests in three development properties in Canada at an aggregate purchase price of $25 million.

Development Property Acquisitions Subsequent to December 31, 2015

As at the date of this report, RioCan has not completed any development property acquisitions subsequent to quarter end.

Development Property Acquisitions Under Contract

RioCan has one development property in Canada under conditional contract where conditions have not yet been waived for $7 million. While efforts will be made to complete the acquisition, no assurance can be given.

RioCan has agreed to fund a prospective mixed-use development project by Metropia and Bazis Inc. in the Yorkville district of Toronto, Ontario. The objective of this project is to assemble lands for a mixed use development. The existing structures on the acquired sites may be demolished and redeveloped into a mixed use centre including retail, residential rental units and potentially condominium units. Metropia and Bazis Inc. will contribute equity of up to $10 million, with the remainder of the project to be funded by RioCan. RioCan has the option to acquire a 100% interest in the retail and residential rental units, as well as a 50% interest in the condominium units, at any time. Metropia and Bazis Inc. have the option to require RioCan to acquire a 100% interest in the retail and residential rental units, as well as a 50% interest in the condominium units, at any time between the first and second anniversary of the date of acquisition of the properties to be redeveloped. The initial acquisitions of redevelopment sites were completed during the second quarter of 2015, aggregating $23 million.

Development Property Dispositions During 2015

During the three months and year ended December 31, 2015, we disposed of one parcel of excess land in Canada valued at $7 million.

Development Property Dispositions Completed Subsequent to December 31, 2015

As at the date of this report, RioCan has not completed any development property dispositions subsequent to December 31, 2015.

Development Property Dispositions Under Contract and Being Marketed

RioCan has the disposition of one land parcel in Canada under firm contract where conditions have been waived for sales proceeds of approximately $5 million. This land parcel is free and clear of financing.

RioCan has dispositions of land parcels in Canada under conditional contracts where conditions have not yet been waived for total sales proceeds of approximately $21 million. These land parcels are free and clear of financing. While efforts will be made to complete the transactions, no assurance can be given.

We are also in the process of marketing for sale land parcels in Canada with an aggregate fair value as at December 31, 2015 calculated in accordance with IFRS of approximately $42 million. These land parcels are free and clear of financing. RioCan is under no obligation to proceed with the proposed dispositions.

Development Activity in 2015

During the year ended December 31, 2015, RioCan transferred from properties under development to income producing properties $231 million in costs pertaining to 381,000 square feet of completed greenfield development or expansion and redevelopment projects. During 2015, RioCan transferred 18 disclaimed Target stores from income producing properties to properties under development.

During the three months ended December 31, 2015, RioCan transferred from properties under development to income producing properties $33 million in costs pertaining to 63,000 square feet of completed greenfield development or expansion and redevelopment projects.

A summary of RioCan's 2015 transfers to income properties from development projects is as follows:

		NLA (in thousands of square feet) at RioCan's Interest						
		2015						
Property location	RioCan's % ownership	Total	Fourth quarter	Third quarter	Second quarter	First quarter	NLA at 100%	Tenants transferred to IPP
Brentwood Village, Calgary, AB (i)	50%	12	—	—	—	12	24	Kim Vy Restaurant, Sinjo Restaurant, Anytime Fitness, University Daycare
Herongate Mall, Ottawa, ON	75%	17	—	—	—	17	23	Dollarama, PetSmart
Centre St Martin, Laval, QC	100%	39	—	—	—	39	39	Giant Tiger Retail & Office
Sage Hill Crossing, Calgary, AB	50%	109	31	—	—	78	217	Walmart, Loblaws, Tim Hortons, RBC, H&R Block
Corbett Centre, Fredericton, NB	100%	5	—	—	5	—	5	Sleep Country
Mill Woods Town Centre, Edmonton, AB	40%	4	—	—	4	—	10	Lenscrafters, Cellicon
Parkland Mall, Yorkton, SK	100%	31	—	—	31	—	31	Save On Foods
RioCan Scarborough Centre II, Toronto, ON	100%	6	—	—	6	—	6	Mucho Burrito, Popeyes, Dentist
West Ridge Place, Orillia, ON	100%	16	—	—	16	—	16	Fit4Less
Yonge Eglinton Centre, Toronto, ON	100%	43	—	—	43	—	43	Winners, Cineplex VIP
East Hills, Calgary, AB	40%	24	—	24	—	—	61	TD Bank, Bulk Barn, Sleep Country
Oakville Place, Oakville, ON (ii)	100%	14	—	14	—	—	14	Pusateri's
RioCan Hall, Toronto, ON	100%	29	—	29	—	—	29	Michaels
Tanger Outlets Ottawa, Ottawa, ON	50%	14	14	—	—	—	28	Saks Off Fifth
Burlington Mall, Burlington, ON	50%	18	18	—	—	—	37	Shoppers Drug Mart, Sport Chek
		381	63	67	105	146	583	

(i) At the time of transfer of NLA from development property to income property, RioCan owned a 50% interest in Brentwood Village. On March 31, 2015, we acquired the remaining 50% interest in the property and now own a 100% interest.

(ii) At the time of transfer of NLA from development property to income property, we owned a 100% interest in Oakville Place. On July 6, 2015, RioCan transfered a 50% interest in this property to a newly formed joint venture with HBC.

Development Pipeline Summary

The fair market value of properties under development, including properties under development held for sale, at December 31, 2015 is $872 million (December 31, 2014 - $706 million), which includes costs of $907 million (December 31, 2014 - $718 million) and a cumulative fair value reduction of $35 million (December 31, 2014 - reduction of $12 million).

As at December 31, 2015, RioCan's greenfield development and urban intensification pipeline will, upon completion, comprise approximately 6,985,000 square feet, which includes approximately 485,000 square feet which is already income producing. RioCan's ownership interest will be approximately 3,939,000 square feet.

The following tables represent the components of properties under development type and status as of:

(thousands of dollars)	Active			
As at December 31, 2015	Committed	Non-committed	Non-active	Total
Comprised of:				
Greenfield Development	**$ 107,161**	**$ 63,680**	**$ —**	**$ 170,841**
Urban Intensification	**175,248**	**138,221**	**—**	**313,469**
Expansion and Redevelopment	**266,291**	**19,657**	**—**	**285,948**
Excess Density and Other (i)	**—**	**—**	**101,944**	**101,944**
	$ 548,700	**$ 221,558**	**$ 101,944**	**$ 872,202**

(i) Including earnouts of $2 million.

Definitions

Greenfield Development - vacant land located in suburban markets.

Urban Intensification - development or redevelopment projects located in urban markets.

Expansion and Redevelopment - projects that will improve the property through demolition, renovation and/or the addition of density.

Excess Density - leasable area identified and available for future development if and when market demand exists.

Active Committed - a property where the pro forma budget has been approved, all major planning issues have been resolved, tenants have been secured and construction is about to start or has started.

Active Non-committed - a property where the development team is creating the pro forma budget, all planning issues are being resolved, the leasing team is in the process of securing tenants, but construction has not started.

Non-active - a property that has future development potential.

On an aggregate basis, the majority of the greenfield development and urban intensification projects (including residential rental development) are estimated to generate weighted average NOI yield of approximately 5.4%. For the year ended December 31, 2015, total costs incurred were approximately $187 million. Capital expenditures for active projects for 2016 are estimated to be approximately $184 million.

RioCan is committed to property development and redevelopment opportunities and is focused on completing the construction of the development pipeline underway, on time and on budget, and continuing to make progress on leasing. Commencement of construction for several of the development projects have been deferred until economic conditions warrant. Potential anchor tenants are currently more cautious in committing to new developments, which will impact the timing of several developments, as RioCan will not commence construction until it has secured the requisite leasing commitments and appropriate risk-adjusted returns.

RioCan's estimated development project square footage and development costs are subject to change, which may be material to the Trust, as assumptions regarding, among other items, anchor tenants, tenant rents, building sizes, project completion timelines, availability and cost of construction financing, and project costs, are updated periodically based on revised site plans, the cost tendering process and continuing tenant negotiations.

Development activity is expected to increase in the upcoming years due to demand from U.S.-based tenants entering the Canadian market and the demand from existing tenants, especially in urban locations.

Estimated Spending Summary by Development Category – Active Projects

(thousands of dollars)	2016	2017	2018	2019+	Total
Greenfield Development	$ 27,707	$ 28,844	$ 10,142	$ 212,081	$ 278,774
Urban Intensification	59,542	103,381	146,700	661,019	970,642
Expansion & Redevelopment	96,672	150,417	103,977	9,754	360,820
Total RioCan share of Construction Expenditures (i)	$ 183,921	$ 282,642	$ 260,819	$ 882,854	$ 1,610,236

(i) Includes project costs funded by RioCan construction loans and is net of potential land sales.

As at December 31, 2015, the development pipeline NLA expected to be completed by year is as follows:

		NLA - RioCan%					
(thousands of square feet)	NLA - 100%	NLA - RioCan%	IPP(i)	2016	2017	2018	2019+
Greenfield Development	2,716	1,766	206	185	61	108	1,206
Urban Intensification	4,269	2,173	54	76	15	575	1,453
Sub-total	6,985	3,939	260	261	76	683	2,659
Expansion & Redevelopment	2,669	1,862	—	421	873	346	222
Total	9,654	5,801	260	682	949	1,029	2,881

(i) NLA of the development pipeline that is currently income producing.

As at December 31, 2015, the development pipeline NLA expected to be completed by year by committed and non-committed is as follows:

	2016	2017	2018	2019+
Committed	675	872	690	559
Non-committed	7	77	339	2,322
Total	682	949	1,029	2,881

Greenfield Development

RioCan's current greenfield development pipeline consists of four properties that are expected to add approximately 2,716,000 square feet (1,766,000 square feet at RioCan's interest) of space upon completion over the next six years. 378,000 square feet is already income producing (205,500 square feet at RioCan's interest). RioCan is committed to property development and redevelopment opportunities and is focused on completing its existing development pipeline. These developments will be an important component of our organic growth strategy over time. Our development program is focused on well-located urban and suburban land in the six major markets in Canada. RioCan's projected returns on development properties are higher than the returns that can be generated through properties that are purchased. Furthermore, population growth over time will lead to improved tenant sales and further increases in rent at these properties as tenants renew upon expiry of their original term. Development properties that we have completed with our co-owners during the last fifteen years contribute significantly to our existing growth.

A summary of RioCan's greenfield development pipeline as at December 31, 2015 is as follows:

(thousands of square feet)	RioCan's % ownership	Partners	Anchors	Estimated square feet upon completion of the development project: Total estimated development	Retailer owned anchors (i)	RioCan's interest	Partners' interests	Total leasing activity (ii)	% Leased	Anticipated date of development completion: Current development (iii)	Potential future developments
East Hills, Calgary, AB	40%	CPPIB / Lansdowne / Tristar	Walmart, Cineplex	886	160	290	436	365	50%	Q3 2016	2018
Flamborough Power Centre, Hamilton, ON	100%			222	—	222	—	73	33%	Q2 2016	2019
Sage Hill, Calgary, AB	50%	KingSett	Walmart, Loblaws, London Drugs	394	—	197	197	332	84%	Q4 2016	
Greenfield Developments – Committed				*1,502*	*160*	*709*	*633*	*770*	*57%*		
Windfield Farms, Oshawa, ON	100%			1,214	157	1,057	—	—	—		2019 (iv)
Greenfield Developments – Non-committed				*1,214*	*157*	*1,057*	—	—	—		
Total Greenfield Developments				**2,716**	**317**	**1,766**	**633**	**770**	**32%**		

(i) Retailer owned anchors include both completed and contemplated sales.

(ii) Leasing activity includes leasing that is conditional on receiving municipal approvals and meeting construction deadlines.

(iii) The current development date refers to the rent commencement date.

(iv) Currently, the end date for future development is not yet determinable.

(thousands of dollars)	RioCan's % ownership	Estimated project cost (100%) (i)	Acquisition and development expenditures incurred to date: RioCan's interest: Amount included in IPP	Amount included in PUD	Total	Partners' interest	Total	Estimated remaining construction expenditures to complete: RioCan's interest	Partners' interest	Total
East Hills, Calgary, AB	40%	$ 335,384	$ 13,337	$ 72,437	$ 85,774	$ 107,708	$ 193,482	$ 56,761	$ 85,141	$ 141,902
Flamborough Power Centre, Hamilton, ON	100%	70,308	23,213	17,596	40,809	—	40,809	29,499	—	29,499
Sage Hill, Calgary, AB	50%	115,437	23,163	11,405	34,568	32,029	66,597	24,420	24,420	48,840
Fair value adjustments			—	5,723	5,723	—	5,723	—	—	—
Greenfield Developments – Committed		*521,129*	*59,713*	*107,161*	*166,874*	*139,737*	*306,611*	*110,680*	*109,561*	*220,241*
Windfield Farms, Oshawa, ON	100%	223,476	—	55,381	55,381	—	55,381	168,095	—	168,095
Fair value adjustments			—	8,299	8,299	—	8,299	—	—	—
Greenfield Developments –Non-committed		*223,476*	—	*63,680*	*63,680*	—	*63,680*	*168,095*	—	*168,095*
Total Greenfield Developments		**$ 744,605**	**$ 59,713**	**$ 170,841**	**$ 230,554**	**$ 139,737**	**$ 370,291**	**$ 278,775**	**$ 109,561**	**$ 388,336**

(i) Proceeds from sales to shadow anchors and land parcel sales reduce projected cost.

A summary of 2015 highlights from RioCan's Greenfield Development projects are as follows:

East Hills - Calgary, Alberta

This 148 acre site is currently being developed into a 886,000 square foot regional new format retail centre. The site is anchored by a 130,000 square foot Walmart that opened in March 2014. An additional 67,000 square feet of retail space was constructed in 2015. The majority of the tenants in this phase took possession in Q3 and Q4 2015 and will be open by the end of Q1 2016.

A conditional deal has been completed with Costco to purchase approximately 14.8 acres of the site and the transaction is expected to close in Q1 2016. It is anticipated that Costco will commence construction of a 160,000 square foot store in Q2 2016 and commence operations in Q3 2016.

Construction has begun on an additional 134,000 square feet of retail space. This phase is expected to be completed by Q3 2016. Tenants include Marshalls, Michaels, PetSmart, Bed Bath & Beyond, Sport Chek, Mark's Work Wearhouse and Dollarama.

Flamborough Power Centre - Flamborough, Ontario

This 25-acre site is currently being developed into a 222,000 square foot new format retail centre. An 8,000 square foot building has been leased to Investors Group, which is expected to commence operations in Q2 2016. An additional 87,000 square feet of retail space is available to be developed at the property,

Target disclaimed their lease in Q2 2015. Their former unit comprising 116,000 square feet is expected to be reconfigured to accommodate three new large format tenants of approximately 20,000 square feet each.

Sage Hill - Calgary, Alberta

This 32-acre site is currently being developed into a 394,000 square foot new format retail centre. The site is anchored by a 153,000 square foot Walmart that opened in January 2015. The balance of the centre is under construction with a 45,000 square foot Loblaws and several other tenants totalling 17,000 square feet that took possession in Q4 2015. The remainder of the tenants at the site, including a 36,000 square foot London Drugs, are expected to take possession by Q4 2016.

Windfield Farms - Oshawa, Ontario

This 160 acre site is currently being developed into a 1,214,000 square foot regional new format retail centre.

Urban Intensification

A focus within our development growth strategy is urban development and intensification. Our current urban development pipeline consists of nine properties that, if all rezoning requests are granted as applied for, are expected to add approximately 4,269,000 square feet (2,173,000 square feet at RioCan's interest) of space upon completion over the next six years, excluding condominium units that will be sold. Our urban development program currently is focused on properties located in densely populated areas in the urban cores of Toronto and Calgary.

Land use intensification opportunities arise from the fact that retail centres are generally built with lot coverages of approximately 25% of the underlying land. Therefore, particularly in urban markets and preferably, near transit lines, we can seek to obtain additional density, retail or residential, on its existing property portfolio and, as the land is already owned, it anticipates achieving strong returns on new construction and increasing net asset value. Population growth is significant in these areas and retailers want locations that are able to access this population. RioCan's urban development program will serve that demand and returns on these properties will contribute significantly to our growth strategy over time. As a result of the aforementioned population growth, cities are building infrastructure to serve this population that will benefit RioCan's urban development growth strategy.

A summary of our urban intensification pipeline as at December 31, 2015 is as follows:

				Estimated square feet upon completion of the development project						Anticipated date of development completion	
(thousands of square feet)	RioCan's % ownership	Partners	Anchors	Total estimated development	Retailer owned anchors(i)	RioCan's interest	Partners' interests	Total leasing activity(ii)	% Leased	Current development (iii)	Potential future developments
1860 Bayview Avenue, Toronto, ON	100%		Whole Foods	76	—	76	—	70	92%	2017	
Bathurst Street & College Street, Toronto, ON	100%		Grocery store	146	—	146	—	58	40%	2018	
CPA Lands, Calgary, AB	100%		Loblaws	188	—	188	—	104	55%	2019	
NE Yonge Eglinton, Toronto, ON (iv)	50%	Metropia / Bazis	TD Bank	460	—	230	230	18	4%	2018	
Urban Intensification –Committed				*870*	—	*640*	*230*	*250*	*29%*		
491 College Street, Toronto, ON	50%	Allied	LCBO	30	—	15	15	7	23%	2017	
College & Manning,Toronto, ON	50%	Allied		122	—	61	61	59	49%	2020	
Dupont Street, Toronto, ON	100%			188	—	188	—	—	—	2020	
The Well, Toronto, ON (iv)	40%	Allied / Diamond		2,614	—	1,046	1,568	—	—		2020 (v)
King & Portland, Toronto, ON	50%	Allied		445	—	223	223	48	11%	2018	
Urban Intensification - Non-committed				*3,399*	—	*1,533*	*1,867*	*114*	*3%*		
Total Urban Intensification				**4,269**	**—**	**2,173**	**2,097**	**364**	**9%**		

(i) Retailer owned anchors include both completed and contemplated sales.

(ii) Leasing activity includes leasing that is conditional on receiving municipal approvals and meeting construction deadlines.

(iii) The current development date refers to the rent commencement date.

(iv) Includes amounts for offices, retail and residential apartments only (excludes residential condominiums). 460,000 square feet of this 904,000 square foot development pertains to residential rental development which is not pre-leased at this time, resulting in a low lease rate.

(v) Currently, the end date for future development is not yet determinable.

(thousands of dollars)	RioCan's % ownership	Estimated project cost (100%) (i)	Acquisition and development expenditures incurred to date					Estimated remaining construction expenditures to complete		
			RioCan's interest							
			Amount included in IPP	Amount included in PUD	Total	Partners' interest	Total	RioCan's interest	Partners' interest	Total
1860 Bayview Avenue, Toronto, ON	100%	$ 56,693	$ —	$ 53,239	$ 53,239	$ —	$ 53,239	$ 3,454	$ —	$ 3,454
Bathurst Street & College Street, Toronto, ON	100%	109,739	—	36,007	36,007	—	36,007	73,732	—	73,732
CPA Lands, Calgary, AB	100%	124,347	—	34,566	34,566	—	34,566	89,781	—	89,781
NE Yonge Eglinton, Toronto, ON	50%	226,758	113	48,509	48,622	47,302	95,924	65,417	65,417	130,834
Fair value adjustments				2,927	2,927		2,927			
Urban Intensification – Committed		*517,537*	*113*	*175,248*	*175,361*	*47,302*	*222,663*	*232,384*	*65,417*	*297,801*
491 College Street, Toronto, ON	50%	18,127	—	4,595	4,595	4,261	8,856	4,635	4,635	9,270
College & Manning,Toronto, ON	50%	52,548	8,623	5,197	13,820	12,432	26,252	13,148	13,148	26,296
Dupont Street, Toronto, ON	100%	100,810	—	15,920	15,920	—	15,920	84,891	—	*84,891*
The Well, Toronto, ON	40%	1,575,321	869	82,222	83,091	115,522	198,613	550,683	826,025	1,376,708
King & Portland, Toronto, ON	50%	222,112	10,478	16,989	27,467	24,845	52,312	84,900	84,900	169,800
Fair value adjustments			—	13,297	13,297	—	13,297	—	—	—
Urban Intensification - Non-committed		*1,968,918*	*19,970*	*138,220*	*158,190*	*157,060*	*315,250*	*738,257*	*928,708*	*1,666,965*
Total Urban Intensification		**$2,486,455**	**$ 20,083**	**$ 313,468**	**$ 333,551**	**$ 204,362**	**$537,913**	**$ 970,641**	**$ 994,125**	**$1,964,766**

(i) Estimated project costs are reduced by proceeds from sales to shadow anchors and exclude costs associated with potential condominium residential units.

A summary of 2015 highlights from RioCan's urban intensification projects are as follows:

1860 Bayview Avenue - Toronto, Ontario

1860 Bayview Avenue is currently a development site located at the northwest corner of Bayview Avenue and Broadway Avenue in the Leaside area of Toronto. Once completed, the centre will consist of approximately 76,000 square feet of retail space and will be anchored by a 52,500 square foot Whole Foods grocery store. RioCan acquired a 100% interest in the site on a forward purchase basis in the first quarter of 2014. Shoppers Drug Mart and TD Bank took possession of their premises in Q3 2015. Whole Foods is expected to open in 2017.

Bathurst Street and College Street - Toronto, Ontario

This 1.3 acre site is located just west of the downtown core in Toronto near Bathurst and College Street. The property will be developed into 146,000 square foot three storey urban retail building. On July 15, 2014, the Ontario Municipal Board (OMB) endorsed the settlement between the City and RioCan with respect to a four storey commercial building at 410-444 Bathurst Street, and approved a zoning amendment and site plan to implement the settlement. The OMB's order in respect of the zoning appeal and site plan referral is conditional on implementing the City's conditions of site plan approval. Site plan approval is expected to be finalized in Q1 2016.

We currently have completed leases with a grocery anchor and a financial institution. Construction is expected to begin in early 2016 with tenants opening in 2018.

CPA Lands - Calgary, Alberta

This 2.8 acre site is located in the East Village area of downtown Calgary, Alberta. The site is one of downtown Calgary's few remaining privately owned full city blocks. The property will be developed as a mixed use project that will be anchored by an 82,000 square foot Loblaws. The site is zoned for the proposed development and we have submitted for a development permit, which was approved by the Calgary Planning Commission in Q4 2015. Development of this site is anticipated to commence in 2016. RioCan has entered into an agreement with the developer, Embassy BOSA Inc., to sell up to $30 million in air rights (representing 600,000 square feet) above this development site.

NE Yonge and Eglinton - Toronto, Ontario

Construction on this site began in April 2014. The demolition of the TD Bank branch took place in Q4 2014 and the demolition of the remaining residential apartment building was completed in Q2 2015. The project will contain a 58 floor condominium tower and a 36 floor residential rental tower as well as 64,000 square feet of retail and commercial space featuring a flagship TD Bank branch. The rental tower will have 461 units and the condominium will have 621 units, all of which have been pre-sold. The project is expected to be completed by 2018. The site is zoned for the proposed development.

491 College Street - Toronto, Ontario

The site currently houses a 10,000 square foot, three storey building in downtown Toronto's "Little Italy". RioCan and Allied purchased this site for the purposes of relocating the existing LCBO at 549 College Street (at Manning Street) in order to allow for that site's redevelopment. 491 College Street is considered a heritage building and, as such, the facade will remain and will be meticulously restored. The LCBO will occupy the first floor and the basement totalling 7,000 square feet while the two floors above will be comprised of 17,000 square feet. Both commercial and residential uses are permitted above the LCBO. The site plan approval submission was made in May 2015. Our variances were approved at the Committee of Adjustments in November 2015. Site plan approval is expected to be received in April 2016.

College Street and Manning Avenue - Toronto, Ontario

This site is comprised of 551-555 College Street, formerly owned exclusively by Allied and 547 and 549 College Street, formerly owned exclusively by RioCan. Given the strategic downtown location of each property, Allied and RioCan have formed a 50/50 co-ownership to create a mixed use development including office, retail and residential space. Upon completion, the development shall be 122,000 square feet, including approximately 59,000 square feet that is currently income producing, 57,000 square feet of residential rental density and 6,000 square feet of retail space, featuring 185 feet of frontage on College Street. This site was successfully re-zoned for the proposed development during July 2014. Site plan approval is expected to be received in Q1 2016.

Dupont Street - Toronto, Ontario

This 1.4 acre site, located on Dupont Street near Christie Avenue, is northwest of the downtown core of Toronto. The site is expected to be developed into 188,000 square foot eight storey mixed use urban retail and residential building. RioCan has a 100% ownership interest in the site. A rezoning application was submitted during July 2014. RioCan received zoning approvals in Q4 2015.

The Well - Toronto, Ontario

This 7.74 acre site is currently the home of The Globe & Mail newspaper and is located on part of a large city block bounded by Spadina Avenue, Front Street, Draper Street and Wellington Street. The site is in close proximity to Toronto's downtown office corridor and adjacent to a large and growing residential population. The property will be redeveloped as a mixed-use development that will include approximately 1,611,000 square feet of retail and office space, 1,003,000 square feet of residential rental units and 482,000 square feet of condominium space that will become a landmark destination to live, work and shop in Toronto. The ownership structure of the property is RioCan 40%, Allied 40% and Diamond 20%. The official plan amendment and rezoning application amendment was filed in February 2014. The official plan amendment was approved at council in June 2015 and we expect to have zoning approvals in place by the Q2 2016. It should be noted that we are exploring strategic options, including bringing in a partner on the residential component.

King Street & Portland Street - Toronto, Ontario

This site is comprised of 602-606 and 620 King Street West, formerly owned exclusively by Allied Properties REIT, and adjacent properties extending from King Street West through to Adelaide Street West that Allied and RioCan acquired jointly. Given the site's premier location in the heart of the affluent King West neighbourhood, Allied and RioCan have formed a 50/50 co-ownership to create one property, with frontage on King Street West, Portland Street and Adelaide Street West. Upon completion, the site will contain a mixed use office, retail and residential complex with approximately 445,000 square feet of gross floor area. A rezoning application was filed in August 2013. RioCan received zoning approvals at council in July 2015. The site plan application was submitted on July 15, 2015 and we expect to have approvals in place by the Q2 2016.

Expansion & Redevelopment

RioCan's expansion and redevelopment project costs for 2016 are currently expected to be approximately $97 million. As at December 31, 2015, RioCan's expansion and redevelopment pipeline will, upon completion, comprise approximately 2,668,000 square feet, of which RioCan's ownership interest will be approximately 1,862,000 square feet.

Highlights of RioCan's expansion and redevelopment projects are as follows:

(thousands of square feet, thousands of dollars) As at December 31, 2015	RioCan's % ownership	Tenant(s)	Project NLA	NLA RioCan's Interest	Estimated project cost RioCan's Interest	Partners' Interest	Total	Historical costs(i)	Development expenditures to date at RioCan's interest	Total Costs Incurred to date	Estimated remaining construction expenditures to complete at RioCan's interest
Brentwood Village, Calgary, AB	100%	Retail Podium	15	15	$ 2,334	$ —	$ 2,334	$ 4,576	$ 180	$ 4,756	$ 2,154
Burlington Mall, Burlington, ON	50%	Interior Mall renovation	—	—	8,573	8,573	17,146	—	149	149	8,424
Corbett Centre, Fredericton, NB	100%	Princess Auto	32	32	7,555	—	7,555	—	1,661	1,661	5,894
Herongate Mall, Ottawa, ON	75%	GoodLife Fitness	44	33	6,125	2,042	8,167	4,576	2,920	7,496	3,205
Kennedy Commons, Toronto, ON	50%	Vision Electronics	16	8	1,731	1,731	3,462	800	999	1,799	732
Parkland Mall, Yorkton, SK	100%	Winners	20	20	2,949	—	2,949	2,241	366	2,607	2,583
RioCan Centre Victoria, Whitby, ON	50%	TBD	177	89	17,984	17,984	35,968	9,004	2,090	11,094	15,894
RioCan Colossus Centre, Vaughan, ON	100%	Bed Bath & Beyond, Buy Buy Baby, Staples	114	114	29,812	—	29,812	17,381	8,586	25,967	21,226
Shoppers City East, Ottawa, ON	63%	Shoppers Drug Mart, The Beer Store	40	25	9,440	5,592	15,032	18,487	6,938	25,425	2,502
South Trail Crossing, Calgary, AB	100%	HomeSense, Marshalls	49	49	3,244	—	3,244	13,300	1,125	14,425	2,119
The Stockyards, Toronto, ON	50%	TBD Pads D, M, N	20	10	252	252	504	6,700	34	6,734	218
Yonge Sheppard Centre, Toronto, ON	50%	Longos, LA Fitness, Interior Mall retrofit, Residential	555	277	177,746	177,746	355,492	25,122	13,347	38,469	164,399
Properties with former Target units (ii), (iii)			1,314	980	118,559	37,598	156,157	135,042	11,749	146,791	106,810
Fair Value Adjustments			—		—	—	—	(21,083)	—	(21,083)	—
Total Committed Expansion and Redevelopment properties			*2,396*	*1,652*	*386,304*	*251,518*	*637,822*	*216,146*	*50,144*	*266,290*	*336,160*
Total Non-committed Expansion and Redevelopment properties			*272*	*210*	*29,545*	*9,872*	*39,417*	*14,770*	*4,885*	*19,655*	*24,660*
Total			**2,668**	**1,862**	**$ 415,849**	**$261,390**	**$ 677,239**	**$230,916**	**$ 55,029**	**$ 285,945**	**$ 360,820**

(i) Historical Costs - carrying amounts transferred from IPP for former anchors targeted for redevelopment.

(ii) RioCan transferred carrying value associated with the disclaimed spaces formerly occupied by Target from income producing properties to properties under development. The estimated remaining construction expenditures are based upon various scenarios related to the former Target space with the objective of developing these assets, such that RioCan can attract new tenants, achieve higher rents and improve the overall shopping centre.

(iii) As at December 31, 2015, development expenditures of $12 million at RioCan's proportionate share were comprised of $6 million of direct costs and $6 million comprised of capitalized interest, common area maintenance, realty tax and utilities.

A summary of the 2015 highlights from our expansion and redevelopment projects are as follows:

Brentwood Village - Calgary, Alberta

Approximately 50,000 square feet of retail space was demolished in 2011 and the parcel of land was sold to a residential developer who subsequently constructed two condominium towers. The residential towers include retail podiums that are owned and leased by RioCan. We acquired the first phase of the retail podium in Q1 2014 and the second phase in Q4 2015. Tenants will begin operating in the new retail area in 2016.

Burlington Mall - Burlington, Ontario

During 2015, RioCan reconfigured a portion of the mall to facilitate larger Shoppers Drug Mart and Sport Check spaces totalling 37,000 square feet. Target disclaimed their lease in Q3 2015. The former Target space (122,000 square feet) will be reconfigured to accommodate four large format tenants of approximately 20,000 square feet each, and additional small CRU space aggregating approximately 10,000 square feet. Construction is expected to begin Q4 2016 and tenants are expected to commence operations in Q4 2017 and Q1 2018. RioCan has leased 23,000 square feet to Denninger's Fresh Foods of the World

and negotiations are substantially complete with two additional national tenants for two of the three remaining large format premises.

Corbett Centre - Fredericton, New Brunswick

This 26 acre site, acquired by way of a 66-year long-term lease, is currently being developed into a 471,000 square foot new format retail centre. The site is anchored by Home Depot, which owns its own store and operates as part of the overall site. A Costco, which also owns its own store, commenced operations in the Q3 2011. A 19,000 square foot Homesense commenced operations in Q3 2014 and a 5,000 square foot Sleep Country commenced operations in Q2 2015. A deal has been completed for a new 25,000 square foot Princess Auto. Construction is expected to begin in Q2 2016 and the tenant is expected to open in Q2 2017.

Herongate Mall - Ottawa, Ontario

This 16 acre site consisted of a 196,000 square foot enclosed mall when the property was acquired in 2011. The majority of the original building was demolished in two stages in 2012 and 2013 and the property is currently being redeveloped into a 148,000 square foot new format retail centre. The site is anchored by a 42,000 square foot Food Basics. A 12,000 square foot Pharma Plus commenced operations in April 2013. A 12,000 square foot Petsmart and a 10,000 square foot Dollarama commenced operations in Q1 2015. A deal has been completed with a 25,000 square foot Goodlife Fitness. Construction will begin on the extension of this building in Q2 2016.

Kennedy Commons - Scarborough, Ontario

A lease buy-out was completed with AMC Theatres in late 2012 which allowed us to redevelop this portion of the site. The AMC Theatre has been demolished and a newly constructed 45,000 square foot LA Fitness and a 23,000 square foot Michael's commenced operations in 2014. Sleep Country commenced operations in Q2 2015.

Parkland Mall - Yorkton, Saskatchewan

Parkland Mall is an enclosed shopping centre located in Yorkton, Saskatchewan. Save-On-Foods took possession of 31,000 square feet of space in Q2 2015 to backfill a former grocery store. In addition, approximately ten interior mall units will be demolished in order to construct a new 20,000 square foot Winners, which is expected to open in early 2017.

RioCan Centre Victoria - Whitby, Ontario

Phase I of site is currently being developed into a 177,000 square foot new format retail centre as a joint venture with The Wynn Group. A 99,000 square foot Rona store ceased operations in 2013 but continued to pay rent until a lease buyout was completed in Q1 2015 which allows us to redevelop this portion of the site. Negotiations are underway with several national tenants. RioCan has a 50% ownership interest in this portion of the site.

Phase II of the site consists of 11 acres and it will be developed into a 115,000 square foot new format retail centre. A portion of the site totalling 37 acres was sold to Metrolinx in the fourth quarter of 2010. RioCan has a 100% ownership interest in this portion of the site.

RioCan Colossus Centre - Vaughan, Ontario

A lease buyout was completed with Rona in Q3 2013 allowing the Trust to redevelop this portion of the site. Leases have been completed with a 28,000 square foot Bed Bath & Beyond, a 22,000 square foot Buy Buy Baby, a 22,000 square foot Bauer, a 20,000 square foot Staples, a 10,000 square foot Party City and a 5,500 square foot Chop Steakhouse. Construction of approximately 114,000 square feet began during Q3 2015 and the initial tenants are expected to commence operations in Q4 2016.

Shoppers City East - Ottawa, Ontario

This 19.4 acre site consists of a 152,000 square foot neighborhood shopping when the property was acquired. Demolition of the buildings commenced late in 2013 and will be completed in 2016. The property will be redeveloped into a 201,000 square foot new format retail centre.

A conditional deal has been entered into with Costco to purchase approximately 14.7 acres of the site. Providing that conditions are waived, it is anticipated that Costco will commence construction of a 161,000 square foot store in 2016 that will commence operations during 2017.

A 15,000 square foot deal has been completed with Shoppers Drug Mart and construction began on this building in Q3 2015. The tenant is expected to commence operations late in Q3 2016. The remaining tenants are expected to commence operations by the end of Q1 2017.

South Trail Crossing - Calgary, Alberta

A lease buyout was completed with Calgary Co-op (49,000 square feet) in Q2 2015 . Leases have been completed with Marshalls and Homesense to backfill the entire unit. Construction began during the Q3 2015 and the tenants are expected to commence operations in Q2 2016.

The Stockyards - Toronto, Ontario

Target disclaimed their lease in Q2 2015. RioCan has completed a lease agreement with Nations Fresh Foods to occupy the entire 153,000 square feet that was previously occupied by Target Canada. Construction is expected to begin in Q2 2016 and the tenant is expected to take possession of their unit in late 2016 and open during 2017. In addition, there are three pads totaling approximately 20,000 square feet remaining in properties under development. A 6,000 square foot daycare centre is expected to commence operations in Q3 2017.

Sheppard Centre - Toronto, Ontario

This 6.18 acre site is comprised of a mixed-use retail and office centre. The retail portion is currently undergoing renovation, of which 54,000 square feet has been leased to Longo's grocery store and 50,000 square feet has been leased to LA Fitness. The site's redevelopment plan includes development of 339,000 square feet of residential rental space. The ownership structure of the property is RioCan 50% and KingSett 50%. A rezoning application was filed in 2013 and we received zoning approvals in June 2015. The final site plan agreement is expected to be in place by Q1 2016.

Tanger Outlets Ottawa - Kanata, Ontario

Saks Off Fifth, a 28,000 square foot tenant representing the final tenant of the 299,000 square foot phase one development, took possession in Q4 2015 and is expected to commence operations in Q1 2016.

Excess Density

In addition to RioCan's various development projects, the Trust contributes to portfolio growth through the intensification of existing properties where RioCan has identified opportunities to increase density or add to an existing asset. This intensification of existing properties is an important component of RioCan's organic growth strategy.

Residential Development

RioCan has currently identified 46 properties that it considers to be strong possible intensification opportunities, all of which are in the six major markets and are typically located in the vicinity of substantive transit infrastructure. RioCan's objective is to obtain the appropriate zoning and approval for approximately 18,000 residential units over the course of the next ten years. Given the early stage of the evolution of this strategy, there can be no assurance that all of these developments will be undertaken, and if they are, on what terms.

As at the date of this report, RioCan has obtained planning approvals for 7 mixed use projects. In total, RioCan has filed applications for 21 mixed use projects which, if all planning permission requests are granted as applied for, is expected to comprise a total of 13,613,000 square feet, which will include residential rental units held for long-term rental income, condominiums for sale and incremental commercial gross leasable area. The mix between condominiums and rental residential may change over time depending on market conditions. The majority of these properties are located directly on, or in close proximity, to major transit lines such as the existing Toronto Transit Commissions' subway lines or The Crosstown Eglinton LRT line, which is currently under construction. The ability to intensify its existing retail properties into transit-oriented mixed use developments is indicative of both the locational attributes of RioCan's land holdings and its development capabilities. The figures in the chart below and those noted herein are at 100% interest. In some cases, RioCan has co-owners and, therefore, does not hold a 100% interest.

Property	Location	Application Submission Date	RioCan Ownership % (Partner)	Estimated square feet upon completion of the development project (at 100%)		
				Commercial	Residential (i)	Total
Northeast & Yonge Eglinton (v)	Toronto, ON	January 2012	50% (Metropia / Bazis)	64,000	904,000	968,000
College & Manning (iii) (v)	Toronto, ON	September 2013	50% (Allied)	6,000	57,000	63,000
740 Dupont Street (v)	Toronto, ON	July 2014	100%	86,000	102,000	188,000
Sheppard Centre (iv) (v)	Toronto, ON	May 2013	50% (KingSett)	216,000	339,000	555,000
King & Portland (iii) (v)	Toronto, ON	August 2013	50% (Allied)	267,000	118,000	385,000
The Well	Toronto, ON	February 2014	40% (Allied / Diamond)	1,611,000	1,485,000	3,096,000
Sunnybrook Plaza (ii)	Toronto, ON	December 2014	100%	23,000	349,000	372,000
Tillicum (ii) (v)	Victoria, BC	February 2009	100%	18,000	275,000	293,000
2955 Bloor Street West (ii)	Toronto, ON	August 2015	100%	8,000	67,000	75,000
Markington Square (ii)	Toronto, ON	October 2015	100%	20,000	415,000	435,000
RioCan Grand Park (ii)	GTA, ON	August 2015	100%	9,000	259,000	268,000
Brentwood Village (ii)	Calgary, AB	October 2015	100%	13,000	184,000	197,000
Dufferin Plaza (ii)	Toronto, ON	November 2015	100%	63,000	603,000	666,000
Southland Crossing (ii)	Calgary, AB	November 2015	100%	29,000	784,000	813,000
RioCan Scarborough Centre (ii)	Toronto, ON	November 2015	100%	600,000	2,520,000	3,120,000
Silver City Gloucester (ii) (v)	Gloucester, ON	December 2015	80% (Trinity)	12,000	787,000	799,000
Elmvale Acres (ii)	Ottawa, ON	December 2015	100%	31,000	130,000	161,000
Queensway Cineplex (ii)	Toronto, ON	December 2015	50% (Talisker)	28,000	467,000	495,000
Westgate Shopping Centre (ii)	Ottawa, ON	December 2015	100%	19,000	144,000	163,000
Mill Woods Town Centre (ii)	Edmonton, AB	December 2015	40% (Bayfield)	—	251,000	251,000
Spring Farm Marketplace (ii)	GTA, ON	January 2016	100%	25,000	225,000	250,000
Total				**3,148,000**	**10,465,000**	**13,613,000**

(i) Residential gross leaseable area (GLA) represents residential rental units that will produce long-term rental income as well as condominium units that will be sold (where applicable). The costs associated with the residential rental units are included in the Urban Intensification and Expansion & Redevelopment tables in the *Properties Under Development* section of this MD&A (where applicable).

(ii) The urban intensification and expansion and redevelopment tables currently do not include potential residential density contemplated for this property, but will be updated to include residential density as the development plan is finalized.

(iii) GLA excludes the square footage that is currently generating income.

(iv) Commercial square footage to be developed at Sheppard Centre represents redevelopment of existing enclosed mall retail space.

(v) As at the date of this report, RioCan has obtained planning approvals for the development of this site.

RioCan intends to file applications on 12 additional properties during 2016. If all application requests are granted as applied for, these proposed redevelopments are expected to produce approximately 4,418,000 square feet, of which 3,888,000 square feet is expected to be residential. This would permit RioCan to have an interest in approximately 4,300 additional residential units. As these projects are in preliminary stages, there can be no assurance that any of these developments will be undertaken and if so, on what terms. Depending on market conditions, management may change the allocation between residential rental development and condominium development, or may decide not to proceed with the contemplated development.

Residential Inventory

Residential development inventory are properties acquired or developed for which RioCan generally intends to sell rather than hold on a long term basis. RioCan's plan is to dispose of all or part of such properties in the ordinary course of business. It is expected that the Trust will earn a return on these assets through a combination of property operating income earned during the relatively short holding period, which will be included in net earnings, and sales proceeds. As at December 31, 2015, the Trust has $45 million of residential development inventory comprising of the following three assets ($80 million as at December 31, 2014 comprising of five assets); Stouffville residential lands, Stouffville, Ontario - residential homes (Minto Group Inc. and Trinity), Northeast Yonge Eglinton, Toronto, Ontario - condominium units for sale (Metropia and Bazis Inc.) and CPA Lands, Calgary, Alberta - Air rights.

Stouffville Residential Lands

This project comprises a townhouse development project consisting of 272 units. All units have been pre-sold of which 179 units have closed as at December 31, 2015. The remainder of these townhome sales are expected to close in Q1 2016.

Northeast Yonge Eglinton

This project comprises a condominium development project consisting of 602 units, all of which have been pre-sold as at December 31, 2015.

CPA Lands

RioCan has entered into an agreement with the developer, Embassy BOSA Inc., to sell up to $30 million in air rights (representing 600,000 square feet) above the CPA development site in Calgary's East Village. Embassy BOSA Inc. has waived its due diligence conditions. The transaction remains subject to a number of both mutual and unilateral normal course development conditions. The intention is for two residential towers to be erected upon the planned retail podium. The transaction contemplates that Embassy BOSA Inc. be responsible, on a cost to complete basis, for all incremental costs associated with the residential component of the overall project and to provide approximately $40 million in cost reimbursement for infrastructure works.

Mortgages and Loans Receivable

RioCan's Declaration contains provisions that have the effect of limiting the aggregate value of the investment by the Trust in mortgages, other than mortgages taken back on the sale of RioCan's properties, to a maximum of 30% of Adjusted Unitholders' Equity, as defined in the *Properties Under Development* section in this MD&A. Additionally, RioCan is limited to the amount of capital that can be invested in non-income producing properties to no more than 15% of the Adjusted Unitholders' Equity, which limitation applies to both greenfield development projects and mortgages receivable to fund the co-owners' share of such developments, referred to in this MD&A as mezzanine financing. At December 31, 2015, RioCan was in compliance with these restrictions.

Contractual mortgages and loans receivable as at December 31, 2015 and December 31, 2014 are comprised of the following:

	Contractual rates		Weighted		
(thousands of dollars)	Low	High	Average Rate	**December 31, 2015**	December 31, 2014
Mezzanine financing to co-owners	0%	7%	4.5%	**$ 124,245**	$ 125,601
Vendor-take-back and other	4%	4%	4.0%	**5,013**	10,589
Total	0%	7%	4.5%	**$ 129,258**	$ 136,190

Prior to maturity, payments on these mortgages and loans receivable from co-owners are made from the cash flows generated from operations and capital transactions relating to the underlying properties.

CAPITAL RESOURCES AND LIQUIDITY

Liquidity and Cash Management

RioCan maintains committed revolving bank facilities to provide financial liquidity. These can be drawn/repaid at short notice, reducing the need to hold liquid resources in cash and deposits. This minimizes costs arising from the difference between borrowing and deposit rates, while reducing credit exposure.

Capital Management Framework

RioCan defines capital as the aggregate of common Unitholder and preferred unitholders' equity and debt. The Trust's capital management framework is designed to maintain a level of capital that:

- complies with investment and debt restrictions pursuant to the Trust's Declaration;
- complies with debt covenants;
- enables RioCan to achieve target credit ratings;
- funds the Trust's business strategies; and
- builds long-term unitholder value.

The key elements of RioCan's capital management framework are set out in the Trust's Declaration, and/or approved by the Trust's Board, through the Board's annual review of the strategic plan and budget, supplemented by periodic Board and related committee meetings. Capital adequacy is monitored by management of the Trust by assessing performance against the approved annual plan throughout the year, which is updated accordingly, and by monitoring adherence to investment and debt restrictions contained in the Declaration and debt covenants (refer to note 24 of the 2015 Annual Consolidated Financial Statements). In selecting appropriate funding choices, RioCan's objective is to manage its capital structure in such a way so as to diversify its funding sources while minimizing its funding costs and risks. For 2016, RioCan expects to be able to satisfy all of its financing requirements through the use of some or all of the following: cash on hand, cash generated by operations, refinancing of maturing debt, financing of certain assets currently unencumbered by debt, construction financing facilities, sale of non-core properties, utilization of its operating lines, and through public offerings of unsecured debentures, preferred units and common equity.

Capital Structure

As at December 31, 2015 and December 31, 2014, RioCan's capital structure is as follows:

(thousands of dollars)	IFRS				RioCan's proportionate share			
As at December 31,		**2015**		2014		**2015**		2014
Capital:								
Mortgages payable and lines of credit	**$**	**4,164,669**	$	4,566,096	**$**	**4,229,926**	$	4,605,242
Mortgages on properties held for sale:								
U.S. (disposal group)		**1,224,667**		—		**1,224,667**		—
Canada		**23,968**		20,968		**23,968**		20,968
Debentures payable		**2,000,066**		1,856,501		**2,000,066**		1,856,501
Total debt		**7,413,370**		6,443,565		**7,478,627**		6,482,711
Preferred unit equity		**265,451**		265,451		**265,451**		265,451
Common unit equity		**7,660,588**		7,603,119		**7,660,588**		7,603,119
Total capital	**$**	**15,339,409**	$	14,312,135	**$**	**15,404,666**	$	14,351,281
Total assets	**$**	**15,996,491**	$	14,677,677	**$**	**16,063,873**	$	14,721,054
Cash and equivalents	**$**	**83,318**	$	56,273	**$**	**85,336**	$	59,606
Ratio of Total debt, net of cash, to Total assets, net of cash (i)		**46.1%**		43.7%		**46.3%**		43.8%
Ratio of floating rate debt to total debt		**14.0%**		7.7%		**14.4%**		7.8%

(i) Including preferred units as debt, our ratio of total debt to assets (net of cash) would be 47.8% for 2015 (2014 - 45.6%).

As at December 31, 2015, RioCan's ratio of floating rate debt to total debt increased to 14.0% (7.7% as at December 31, 2014), primarily as a result of the Kimco property acquisitions which were funded through the use of floating rate facilities, as well as the effect of foreign exchange translation on our U.S. denominated floating rate debt. RioCan has utilized floating interest rate debt for the purpose of interest rate risk management and for flexibility it offers in the execution of investment transactions.

We have temporarily increased our debt levels through the use of operating lines of credit to fund transactions such as the Kimco portfolio acquisition completed during late 2015. It is also our intention to use short-term credit facilities to fund the upcoming redemption of our Series A preferred units on March 31, 2016. The proceeds generated from the anticipated U.S. asset sale will be utilized, in part, to repay these temporary borrowings in order to return our leverage to more normal operating levels.

Debt and Leverage Metrics

RioCan's debt and leverage metrics are tracked and disclosed on a quarterly basis to help facilitate financial statement users' and stakeholders' understanding of RioCan's leverage and its ability to service such leverage. These metrics include interest coverage ratio, debt service coverage ratio, fixed charge coverage ratio, net debt to adjusted EBITDA ratio, net operating debt to operating EBITDA, and unencumbered assets to unsecured debt.

		Rolling 12 months ended			
		IFRS		RioCan's proportionate share	
	Targeted Ratios	**December 31, 2015**	December 31, 2014	**December 31, 2015**	December 31, 2014
Interest coverage ratio (i)	>3.00x	**3.06**	2.92	**3.10**	2.89
Debt service coverage ratio (i)	>2.25x	**2.36**	2.23	**2.39**	2.20
Fixed charge coverage ratio (i)	>1.1x	**1.10**	1.09	**1.12**	1.08
Net debt to Adjusted EBITDA ratio (i)	n/a	**8.35**	8.05	**8.34**	8.09
Net operating debt to Operating EBITDA (i)	<6.5x	**7.94**	7.55	**7.93**	7.67
Distributions as a percentage of AFFO	<90%	**90.4%**	94.5%	**90.4%**	94.5%

		IFRS	
(thousands of dollars) As at		**December 31, 2015**	December 31, 2014
Unencumbered Canadian assets		**$ 3,321,413**	$ 2,553,661
Unsecured debentures		**$ 2,000,000**	$ 1,865,990
% NOI generated from unencumbered assets (iii)		**25.1%**	19.9%
Unencumbered Canadian assets to Unsecured debt (ii)	>200%	**166%**	137%

(i) Refer to section *Non-GAAP Measures* in this MD&A for further details.

(ii) Unencumbered assets to unsecured debt is defined as unencumbered assets divided by unsecured debentures payable.

(iii) Ratio is calculated on a continuing operations basis.

The interest coverage and debt service coverage ratios continued to improve compared to December 31, 2014 primarily reflecting the favourable foreign exchange impact of a strengthening U.S. dollar on earnings from discontinued operations over the prior year.

Net debt to adjusted EBITDA and net operating debt to operating EBITDA have both increased to 8.35 and 7.94 for the year ended December 31, 2015, respectively, as result of higher average debt outstanding during the period. Refer to "net debt and net operating debt" in tables below for further details. As of December 31, 2015, our leverage ratio peaked at 46.1% largely due to the approximate $510 million Kimco portfolio acquisition funded entirely with short-term debt ($774 million purchase price net of in-place mortgages). RioCan intends to repay this debt using a portion of the anticipated proceeds from the U.S. portfolio sale to return the leverage ratio to a projected 39% following closing and repayment of certain debt.

As at December 31, 2015, unencumbered assets to unsecured debt increased to 166%, as compared to 137% as at December 31, 2014, due to an increase in unencumbered assets of $768 million and was partially offset by an increase of $134 million in higher unsecured debentures. The increase in unencumbered assets was primarily due to the repayment of maturing mortgages and higher acquisition of unencumbered assets during the year.

As part of its capital management strategy, it is RioCan's objective to further improve its leverage and coverage ratios. The Trust's objective is to achieve the targeted ratios indicated in the above table over time.

The following tables presents a reconciliation of consolidated net earnings from continuing and discontinued operations attributable to unitholders to Adjusted and Operating EBITDA:

	IFRS					
Year ended December 31,	**2015**			2014		
(thousands of dollars)	Continuing Operations	Discontinued Operations	Total	Continuing Operations	Discontinued Operations	Total
Net earnings attributable to unitholders	**$ 416,892**	**$ (275,129)**	**$ 141,763**	$ 447,008	$ 216,250	$ 663,258
Add (deduct) the following items:						
Income tax expenses:						
Current	**—**	**8,478**	**8,478**	—	—	—
Deferred	**1,290**	**230,474**	**231,764**	50	—	50
Fair value (gains) losses on investment property, net	**91,548**	**147,060**	**238,608**	(34,423)	(113,009)	(147,432)
Foreign exchange gain related to realty taxes (i)	**—**	**(1,176)**	**(1,176)**	—	—	—
Leasing costs	**9,750**	**2,022**	**11,772**	8,693	2,248	10,941
Non-cash unit based compensation expense	**4,741**	**6**	**4,747**	4,075	—	4,075
Interest expense	**186,772**	**49,253**	**236,025**	194,073	40,827	234,900
Expense for early redemption of debentures	**9,929**	**—**	**9,929**	—	—	—
Depreciation and amortization	**4,434**	**221**	**4,655**	4,019	22	4,041
Foreign exchange loss	**—**	**131**	**131**	—	176	176
Transaction (gains) losses, net (ii)	**2,631**	**(7,528)**	**(4,897)**	—	—	—
Target settlement proceeds, net	**(88,267)**	**—**	**(88,267)**	—	—	—
Transaction costs	**8,458**	**3,487**	**11,945**	2,385	368	2,753
Adjusted EBITDA	**$ 648,178**	**$ 157,299**	**$ 805,477**	$ 625,880	$ 146,882	$ 772,762
Adjust: Other transaction gains (iii)	**(5,974)**	**—**	**(5,974)**	(91)	—	(91)
Adjust: Items related to properties under development	**3,337**	**—**	**3,337**	3,498	—	3,498
Operating EBITDA	**$ 645,541**	**$ 157,299**	**$ 802,840**	$ 629,287	$ 146,882	$ 776,169
Net debt and net operating debt is calculated as follows:						
Average debt outstanding			**$ 6,788,647**			$ 6,220,717
Less: average cash on hand			**(60,168)**			(42,462)
Net debt			**6,728,479**			6,178,255
Less: debt related to properties under development (iv)			**(350,577)**			(294,665)
Net Operating Debt			**$ 6,377,902**			$ 5,883,590

(i) Relates to the favourable impact of foreign exchange during the year based on the timing of U.S. realty tax payments.

(ii) Includes primarily a foreign exchange transaction gain realized upon the disposal of our investment in a U.S. joint venture during the year, partly offset by other transaction losses.

(iii) Includes gross proceeds from the sale of residential inventory, net of direct cost of sales, WhiteCastle Funds transaction gains and $1.5 million previously written off straight-line rents related to Target recovered through the settlement proceeds.

(iv) Allocated based on the ratio of Debt to Total Assets.

	RioCan's proportionate share					
Year ended December 31,	**2015**			2014		
(thousands of dollars)	Continuing Operations	Discontinued Operations	Total	Continuing Operations	Discontinued Operations	Total
Net earnings attributable to unitholders	**$ 416,892**	**$ (275,129)**	**$ 141,763**	$ 447,008	$ 216,250	$ 663,258
Add (deduct) the following items:						
Income tax expenses:						
Current	**—**	**8,478**	**8,478**	—	—	—
Deferred	**1,290**	**230,474**	**231,764**	50	—	50
Fair value (gains) losses on investment property, net	**91,546**	**153,106**	**244,652**	(34,230)	(122,573)	(156,803)
Accrued property taxes under IFRIC 21 (i)	**—**	**(1,176)**	**(1,176)**	—	—	—
Leasing costs	**9,750**	**2,022**	**11,772**	8,693	2,248	10,941
Non-cash unit based compensation expense	**4,741**	**6**	**4,747**	4,075	—	4,075
Interest expense	**188,410**	**49,253**	**237,663**	194,262	41,930	236,192
Expense for early redemption of debentures	**9,929**	**—**	**9,929**	—	—	—
Depreciation and amortization	**4,434**	**221**	**4,655**	4,019	22	4,041
Foreign exchange loss	**—**	**131**	**131**	—	176	176
Transaction (gains) losses, net (ii)	**2,631**	**(7,528)**	**(4,897)**	—	—	—
Target settlement proceeds, net	**(88,267)**	**—**	**(88,267)**	—	—	—
Transaction costs	**8,458**	**3,487**	**11,945**	2,385	368	2,753
Adjusted EBITDA	**$ 649,814**	**$ 163,345**	**$ 813,159**	$ 626,262	$ 138,421	$ 764,683
Adjust: Other transaction gains (iii)	**(5,974)**	**—**	**(5,974)**	(91)	—	(91)
Adjust: Items related to properties under development	**3,339**	**—**	**3,339**	3,498	—	3,498
Operating EBITDA	**$ 647,179**	**$ 163,345**	**$ 810,524**	$ 629,669	$ 138,421	$ 768,090
Net debt and net operating debt is calculated as follows:						
Average debt outstanding			**$ 6,841,991**			$ 6,252,813
Less: average cash on hand			**(62,244)**			(44,824)
Net debt			**6,779,747**			6,207,989
Less: debt related to properties under development (iv)			**(350,577)**			(294,665)
Net Operating Debt			**$ 6,429,170**			$ 5,913,324

(i) Relates to the favourable impact of foreign exchange during the year based on the timing of U.S. realty tax payments.

(ii) Includes primarily a foreign exchange transaction gain realized upon the disposal of our investment in a U.S. joint venture during the year, partly offset by other transaction losses.

(iii) Includes gross proceeds from the sale of residential inventory, net of direct cost of sales, WhiteCastle Funds transaction gains and $1.5 million previously written off straight-line rents related to Target recovered through the settlement proceeds.

(iv) Allocated based on the ratio of Debt to Total Assets.

Credit Ratings

RioCan intends to maintain strong debt service coverage and fixed charge coverage ratios as part of its commitment to maintaining its investment-grade debt ratings from Standard and Poor's (S&P) and from Dominion Bond Rating Services Limited (DBRS). A credit rating generally provides an indication of the risk that the borrower will not fulfill its obligations in a timely manner with respect to both interest and principal commitments. Rating categories range from highest credit quality (generally AAA) to default payment (generally D).

As at December 31, 2015, S&P provided RioCan with an entity credit rating of BBB and a credit rating of BBB- relating to RioCan's senior unsecured debentures (Debentures). An obligor with a credit rating of BBB by S&P exhibits adequate capacity to meet its financial obligations, however, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation. A credit rating of BBB- or higher is an investment grade rating.

As at December 31, 2015, DBRS provided RioCan with a credit rating of BBB (high) relating to the Debentures. A credit rating of BBB by DBRS is generally an indication of adequate credit quality, the capacity for the payment of financial obligations is considered acceptable but the entity may be vulnerable to future events.

Revolving Lines of Credit

As at December 31, 2015, we have five revolving lines of credit in place with Canadian Schedule I financial institutions, having an aggregate capacity of $934 million (December 31, 2014 – $718 million). These operating lines provide additional liquidity and

flexibility in support of our continuing operations.

The following table summarizes the details of our Canadian operating lines of credit as at December 31, 2015:

(thousands of dollars)		Amounts drawn				
	Facility maximum loan amount	Cash advances	Letters of credit	Available to be drawn	Interest rates	Maturity
1 (i) (ii)	**$ 450,000**	**$ 215,461**	**$ 9,557**	**$ 224,982**	CDN$ advances – prime plus 0.25% per annum or Bankers' Acceptance rate plus 1.25% per annum; US$ advances – US $ Base Rate plus 0.25% per annum or US$ LIBOR plus 1.25% per annum	April to November 2016
2 (i) (ii)	**130,000**	**95,000**	**19,679**	**15,321**	CDN$ advances – prime plus 0.25% per annum or Bankers' Acceptance rate plus 1.25% per annum; US$ advances – US $ Base Rate plus 0.25% per annum or US$ LIBOR plus 1.25% per annum	June 2017
3 (i) (ii)	**185,000**	**165,826**	**—**	**17,338**	CDN$ advances – prime plus 0.25% per annum or Bankers' Acceptance rate plus 1.25% per annum ; US$ advances – US $ Base Rate plus 0.25% per annum or US$ LIBOR plus 1.25% per annum	December 2016
4 (i) (ii)	**75,000**	**60,000**	**—**	**15,000**	CDN$ advances – prime plus 0.25% per annum or Bankers' Acceptance rate plus 1.25% per annum; US$ advances – US $ Base Rate plus 0.25% per annum or US$ LIBOR plus 1.25% per annum	June 2017
5 (iii)	**93,717**	**27,074**	**—**	**66,643**	CDN$ advances – prime plus 0.25% per annum or Bankers' Acceptance rate plus 1.25% per annum; US$ advances – US $ Base Rate plus 0.25% per annum or US$ LIBOR plus 1.25% per annum	December 2016
	$ 933,717	**$ 563,361**	**$ 29,236**	**$ 339,284**		

(i) Secured by charges against certain income properties. Should the aggregate agreed values for lending purposes of such properties fall to a level that would not support a borrowing of the maximum loan amount, RioCan has the option to provide substitute income properties as additional security.

(ii) Subject to meeting certain conditions, these loans can be extended for a further year on same terms and conditions.

(iii) Line of credit has an aggregate borrowing capacity of $67.5 million in either US or Canadian dollars.During January 2016, we amended the terms of two existing operating lines to temporarily increase the Trust's borrowing capacity by $300 million to a total of $1.2 billion. The additional operating line capacity was used to fund the Kimco property acquisitions and is anticipated to be used to redeem the Series A preferred units at the end of March 2016.

Debentures Payable

We have the following series of senior unsecured debentures outstanding as at December 31, 2015 in connection with our Canadian continuing operations:

Series	Maturity date	Coupon rate	Interest payment frequency	Principal amount
P	March 1, 2017	3.80%	Semi-annual	$ 150,000
S	March 5, 2018	2.87%	Semi-annual	250,000
Q	June 28, 2019	3.85%	Semi-annual	350,000
U	June 1, 2020	3.62%	Semi-annual	150,000
R	December 13, 2021	3.72%	Semi-annual	250,000
V	May 30, 2022	3.75%	Semi-annual	250,000
T	April 18, 2023	3.73%	Semi-annual	200,000
W	February 12, 2024	3.29%	Semi-annual	300,000
I	February 6, 2026	5.95%	Semi-annual	100,000
				$ 2,000,000

As at December 31, 2015, RioCan had debentures outstanding totalling $2.0 billion, net of unamortized debt financing costs (December 31, 2014 – $1.9 billion).

The debentures have covenants relating to our 60% leverage limit to Aggregate Assets as set out in RioCan's Declaration, the maintenance of a $1.0 billion Adjusted Book Equity, defined in the indenture, and maintenance of an interest coverage ratio of 1.65 times or better. There are no requirements under the unsecured debenture covenants that require RioCan to maintain unencumbered assets. The Series I debentures, which are due in 2026 and aggregate $100 million, have an additional provision that provides RioCan with the right, at any time, to convert these debentures to mortgage debt, subject to the acceptability of the security given to the debenture holders. In such an event, the covenants relating to the 60% leverage limit, minimum book equity and interest coverage ratio would be eliminated for this series of debenture.

Issuances

- On February 12, 2015, we issued $300 million of Series W senior unsecured debentures, which mature on February 12, 2024 and carry a coupon of 3.287%.
- On April 2, 2015, we issued an additional $175 million of its 3.85% Series Q senior unsecured debentures with an effective rate to maturity of 2.04%, due June 28, 2019.

Redemptions

- On March 9, 2015, RioCan redeemed its US$100 million 4.10% Series N senior unsecured debentures due September 21, 2015 (the Series N Debentures).
- On March 11, 2015, RioCan redeemed its $225 million 4.499% Series O Debentures due January 21, 2016.

Refer to note 11 of the 2015 Annual Consolidated Financial Statements for further details.

Changes in the carrying amount of debentures resulted primarily from the following:

	Three months ended December 31,		Year ended December 31,	
(thousands of dollars)	**2015**	2014	**2015**	2014
Balance, beginning of period	**$ 2,000,000**	$ 1,861,451	**$ 1,865,990**	$ 1,456,401
Issuances	**—**	—	**475,000**	400,000
Repayments	**—**	—	**(349,900)**	—
Foreign currency translation	**—**	4,540	**8,910**	9,590
Contractual obligations	**2,000,000**	1,865,991	**2,000,000**	1,865,991
Unamortized debt financing costs	**66**	(9,490)	**66**	(9,490)
Balance, end of period	**$ 2,000,066**	$ 1,856,501	**$ 2,000,066**	$ 1,856,501

Mortgages Payable and Lines of Credit

Canadian mortgages payable and lines of credit (including mortgages on Canadian properties held for sale) consist of the following:

As at	**December 31, 2015**	December 31, 2014
Mortgages payable and lines of credit (i)	**$ 4,164,669**	$ 4,566,096
Mortgages on Canadian properties held for sale	**23,968**	20,968
	$ 4,188,637	$ 4,587,064
Fixed rate mortgages	**$ 3,230,492**	$ 4,089,755
Floating rate mortgages	**214,134**	260,285
Floating rate operating lines	**561,389**	120,681
Construction financing and other floating rate facilities	**182,622**	116,343
	$ 4,188,637	$ 4,587,064

(i) Included in mortgages payable and lines of credit as at December 31, 2014 are carrying amounts of mortgages on U.S. properties.

The weighted average contractual and effective rates for fixed and floating rate mortgages payable and lines of credit (including mortgages on Canadian properties held for sale) are as follows:

	Contractual		Effective	
As at December 31,	**2015**	2014 (i)	**2015**	2014 (i)
Fixed rate	**4.17%**	4.50%	**4.36%**	4.61%
Floating rate	**1.79%**	1.95%	**1.79%**	1.96%
Total	**3.63%**	4.34%	**3.71%**	4.46%

(i) Includes weighted average interest rates related to mortgages associated with U.S. properties.

During the three months and year ended December 31, 2015, RioCan had new mortgage borrowings and operating line draws for both its Canadian and U.S. operations as follows:

	Three months ended December 31, 2015			Year ended December 31, 2015		
(thousands of dollars, except other data)	Contractual Amount	Weighted average contractual interest rate	Average term to maturity in years	Contractual Amount	Weighted average contractual interest rate	Average term to maturity in years
New borrowings:						
Fixed rate term mortgages – Canada	$ **9,900**	**2.46%**	**4.90**	$ **343,776**	**2.86%**	**5.57**
Fixed rate term mortgages – U.S.	**14,262**	**3.25%**	**2.90**	**268,094**	**3.46%**	**6.10**
Construction financing	**10,248**	**2.79%**	**1.28**	**43,140**	**2.60%**	**1.49**
Operating lines of credit	**461,296**	**2.09%**	**0.81**	**767,296**	**2.03%**	**0.85**
Other bank loans	**—**	**—**	**—**	**50,000**	**1.25%**	**—**
New borrowings	$ **495,706**	**2.14%**	**—**	$ **1,472,306**	**2.48%**	**—**
Aggregate new borrowings debt at:						
Fixed rate debt	$ **24,162**	**2.93%**	**3.72**	$ **611,870**	**3.12%**	**5.80**
Floating rate debt	**471,544**	**2.11%**	**0.82**	**860,436**	**2.02%**	**0.83**
Aggregate new borrowings debt	$ **495,706**	**2.14%**	**—**	$ **1,472,306**	**2.48%**	**—**

Changes in the carrying amount of the Canadian and U.S. mortgages payable and lines of credit resulted primarily from the following:

	Three months ended December 31,		Year ended December 31,	
(thousands of dollars)	**2015**	2014	**2015**	2014
Contractual obligations, beginning of period	$ **4,661,538**	$ 4,574,305	$ **4,576,115**	$ 4,499,278
New Borrowings:				
Fixed rate term mortgages – Canada	**9,900**	98,450	**343,776**	161,774
Fixed rate term mortgages – U.S.	**14,262**	—	**268,094**	91,493
Floating rate term mortgages – Canada	**—**	—	**—**	3,845
Construction lines	**10,248**	16,343	**43,140**	19,803
Advances on operating line of credit	**461,296**	62,027	**767,296**	231,003
Other bank loans	**—**	—	**50,000**	100,000
Principal repayments:				
Scheduled amortization	**(19,046)**	(20,742)	**(78,245)**	(82,933)
Operating lines of credit	**(26,529)**	(111,933)	**(341,830)**	(276,038)
At maturity: Fixed rate term mortgages	**(16,446)**	(95,867)	**(608,616)**	(222,899)
Floating rate term mortgage	**—**	—	**—**	(55,534)
Construction financing	**(15,088)**	—	**(17,334)**	(48,700)
Disposed on the sale of properties	**—**	—	**(155,117)**	—
Assumed on the acquisition of properties	**262,802**	1,836	**286,986**	48,092
Foreign currency translation	**55,705**	51,696	**264,377**	106,931
Contractual obligations, end of period	**5,398,642**	4,576,115	**5,398,642**	4,576,115
Unamortized differential between contractual and market interest rates on liabilities assumed at the acquisition of properties	**31,626**	25,064	**31,626**	25,064
Unamortized debt financing costs	**(16,964)**	(14,115)	**(16,964)**	(14,115)
Balance, end of period	$ **5,413,304**	$ 4,587,064	$ **5,413,304**	$ 4,587,064
Less: Mortgages associated with U.S. properties held for sale	**1,224,667**	—	**1,224,667**	—
	$ **4,188,637**	$ 4,587,064	$ **4,188,637**	$ 4,587,064

At the outset of 2015, RioCan had $618 million of mortgage principal maturing in 2015 at a weighted average contractual interest rate of 4.55%. For the year ended December 31, 2015, RioCan secured new term mortgage borrowings of $612 million at a weighted average interest rate of 3.12% and an average term of 5.8 years. For 2015, repayments of maturing mortgage balances and scheduled amortization amounted to $687 million.

Hedging Activities

Interest rate risk

As at December 31, 2015, the outstanding notional amount of the floating-to-fixed interest rate swaps was $993 million (December 31, 2014 – $797 million) and the term to maturity of these agreements ranges from February 2016 to August 2022. We assess the effectiveness of the hedging relationship on a quarterly basis and have determined there is no ineffectiveness in the hedging of its interest rate exposure as at December 31, 2015.

Refer to note 23 of the 2015 Annual Consolidated Financial Statements for further details.

Foreign currency risk

Our primary exposure to foreign currency risk is related to our net investment in the U.S. For further details, refer note 23 to the 2015 Annual Consolidated Financial Statements.

Canadian Debt Profile

As at December 31, 2015, RioCan's Canadian Aggregate Debt had a 3.55 year weighted average term to maturity (December 31, 2014 – 3.95 years) bearing interest at a weighted average contractual interest rate of 3.65% (December 31, 2014 – 4.04%). As at December 31, 2015, 15.5% of the Trust's Canadian Aggregate Debt is at floating interest rates compared to 7.7% at December 31, 2014.

RioCan's Canadian fixed and floating rate debt as a percentage of total Aggregate Debt and term to maturity are as follows:

As at December 31, 2015	Aggregate debt	Percentage of total RioCan's aggregate debt	Weighted average term to maturity in years
Aggregate debt at:			
Fixed rate debt	$ **5,230,558**	**84.5%**	**3.91**
Floating rate debt	**958,145**	**15.5%**	**1.58**
Aggregate debt	$ **6,188,703**	**100%**	**3.55**

We have temporarily increased our debt levels through the use of operating lines of credit to fund transactions such as the Kimco portfolio acquisition completed during 2015. It is also our intention to use such credit facilities to fund the upcoming redemption of our Series A preferred units on March 31, 2016. The proceeds generated from the anticipated U.S. asset sale will be used, in part, to repay these temporary borrowings in order to return our leverage to more normal operating levels.

The weighted average contractual and effective rates for Canadian fixed and floating aggregate debt including mortgages payable, mortgages on Canadian properties held for sale, lines of credit and debentures are as follows:

	Contractual		Effective	
As at December 31,	**2015**	2014	**2015**	2014
Fixed rate	**3.90%**	4.21%	**3.92%**	4.36%
Floating rate	**1.79%**	1.97%	**1.80%**	1.97%
Total	**3.65%**	4.04%	**3.71%**	4.18%

RioCan's Canadian debt maturity profile and future repayments are as outlined below:

(thousands of dollars, except percentage amounts)	Contractual principal maturities and interest rates (i)										
	Fixed rate		Floating rate								
As at December 31, 2015	Mortgages payable	Weighted average interest rate	Mortgages payable, bank loans and lines of credit	Weighted average interest rate	Scheduled principal amortization	Total mortgages payable, bank loans and lines of credit	Weighted average interest rate	Debentures payable	Weighted average interest rate	Total mortgages, bank loans, lines of credit and debentures payable	Weighted average interest rate
Year ending December 31:											
2016	**$ 565,602**	**4.57%**	**$ 549,530**	**1.77%**	**$ 61,780**	**$ 1,176,912**	**3.18%**	**$ —**	**—%**	**$ 1,176,912**	**3.18%**
2017	**723,813**	**4.13%**	**173,080**	**2.12%**	**49,094**	**945,987**	**3.75%**	**150,000**	**3.80%**	**1,095,987**	**3.76%**
2018	**507,584**	**3.77%**	**—**	**—%**	**34,854**	**542,438**	**3.77%**	**250,000**	**2.87%**	**792,438**	**3.49%**
2019	**268,348**	**4.21%**	**237,856**	**1.59%**	**26,782**	**532,986**	**3.07%**	**350,000**	**3.85%**	**882,986**	**3.38%**
2020	**434,386**	**3.94%**	**—**	**—%**	**16,686**	**451,072**	**3.94%**	**150,000**	**3.62%**	**601,072**	**3.86%**
Thereafter	**516,846**	**4.46%**	**—**	**—%**	**7,599**	**524,445**	**4.46%**	**1,100,000**	**3.81%**	**1,624,445**	**4.02%**
	$ 3,016,579	**4.17%**	**$ 960,466**	**1.79%**	**$ 196,795**	**$ 4,173,840**	**3.63%**	**$ 2,000,000**	**3.68%**	**$ 6,173,840**	**3.65%**
Unamortized differential between contractual and market interest rates on liabilities assumed at the acquisition of properties										**22,050**	
Unamortized debt financing costs										**(7,187)**	
Balance										**$ 6,188,703**	

(i) Amounts for 2016 also include due on demand facilities.

As at December 31, 2015, our mortgages payable, lines of credit and mortgages associated with Canadian properties held for sale was $4.2 billion ($4.6 billion as at December 31, 2014). The vast majority of our Canadian mortgage indebtedness provides recourse to the assets of the Trust, as opposed to only having recourse to the specific property charged. We follow this policy as it generally results in lower interest costs than would otherwise be obtained.

Trust Units

As at December 31, 2015, there are 322 million common trust units outstanding. All common units outstanding have equal rights and privileges and entitle the holder to one vote for each unit at all meetings of Unitholders. During the three months and year ended December 31, 2015 and 2014, we issued common units as follows:

	Three months ended December 31,		Year ended December 31,	
(number of units in thousands)	**2015**	2014	**2015**	2014
Units outstanding, beginning of period (i)	**321,051**	307,465	**315,986**	304,075
Units issued:				
Public offerings	**—**	4,800	**—**	4,800
Distribution reinvestment plan	**1,420**	2,468	**5,443**	4,738
Direct purchase plan	**12**	19	**35**	42
Unit option plan	**—**	1,234	**1,019**	2,331
Units outstanding, end of period (i)	**322,483**	315,986	**322,483**	315,986

(i) Included in units outstanding are exchangeable limited partnership units of three limited partnerships that are subsidiaries of the Trust (the "LP units") which were issued to vendors, as partial consideration for income properties acquired by RioCan (December 31, 2015 – 1,137,871 LP units, December 31, 2014 – 1,137,871 LP units). RioCan is the general partner of the limited partnerships. The LP units are entitled to distributions equivalent to distributions on RioCan units, must be exchanged for RioCan units on a one-for-one basis and are exchangeable at any time at the option of the holder.

During the year ended December 31, 2015, 5.4 million units were issued pursuant to the Trust's distribution reinvestment plan compared to 4.7 million units during the same period in 2014. For 2015, we generated $143 million (2014 - $122 million) through our common unit DRIP program, representing a DRIP participation rate of 31.5% compared to 28.1% in 2014. The generation of this additional capital supports our growth strategy and provides liquidity in support of RioCan's development program, where there has been a substantial increase in activity since 2014 on multiple projects. Our objective is for this increased level of activity to continue for 2016 and for several years thereafter, with an increased focus on urban retail and mixed-use developments including a residential component.

As of February 17, 2016, there are 324 million common units issued and 9.0 million unit options issued and outstanding under the Trust's incentive unit option plan.

Unit Options

The Trust provides long-term incentives to certain employees by granting options through the Plan. The objective of granting unit-based compensation is to encourage Plan members to acquire an ownership interest in RioCan over time and provides a financial incentive for such persons to act in the long-term interests of RioCan and its unitholders. The exercise price for each option is equal to the volume weighted average trading price of the units on the Toronto Stock Exchange for the five trading days immediately preceding the date of grant except for those options granted prior to May 27, 2009 which have an exercise price equal to the closing price of our units on the date prior to the day the option was granted.

During 2015, our Unitholders approved an increase to the number of authorized unit options available for grant under RioCan's incentive unit option plan of 10.6 million. The Unitholders also approved a modification to the unit option plan that set the maximum aggregate number of unit options issuable thereunder (for purposes of satisfying the exercise of currently outstanding options together with future grants, and no longer capturing unit options previously granted and exercised or cancelled) to 22 million. Accordingly, as at December 31, 2015, we are authorized to issue up to a maximum of 22 million unit options. As at December 31, 2015, 22.0 million units remain available for grant under the Plan (December 31, 2014 – 3.3 million units).

During the year ended December 31, 2015, 1.0 million units were issued pursuant to exercises of the incentive unit options, compared to 2.3 million units exercised during the same period in 2014.

New executive compensation plan

In February 2015, the Trust granted performance equity units (PEUs) under the performance equity unit plan (PEU Plan) with a 3-year performance period effective January 1, 2015 for senior executives. The implementation of the new PEU Plan will reduce the proportion of long-term incentives granted through unit options through replacement with an equivalent value of PEUs. PEUs will be subject to both internal and external measures consisting of both absolute and relative performance. Subject to performance, PEUs granted during February 2015 vest in February 2018, and are cash settled.

The Trust accounts for this plan under the fair value method of accounting which uses the Monte-Carlo simulation pricing model to determine the fair value of market-based awards. The Monte-Carlo simulation pricing model uses the same input assumptions as the Black-Scholes model; however, it allows for the incorporation of the market-based performance hurdles that must be met before the PEU vests in the holder. Pursuant to IFRS, compensation costs related to awards with a market-based condition are recognized regardless of whether the market condition is satisfied, provided that the requisite service has been provided and all performance conditions have been satisfied.

Trustees' restricted equity unit plan

The Trustees' restricted equity unit plan provides for an allotment of restricted equity units (REUs) to each non-employee trustee (member). The value of REUs allotted appreciates or depreciates with increases or decreases in the market price of our units. Members are also entitled to be credited with REUs for distributions paid in respect of units of the Trust based on an average market price of the units as defined by the plan. REUs vest and are settled three years from the date of issue by a cash payment equal to the number of vested REUs credited to the member based on an average market price of the Trust's units at the settlement date.

Effective May 28, 2014, this plan has been replaced by the Trustees' deferred equity unit plan as the form of unit-based incentive compensation to Trustees as discussed below.

For the year ended December 31, 2015, the Trustees' restricted equity unit plan expense was $0.4 million (2014 - $0.8 million) and was recorded in general and administrative expenses on the consolidated statement of earnings.

Trustees' deferred equity unit plan

On May 28, 2014, the Board of Trustees approved the adoption of a deferred unit plan for our non-employee Trustees (Participants) to further align the interests of the Trustees of RioCan and its unitholders.

Participants may be awarded deferred units, each of which are economically equivalent to one unit, from time to time at the discretion of the Board of Trustees upon recommendation from management, subject to a maximum annual grant not to exceed that number of deferred units which is $150,000 divided by the average market price of a unit on the award date. Participants may also elect to receive up to 100% of his or her annual retainer and meeting fees for a calendar year otherwise payable in cash in the form of deferred units.

For the year ended December 31, 2015, the Trustees' deferred equity unit plan expense was $1.3 million (2014 - $1.2 million) and was recorded in general and administrative expenses on the consolidated statement of earnings.

Normal course issuer bid

On August 5, 2015, RioCan announced the TSX approval of its notice of intention to make a normal course issuer bid (NCIB) for a portion of its units as appropriate opportunities arise from time to time. Refer to note 13 in our 2015 Annual Consolidated Financial Statements for further details.

Preferred Units

On December 6, 2010, the Trust's Declaration was amended and restated to permit the future authorization and issuance of a class of preferred equity securities. We believe that preferred units provide us with further enhanced ability to more actively pursue value enhancing opportunities and acquisitions by providing greater flexibility in raising capital. In addition, the preferred units potentially provide us with an opportunity to reduce our cost of capital.

In the first quarter of 2011, the Trust issued 5 million 5.25% Preferred Units, Series A (Series A Units) at a price of $25 per unit for aggregate gross proceeds of $125 million. Also, on November 20, 2011, we issued 5.98 million 4.7% Preferred Trust Units, Series C at a price of $25 per unit for aggregate gross proceeds of $149.5 million. S&P and DBRS provided credit ratings for the Preferred Units, Series A and Preferred Units, Series C Units of the Trust. The Preferred Units, Series A and Preferred Units, Series C Units have both been assigned a rating of "Pfd-3 (high)" by DBRS and a rating of "P-3 (high)" by S&P. DBRS has five rating categories of preferred shares for which it will assign a rating. The ''Pfd-3'' rating is the third highest category available from DBRS for preferred securities and is considered to be of adequate credit quality.

According to DBRS, preferred securities rated ''Pfd-3''are of adequate credit quality and while protection of distributions an principal is still considered acceptable, the issuing entity is more susceptible to adverse changes in financial and economic conditions, and there may be other adverse conditions present which detract from debt protection. Pfd-3 ratings generally correspond with companies whose senior bonds are rated in the higher end of the BBB category. A "P-3 (High)" rating by S&P is the third of the three sub-categories within the second highest rating of the eight standard categories of ratings utilized by S&P for preferred units. "High" and "low" grades may be used to indicate a relative standing of a credit within a particular rating category.

During February 2016, we announced that the Trust will be exercising its option to redeem all 5 million outstanding Series A preferred units on March 31, 2016 for total redemption proceeds of $125 million or $25 per Series A Unit.

Guarantees

As at December 31, 2015, the estimated amount of debt subject to guarantees and, therefore, the maximum exposure to credit risk is approximately $296 million with expiries between 2016 and 2034 (December 31, 2014 - $470 million). During 2015, we acquired Kimco's interest in a portfolio of 23 properties, which reduced our maximum exposure to loss under guarantee contracts by $119 million.

As at December 31, 2015 and during 2015 there have been no defaults by the primary obligors for debts on which we have provided guarantees and, as a result, no contingent loss on these guarantees has been recognized in our consolidated financial statements.

The parties on behalf of which RioCan has outstanding guarantees are as follows:

(thousands of dollars) As at		**December 31, 2015**		December 31, 2014
Partners and co-owners				
Kimco	**$**	**45,382**	$	164,326
Trinity		**52,537**		60,952
Other		**99,112**		84,376
	$	**197,031**	$	309,654
Assumption of mortgages by purchasers on property dispositions				
Retrocom Mid-Market REIT	**$**	**—**	$	34,507
Devimco		**58,035**		65,830
CREIT		**15,366**		44,873
Other		**25,600**		14,748
	$	**296,032**	$	469,612

Liquidity

Liquidity refers to the Trust having and/or generating sufficient amounts of cash and equivalents to fund the ongoing operational commitments, distributions to unitholders and planned growth in the business.

RioCan retains a portion of its operating cash flows to help fund ongoing maintenance capital expenditures, tenant installation costs and long term unfunded contractual obligations, among other items.

Cash on hand, borrowings under the revolving credit facilities, construction financing facilities, the equity and debt capital markets and the potential sale of assets also provide the necessary liquidity to fund ongoing and future capital expenditures and obligations.

At December 31, 2015 RioCan had:

- $83 million of cash;
- $339 million of cash available under undrawn bank lines of credit;
- $167 million of cash available under undrawn construction facilities;
- Indebtedness, net of cash, was 46.1% of total assets, net of cash, based on fair value (47.8% including our outstanding preferred unit capital as debt); and
- 119 unencumbered Canadian properties with a fair value of $3.3 billion.

Unitholder distributions reinvested through the distribution reinvestment and direct purchase plans result in the issuance of units, as opposed to a cash outlay, thereby providing an additional source of capital to fund RioCan's activities, refer to *Distributions to Unitholders* section in this MD&A for further discussion.

RioCan's liquidity profile is as follows:

(thousands of dollars)	IFRS				RioCan's proportionate share			
As at		**December 31, 2015**		December 31, 2014		**December 31, 2015**		December 31, 2014
Cash and equivalents	**$**	**83,318**	$	56,273	**$**	**85,336**	$	59,606
Undrawn lines of credit		**339,284**		565,000		**339,284**		565,000
Liquidity	**$**	**422,602**	$	621,273	**$**	**424,620**	$	624,606
Contractual debt:								
Debentures payable	**$**	**2,000,000**	$	1,865,990	**$**	**2,000,000**	$	1,865,990
Mortgages payable, mortgages on Canadian properties held for sale and lines of credit		**4,173,840**		4,575,775		**4,238,544**		4,615,565
U.S. properties held for sale		**1,224,802**		—		**1,224,802**		—
Total contractual debt	**$**	**7,398,642**	$	6,441,765	**$**	**7,463,346**	$	6,481,555
Percentage of total contractual debt:								
Liquidity		**5.7%**		9.6%		**5.7%**		9.6%
Unsecured debt		**27.0%**		29.0%		**26.8%**		28.8%
Secured debt		**73.0%**		71.0%		**73.2%**		71.2%

Our liquidity is impacted by contractual debt commitments and forecasted development expenditures on active projects. Our contractual debt commitments and development expenditures at December 31, 2015 are as follows:

(thousands of dollars)	2016	2017	2018	2019	2020	Thereafter	Total
Contractual obligations:							
Mortgages payable and lines of credit (i)	1,176,912	945,987	542,438	532,986	451,072	524,445	4,173,840
Unsecured debentures	—	150,000	250,000	350,000	150,000	1,100,000	2,000,000
Lease commitments	4,228	3,931	4,089	3,888	3,549	26,382	46,067
Total	$ 1,181,140	$ 1,099,918	$ 796,527	$ 886,874	$ 604,621	$ 1,650,827	$ 6,219,907
Estimated development expenditures:							
Active developments (ii)	183,921	282,642	260,819	—	—	882,854 (iii)	1,610,236
Total	$ 1,365,061	$ 1,382,560	$ 1,057,346	$ 886,874	$ 604,621	$ 2,533,681	$ 7,830,143

(i) Excludes mortgages associated with U.S. properties held for sale.

(ii) Represents our estimated costs to complete properties both currently under development and planned future developments. These costs will only be committed once leases are signed and/or construction activities are underway.

(iii) Represents forecasted development expenditures from years 2019 to 2021.

The Trust's contractual debt obligations and estimated development expenditures can be funded by net proceeds from the sale of non-core assets, existing cash or operating lines, the issuance of unsecured debentures and equity units, or construction financing.

In addition, our debt strategy has resulted in an unencumbered asset pool with an approximate fair value of $3.3 billion as at December 31, 2015, which can generate additional liquidity, if needed. Also, a portion of the anticipated net proceeds from the sale of our U.S. portfolio will be used to repay operating lines and other debt obligations to further strengthen our balance sheet by reducing overall debt leverage to approximately 39% following the disposal and repayment of certain debt obligations, on a pro forma basis, as compared to 46.1% at December 31, 2015.

Unencumbered Canadian Assets

As at December 31, 2015, our debt strategy has resulted in approximately 25.1% of Canadian NOI being generated by unencumbered assets, providing us with access to a pool of assets for obtaining additional secured debt. The fair value of the unencumbered income property assets as at December 31, 2015 is estimated at approximately $3.0 billion, comprising 107 properties, or 20.8% of the fair value of income properties as compared to 89 properties with a fair value of $2.5 billion as at December 31, 2014. In addition to the unencumbered income property assets, we have 12 unencumbered properties under development with a fair value of $335 million as at December 31, 2015, bringing the total fair value of unencumbered assets to approximately $3.3 billion.

The table below presents RioCan's interest in assets at fair value that are available to it to finance and/or refinance for debt maturing in 2016 and 2017:

		Fair Value of Income Properties as at	Principal balance of debt maturing	
(thousands of dollars)	Number of Properties	**December 31, 2015**	**2016**	2017
Unencumbered income property assets	107	**$ 2,986,174**	**$ —**	$ —
Unencumbered development property assets	12	**335,239**	**—**	—
Unencumbered assets	119	**3,321,413**	**—**	—
Encumbered assets with debt maturing in 2016	27	**1,143,544**	**484,986**	—
Encumbered assets with debt maturing in 2017	28	**1,593,753**	**—**	677,194
Total		**$ 6,058,710**	**$ 484,986**	$ 677,194

RioCan has the continued flexibility to generate additional funds in 2016 through refinancing maturing loan balances as well as repaying such balances to increase the size of RioCan's pool of unencumbered assets. As at December 31, 2015, RioCan had 119 properties that were unencumbered with a fair value of approximately $3.3 billion.

Considering our current levels of cash, the anticipated closing of the U.S. sale, undrawn credit facilities, unencumbered asset pool, relatively low leverage and demonstrated historical access to debt capital markets, we expect that all maturities will be refinanced or repaid in the normal course of business, and as such, do not anticipate that we will be required to sell assets (other than the U.S. portfolio) and/or issue equity to meet our maturing debt obligations in 2016.

Distributions to Unitholders

RioCan qualifies as a mutual fund trust and a REIT for Canadian income tax purposes. We expect to distribute all of our taxable income to unitholders and are entitled to deduct such distributions for Canadian income tax purposes. Accordingly, no provision for current income taxes payable is required, except for amounts incurred in our incorporated Canadian subsidiaries.

The Trust's U.S. subsidiary qualifies as a REIT for U.S. income tax purposes. This subsidiary expects to distribute all of its U.S. taxable income (if any) to Canada and is entitled to deduct such distributions for U.S. income tax purposes. Accordingly, no provision for U.S. income tax payable is required. Our U.S. subsidiary is subject to a 30% or 35% withholding tax on distributions to Canada. Any withholding taxes paid are recorded as distributions or current income tax expense, depending on whether the withholding tax is passed onto unitholders or deducted for Canadian tax purposes.

Any withholding tax related to the sale of our U.S. portfolio is intended to be deducted for Canadian tax purposes. We consolidate certain wholly owned incorporated entities that are subject to tax. The tax disclosures, expense and deferred tax balances relate only to these entities.

If we were to cease to qualify as a REIT for Canadian income tax purposes, certain distributions would not be deductible in computing income for Canadian income tax purposes and we would be subject to tax on such distributions at a rate substantially equivalent to the general corporate income tax rate. Other distributions would generally continue to be treated as returns of capital to unitholders.

We expect to distribute to our unitholders in each year an amount not less than our taxable income for the year, as calculated in accordance with the *Income Tax Act (Canada)* after all permitted deductions have been taken.

From year to year, the taxability of the Trust's distributions may fluctuate depending upon the timing of recognition of certain gains and losses based on the activities of the Trust.

Our monthly distribution in 2015 was $0.1175 per unit representing $1.41 per unit on an annualized basis. Distributions to Unitholders are as follows:

(thousands of dollars, except when otherwise noted)

Year ended December 31,		**2015**		2014
Distributions declared to Unitholders	**$**	**453,094**	$	433,274
Distributions reinvested through the distribution reinvestment plan		**(142,715)**		(121,564)
Distributions to common Unitholders, net of distribution reinvestment plan	**$**	**310,379**	$	311,710
Distribution reinvestment plan participation rate		**31.5%**		28.1%

Difference between cash flows provided by operating activities and distributions to Unitholders

A comparison of distributions to Unitholders with cash flows provided by operating activities and distributions, net of our distribution reinvestment plan, is as follows:

(thousands of dollars)

Year ended December 31,		**2015**		2014
Cash flows provided by operating activities	**$**	**609,255**	$	501,694
Adjust for:				
Changes in non-cash operating items		**3,507**		(815)
Adjusted operating cash flow (i)		**612,762**		500,879
Deduct: Distributions paid to Unitholders		**452,329**		433,100
Excess of adjusted operating cash flow over distributions to Unitholders		**160,433**		67,779
Add back: Distributions reinvested through the distribution reinvestment plan		**142,715**		121,564
Excess of adjusted operating cash flow over distributions, net of distribution reinvestment plan	**$**	**303,148**	$	189,343

(i) The year ended December 31, 2015 includes an expense for early redemption of debenture of $9.9 million.

In determining the annual level of distributions to Unitholders, we consider forward-looking cash flow information including forecasts and budgets and the future business prospects of the Trust. Furthermore, RioCan does not consider periodic cash flow fluctuations resulting from working capital items such as the timing of property operating costs and tax installments, and semi-annual debenture and mortgages payable interest payments in determining the level of distributions to Unitholders in any particular period. In determining the annual level of distributions to Unitholders, RioCan also considers the impact of its distribution reinvestment plan on its ability to sustain current distribution levels during the current period and on a rolling twelve month basis.

Additionally, in establishing the level of cash distributions to Unitholders we consider the impact of, among other items, the future growth in the income producing portfolio, the current interest rate environment and cost of capital, completion of properties under development, impact of future acquisitions and capital expenditures and leasing related to the income producing portfolio. Distributions to Unitholders are expected to continue to be funded by cash flows generated from our real estate investments and fee generating activities.

The Trust does not use net earnings in accordance with IFRS as the basis to establish the level of Unitholders' distributions as net earnings include, among other items, non-cash fair value adjustments related to its investment property portfolio and deferred income taxes. In establishing the level of annual distributions to Unitholders, consideration is given by RioCan to the level of cash flow from operating activities, which includes, among other items, capital expenditures for the property portfolio and preferred unitholder distributions.

A portion of the funds generated from the U.S. sale will be used to repay the debt that was incurred with the acquisition of Kimco's interest in 23 of our co-owned properties, which has effectively replaced a significant portion of the income from the U.S.

portfolio. The remaining funds will be used to further strengthen our balance sheet by repaying debt immediately following the U.S. portfolio sale and reinvesting in our Canadian operations as required. Accordingly, we expect to maintain adequate cash flows to fund our Unitholder distributions.

SELECTED QUARTERLY INFORMATION

(millions of dollars, except per unit amounts)	**2015 (i)**				2014 (i)			
As at and for the quarter ended	**Q4**	**Q3**	**Q2**	**Q1**	Q4	Q3	Q2	Q1
Total revenue (ii)	**$ 429**	**$ 321**	**$ 322**	**$ 331**	$ 316	$ 307	$ 303	$ 307
Net earnings (loss) (iii)	**(178)**	**145**	**86**	**90**	173	162	159	172
Net earnings (loss) per unit:								
– Basic	**(0.56)**	**0.44**	**0.26**	**0.27**	0.54	0.51	0.51	0.55
– Diluted	**(0.56)**	**0.44**	**0.26**	**0.27**	0.54	0.51	0.50	0.55
OFFO	**142**	**140**	**136**	**138**	130	134	127	127
OFFO per Unit	**0.44**	**0.44**	**0.43**	**0.44**	0.42	0.43	0.42	0.42
Total assets	**15,996**	**15,255**	**15,104**	**15,083**	14,677	14,392	13,945	13,784
Total mortgages payable, mortgages payable held for sale and debentures payable	**7,413**	**6,667**	**6,732**	**6,687**	6,444	6,438	6,170	6,094
Total common unitholder distributions	**116**	**113**	**112**	**112**	110	109	108	108
Total common unitholder distributions per unit	**$ 0.3525**	**$ 0.3525**	**$ 0.3525**	**$ 0.3525**	$ 0.3525	$ 0.3525	$ 0.3525	$ 0.3525
DRIP participation rate	**30.1%**	**35.1%**	**29.8%**	**30.6%**	29.0%	28.8%	25.6%	27.8%
Net book value per unit (iv)	**$ 23.76**	**$ 24.58**	**$ 24.19**	**$ 24.39**	$ 24.06	$ 23.71	$ 23.39	$ 23.28
Non-resident ownership of units (v)								
– Canadian	**80.0%**	**76.3%**	**69.4%**	**69.2%**	72.1%	74.9%	75.0%	74.1%
– Non-resident	**20.0%**	**23.7%**	**30.6%**	**30.8%**	27.9%	25.1%	25.0%	25.9%

(i) 2015 and 2014 selected quarterly information shown has not been restated to exclude results from discontinued operations in respect of the Trust having entered an agreement to sell its U.S. retail portfolio to Blackstone.

(ii) Includes rental revenue, property and asset management fees, interest income and other income.

(iii) Refer to RioCan's respective annual and interim MD&As issued for a discussion and analysis relating to those periods.

(iv) A non-GAAP measurement. Calculated by RioCan as common unitholders' equity divided by the number of units outstanding at the end of the reporting period. RioCan's method of calculating net book value per unit may differ from other issuers' methods and, accordingly, may not be comparable to net book value per unit reported by other issuers.

(v) Estimates based on mailing addresses on record at the end of each reporting period.

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

Our significant accounting policies are described in note 3 of RioCan's audited 2015 Annual Consolidated Financial Statements. The preparation of financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from those estimates under different assumptions and conditions.

Our critical accounting judgments, estimates and assumptions relate to the following areas: fair value, the recognition and valuation of deferred tax assets and liabilities, capitalization of costs to investment property, determination of significant influence over equity investees, classification of disposal groups and discontinued operations and the determination of the type of lease where we are the lessor. Our critical accounting policies and estimates have been reviewed and approved by our Audit Committee, in consultation with senior management, as part of their review and approval of our significant accounting policies and judgments.

Fair value

Fair value is the amount at which an item could be bought or sold in a current transaction between independent, knowledgeable willing parties, as opposed to a forced or liquidation sale, in an arm's length transaction under no compulsion to act.

Quoted market prices in active markets are the best evidence of fair value and are used as the basis for fair value measurement, when available. When quoted market prices are not available, estimates of fair value are based on the best information available, including prices for similar items and the results of other valuation techniques. Valuation techniques used would be consistent with the objective of measuring fair value.

The techniques used to estimate future cash flows will vary from one situation to another depending on the circumstances surrounding the asset or liability in question.

The Trust’s financial statements are affected by the fair value based method of accounting, the most significant areas of which are as follows:

- The determination of fair value of investment property is based upon, among other things, rental revenue from current leases and reasonable and supportable assumptions that represent what knowledgeable, willing parties would assume about rental revenue from future leases in light of current conditions, less future cash outflows in respect of tenant installation costs, capital expenditures and investment property operations. The Trust uses the direct capitalization method to fair value its income properties. Under this valuation method a capitalization rate is applied to normalized NOI to yield a fair value. Refer to *Asset Profile* for a further discussion of fair values of investment property and sensitivity analysis.
- Unit based compensation expense is measured at fair value and expensed over the option vesting period, calculated using the Black-Scholes Model for option valuation. For the year ended December 31, 2015, we recorded unit-based compensation expense of $4.7 million (year ended December 31, 2014 - $4.1 million).
- IAS 39, *Financial Instruments: Recognition and Measurement* establishes the standard for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. All financial instruments are required to be measured at fair value on initial recognition, except for certain related party transactions. Measurement in subsequent periods depends on whether the financial instrument has been classified as held-for-trading, available-for-sale, held-to-maturity, loans and receivables or other liabilities.
- For the year ended December 31, 2015, the consideration for real estate acquisitions includes $296 million relating to the assumption of mortgages payable and the granting of vendor-take-back mortgages by the vendors. These financial liabilities were measured at fair value on initial recognition.
- At least annually, RioCan reports in its financial statements the fair value of its mortgages and debentures payable, which amounts are based upon discounted future cash flows using discount rates that reflect current market conditions for instruments with similar terms and risks. Such fair value estimates are not necessarily indicative of the amounts that RioCan might pay or receive in actual market transactions. Potential transaction costs have also not been considered in estimating fair value.

The carrying cost of RioCan’s mortgages and debentures payable at December 31, 2015 is $7.4 billion. The Trust reported a $7.7 billion fair value relating to these mortgages and debentures payable in note 22 to the 2015 Annual Consolidated Financial Statements.

Capitalization of costs to investment property

RioCan's accounting policies relating to investment properties are described in note 3(c) to the 2015 Annual Consolidated Financial Statements. In applying these policies, judgment is required in determining whether certain costs represent additions to the carrying amount of the property and in distinguishing between tenant incentives and capital improvements.

Development costs for properties under development are capitalized in accordance with the accounting policy in note 3(c) to the 2015 annual Consolidated Financial Statements. Initial capitalization of costs requires management’s judgment in determining when the project commences with active development and identifying at which time a development property is substantially completed. This amount includes capitalized common area maintenance, property taxes and borrowing costs on both specific and general debt.

Leases - RioCan as a lessor

We make judgments in determining whether certain leases, in particular tenant leases where we are the lessor, are either operating or finance leases. RioCan has determined, based on an evaluation of terms and conditions of the lease arrangements, that the Trust retains all the significant risks and rewards of ownership of these properties and accounts for these arrangements as operating leases.

Income taxes

The Trust uses judgment to interpret tax rules and regulations and determining the appropriate rates and amounts in recording current and deferred income taxes, giving consideration to timing and probability. Actual income taxes could significantly vary from these estimates as a result of future events, including changes in income tax law or the outcome of reviews by tax authorities and related appeals. To the extent that the final tax outcome is different from the amounts that were initially recorded, such difference will impact the income tax provision in the period in which such determination is made.

The recognition of deferred income tax assets and liabilities also requires significant judgment as the recognition is dependent on RioCan's projection of future taxable profits and tax rates that are expected to be in effect in the period the asset will be realized or the liability settled. Any changes to this projection will result in changes in the amount of deferred tax assets and liabilities on the consolidated balance sheets and the deferred tax expense in the consolidated statements of earnings.

Classification of assets and liabilities as held for sale and discontinued operations

Classification of assets or a disposal group as held for sale and discontinued operations requires judgment on whether the carrying amount will be recovered principally through a sale transaction rather than through continuing use and whether the sale is highly probable.

Significant influence

When determining the appropriate basis of accounting for RioCan's investees, we make judgments about the degree of influence that RioCan exerts directly or through an arrangement over the investees' relevant activities. This may include the ability to elect investee directors, appoint management or influence key decisions.

FUTURE CHANGES IN ACCOUNTING POLICIES

RioCan monitors the potential changes proposed by the IASB and analyzes the effect that changes in the standards may have on RioCan’s operations. Standards issued, but not yet effective, up to the date of issuance of the 2015 Annual Consolidated Financial Statements for the year ended December 31, 2015, are described below. This description is of standards and interpretations issued, which we reasonably expect to be applicable at a future date. We intend to adopt these standards when they become effective.

IFRS 15, Revenue from Contracts with Customers (IFRS 15)

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recording revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018, with early adoption permitted. RioCan is currently assessing the impact of IFRS 15 and intends to adopt the new standard on the required effective date.

IFRS 9, Financial Instruments (IFRS 9)

In July 2014, the IASB issued the final version of IFRS 9, which reflects all phases of the financial instruments project and replaces IAS 39, *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 establishes principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity’s future cash flows. This new standard also includes new general hedge accounting guidance, which will align hedge accounting more closely with risk management. It does not completely change the types of hedging relationships or the requirement to measure and recognize ineffectiveness; however, it will allow more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship.

IFRS 9 also introduces an expected loss impairment model for all financial assets not measured at fair value through profit or loss that requires recognition of expected credit losses rather than incurred losses as applied under the current standard.

IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. The Trust is currently assessing the potential impact of this standard on its consolidated financial statements.

IFRS 11, Joint Arrangements (IFRS 11)

In May 2014, the IASB issued Amendments to IFRS 11, *Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations*. The amendments provide guidance on how to account for the acquisition of an interest in a joint operation in which the activities constitute a business combination as defined in IFRS 3. Acquirers of such interests are to apply the relevant principals on business combination accounting in IFRS 3 and other standards, as well as disclosing the relevant information specified in these standards for business combinations. The amendments to IFRS 11 is effective for annual periods beginning on or after January 1, 2016 and should be applied prospectively. The Trust does not expect this amendment to significantly impact the consolidated financial statements.

IFRS 16, Leases (IFRS 16)

In January 2016, the IASB issued IFRS 16, *Leases*. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting, however, remains largely unchanged and the distinction between operating and finance leases is retained. This standard would be effective for the Trust's annual periods beginning after January 1, 2019 with earlier adoption permitted. We are currently assessing the impact on our consolidated financial statements.

IAS 1, Presentation of Financial Statements (IAS 1)

During December 2014, the IASB issued an amendment to IAS 1 clarifying certain existing IAS 1 requirements. The amendments include the following: the materiality requirements in IAS 1; that specific line items in the consolidated statements of earnings and OCI and the consolidated balance sheets may be disaggregated; that entities have flexibility as to the order in which they present the notes to financial statements; that the share of OCI of associates and joint ventures accounted for using the equity method be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to earnings. The amendments also clarify the requirements that apply when additional subtotals are presented in the consolidated balance sheets and the consolidated statement of earnings and OCI. These amendments are effective for annual periods beginning on or after January 1, 2016, with earlier adoption permitted. These amendments are not expected to have any significant impact on our consolidated financial statements.

CONTROLS AND PROCEDURES

At December 31, 2015, the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO) of the Trust, together with the assistance of senior management, have designed disclosure controls and procedures to provide reasonable assurance that material information relating to RioCan is made known to the CEO and the CFO, and have designed internal controls over financial reporting and disclosure to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS.

RioCan has established adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of the Trust’s financial reporting and the preparation of the financial statements for external purposes in accordance with IFRS. Management, including RioCan’s CEO and CFO has assessed or caused an assessment under their direct supervision, of the design and operating effectiveness of the Trust’s internal controls over financial reporting as at December 31, 2015 on the criteria set forth in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that assessment, it was determined that, as of December 31, 2015, RioCan’s internal controls over financial reporting were appropriately designed and were operating effectively based on the criteria established in the *Internal Control - Integrated Framework (2013)*.

It should be noted that a control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Given the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, including instances of fraud, if any, have been detected. These inherent limitations include, among other items: (i) that management’s assumptions and judgments could ultimately prove to be incorrect under varying conditions and circumstances; (ii) the impact of any undetected errors; and (iii) controls may be circumvented by the unauthorized acts of individuals, by collusion of two or more people, or by management override.

Canadian REIT Status

RioCan currently qualifies as a REIT for purposes of the *Income Tax Act (Canada)*. Accordingly, RioCan continues to be able to flow taxable income through to unitholders on a tax effective basis. Generally, to qualify as a REIT, RioCan's Canadian assets must be comprised primarily of real estate and substantially all of our Canadian source revenues must be derived from rental revenue, capital gains and fee income from properties in which we have an interest.

Pursuant to legislation enacted June 26, 2013, with retroactive effect to January 1, 2011, the basket for the holding of non-qualifying assets is 10%, and the qualifying revenue threshold is 90% for purposes of the 95% REIT revenue test.

The Trust does not believe that the recent changes in legislation discussed above, which are generally less restrictive than the original tax legislation, will impair its ability to continue to qualify as a REIT.

U.S. Income Tax Legislation

On December 18th, 2015, the House of Representatives passed new tax legislation known as the PATH Act, which makes significant changes to the U.S. federal income tax rules on foreign investment in U.S. real property (the Foreign Investment in Real Property Act or "FIRPTA") by certain "qualified shareholders". We are currently reviewing the impact of these proposed changes on our U.S. portfolio sale, which may have the potential to reduce a qualifying foreign investor's withholding tax rate from 35% to 30% and other potential tax reductions. We are awaiting additional guidance from the Internal Revenue Agency to determine whether the Trust can benefit from the new tax legislation.

REIT Qualification Monitoring

A key activity of RioCan is the monitoring processes to ensure that RioCan continues to qualify as a Canadian and U.S. REIT.

From time to time, the members of the Board of Trustees, Audit Committee and senior management are updated on RioCan's continued REIT qualification, including any significant legislation updates.

RELATED PARTY TRANSACTIONS

In the ordinary course of business, we may enter into transactions with entities whose directors or trustees are also RioCan trustees and/or part of RioCan's senior management. All such transactions are in the normal course of operations and are measured at market-based exchange amounts.

Transactions subsequent to the formation of a co-ownership that are not contemplated by the co-ownership agreement are considered related party transactions for financial statement purposes. For further details on related party transactions, refer to note 29 of the 2015 Annual Consolidated Financial Statements.

RISKS AND UNCERTAINTIES

The achievement of RioCan’s objectives is, in part, dependent on the successful mitigation of business risks identified. Real estate investments are subject to a degree of risk. They are affected by various factors including changes in general economic and local market conditions, equity and credit markets, fluctuations in interest costs, the attractiveness of the properties to tenants, competition from other available space, the stability and credit-worthiness of tenants, and various other factors.

On June 17, 2015, RioCan amended its Declaration to further align the Declaration with evolving governance best practices, as further described in RioCan's Management Information Circular dated April 20, 2015. The rights granted in the amended Declaration are granted as contractual rights afforded to Unitholders (rather than as statutory rights). Similar to other existing rights contained in the Declaration (i.e. the take-over bid provisions and conflict of interest provisions), making these rights and remedies and certain procedures available by contract is structurally different from the manner in which the equivalent rights and remedies or procedures (including the procedure for enforcing such remedies) are made available to shareholders of a corporation, who benefit from those rights and remedies or procedures by the corporate statute that governs the corporation, such as the *Canada Business Corporations Act*. As such, there is no certainty how these rights, remedies or procedures may be treated by the courts in the non-corporate context or that a Unitholder will be able to enforce the rights and remedies in the manner contemplated by the proposed amendments. Furthermore, how the courts will treat these rights, remedies and procedures will be in the discretion of the court, and the courts may choose to not accept jurisdiction to consider any claim contemplated in the proposed provisions.

Development Risk

Development risk arises from the possibility that completed developments will not be leased or that costs of development will exceed original estimates, resulting in an uneconomic return from the leasing of such space. RioCan also expects to be increasingly involved in mixed-use development projects that include residential condominiums and rental apartments. Purchaser demand for residential condominiums is cyclical and is affected by changes in general market and economic conditions, such as consumer confidence, employment levels, availability of financing for home buyers, interest rates, demographic trends, and housing demand. Furthermore, the market value of undeveloped land, buildable lots and housing inventories held by RioCan can fluctuate significantly as a result of changing economic and real estate market conditions.

RioCan's construction commitments are subject to those risks usually attributable to construction projects, which include: (i) construction or other unforeseen delays including municipal approvals; (ii) cost overruns; and (iii) the failure of tenants to occupy and pay rent in accordance with existing lease agreements, some of which are conditional. Construction risks are minimized through the provisions of the Trust's Declaration, which have the effect of limiting direct and indirect investments, net of related mortgage debt, in non-income producing properties to no more than 15% of the Adjusted Book Value of RioCan's unitholders' equity. RioCan also seeks to undertake such developments with established developers. With some exceptions for land in the major markets, RioCan will generally not acquire or fund significant expenditures for undeveloped land unless it is zoned and an acceptable level of space has been pre-leased or pre-sold. An advantage of unenclosed, new format retail is that it lends itself to phased construction keyed to leasing levels, which reduces the creation of significant amounts of vacant but developed space.

Liquidity and General Market Conditions

RioCan faces risks associated with general market conditions and their potential consequent effects. Current general market conditions may include, among other things, the insolvency of market participants, tightening lending standards and decreased availability of cash, and changes in unemployment levels, retail sales levels, and real estate values. These market conditions may affect occupancy levels and RioCan's ability to obtain credit on favourable terms or to conduct financings through the public market.

Ownership of Real Estate

Tenant Concentration

With respect to tenant concentration risk, in the event a given tenant, or group of tenants, experience financial difficulty and is unable to fulfill its lease commitments, or a given geographical area suffers an economic decline, we could experience a decline in revenue.

RioCan strives to manage tenant concentration risk through geographical diversification and diversification of revenue sources in order to avoid dependence on any single tenant. RioCan's objective, as exemplified by the requirements of its Declaration noted above, is that no individual tenant contributes a significant percentage of its gross revenue and that a considerable portion of our revenue is earned from national and anchor tenants. RioCan attempts to lease to credit worthy tenants, will generally conduct credit assessments for new tenants and generally is provided security by the tenants as part of negotiated deals. RioCan attempts to reduce its risks associated with occupancy levels and lease renewal risk by having staggered lease maturities, negotiating leases with base terms between five and ten years, and by negotiating longer term leases with built-in minimum rent escalations where deemed appropriate.

In order to reduce RioCan's exposure to the risks relating to credit and the financial stability of tenants, the Trust's Declaration restricts the amount of space which can be leased to any person and that person's affiliates, other than in respect of leases with or guaranteed by the Government of Canada, a province of Canada, a municipality in Canada or any agency thereof and certain corporations, the securities of which meet stated investment criteria, to a maximum premises or space having an aggregate gross leasable area of 20% of the aggregate gross leasable area of all real property held by RioCan. At December 31, 2015, RioCan was in compliance with this restriction.

Tenant Bankruptcies

Several of RioCan's properties are anchored by large national tenants. The value of some of our properties, including any improvements thereto, could be adversely affected if these anchor stores or major tenants fail to comply with their contractual obligations, experience credit or financial instability or cease their operations.

Bankruptcy filings by retailers occur periodically in the course of normal operations for reasons, such as increased competition, Internet sales, changing population demographics, poor economic conditions, rising costs and changing shopping trends and/or perceptions. RioCan continually seeks to re-lease vacant spaces resulting from tenant terminations. The bankruptcy of a tenant, particularly an anchor tenant, may make it more difficult to lease the remainder of the affected properties or may give rise to certain rights under existing leases with other tenants.

Lease Renewals and Rental Increases

Growth of rental income is dependent on strong leasing markets to ensure expiring leases are renewed and new tenants are found promptly to fill vacancies at rental rates similar to those paid by existing tenants in order for us to maintain our existing occupancy levels of our properties. It is possible that we may face a disproportionate amount of space expiring in any one period. Additionally, rental rates could decline, tenant bankruptcies could increase and tenant renewals may not be achieved, particularly in the event of a protracted disruption in the economy, such as a recession.

At December 31, 2015, RioCan had NLA, at its interest, of 46,063,000 square feet and a portfolio occupancy rate of 92.2%. Based on our current annualized portfolio weighted average rental revenue of approximately $28 per square foot, for every fluctuation in occupancy by a differential of 1%, our operations would be impacted by approximately $13 million annually.

RioCan's aggregate rentals expiring over the next five years is $411 million based on current contractual rental rates. If the leases associated with these expiring rents are renewed upon maturity at an aggregate rental rate differential of 100 basis points, our net earnings would be impacted by approximately $4.1 million annually.

Some of our retail lease agreements include co-tenancy clauses which allow the tenant to pay a reduced rent amount and, in certain instances, terminate the lease, if RioCan fails to maintain certain occupancy levels or retain certain anchor tenancies. In addition, certain of our tenants have the ability to terminate their leases prior to the lease expiration date if their sales do not meet agreed upon thresholds. If occupancy, tenancy or sales fall below certain thresholds, rents that we are entitled to receive from tenants could be reduced.

Financial and Liquidity Risk

Access to capital

A risk to the Trust's growth program and the refinancing of its debt upon maturity is that of not having sufficient debt and equity capital available to RioCan. Given the relatively small size of the Canadian marketplace, there are a limited number of lenders from which RioCan can borrow. RioCan's financial condition and results of operations would be adversely affected if it were unable to obtain financing or cost-effective financing.

At December 31, 2015, RioCan's total indebtedness had a 3.8 year weighted average term to maturity bearing interest at a weighted average contractual interest rate of 3.75% per annum.

Interest rate and financing risk

The terms of RioCan's credit agreements require the Trust to comply with a number of customary financial and other covenants, such as maintaining debt service coverage and leverage ratios, adequate insurance coverage and certain credit ratings. These covenants may limit our flexibility in conducting our operations and breaches of these covenants could result in defaults under the instruments governing the applicable indebtedness.

RioCan's operations are also impacted by interest rates, as interest expense represents a significant cost in the ownership of real estate investments. We seek to reduce our interest rate risk by staggering the maturities of long term debt and limiting the use of floating rate debt so as to minimize exposure to interest rate fluctuations. At December 31, 2015, 14.0% of our total debt was at floating interest rates (including both Canadian and U.S. mortgages held for sale).

From time to time, the Trust may enter into floating-for-fixed interest rate swaps as part of its strategy for managing certain interest rate risks. As at December 31, 2015, the carrying value of our floating rate debt, not subject to a hedging strategy, is $957 million. A 50 basis point increase in market interest rates would result in a $4.8 million decrease in our net earnings.

Joint Ventures and Co-ownerships

RioCan participates in joint ventures, partnerships and similar arrangements that may involve risks and uncertainties not present absent third-party involvement, including, but not limited to, RioCan's dependency on partners, co-tenants or co-venturers that are not under our control and that might compete with RioCan for opportunities, become bankrupt or otherwise fail to fund their share of required capital contributions, or suffer reputational damage that could have an adverse impact on the Trust. Additionally, our partners might at any time have economic or other business interests or goals that are different than or inconsistent with those of the Trust, and we may be required to take actions that are in the interest of the partners collectively, but not in RioCan's sole best interests. Accordingly, we may not be able to favourably resolve issues with respect to such decisions, or we could become engaged in a dispute with any of them that might affect our ability to operate the business or assets in question.

Relative Illiquidity of Real Property

Real estate investments are relatively illiquid as a large proportion of RioCan's capital is invested in physical assets which can be difficult to sell, especially if local market conditions are poor. A lack of liquidity could limit our ability to sell components of the portfolio promptly in response to changing economic or investment conditions. If RioCan were required to quickly liquidate its assets, there is a risk that we would realize sale proceeds of less than the current book value of our real estate investments.

As well, certain significant expenditures involved in real property investments, such as property taxes, maintenance costs and mortgage payments, represent obligations that must be met regardless of whether the property is producing sufficient, or any, revenue.

Unexpected Costs or Liabilities Related to Acquisitions

A risk associated with a real property acquisition is that there may be an undisclosed or unknown liability concerning the acquired properties, and RioCan may not be indemnified for some or all of these liabilities. Following an acquisition, RioCan may discover that it has acquired undisclosed liabilities, which may be material.

RioCan conducts what it believes to be an appropriate level of investigation in connection with its acquisition of properties and seeks through contract to ensure that risks lie with the appropriate party.

Environmental Matters

Environmental and ecological related policies have become increasingly important in recent years. Under various federal, provincial, state and municipal laws, RioCan, as an owner or operator of real property, could become liable for the costs of

removal or remediation of certain hazardous or toxic substances released on or in its properties or disposed of at other locations. The failure to remove or remediate such substances, or address such matters through alternative measures prescribed by the governing authority, may adversely affect RioCan's ability to sell such real estate or to borrow using such real estate as collateral, and could, potentially, also result in claims against the Trust. RioCan is not currently aware of any material non-compliance, liability or other claim in connection with any of its properties, nor is RioCan currently aware of any environmental condition with respect to any properties that it believes would involve material expenditures by the Trust.

It is our policy to obtain a Phase I environmental audit conducted by a qualified environmental consultant prior to acquiring any additional property. In addition, where appropriate, tenant leases generally specify that the tenant will conduct its business in accordance with environmental regulations and be responsible for any liabilities arising out of infractions to such regulations. It is RioCan's practice to regularly inspect tenant premises that may be subject to environmental risk. We maintain insurance to cover a sudden and/or accidental environmental mishap.

Litigation

RioCan's operations are subject to a wide variety of laws and regulations across all of its operating jurisdictions and RioCan faces risks associated with legal and regulatory changes and litigation. In the normal course of operations, RioCan becomes involved in various legal actions, including claims relating to personal injury, property damage, property taxes, land rights, and contractual and other commercial disputes. Further, RioCan has operations in the U.S., which may, as a result of the prevalence of litigation in the U.S., be more susceptible to legal action than the rest of RioCan's operations. The final outcome with respect to outstanding, pending or future actions cannot be predicted with certainty, and the resolution of such actions may have an adverse effect on our financial position or results of operations.

RioCan retains external legal consultants to assist it in remaining current and compliant with legal and regulatory changes and to respond to litigation.

Key Personnel

RioCan's executive and other senior officers have a significant role in our success and oversee the execution of RioCan's strategy. Our ability to retain our management team or attract suitable replacements should any members of the management group leave is dependent on, among other things, the competitive nature of the employment market. RioCan has experienced departures of key professionals in the past and may do so in the future, and we cannot predict the impact that any such departures will have on its ability to achieve its objectives. The loss of services from key members of the management team or a limitation in their availability could adversely impact our financial condition and cash flow.

We rely on the services of key personnel on our executive team, including its Chief Executive Officer, Edward Sonshine, our President and Chief Operating Officer, Raghunath Davloor and our Executive Vice President, Chief Financial Officer and Corporate Secretary, Cynthia Devine and the loss of their services could have an adverse effect on RioCan. We mitigate key personnel risk through succession planning, but do not maintain key person insurance.

Unitholder Liability

There is a risk that RioCan's unitholders could become subject to liability. The Trust's Declaration provides that no unitholder or annuitant under a plan of which a unitholder acts as trustee or carrier will be held to have any personal liability as such, and that no resort shall be had to the private property of any unitholder or annuitant for satisfaction of any obligation or claim arising out of or in connection with any contract or obligation of RioCan. Only RioCan's assets are intended to be subject to levy or execution. The Declaration further provides that, whenever possible, certain written instruments signed by RioCan must contain a provision to the effect that such obligation will not be binding upon unitholders personally or upon any annuitant under a plan of which a unitholder acts as trustee or carrier. In conducting its affairs, RioCan has acquired and may acquire real property investments subject to existing contractual obligations, including obligations under mortgages and leases that do not include such provisions. RioCan will use its best efforts to ensure that provisions disclaiming personal liability are included in contractual obligations related to properties acquired, and leases entered into, in the future.

Certain provinces have legislation relating to unitholder liability protection, including British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and Quebec. To RioCan's knowledge, certain of these statutes have not yet been judicially considered and it is possible that reliance on such statute by a unitholder could be successfully challenged on jurisdictional or other grounds.

Income Taxes

RioCan currently qualifies as a mutual fund trust and REIT for income tax purposes. RioCan expects to distribute all of the Trust's taxable income to unitholders and is, therefore, generally not subject to tax on such amounts. In order to maintain RioCan's current mutual fund trust status, the Trust is required to comply with specific restrictions regarding its activities and the investments held by the Trust. If the Trust were to cease to qualify as a mutual fund trust, or a REIT for income tax purposes, the consequences could be material and adverse.

No assurance can be given that the provisions of the *Income Tax Act (Canada)* regarding mutual fund trusts and REITs will not be changed in a manner that adversely affects RioCan and its unitholders. From year to year, there is a risk that the taxable allocation to unitholders can change depending upon the Trust's activities.

Investment in the U.S. and Currency Risk

As at December 31, 2015, our U.S. dollar-denominated net assets are $1.6 billion; therefore a 1% change in the value of the U.S. dollar will result in a gain or loss through OCI of approximately $11 million. We have decided to increase our U.S. net investment hedge in order to reduce exposure to fluctuations in the Canadian/U.S. foreign exchange rate on our U.S. investment. To date,

we have increased our U.S. dollar denominated borrowings by US$258 million and repaid outstanding Canadian debt using the proceeds from the U.S. borrowings converted to Canadian dollars at an average exchange rate of 1.3921, which was established using a series of short-term forward derivative contracts, of which US$166 million in notional is outstanding at December 31, 2015. We have designated the US$258 million of additional U.S. borrowings as part of our existing net foreign investment hedge and will repay such debt using a portion of the U.S. sale proceeds received on closing. In addition to the in-place U.S. property specific mortgages, we have hedged an additional US$585 million or approximately 84% of the anticipated gross U.S. sale proceeds to be received on transaction closing.

We intend to successfully complete the sale of our U.S. business before the end of April 2016, however, we continue to carefully monitor all closing steps and conditions. There are no assurances that can be made that the necessary steps and conditions will be satisfied.

Credit Ratings

Real or anticipated changes in credit ratings on our debentures or preferred units may affect the market value thereof. In addition, real or anticipated change in credit ratings can affect the cost at which we can access the debenture or preferred unit market, as applicable.

RioCan

AUDITED ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

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THE EVOLUTION OF REAL ESTATE

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The management of RioCan Real Estate Investment Trust (RioCan) is responsible for the preparation and fair presentation of the accompanying annual consolidated financial statements and Management's Discussion and Analysis (MD&A). The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

The consolidated financial statements and information in the MD&A necessarily include amounts based on best estimates and judgments by management of the expected effects of current events and transactions with the appropriate consideration to materiality. In addition, in preparing this financial information, we must make determinations about the relevancy of information to be included, and estimates and assumptions that affect the reported information. The MD&A also includes information regarding the impact of current transactions and events, sources of liquidity and capital resources, operating trends, risks and uncertainties. Actual results in the future may differ materially from our present assessment of this information because future events and circumstances may not occur as expected.

In meeting our responsibility for the integrity and fairness of the annual consolidated financial statements and MD&A and for the accounting systems from which they are derived, management has established the necessary internal controls designed to ensure that our financial records are reliable for preparing financial statements and other financial information, transactions are properly authorized and recorded, and assets are safeguarded against unauthorized use or disposition.

As at December 31, 2015, our Chief Executive Officer and Chief Financial Officer evaluated, or caused an evaluation under their direct supervision, the design and operation of our internal controls over financial reporting (as defined in *National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings)* and, based on that assessment, determined that our internal controls over financial reporting were appropriately designed and operating effectively.

The Board of Trustees oversees management's responsibility for financial reporting through an Audit Committee, which is composed entirely of independent trustees. This committee reviews RioCan's annual consolidated financial statements and MD&A with both management and the independent auditors before such statements are approved by the Board of Trustees. Other key responsibilities of the Audit Committee include selecting RioCan's auditors, approving the consolidated financial statements and MD&A, and monitoring RioCan's existing systems of internal controls.

Ernst & Young LLP, independent auditors appointed by the unitholders of RioCan upon the recommendation of the Board of Trustees, have examined our 2015 and 2014 annual consolidated financial statements and have expressed their opinion upon the completion of such examination in the following report to the unitholders. The auditors have full and free access to, and meet at least quarterly with, the Audit Committee to discuss their audits and related matters.

Edward Sonshine, O.Ont., Q.C.
Chief Executive Officer

Cynthia Devine, FCPA, FCA
Executive Vice President, Chief Financial Officer and Corporate Secretary

Toronto, Canada
February 17, 2016

INDEPENDENT AUDITORS' REPORT

To the Unitholders of
RioCan Real Estate Investment Trust

We have audited the accompanying consolidated financial statements of RioCan Real Estate Investment Trust, which comprise the consolidated balance sheets as at December 31, 2015 and 2014, and the consolidated statements of earnings, comprehensive income, changes in equity, and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

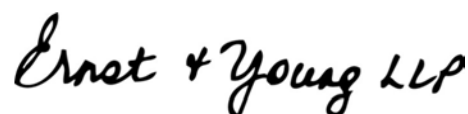
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of RioCan Real Estate Investment Trust as at December 31, 2015 and 2014, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.



Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
February 17, 2016

RIOCAN REAL ESTATE INVESTMENT TRUST
CONSOLIDATED BALANCE SHEETS
(In thousands of Canadian dollars)

As at	Note		**December 31, 2015**		December 31, 2014
Assets					
Investment properties	*5*	**$**	**12,152,176**	$	13,770,763
Deferred tax assets	*9*		**8,009**		9,059
Investments in associates and joint ventures	*6*		**158,994**		63,016
Mortgages and loans receivable	*7*		**129,258**		136,190
Residential inventory			**45,276**		80,350
Assets held for sale	*4*		**2,968,095**		188,933
Receivables and other assets	*8*		**451,365**		373,093
Cash and cash equivalents			**83,318**		56,273
Total assets		**$**	**15,996,491**	$	14,677,677
Liabilities					
Debentures payable	*11*	**$**	**2,000,066**	$	1,856,501
Mortgages payable and lines of credit	*10*		**4,164,669**		4,566,096
Deferred tax liabilities	*9*		**230,474**		—
Liabilities associated with assets held for sale	*4*		**1,248,635**		20,968
Accounts payable and other liabilities	*12*		**425,826**		365,244
Total liabilities		**$**	**8,069,670**	$	6,808,809
Equity					
Unitholders' equity:					
Preferred	*13*	**$**	**265,451**	$	265,451
Common	*13*		**7,660,588**		7,603,119
Total unitholders' equity			**7,926,039**		7,868,570
Non-controlling interests			**782**		298
Total equity			**7,926,821**		7,868,868
Total liabilities and equity		**$**	**15,996,491**	$	14,677,677

The accompanying notes are an integral part of the consolidated financial statements.

Approved on behalf of the Board of Trustees

Paul Godfrey
Paul Godfrey, O. Ont., C.M.
Chairman

Edward Sonshine
Edward Sonshine, O. Ont., Q.C.
Trustee

RIOCAN REAL ESTATE INVESTMENT TRUST
CONSOLIDATED STATEMENTS OF EARNINGS

(In thousands of Canadian dollars, except per unit amounts)

Year ended December 31,	Note	**2015**	2014
Revenue			
Rental income	*16*	**$ 1,039,068**	$ 1,009,422
Residential inventory sales		**31,937**	—
Property and asset management fees		**16,731**	15,581
		1,087,736	1,025,003
Direct costs			
Property operating costs			
Recoverable under tenant leases		**373,698**	354,951
Non-recoverable from tenants		**20,465**	14,583
Residential inventory cost of sales		**29,343**	—
		423,506	369,534
Operating earnings		**664,230**	655,469
Other revenue			
Share of net earnings in associates and joint ventures	*6*	**10,378**	729
Interest		**5,370**	7,854
Other income	*17*	**98,426**	5,944
Fair value gains (losses) on investment properties, net	*5*	**(91,548)**	34,423
		22,626	48,950
Expenses			
Interest	*18*	**186,772**	194,073
General and administrative	*19*	**51,051**	48,950
Transaction and other costs	*20*	**10,498**	4,938
Leasing costs		**9,750**	8,693
Expense for early redemption of debentures	*11*	**9,929**	—
		268,000	256,654
Earnings before income taxes from continuing operations		**418,856**	447,765
Deferred income tax expense	*9*	**1,290**	50
Net earnings from continuing operations		**$ 417,566**	$ 447,715
Earnings (loss) from discontinued operations, net of tax	*4*	**(275,129)**	216,250
Net earnings		**$ 142,437**	$ 663,965
Net earnings attributable to:			
Common and preferred unitholders		**$ 141,763**	$ 663,258
Non-controlling interests		**674**	707
		$ 142,437	$ 663,965
Net earnings per unit - basic:			
From continuing operations	*21*	**$ 1.26**	$ 1.41
From discontinued operations	*21*	**(0.86)**	0.70
Net earnings per unit - basic		**$ 0.40**	$ 2.11
Net earnings per unit - diluted:			
From continuing operations	*21*	**$ 1.26**	$ 1.40
From discontinued operations	*21*	**(0.86)**	0.70
Net earnings per unit - diluted		**$ 0.40**	$ 2.10
Weighted average number of units (in thousands):			
Basic	*21*	**319,492**	307,910
Diluted	*21*	**319,983**	308,672

The accompanying notes are an integral part of the consolidated financial statements.

RIOCAN REAL ESTATE INVESTMENT TRUST
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands of Canadian dollars)

Year ended December 31,	Note	**2015**	2014
Net earnings		**$ 142,437**	$ 663,965
Other comprehensive income:			
Items that may be reclassified subsequently to net earnings, net of tax:			
Translation of foreign operations:			
Unrealized gain during the year	*13*	**214,200**	77,663
Reclassified during the year to earnings	*13*	**(8,776)**	—
Unrealized loss on interest rate swap agreements	*13*	**(9,882)**	(7,408)
Unrealized gain on available-for-sale investment	*13*	**14,105**	27,247
Items that are not to be reclassified to net earnings, net of tax:			
Actuarial gain (loss) on pension plan	*13*	**535**	(1,785)
Other comprehensive income, net of tax		**210,182**	95,717
Comprehensive income, net of tax		**$ 352,619**	$ 759,682
Comprehensive income, net of tax attributable to:			
Common and preferred unitholders		**$ 351,945**	$ 758,975
Non-controlling interests		**$ 674**	$ 707

The accompanying notes are an integral part of the consolidated financial statements.

RIOCAN REAL ESTATE INVESTMENT TRUST
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In thousands of Canadian dollars)

	Note	Common Trust Units	Cumulative Earnings	Cumulative Unitholders Distribution	Accumulated OCI	Total Common Equity	Total Preferred Equity	Non-Controlling Interests	Total
Total Equity, December 31, 2013		$ 4,238,936	$ 6,825,780	$ (4,090,464)	$ 18,735	$ 6,992,987	$ 265,451	$ 11,297	$ 7,269,735
Changes during the year									
Net earnings		—	663,258	—	—	663,258	—	707	663,965
Other comprehensive income	*13*	—	—	—	95,717	95,717	—	—	95,717
Unit issue proceeds, net	*13*	292,570	—	—	—	292,570	—	—	292,570
Value associated with unit based compensation	*13*	5,451	—	—	—	5,451	—	—	5,451
Distributions to unitholders	*15*	—	—	(446,864)	—	(446,864)	—	—	(446,864)
Change in ownership interest		—	—	—	—	—	—	(11,706)	(11,706)
Total Equity, December 31, 2014		$ 4,536,957	$ 7,489,038	$ (4,537,328)	$ 114,452	$ 7,603,119	$ 265,451	$ 298	$ 7,868,868
Changes during the year									
Net earnings		**—**	**141,763**	**—**	**—**	**141,763**	**—**	**674**	**142,437**
Other comprehensive income	*13*	**—**	**—**	**—**	**210,182**	**210,182**	**—**	**—**	**210,182**
Unit issue proceeds, net	*13*	**167,073**	**—**	**—**	**—**	**167,073**	**—**	**—**	**167,073**
Value associated with unit based compensation	*13*	**5,135**	**—**	**—**	**—**	**5,135**	**—**	**—**	**5,135**
Distributions to unitholders	*15*	**—**	**—**	**(466,684)**	**—**	**(466,684)**	**—**	**(190)**	**(466,874)**
Total Equity, December 31, 2015		**$ 4,709,165**	**$ 7,630,801**	**$ (5,004,012)**	**$ 324,634**	**$ 7,660,588**	**$ 265,451**	**$ 782**	**$ 7,926,821**

The accompanying notes are an integral part of the consolidated financial statements.

RIOCAN REAL ESTATE INVESTMENT TRUST
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands of Canadian dollars)

Year ended December 31,	Note	**2015**	2014
Cash flows provided by (used in):			
Operating activities			
Net earnings (loss) from:			
Continuing operations		**$ 417,566**	$ 447,715
Discontinued operations		**(275,129)**	216,250
Net earnings		**142,437**	663,965
Items not affecting cash:			
Depreciation and amortization		**4,655**	4,041
Recognition of rents on a straight-line basis		**(9,328)**	(9,235)
Incentive unit option compensation expense	*13*	**5,135**	4,075
Share of net earnings in associates and joint ventures		**(6,233)**	(12,905)
Fair value (gains) losses on investment properties, net	*5*	**238,608**	(147,432)
Deferred income taxes from discontinued operations	*9*	**230,474**	—
Net change in non-cash operating items	*28*	**3,507**	(815)
Cash flows provided by operating activities		**609,255**	501,694
Investing activities			
Acquisition of investment properties		**(732,635)**	(191,349)
Capital expenditures on properties under development		**(187,062)**	(230,681)
Capital expenditures on income properties		**(34,705)**	(30,026)
Tenant installation costs		**(33,208)**	(29,902)
Proceeds on disposition of investment properties		**135,376**	54,352
Contributions to associates and joint ventures		**(3,108)**	(3,328)
Distributions from associates and joint ventures		**13,447**	1,036
Proceeds on disposition of associates and joint ventures		**43,079**	—
Mortgages and loans receivable			
Advances		**(24,255)**	(54,452)
Repayments		**33,439**	59,538
Purchases related to available-for-sale investments, net of financing		**(12,749)**	(95,534)
Cash flows used in investing activities		**(802,381)**	(520,346)
Financing activities			
Mortgages payable			
Borrowings		**653,536**	248,400
Repayments		**(704,195)**	(410,620)
Advances on lines of credit		**777,296**	231,003
Repayment of lines of credit		**(341,830)**	(276,038)
Issue of debentures payable, net	*11*	**484,110**	399,272
Repayment of debentures payable	*11*	**(349,900)**	—
Acquisition of non-controlling interests		**—**	(2,236)
Common unit distributions paid, net of distributions reinvested	*27*	**(309,614)**	(311,536)
Distributions paid on preferred units	*15*	**(13,590)**	(13,590)
Proceeds from issue of common units, net		**24,358**	171,006
Cash flows provided by financing activities		**220,171**	35,661
Net increase in cash and cash equivalents		**27,045**	17,009
Cash and cash equivalents, beginning of year		**56,273**	39,264
Cash and cash equivalents, end of year		**$ 83,318**	$ 56,273
Supplemental cash flow information	*27*		

The accompanying notes are an integral part of the consolidated financial statements.

RioCan

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Audited – Canadian dollars, tabular amounts in millions, except per unit amounts or unless otherwise noted)

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

To facilitate a better understanding of RioCan's consolidated financial statements, significant accounting policies and related disclosures, a listing of all the notes is provided below:

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THE EVOLUTION OF REAL ESTATE

1. Trust Information

RioCan Real Estate Investment Trust and its subsidiaries (the Trust or RioCan) own, develop and operate Canada's largest portfolio of shopping centres. The parent trust, RioCan Real Estate Investment Trust, is an unincorporated closed-end trust governed under the laws of the Province of Ontario, Canada and constituted pursuant to a Declaration of Trust dated November 30, 1993, as most recently amended and restated on June 17, 2015 (the Declaration). The Trust's corporate headquarters and registered head office are located at the RioCan Yonge Eglinton Centre, 2300 Yonge Street, Toronto, Ontario, Canada.

RioCan's common trust units (units), Series A and C preferred trust units are listed on the Toronto Stock Exchange (TSX) under the ticker symbols REI.UN, REI.PR.A and REI.PR.C, respectively.

These consolidated financial statements were authorized for issue by the Board of Trustees on February 17, 2016.

2. Basis of Preparation

(a) Statement of compliance

RioCan's consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

These consolidated financial statements are prepared on a going concern basis using the historical cost method modified to include the fair value measurement of investment property and certain financial instruments, as set out in the relevant accounting policies. The Trust presents its consolidated balance sheets based on the liquidity method, whereby all assets and liabilities are presented in increasing order of liquidity. The accounting policies set out below have been applied consistently in all material respects. Any IFRS not effective for the current accounting period are described in note 3. The notes to the consolidated financial statements distinguish between current and non-current assets and liabilities.

(b) Principles of consolidation

These consolidated financial statements include the accounts of the parent trust, RioCan Real Estate Investment Trust and its subsidiaries, after elimination of intercompany transactions, balances, revenues and expenses.

(i) Subsidiaries

Subsidiaries are entities over which the Trust has control. Control is achieved when RioCan is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Power may be determined on the basis of voting rights or, in the case of structured entities, other contractual arrangements. The Trust reassesses whether or not it controls an investee based on current facts and circumstances.

All subsidiaries are consolidated from the date RioCan obtains control and continue to be consolidated until the date that such control ceases. When RioCan does not own all of the equity in a consolidated subsidiary, the non-controlling equity interest is presented as a separate component of total equity on the consolidated balance sheets. The net earnings attributable to non-controlling interests are separately disclosed in the Trust's consolidated statements of earnings.

(ii) Associates and joint ventures

Associates are entities over which RioCan has significant influence but not control or joint control, generally accompanying an ownership between 20% to 50% of the voting rights, although other factors such as the ability to impact key operating decisions could also indicate significant influence.

Joint ventures are entities over which the Trust has joint control and whereby the parties that share joint control have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Investments in associates and joint ventures are accounted using the equity method. Under the equity method, the investment is initially recorded at cost and adjusted by RioCan's share of the post-acquisition results of operations and changes in the net assets of the associate or joint venture. The financial statements of RioCan's associates and joint ventures are prepared for the same reporting period as the Trust and where necessary, adjustments are made to bring the accounting policies of such entities in line with those of the Trust.

(iii) Joint operations

A joint operation is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. RioCan records only its share of the assets, liabilities and share of the results of operations of the joint operation. The assets, liabilities and results of joint operations are included within the respective line items of the consolidated balance sheets, consolidated statements of earnings and consolidated statements of comprehensive income.

(c) Significant judgments

The preparation of RioCan's consolidated financial statements requires management to make significant judgments that affect the carrying amounts of assets and liabilities, and the reported amounts of revenues and expenses. In the process of applying RioCan's accounting policies, management was required to apply judgment in the areas discussed below.

Investment properties

RioCan's accounting policies relating to investment properties are described in note 3(c). In applying these policies, judgment is required in determining whether certain costs represent additions to the carrying amount of the property and in distinguishing between tenant incentives and capital improvements.

Development properties

Development costs for properties under development are capitalized in accordance with the accounting policy in note 3(c). Initial capitalization of costs requires management's judgment in determining when the project commences with active development and identifying at which time a development property is substantially completed. This amount includes capitalized common area maintenance, property taxes and borrowing costs on both specific and general debt.

Leases - RioCan as a lessor

The Trust makes judgments in determining whether certain leases, in particular tenant leases where the Trust is the lessor, are either operating or finance leases. RioCan has determined, based on an evaluation of terms and conditions of the lease arrangements, that the Trust retains all the significant risks and rewards of ownership of these properties and accounts for these arrangements as operating leases.

Income taxes

The Trust uses judgment to interpret tax rules and regulations and determining the appropriate rates and amounts in recording current and deferred income taxes, giving consideration to timing and probability. Actual income taxes could significantly vary from these estimates as a result of future events, including changes in income tax law or the outcome of reviews by tax authorities and related appeals. To the extent that the final tax outcome is different from the amounts that were initially recorded, such difference will impact the income tax provision in the period in which such determination is made.

The recognition of deferred income tax assets and liabilities also requires significant judgment as the recognition is dependent on RioCan's projection of future taxable profits and tax rates that are expected to be in effect in the period the asset will be realized or the liability settled. Any changes to this projection will result in changes in the amount of deferred tax assets and liabilities on the consolidated balance sheets and the deferred tax expense in the consolidated statements of earnings.

Classification of assets and liabilities as held for sale and discontinued operations

Classification of assets or a disposal group as held for sale and discontinued operations requires judgment on whether the carrying amount will be recovered principally through a sale transaction rather than through continuing use and whether the sale is highly probable.

Significant influence

When determining the appropriate basis of accounting for RioCan's investees, the Trust makes judgments about the degree of influence that RioCan exerts directly or through an arrangement over the investees' relevant activities. This may include the ability to elect investee directors, appoint management or influence key decisions.

(d) Use of estimates and assumptions

The preparation of RioCan's consolidated financial statements requires management to make estimates and assumptions that have a significant risk of causing a material adjustment to the reported amounts of assets, liabilities, net earnings and related disclosures over the following reporting period. Estimates made by management are based on events and circumstances that existed at the consolidated balance sheet date. Accordingly, actual results may differ from these estimates.

Investment properties

Estimates and assumptions used in determining fair value of the Trust's investment properties include capitalization rates and stabilized net operating income (which is influenced by vacancy rates) used in the direct capitalization income approach. A change to any of these inputs could significantly alter the fair value of an investment property.

Unit-based compensation

RioCan uses estimates and assumptions when determining the unit-based compensation expense during a reporting period. The determination of the unit-based compensation expense resulting from the Trust's granting of employee unit options and performance equity unit awards depends on valuation models, which by their nature are subject to measurement uncertainty. The valuation method used to measure the fair value for each unit option awarded by RioCan is the Black-Scholes option pricing model. This model requires the use of assumptions, such as expected stock price volatility and the use of historical data that may not be reflective of future performance. The valuation method used to measure the fair value for each performance equity unit awarded by RioCan is the Monte Carlo simulation model, which requires the use of similar input assumptions.

3. Significant Accounting Policies

The significant accounting policies (and any changes thereto) used in the preparation of these consolidated financial statements are summarized below. These accounting policies conform, in all material respects, to IFRS.

Change in accounting policy

IAS 40, Investment Property (IAS 40)

On January 1, 2015, the Trust adopted an amendment with respect to the description of ancillary services in IAS 40, which differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, *Business Combinations*, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or a business combination. This amendment did not result in a material impact to the consolidated financial statements.

IFRS 8, Operating Segments (IFRS 8)

During May 2015, RioCan adopted an amendment that clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar; and the reconciliation of segment assets to total assets is only required to be disclosed if a measure of segment assets is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities. This amendment required retrospective application and did not result in a material impact to the consolidated financial statements.

Change in accounting presentation

Sale of U.S. Operations

On December 17, 2015, RioCan entered into an agreement to sell its U.S. portfolio of 49 investment properties to Blackstone Real Estate Partners VIII (Blackstone) for a total sale price of US$1.9 billion. The sale is expected to close on April 30, 2016, subject to certain customary closing conditions. The comparative consolidated statements of earnings and cash flows have been restated to reflect the classification of the U.S. business as discontinued operations.

All other notes to the consolidated financial statements include amounts for continuing operations, unless otherwise indicated. Additional disclosures are provided in note 4. Certain other comparative information has been reclassified to conform to the current year's presentation. All amounts are expressed in Canadian dollars and rounded to the nearest thousand, unless otherwise indicated.

Prior to January 1, 2015, investment properties held for sale and held for resale assets were reported as part of investment properties on the face of the consolidated balance sheets at the reporting period date. Investment properties held for sale, residential development inventory (formerly, properties held for resale) and mortgages on properties held for sale, have been separately presented on the face of the consolidated balance sheets with no impact on net earnings, total assets, total liabilities or total equity. Comparative amounts have been reclassified to conform to the current year's presentation.

Operating Earnings

During the year, RioCan changed its presentation of certain items on the income statement in an effort to better reflect the nature of the Trust's business operations. Effective January 1, 2015, RioCan classifies gross sales of its residential inventory in total revenue and the direct costs of residential inventory sales in direct costs on the face of the consolidated income statement. Effective January 1, 2015, property and asset management fees have been reclassified to total revenue. The net gains from the Trust's residential inventory sales and property and asset management fees were formerly reported in other income below operating earnings. All comparative amounts have been reclassified to conform to the current year's presentation.

Effective January 1, 2015, the Trust has changed its presentation of all tabular amounts in the consolidated financial statements from being rounded to the nearest million to rounded to the nearest thousand, unless otherwise indicated.

Significant Accounting Policies

(a) Business combinations

At the time of acquisition of property, whether through a controlling share investment or directly, the Trust considers whether the acquisition represents the acquisition of a business. The Trust accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the property. More specifically, consideration is made of the extent to which significant processes are acquired. If no, or only insignificant processes are acquired, the acquisition is treated as an asset acquisition rather than a business combination.

The cost of a business combination is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the acquisition date. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair value at the date of acquisition. The Trust recognizes assets or liabilities, if any, resulting from a contingent consideration arrangement at their acquisition date fair value and such amounts form part of the cost of the business combination. Subsequent changes in the fair value of contingent consideration arrangements are recognized in net earnings. The difference between the purchase price and the Trust's net fair value of the acquired identifiable net assets and liabilities is goodwill. On the date of acquisition, the purchaser records positive goodwill as an asset. Negative goodwill is immediately recognized in the consolidated statements of earnings. Goodwill is not amortized and must be tested for impairment at least annually, or more frequently, if events or changes in circumstances indicate that impairment has occurred.

RioCan expenses transaction costs associated with business combinations in the period incurred.

When an acquisition does not meet the criteria for a business, it is accounted for as an acquisition of a group of assets and liabilities, the cost of which includes transaction costs that are allocated to the assets and liabilities acquired based upon their relative fair values. No goodwill is recognized for asset acquisitions.

(b) Fair value measurement

The Trust measures certain financial instruments, such as derivatives, and non-financial assets, such as investment properties, at fair value at each consolidated balance sheet date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is determined by incorporating all factors that market participants would consider in setting a price acting in their economic best interests, including commonly accepted valuation approaches. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability that is accessible by RioCan.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its "highest and best use" or by selling it to another market participant that would use the asset in its highest and best use.

The Trust uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Trust determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, RioCan has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

(c) Investment properties

Investment properties are held to earn rental revenue or for capital appreciation or both. A key characteristic of an investment property is that it generates cash flows largely independently of the other assets held by an entity.

Real estate property held under an operating lease is not classified as investment property. Instead, these leases are accounted for in accordance with IAS 17, *Leases*. Certain land leases held under an operating lease, however, are classified as investment property when the definition of an investment property is met. At the inception of these leases, investment property is recognized at the lower of the fair value of the property and the present value of the future minimum lease payments and an equivalent amount is recognized as a lease obligation.

(i) Income properties

Income properties are initially measured at cost. Subsequent to initial recognition, income properties are recorded at fair value and related gains or losses arising from changes in fair value are recognized in net earnings in the period of change. The determination of fair value is based on, among other things, rental revenue from current leases and reasonable and supportable assumptions that represent what knowledgeable, willing parties would assume about rental revenue from future leases in light of current conditions, less future cash outflows in respect of tenant installation costs, income property operations and capital expenditures.

(ii) Properties under development

Properties under development include those properties, or components thereof, that will undergo activities that will take a substantial period of time to prepare the properties for their intended use as income properties.

The cost of a development property that is an asset acquisition comprises the amount of cash, or the fair value of other consideration, paid to acquire the property, including transaction costs. Subsequent to the acquisition, the cost of a development property includes costs that are directly attributable to these assets, including development costs, property taxes and borrowing costs on both specific and general debt. Direct and indirect borrowing costs, development costs and property taxes are capitalized when the activities necessary to prepare an asset for development or redevelopment begin, and continue until the date that construction is substantially complete and all necessary occupancy and related permits have been received, whether or not the space is leased. If RioCan is required as a condition of a lease to construct tenant

improvements that enhance the value of the property, then capitalization of costs continues until such improvements are completed. Capitalization of finance costs is suspended if there are prolonged periods when development activity is interrupted.

Interest capitalized is calculated using the Trust's weighted average cost of borrowing after adjusting for borrowing associated with specific developments. Where borrowing is associated with specific developments, the amount capitalized is the gross interest incurred on such borrowing less any investment income arising on temporary investment of such borrowing.

Properties under development are also adjusted to fair value at each consolidated balance sheet date with fair value adjustments recognized in net earnings.

(d) Residential inventory

Residential inventory are assets acquired or developed that RioCan has no intention of using for rental income purposes and plans to sell in the ordinary course of business. The Trust expects to earn a return on such assets through a combination of property operating income earned during the holding period and sales proceeds. Residential inventory are recorded at the lower of cost, including pre-development expenditures and capitalized borrowing costs, and net realizable value, which RioCan determines using the estimated selling price in the ordinary course of business, less estimated selling costs and development costs to complete.

Residential inventory are reviewed for impairment at each reporting period date. An impairment loss is recognized in net earnings when the carrying value of the asset exceeds its net realizable value. RioCan's residential inventory also includes air rights.

Transfers into residential inventory are based on a change in use evidenced by the commencement of development expenditures with a view to sell, at which point an investment property would be transferred to inventory. Transfers from inventory to investment property are based on a change in use evidenced by management's commitment to use a property for rental purposes or the commencement of an operating lease to another party.

(e) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Trust and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received. The following specific recognition criteria must also be met before revenue is recognized:

(i) Rental revenue

Base rent

The Trust has not transferred substantially all of the benefits and risks of ownership of its investment properties and, therefore, accounts for leases with its tenants as operating leases. Rental revenue includes all amounts earned from tenants related to lease agreements including property tax and operating cost recoveries. Revenue recognition under a lease commences when the tenant has the right to use the leased asset, which is typically when the tenant takes possession of, or controls, the physical use of the leased property. Generally, this occurs on the lease commencement date. When RioCan is required to make additions to the property in the form of tenant improvements that enhance the value of the property, revenue recognition begins upon substantial completion of such additions.

Tenant incentives are recognized as a reduction of rental revenue on a straight-line basis over the term of the lease where it is determined that the tenant fixturing has no benefit to RioCan beyond the existing tenancy.

Straight-line rent

Certain leases contain rent escalation clauses or provide for tenant occupancy during periods for which no rent is due. RioCan records the total rental income on a straight-line basis over the full term of the lease, including the tenant fixturing period. An accrued straight-line rent receivable is recorded from tenants for the difference between the straight-line rent and the rent that is contractually owing.

Percentage rent

Percentage rent is typically calculated based on a percentage of tenant sales over a specified threshold, which is in addition to base rent. Percentage rents are recognized once the specified threshold has been achieved in accordance with each tenant lease.

Lease cancellation fees

Amounts payable by tenants to terminate their lease prior to the contractual expiry date are included in rental revenue as lease cancellation fees at the effective date of the lease termination.

(ii) Residential inventory

Income earned from the sale of residential inventory is recognized when all of the following conditions are met: a) the Trust has transferred to the purchaser the significant risks and rewards of ownership; b) income and costs can be reliably measured; c) the purchaser has made a substantial commitment demonstrating its intent to honour its obligation; and d) collection of any additional consideration is reasonably assured.

Income from residential land sales, the sale of homes and residential condominium projects is recorded at the time that the risks and rewards of ownership have been transferred and collectibility of all proceeds is reasonably assured, which is generally when possession or title passes to the purchaser upon closing, all material conditions of the sales contract have been met and a significant cash down payment or appropriate security is received.

Directly attributable selling and disposition costs are expensed as incurred.

(iii) Property and asset management fees

RioCan has interests in various investment properties through joint arrangements and investments in associates. The Trust provides asset and property management services to co-owners, partners and third parties for which it earns market-based construction, development, financing and arranging fees.

Fees are recognized as the service or contract activity is performed using the percentage of completion method. Under the percentage of completion method, where services are provided over a specific period of time, revenue is recognized on a straight-line basis unless there is evidence that some other method would better reflect the pattern of performance. Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are eligible to be recovered.

(iv) Interest income

Revenue is recognized as interest accrues using the effective interest method.

(v) Other income

Transaction gains and losses

Transaction gains and losses are recognized on the settlement date and represent the excess proceeds of disposition relating to subsidiaries, investments or assets over their carrying values in the case of gains and the excess carrying value of assets over proceeds of disposition in the case of transaction losses. Transaction gains and losses may also arise from the settlement of liabilities for more or less than their carrying values.

Available-for-sale investments

Other income also includes dividends and/or distributions arising on available-for-sale investments, which are recorded when the Trust's right to receive payment has been established, which is generally when the dividends and/or distributions are declared payable.

(f) Unit-based compensation

RioCan and its subsidiaries issue unit-based equity-settled awards to certain employees. The cost of these unit-based payments equals the fair value of each tranche of options at their grant date. The cost of the unit options is recognized on a proportionate basis consistent with the vesting features of each tranche of the grant.

RioCan has unit-based cash-settled compensation plans for independent trustees and certain employees. The cost of these unit-based payments is measured at fair value and expensed over the vesting period with the recognition of a corresponding liability. The liability is remeasured at fair value at each reporting period date with the vested changes in fair value recorded in consolidated statement of earnings.

(g) Financial assets and financial liabilities

Financial assets include RioCan's contractual rents receivable, mortgages and loans receivable, cash and cash equivalents, funds held in trust, available-for-sale securities and derivative contracts. Financial liabilities include RioCan's secured operating lines of credit, mortgages payable, debentures payable and accounts payable and certain other liabilities.

The fair value of a financial instrument is the amount of consideration that could be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. In certain circumstances, however, the initial fair value may be based on other observable current market transactions in the same instrument without modification or on a valuation technique using market based inputs. The fair values of mortgages and loans receivable and debentures are based on the current market conditions for instruments with similar terms and risks. The fair values of term mortgages, designated hedging derivative instruments included in receivables and other assets and accounts payable and certain other liabilities are estimated based on discounted future cash flows using discount rates that reflect current market conditions for instruments with similar terms and risks.

(h) Recognition and measurement of financial instruments

The Trust determines the classification of its financial assets and liabilities at initial recognition. Financial instruments are recorded initially at fair value and, in the case of financial assets and liabilities carried at amortized cost, adjusted for directly attributable transaction costs.

Measurement in subsequent periods depends on whether the financial instrument has been classified as held-for-trading, held-to-maturity, loans and receivables, available-for-sale or other liabilities.

(i) Held-for-trading

Financial assets and financial liabilities classified as held-for-trading are measured at fair value with gains and losses

recognized in net earnings. Transaction costs are expensed as incurred. Other than cash and cash equivalents, the Trust has no significant financial instruments classified as held-for-trading.

Derivative instruments are recorded on the consolidated balance sheets at fair value. Changes in the fair values of derivative instruments are required to be recognized in net earnings, except for derivatives that are designated as cash flow hedges, in which case the fair value change for the effective portion of such hedging relationship is required to be recognized in other comprehensive income (OCI). See note 2(l) for further discussion of hedge accounting policies.

(ii) Held-to-maturity, loans and receivables

Financial assets classified as held-to-maturity, loans and receivables and other liabilities (other than those held-for-trading) are required to be measured at amortized cost using the effective interest method. This method uses an effective interest rate that discounts estimated future cash receipts through the expected life of the financial asset or liability to the net carrying amount of the financial asset or liability. Amortized cost is computed using the effective interest method less any allowance for impairment. Gains and losses are recognized in net earnings when the loans and receivables are derecognized or impaired, as well as through amortization.

The principal categories of the Trust's financial assets and liabilities measured at amortized cost using the effective interest method include: (a) accounts receivable and payable; (b) mortgages and loans receivable, mortgages payable and mortgages payable associated with assets held for sale; and (c) debentures payable.

Loans and receivables are financial instruments with fixed or determinable payments that are not quoted in an active market. Financial instruments with fixed or determinable payments and fixed maturities are classified as held-to-maturity only when the Trust has the positive intention and ability to hold it to maturity.

(iii) Available-for-sale

Available-for-sale financial assets are financial assets that are not categorized as either held-for-trading or designated at fair value. Available-for-sale financial assets are initially measured at fair value with direct transaction costs included in the carrying value of the asset. Available-for-sale financial assets are subsequently measured at fair value with unrealized gains and losses recognized in OCI until the investment is derecognized or impaired, at which time the cumulative unrealized gain or loss is recognized in net earnings.

Investments in equity instruments classified as available-for-sale that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost.

(i) Impairment of financial assets

The Trust assesses at each consolidated balance sheet date whether there is any objective evidence of impairment for each financial asset (or a group of financial assets). A financial asset is deemed to be impaired if there is objective evidence of impairment as a result of an event that has occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include indications that the debtor is experiencing financial difficulty, which may include default or delinquency in interest or principal payments, the probability that it will enter bankruptcy or other financial reorganization, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears payments or economic conditions that correlate with defaults.

(i) Impairment of loans and receivables

Loans and receivables are considered impaired when there is objective evidence that the full carrying amount of the loan or receivable is not collectible.

When an impaired loan is identified, the amount of the loss is measured as the difference between the asset's carrying amount and the estimated realizable amount, which is measured by discounting the expected future cash flows at the original effective interest rate of the loan or receivable. This difference between the carrying amount and the estimated realizable value of the loan or receivable represents an impairment loss that is recognized in net earnings. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the loan. Loans and receivables, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to RioCan. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or decreased by adjusting the carrying value of the loan or receivable. If a past write-off is later recovered, the recovery is recognized in net earnings.

(ii) Impairment of available-for-sale financial assets

For available-for-sale financial assets, the Trust assesses at each consolidated balance sheet date whether there is objective evidence that an asset is impaired, which would include a significant or prolonged decline in the fair value of the investment below its cost. If the evaluation indicates that there is objective evidence of impairment, the investment is written down to its current fair value and a loss is recognized in net earnings. Subsequent increases in the fair value of available-for-sale assets are recognized in OCI.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Interest continues to be accrued at the original effective interest rate on the

reduced carrying amount of the asset and is recorded in interest income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in net earnings, the impairment loss is reversed through net earnings.

(j) Financial guarantee contracts

Financial guarantee contracts are contracts issued by RioCan that contingently require the Trust to make specified payments to reimburse the holder for a loss it incurs because the specified debtor fails to make payment when due in accordance with the terms of a debt instrument. When a debtor default occurs, financial guarantees are recognized on the consolidated balance sheets initially as a liability measured at the fair value of the obligation undertaken in issuing the guarantee, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of (i) the amount initially recognized and (ii) the best estimate of the expenditure required to settle the present obligation at the consolidated balance sheet date.

(k) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amounts are reported in the consolidated balance sheets if there is an enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(l) Hedges

From time to time, the Trust may enter into foreign currency contracts and interest rate swaps to hedge its foreign currency risks and interest rate risks, respectively. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For the purpose of hedge accounting, hedges are classified as fair value hedges, cash flow hedges or hedges of a foreign currency exposure related to the net investment in a foreign operation.

At the inception of a hedging relationship, RioCan formally designates and documents the hedging relationship to which the Trust is applying hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Trust will assess the hedging instrument’s effectiveness in offsetting the exposure to changes in the hedged item’s cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Cash flow hedges

A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction. In a cash flow hedging relationships, the effective portion of the gain or loss on the hedging instrument is recognized in OCI. The ineffective portion is recognized in net earnings.

Hedge accounting ceases when the Trust revokes the hedging relationship, when the hedging instrument expires, or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or when it no longer qualifies for hedge accounting. Any gain or loss recognized in OCI and accumulated in equity at that time remains in equity until the forecast transaction is ultimately recognized in the consolidated statements of earnings. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is immediately recognized in the consolidated statements of earnings.

Net investment hedges

In hedging a foreign currency exposure of a net investment in a foreign operation, the effective portion of foreign exchange gains and losses on the hedging instrument, is recognized in OCI and the ineffective portion is recognized in net earnings. The amounts, or a portion thereof, previously recorded in OCI in equity are recognized in net earnings on the disposal, or partial disposal of the foreign operation.

(m) Comprehensive income

Comprehensive income comprises net earnings and OCI, which generally would include unrealized gains and losses on financial assets classified as available-for-sale, unrealized foreign currency translation adjustments (net of hedging) arising from foreign operations, changes in the fair value of the effective portion of cash flow hedging instruments, and actuarial gains and losses related to RioCan's defined benefit pension plans. The Trust reports consolidated statements of comprehensive income comprising net earnings and OCI for the year.

(n) Income taxes

Upon qualifying as a real estate investment trust (REIT) for Canadian income tax purposes in 2010, the Trust is considered, in substance, tax exempt and therefore does not account for income taxes. Prior to qualifying as a REIT, the Trust was considered taxable. Upon the Trust’s change in tax status, all deferred taxes of the Trust were reversed through net earnings or OCI based upon where the amounts initially arose. The Trust’s U.S. operations are qualifying U.S. REITs and are not subject to U.S. corporate income taxes. The Trust is subject to 30% or 35% withholding taxes on its distributions to Canada. The Trust

consolidates certain wholly owned incorporated entities that continue to be subject to income taxes. These taxable subsidiaries, and the Trust prior to its change in tax status, account for income taxes as follows:

(i) Current income taxes

The Trust qualifies as a mutual fund trust and a REIT for income tax purposes. The Trust intends to distribute all of its taxable income to unitholders and is entitled to deduct such distributions for income tax purposes. Accordingly, a provision for current income taxes payable is not required, except for amounts incurred in its incorporated Canadian taxable subsidiaries.

The Trust's US subsidiary qualifies as a REIT for US income tax purposes. The subsidiary expects to distribute all of its US taxable income (if any) to Canada and is entitled to deduct such distributions for US income tax purposes. The Trust is subject to a 30% or 35% withholding tax on distributions to Canada. Any withholding taxes paid are recorded as distributions or income tax expense, depending on whether the tax is passed on to unitholders.

(ii) Deferred income taxes

Deferred income taxes are provided using the liability method for temporary differences at the consolidated balance sheet dates between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

1. Where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting nor taxable income or loss; and
2. In respect of taxable temporary differences associated with investments in subsidiaries and interests in joint arrangements, where RioCan is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses, can be utilized except:

1. Where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
2. In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in jointly controlled entities, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to undistributed profits in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the consolidated balance sheet dates and reflect the tax consequences that would follow from the manner in which the entity expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred income taxes relating to temporary differences that are in equity are recognized in equity.

Deferred income tax assets and deferred income tax liabilities of the same taxable entity related to the same taxation authority are offset.

(o) Equipment and leasehold improvements

Equipment and leasehold improvements are stated at cost less accumulated depreciation and accumulated impairment in value, if any. Depreciation is recorded on a straight-line basis over the following expected useful lives:

Computer hardware	3 to 5 years
Furniture and equipment	5 years
Management information systems	5 to 10 years
Leasehold improvements	Lease term plus first renewal, if renewal is reasonably assured

(p) Intangible assets

The Trust's intangible assets comprise its management information systems and computer application software that is initially recognized at cost and amortized over its estimated useful life (5-10 years) on a straight-line basis. The cost of self-built management information systems and software includes the cost of materials, direct labour, and interest expense. Capitalization ceases and depreciation commences once the asset is in the location and condition necessary for it to be capable of operating in the manner intended by management.

(q) Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term investments with original maturities of three months or less.

(r) Provisions

Provisions are recognized when the Trust has a present obligation (legal or constructive) as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the Trust expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in net earnings, net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

(s) Foreign currency translation

These consolidated financial statements are presented in Canadian dollars, which is the functional and presentation currency of the Trust.

Assets and liabilities of operations having a functional currency other than the Canadian dollars are translated at the rate of exchange at the consolidated balance sheet dates. Revenue and expenses are translated at average rates for the year, unless exchange rates fluctuated significantly during the year, in which case the exchange rates at the dates of the transaction are used. Gains or losses on translating a foreign operation are included in OCI as a component of equity.

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the date of the transactions. Foreign currency denominated monetary assets and liabilities are translated using the prevailing rate of exchange at the consolidated balance sheet dates. Gains and losses on translation of monetary items are recognized in the consolidated statements of earnings in general and administrative expenses, except for those related to monetary liabilities qualifying as hedges of the Trust's investment in foreign operations or certain intercompany loans to a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future, which are included in OCI as a component of equity.

(t) Non-current assets held for sale and discontinued operations

Non-current assets (and disposal groups) are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is satisfied when the asset is available for immediate sale in its present condition, management is committed to the sale, and it is highly probable to occur within one year.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell and are presented separately from other assets on the Trust's consolidated balance sheets. These measurement requirements do not apply to non-current assets, including the Trust's properties held for sale, that are accounted for in accordance with the fair value model in IAS 40. Comparative information is not adjusted to reflect the held for sale classification in the consolidated balance sheet for the latest period presented.

A disposal group is classified as a discontinued operation if it meets the following conditions: (i) it is a component that can be distinguished operationally and financially from the rest of the Trust's operations and (ii) it represents either a separate major line of business or geographic area or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations. Disposal groups classified as discontinued operations are presented separately from continuing operations in the consolidated statements of earnings. The comparative consolidated statement of earnings is presented as if the operation had been discontinued from the start of the comparative year.

(u) Employee future benefits

The Trust operates a defined contribution pension plan and three defined benefit pension plans for certain employees.

The cost of providing benefits under the defined benefit plans is determined separately for each plan. Actuarial gains and losses for the defined benefit plans are recognized in OCI, in full, in the period in which they occur and are not reclassified to profit or loss in subsequent periods. The past service costs are recognized as an expense on a straight-line basis over the average period until the benefits become vested. If the benefits have already vested, immediately following the introduction of, or changes to, a pension plan, past service costs are recognized immediately.

The defined benefit asset or liability comprises the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less unamortized past service costs and less the fair value of plan assets out of which the obligations are to be settled.

The Trust expenses its required contributions to the defined contribution pension plan.

(v) Future changes in accounting policies

RioCan monitors the potential changes proposed by the IASB and analyzes the effect that changes in the standards may have on its operations.

Standards issued but not yet effective up to the date of issuance of these consolidated financial statements are described below. This description is of the standards and interpretations issued that the Trust reasonably expects to be applicable at a future date. The Trust intends to adopt these standards when they become effective.

IFRS 15, Revenue from Contracts with Customers (IFRS 15)

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recording revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018, with early adoption permitted. RioCan is currently assessing the impact of IFRS 15 and intends to adopt the new standard on the required effective date.

IFRS 11, Joint Arrangements (IFRS 11)

In May 2014, the IASB issued Amendments to IFRS 11, *Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations*. The amendments provide guidance on how to account for the acquisition of an interest in a joint operation in which the activities constitute a business combination as defined in IFRS 3. Acquirers of such interests are to apply the relevant principals on business combination accounting in IFRS 3 and other standards, as well as disclosing the relevant information specified in these standards for business combinations. The amendments to IFRS 11 is effective for annual periods beginning on or after January 1, 2016 and should be applied prospectively. The Trust does not expect this amendment to significantly impact the consolidated financial statements.

IFRS 9, Financial Instruments (IFRS 9)

In July 2014, the IASB issued the final version of IFRS 9, which reflects all phases of the financial instruments project and replaces IAS 39, *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 establishes principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. This new standard also includes new general hedge accounting guidance, which will align hedge accounting more closely with risk management. It does not completely change the types of hedging relationships or the requirement to measure and recognize ineffectiveness; however, it will allow more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship.

IFRS 9 also introduces an expected loss impairment model for all financial assets not measured at fair value through profit or loss that requires recognition of expected credit losses rather than incurred losses as applied under the current standard.

IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. The Trust is currently assessing the potential impact of this standard on its consolidated financial statements.

IFRS 16, Leases (IFRS 16)

In January 2016, the IASB issued IFRS 16, *Leases*. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting, however, remains largely unchanged and the distinction between operating and finance leases is retained. This standard would be effective for the Trust's annual periods beginning after January 1, 2019 with earlier adoption permitted. RioCan is currently assessing the impact on the Trust's consolidated financial statements.

IAS 1, Presentation of Financial Statements (IAS 1)

During December 2014, the IASB issued an amendment to IAS 1 clarifying certain existing IAS 1 requirements. The amendments include the following: the materiality requirements in IAS 1; that specific line items in the consolidated statements of earnings and OCI and the consolidated balance sheets may be disaggregated; that entities have flexibility as to the order in which they present the notes to financial statements; that the share of OCI of associates and joint ventures accounted for using the equity method be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to earnings. The amendments also clarify the requirements that apply when additional subtotals are presented in the consolidated balance sheets and the consolidated statement of earnings and OCI. These amendments are effective for annual periods beginning on or after January 1, 2016, with earlier adoption permitted. These amendments are not expected to have any significant impact on our consolidated financial statements.

4. Assets and Liabilities Associated with Assets Held for Sale and Discontinued Operations

Effective December 17, 2015, RioCan's investment properties and mortgages payable associated with its U.S. operations were reclassified to a disposal group held for sale in the consolidated balance sheet. Presented below are details of the Trust's assets and liabilities held for sale by geographic location:

As at		**December 31, 2015**		December 31, 2014
Assets				
Income properties:				
U.S.	**$**	**2,796,973**	$	—
Canada		**128,987**		132,066
		2,925,960		132,066
Properties under development:				
Canada		**42,135**		56,867
Total assets held for sale	**$**	**2,968,095**	$	188,933
Liabilities				
Mortgages payable:				
U.S.	**$**	**1,224,667**	$	—
Canada		**23,968**		20,968
Total liabilities held for sale	**$**	**1,248,635**	$	20,968
Net assets				
U.S.	**$**	**1,572,306**	$	—
Canada	**$**	**147,154**	$	167,965

U.S. properties held for sale

The change in the carrying value of the Trust's U.S. income properties is as follows:

Year ended December 31,		**2015**
Balance, beginning of year	**$**	**2,392,285**
Acquisitions		**53,698**
Capital expenditures		**4,551**
Tenant installation costs		**13,983**
Fair value losses, net		**(147,060)**
Foreign currency translation gain		**476,755**
Straight-line rent		**2,142**
Other changes		**619**
Balance, end of year	**$**	**2,796,973**

As at December 31, 2015 the weighted average capitalization rates for U.S. properties held for sale was 6.50%.

Sensitivity analysis of changes in capitalization rates

The following table is a sensitivity applied to the portion of the Trust's U.S. properties held for sale carrying value that is measured using the direct capitalization approach and, therefore, sensitive to changes in capitalization rates:

Capitalization rate sensitivity Increase (decrease)	Weighted average capitalization rate		Fair value of investment properties		Fair value variance	% change
(1.00%)	5.50%	$	3,305,509	$	508,536	18.18 %
(0.75%)	5.75%	$	3,161,791	$	364,818	13.04 %
(0.50%)	6.00%	$	3,030,050	$	233,077	8.33 %
(0.25%)	6.25%	$	2,908,848	$	111,875	4.00 %
December 31, 2015	**6.50%**	**$**	**2,796,973**	**$**	**—**	**— %**
0.25%	6.75%	$	2,693,378	$	(103,595)	(3.70)%
0.50%	7.00%	$	2,597,186	$	(199,787)	(7.14)%
0.75%	7.25%	$	2,507,628	$	(289,345)	(10.34)%
1.00%	7.50%	$	2,424,040	$	(372,933)	(13.33)%

Mortgages on U.S. properties held for sale

As at December 31, 2015, mortgages on U.S. properties held for sale bear interest at weighted average effective and contractual rates of 4.43% and 4.25% per annum, respectively, and mature between 2016 and 2025.

Canadian properties held for sale

In connection with the Kimco joint arrangement dissolution discussed in note 5, RioCan has seven investment properties held for sale as at December 31, 2015, with an aggregate fair value of $129 million and related mortgages with a carrying value of $24 million. In addition, the Trust has five land parcels held for sale with a carrying value of $42 million.

Subsequent to December 31, 2015, two additional investment properties were classified as held for sale with an aggregate carrying value of $46 million.

Discontinued operations

The Trust's U.S. operations represented its former U.S. geographic segment until December 17, 2015. With the U.S. segment being reclassified as discontinued operations, it is no longer presented in RioCan's segmented information in note 31. The results of the U.S. discontinued operations are presented below:

Year ended December 31,	Note		2015		2014
Rental revenue		**$**	**233,613**	$	194,619
Property operating costs					
Recoverable under tenant leases			**60,551**		51,164
Non-recoverable from tenants			**6,272**		4,798
			66,823		55,962
Operating earnings			**166,790**		138,657
Other revenue					
Share of net earnings (losses) in equity accounted joint ventures	*6*		**(4,145)**		12,176
Fair value gains (losses) on investment property, net	*5*		**(147,060)**		113,009
Other			**7,529**		—
			(143,676)		125,185
Expenses					
Interest			**49,253**		41,127
General and administrative			**4,148**		3,716
Leasing costs			**2,022**		2,248
Transaction and other costs			**3,868**		501
			59,291		47,592
Earnings (loss) before income taxes from discontinued operations		**$**	**(36,177)**	$	216,250
Income tax expense:					
Current			**8,478**		—
Deferred			**230,474**		—
Net earnings (loss) from discontinued operations		**$**	**(275,129)**	$	216,250

Deferred income taxes

The Trust's US subsidiary qualifies as a REIT for US income tax purposes. The subsidiary expects to distribute all of its US taxable income (if any) to Canada and is entitled to deduct such distributions for US income tax purposes. The Trust is subject to withholdings tax at 30% to 35% on distributions to Canada. Any withholding taxes paid are recorded as distributions or current income tax expense, depending on whether the withholding tax is passed onto unitholders or deducted for Canadian tax purposes.

As at December 31, 2015, RioCan has recognized a deferred income tax liability of $230 million (2014 - nil), primarily representing a taxable temporary difference calculated based on the difference between fair value accounting and tax cost basis of the Trust's U.S. investment properties. Previously, RioCan expected to flow-out any withholding tax paid to unitholders as foreign tax paid. Based upon the intended sale of our U.S. asset portfolio, however, RioCan has determined that it does not intend to fully distribute the withholding taxes to unitholders and as such has recorded a deferred tax liability.

As RioCan does not intend to fully distribute the withholding taxes in connection with the U.S. asset sale to unitholders, the deferred income tax liability is measured based on the Trust's expected U.S. withholding obligation as of December 31, 2015.

Other comprehensive income

As at December 31, 2015, the Trust has recorded $308 million in unrealized cumulative foreign exchange translation gains related to its discontinued operations in the statements of accumulated other comprehensive income. For further details on the

components of accumulated OCI, refer to note 13.

Cash flows associated with discontinued operations

The net cash flows associated with discontinued operations are as follows:

Year ended December 31,		2015		2014
Operating	**$**	**105,572**	$	84,901
Investing		**(28,966)**		(50,155)
Financing		**(70,798)**		(46,571)
Net cash inflow (outflow)	**$**	**5,808**	$	(11,825

5. Investment Properties

Income properties

As at December 31,		2015		2014
Income properties	**$**	**11,322,109**	$	13,121,331
Properties under development		**830,067**		649,432
	$	**12,152,176**	$	13,770,763

Year ended December 31,	Note		2015		2014
Balance, beginning of year		**$**	**13,253,397**	$	12,432,812
Acquisitions			**1,016,759**		180,397
Dispositions (i)			**(424,561)**		(52,524)
Capital expenditures			**42,035**		28,150
Tenant installation costs			**38,346**		30,437
Transfers from properties under development			**230,646**		362,467
Transfers to properties under development			**(172,499)**		(74,988)
Fair value gains (losses), net:					
Continuing operations			**(78,759)**		27,456
Discontinued operations			**(147,060)**		113,009
Foreign currency translation gain			**480,896**		192,315
Straight-line rent (ii)			**8,879**		12,806
Other changes			**(10)**		1,060
Balance, end of year		**$**	**14,248,069**	$	13,253,397
Investment properties		**$**	**11,322,109**	$	13,121,331
U.S. properties held for sale	*4*		**2,796,973**		—
Canadian properties held for sale	*4*		**128,987**		132,066
		$	**14,248,069**	$	13,253,397

(i) Includes $448 million of income property dispositions, reduced by a $13 million enclosed mall interior renovation commitment by the Trust as part of an agreement on the formation of a new joint venture and a $10 million sales price adjustment relating to a land lease commitment.

(ii) Included in investment properties is $126 million of net rents receivable arising from the recognition of rental revenue on a straight-line basis over the lease term (December 31, 2014 - $111 million).

Properties under development

Year ended December 31,	Note		**2015**		2014
Balance, beginning of year		**$**	**706,299**	$	582,498
Acquisitions			**25,301**		171,545
Dispositions			**(6,700)**		(1,828)
Development expenditures			**187,293**		236,366
Completion of properties under development			**(230,646)**		(362,467)
Transfers from income properties			**172,499**		74,988
Transfers from residential inventory (i)			**31,309**		—
Fair value gains (losses), net			**(12,789)**		6,967
Other			**(364)**		(1,770)
Balance, end of year		**$**	**872,202**	$	706,299
Properties under development		**$**	**830,067**	$	649,432
Canadian properties held for sale	*4*		**42,135**		56,867
		$	**872,202**	$	706,299

(i) In 2011, RioCan acquired its Toronto Sheppard Centre investment property with the intent of constructing condominium units on the excess density portion. During 2015, management decided to change its original plans to now build multi-residential rental units. As such, a portion of the carrying value of this property has been transferred to properties under development.

Acquisitions

The following table summarizes the Trust's acquisitions of investment property for rental income and future development and redevelopment opportunities:

		Income properties				Properties under development		
As at December 31,		**2015**		2014		**2015**		2014
Investment properties acquired (i)	**$**	**1,016,759**	$	180,097	**$**	**25,301**	$	172,425
Debt assumed		**(296,265)**		(16,411)		**—**		(23,690)
Difference between principal amount and fair value assumed of mortgage financing		**(12,018)**		(1,770)		**—**		—
Total consideration, net of debt assumed	**$**	**708,476**	$	161,916	**$**	**25,301**	$	148,735

(i) Includes certain additional capitalized costs pursuant to the acquisition method of accounting that forms part of the initial carrying value of investment properties acquired.

Acquisition of Kimco properties

During the year ended December 31, 2015, RioCan and Kimco announced their intent to unwind their Canadian joint arrangement. In connection with the dissolution of their joint operations, RioCan acquired Kimco's interests in 23 income properties at an aggregate purchase price of $774 million, together with the assumption of Kimco's share of existing in place debt totalling $263 million.

Other acquisitions

In addition, RioCan acquired 26 income properties and three development properties for a total purchase price of $248 million during the year. The Trust also assumed debt of $24 million in connection with these investment property acquisitions.

During January 2016, RioCan completed the acquisition of one Canadian property at a purchase price of $37 million.

Dispositions

		Income properties		
As at December 31,		**2015**		2014
Investment properties disposed	**$**	**448,215**	$	52,524
Mortgages associated with investment property dispositions		**(155,205)**		—
Other (i)		**(9,967)**		—
Total consideration, net of related debt	**$**	**283,043**	$	52,524

(i) Represents a sales price adjustment for the assumption of a land lease commitment.

RioCan - Hudson's Bay Company (HBC) Joint Venture

In connection with the formation of this joint venture, RioCan contributed a 50% interest in two income properties (one of which is held under a land lease as described below) for proceeds totalling $289 million, net of a sales price adjustment of $10 million, and

transferred $142 million of related mortgages payable in return for an initial 13.4% equity interest in the joint venture. See note 6 for further details.

Other disposals

In addition, the Trust disposed of seven income properties for total sales proceeds of $149 million during the year ended December 31, 2015. Mortgages associated with these properties of $13 million were assumed by the purchasers.

Subsequent to December 31, 2015, RioCan completed the dispositions of two Canadian properties at a sales price of $46 million.

Properties held under lease

Included in investment properties are three properties that are subject to land operating leases with third parties. Two of the land leases expire in 2029 and do not include buy-out options, whereas the final land lease expires in 2020 and carries a buy-out option.

In accordance with IFRS, the Trust has elected to recognize these operating leases as investment properties and record a related lease obligation. The carrying amount of these properties is $280 million (December 31, 2014 – $429 million) and the corresponding lease obligation is $20 million (December 31, 2014 – $14 million) and is included in accounts payable and other liabilities. During the year, a 50% interest in one property held under a land lease with a carrying value of $164 million was disposed in connection with the formation of a new joint venture between RioCan and HBC.

Valuation methodology

Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). Expectations about future improvements or modifications to be made to the investment property to reflect its highest and best use may be considered in the valuation.

Investment properties and properties held for sale are carried at fair value and the Trust uses significant unobservable inputs to estimate fair value of these assets at each reporting date. See below for further description of inputs used by the Trust in estimating the fair value of its properties. Significant unobservable inputs are classified as level 3 inputs under IFRS. See note 22 for further details.

Quoted market prices in active markets are the best evidence of fair value and are used as the basis for fair value measurement, when available. When quoted market prices are not available, judgment is required to estimate fair value based on the best information available, including prices for similar assets and the use of other valuation techniques. These valuation techniques are consistent with the objective of measuring fair value and involve a degree of estimation depending on the availability of market-based information.

Valuation processes and techniques

RioCan's internal valuation team is responsible for determining the fair value of investment properties each reporting period, including co-owned properties. This team consists of individuals who are knowledgeable and have specialized industry experience in real estate valuations and report directly to a senior member of the Trust's executive management.

Income properties

The internal valuation team estimates the fair value of each income property based on a valuation technique known as the direct capitalization income approach. The fair value is determined by applying a capitalization rate to stabilized net operating income (SNOI). SNOI is based on budgeted rents and expenses and supported by the terms of any existing lease, other contracts or external evidence such as current market rents for similar properties, adjusted to incorporate allowances for estimated vacancy rates, management fees and structural reserves for capital expenditures based on current and expected future market conditions after expiry of any current lease and expected maintenance costs. The resulting capitalized value is further adjusted, where appropriate, for costs to stabilize the income and non-recoverable capital expenditures.

Generally, a change in the assumption made for the estimated rental value is accompanied by a directionally similar change in the rent growth per annum and an opposite change in the long-term vacancy rate. Each of these inputs when increased or decreased, in isolation, would not result in a material change in the fair value of the Trust's investment properties. As a result, management does not consider these variables as key inputs in estimating the fair value of income property.

The capitalization rate is based on the location and quality of the properties and takes into account market data at the valuation date.

Properties under development

Management uses an internal valuation process to estimate the fair value of properties under development that consist of undeveloped land on a land value per acre basis using the particular attributes of the project with respect to zoning and pre-development work performed on the site. Where a site is partially developed, the direct capitalization method is applied to capitalize the pro forma NOI, stabilized with market allowances, from which the costs to complete the development are deducted.

The primary method of valuation for land acquired for development is the comparable sales approach, which considers recent sales activity for similar land parcels in the same or similar markets. Land values are estimated using either a per acre or per buildable square foot basis based on highest and best use. Such values are applied to RioCan's properties after adjusting for factors specific to the site, including its location, intended use, zoning, servicing and configuration.

Pro forma SNOI is based on the location, type and quality of the properties and supported by the terms of actual or anticipated future leases, other contracts or external evidence such as current market rents for similar properties, adjusted for estimated vacancy rates based on expected future market conditions and estimated maintenance costs, which are consistent with internal budgets, based on management's experience and knowledge of the market conditions.

Costs to complete are derived from internal budgets based on management's experience and knowledge of the market conditions.

The table below summarizes the classification, valuation approach and inter-relationship between the key unobservable inputs and fair value measurements for the Trust's investment properties:

Classification	**Valuation approach**	**Key unobservable input**	**Relationship between key unobservable inputs and fair value measurement**
Income producing properties / Properties under development	Direct capitalization income approach	Capitalization rate	There is an inverse relationship between the capitalization rate and the fair value; in other words, the higher the capitalization rate, the lower the estimated value.
		SNOI	Generally, an increase in SNOI will result in an increase in the estimated fair value of the properties.
Properties under development - undeveloped land	Comparable sales approach	Market comparison	Land value is in line with market trends.

As at December 31, 2015 the weighted average capitalization rates for the Trust's investment properties and Canadian properties held for sale is 5.72% (December 31, 2014 - 5.77%).

Sensitivity analysis of changes in capitalization rates

The following table is a sensitivity applied to the portion of the Trust's investment property and Canadian properties held for sale carrying value that is measured using the direct capitalization approach and, therefore, sensitive to changes in capitalization rates:

Capitalization rate sensitivity Increase (decrease)	Weighted average capitalization rate	Fair value of investment properties	Fair value variance	% change	Ratio of debt, net of cash, to total assets, net of cash
(1.00%)	4.72%	$ 14,402,839	$ 2,517,985	21.19 %	39.77%
(0.75%)	4.97%	$ 13,678,350	$ 1,793,496	15.09 %	41.40%
(0.50%)	5.22%	$ 13,023,257	$ 1,138,403	9.58 %	42.99%
(0.25%)	5.47%	$ 12,428,044	$ 543,190	4.57 %	44.54%
December 31, 2015	**5.72%**	**$ 12,323,298**	**$ —**	**— %**	**46.06%**
0.25%	5.97%	$ 11,387,169	$ (497,685)	(4.19)%	47.55%
0.50%	6.22%	$ 10,929,486	$ (955,368)	(8.04)%	49.00%
0.75%	6.47%	$ 10,507,172	$ (1,377,682)	(11.59)%	50.43%
1.00%	6.72%	$ 10,116,280	$ (1,768,574)	(14.88)%	51.82%

Sensitivity analysis of changes in SNOI and capitalization rates

In addition, a 1% increase in SNOI would result in a higher portfolio fair value of $119 million. A 1% decrease in SNOI would result in a lower portfolio fair value of $119 million. A 1% increase in SNOI coupled with a 0.25% decrease in capitalization rates would result in a higher portfolio fair value of $667 million. A 1% decrease in SNOI coupled with a 0.25% increase in capitalization rates would result in a lower portfolio fair value of $612 million.

6. Investment in Associates and Joint Ventures

The Trust has certain equity method accounted investments in associates and joint ventures. The following table details the Trust's ownership interest in each equity investee:

Entity	Principal activity	**December 31, 2015**	December 31, 2014
Dawson-Yonge LP	Owns and operates an income property	**40.0%**	40.0%
RioCan-HBC LP	Owns and operates income properties	**10.3%**	—%
WhiteCastle New Urban Fund, LP (WNUF)	Development and sale of residential inventory	**14.2%**	14.2%
WhiteCastle New Urban Fund 2, LP (WNUF 2)		**19.3%**	19.3%
WhiteCastle New Urban Fund 3, LP (WNUF 3)		**20.0%**	—%
RioKim Montgomery JV LP (Montgomery)	Owns and operates an income property	**—%**	80.0%

The following table shows the changes in the aggregate carrying value of RioCan's investment in associates and joint ventures:

Year ended December 31,	**2015**	2014
Balance, beginning of year	**$ 63,016**	$ 36,225
Contributions	**150,121**	3,562
Share of net earnings (loss) from:		
Continuing operations	**10,378**	729
Discontinued operations	**(4,145)**	12,176
Disposals	**(43,079)**	—
Distributions	**(13,447)**	(1,035)
Other	**(3,850)**	11,359
Balance, end of year	**$ 158,994**	$ 63,016

HBC

During the year, RioCan formed a new joint venture with HBC (herein, "RioCan-HBC JV") focused on real estate growth opportunities in Canada. As part of the agreement, RioCan committed to contribute $325 million in assets in three separate tranches, equating to an eventual ownership interest of approximately 20%.

On July 9, 2015, the first tranche of the transaction was completed resulting in the Trust contributing $147 million of net assets in exchange for an initial 13.4% ownership interest in the RioCan-HBC JV. On November 25, 2015, HBC indirectly contributed an additional $331 million of net assets, comprising of three ground-leased properties and one mortgage, diluting the Trust's ownership interest in the RioCan-HBC JV to 10.3% as at December 31, 2015.

The remaining two tranches of RioCan's contributions comprise of $53 million in tenant allowances, and $125 million in cash to be used to fund future property acquisitions to increase the value and diversify the tenant base of the RioCan-HBC JV. The remaining contribution commitments will be completed by the third anniversary of the closing date of July 9, 2015.

Montgomery

In July 2015, RioCan sold its 80% interest in Montgomery JV to Kimco Realty Corp. (Kimco) for total cash consideration of $43 million (US$35 million).

WNUF 3

On May 1, 2015, RioCan committed up to $44 million in capital contributions in consideration for a 20% limited partner interest in WNUF 3. Amounts to be funded are callable by the general partner at any point prior to the expiration of the investment period of May 1, 2020. As at December 31, 2015, RioCan has contributed cash of $1.7 million to the fund.

Financial results of equity accounted investees

The following tables present the financial results of RioCan's equity accounted investees on a 100% basis:

As at December 31,		**2015**		2014
	RioCan-HBC JV	Other	Total	Total
Current assets	**$ 1,985**	**$ 93,927**	**$ 95,912**	$ 16,572
Non-current assets	**1,947,903**	**21,200**	**1,969,103**	225,217
Current liabilities	**4,417**	**5,719**	**10,136**	16,003
Non-current liabilities (i)	**549,732**	**34,970**	**584,702**	90,550
Net assets	**$ 1,395,739**	**$ 74,438**	**$ 1,470,177**	$ 135,236
Investments in equity accounted joint ventures and associates	**$ 143,785**	**$ 15,209**	**$ 158,994**	$ 63,016

Year ended December 31,		**2015**		2014
	RioCan-HBC JV	Other	Total	Total
Rental revenue	**$ 52,290**	**$ 31,570**	**$ 83,860**	$ 1,633
Operating expenses	**4,706**	**5,362**	**10,068**	489
Fair value gains (losses)	**(7,554)**	**743**	**(6,811)**	1,165
Interest expense	**6,708**	**464**	**7,172**	484
Net earnings	**$ 33,322**	**$ 26,487**	**$ 59,809**	$ 1,825
Share of net earnings in equity accounted joint ventures and associates	**$ 4,292**	**$ 6,086**	**$ 10,378**	$ 729

(i) Includes mortgages payable and lines of credit.

7. Mortgages and Loans Receivable

As at December 31,	**2015**	2014
Current	**$ 38,036**	$ 44,865
Non-current	**91,222**	91,325
	$ 129,258	$ 136,190

As at December 31, 2015, mortgages and loans receivable bear interest at a weighted average effective and contractual rate of 4.5% per annum (weighted average effective and contractual rate of 3.9% as at December 31, 2014) and mature between 2016 and 2020.

Future repayments for the years ending December 31 are as follows:

Due on demand	$ 18,713
2016	19,323
2017	14,221
2018	21,819
2019	5,169
2020	50,013
	$ 129,258

8. Receivables and Other Assets

	December 31, 2015			December 31, 2014		
As at	Current	Non-current	Total	Current	Non-current	Total
Prepaid expenses and other assets	**$ 322,574**	**$ 22,266**	**$ 344,840**	$ 254,783	$ 19,298	$ 274,081
Net contractual rents receivable	**45,290**	**—**	**45,290**	52,405	—	52,405
Management information system	**—**	**25,021**	**25,021**	—	26,511	26,511
Funds held in trust	**—**	**36,214**	**36,214**	—	20,096	20,096
	$ 367,864	**$ 83,501**	**$ 451,365**	$ 307,188	$ 65,905	$ 373,093

Prepaid expenses and other assets

Prepaid expenses and other assets primarily include available-for-sale marketable securities, property taxes, office furniture and equipment.

RioCan pays certain upfront non-refundable selling commissions with respect to the sale of residential condominium units. As at December 31, 2015, included in other assets are $6.8 million of non-refundable sales commissions the Trust has paid with respect to the sale of this inventory (December 31, 2014 - $7.4 million), where it is probable that future economic benefits will flow to the Trust. No amortization prior to the recognition of revenue is recognized but rather a charge to net earnings occurs when the revenue associated with the sale is recognized.

Contractual rents receivable

Contractual rents receivable are presented net of an allowance for doubtful accounts of $2.0 million as at December 31, 2015 (December 31, 2014 - $1.7 million). RioCan determines its allowance for doubtful accounts on an individual tenant basis and reduces the carrying value of the receivable to the expected recoverable amount giving consideration to the tenant's payment history, credit worthiness, lease term, account status and other factors. Any subsequent recoveries of rent receivables previously recorded as doubtful accounts are recognized in the consolidated statement of earnings during the period of settlement.

Funds held in trust

Funds held in trust are property specific segregated funds that are contractually required by certain mortgage lenders. To support unsecured mortgage financing, lenders will sometimes require that certain property expenses be funded by monthly property cash flows. The reserves accumulate over time and, in some cases, are used by the lender to fund certain property expenses, such as realty taxes, insurance premiums, leasing commissions, repairs and maintenance, tenant construction allowances and landlord construction costs.

9. Income Taxes

The Trust qualifies as a REIT for Canadian income tax purposes. The Trust expects to distribute all of its taxable income to unitholders and is entitled to deduct such distributions for income tax purposes. Accordingly, no provision for Canadian current income tax payable is required, except for amounts incurred in its incorporated Canadian subsidiaries.

Where an entity does not qualify as a REIT for Canadian income tax purposes, certain distributions will not be deductible by that entity in computing its income for Canadian tax purposes. As a result, the entity will be subject to tax at a rate substantially equivalent to the general corporate income tax rate on distributed taxable income. Distributions paid in excess of taxable income will continue to be treated as a return of capital to unitholders. Undistributed taxable income is subject to the top marginal personal tax rate. The Trust consolidates certain wholly owned incorporated entities that remain subject to tax. The tax disclosures and expense relate only to these entities.

As at December 31, 2015, the Trust's Canadian corporate subsidiaries have recognized deferred income tax assets totalling $8.0 million (2014 - $9.1 million) on deductible temporary differences related to intangible assets, deferred pension and loss carryforwards that expire over the next 17 to 20 years. These deferred tax assets have been recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and there is sufficient taxable income available against which the temporary differences can be utilized.

10. Mortgages Payable and Lines of Credit

Mortgages payable and lines of credit and mortgages on Canadian properties held for sale consist of the following:

As at		**December 31, 2015**		December 31, 2014
Mortgages payable and lines of credit	**$**	**4,164,669**	$	4,566,096
Mortgages on Canadian properties held for sale		**23,968**		20,968
	$	**4,188,637**	$	4,587,064
Current	**$**	**1,176,912**	$	794,728
Non-current		**3,011,725**		3,792,336
	$	**4,188,637**	$	4,587,064

Future repayments of mortgages payable, lines of credit and mortgages on Canadian properties held for sale, by year of maturity are as follows:

Year	Weighted average contractual interest rate	Scheduled principal amortization	Principal maturities	Total repayments
2016	3.18%	$ 61,780	$ 1,115,132	$ 1,176,912
2017	3.75%	49,094	896,893	945,987
2018	3.77%	34,854	507,584	542,438
2019	3.07%	26,782	506,204	532,986
2020	3.94%	16,686	434,386	451,072
Thereafter	4.46%	7,599	516,846	524,445
Contractual obligations	3.63%	$ 196,795	$ 3,977,045	$ 4,173,840
Unamortized differential between contractual and market interest rates on liabilities assumed at the acquisition of properties				22,050
Unamortized debt financing costs, net of premiums and discounts				(7,253)
				$ 4,188,637

U.S. dollar-denominated mortgages payable and lines of credit associated with Canadian properties

As at December 31, 2015, U.S. dollar-denominated mortgages and lines of credit associated with Canadian properties amounted to US$327 million (December 31, 2014 – US$414 million and US$838 million in mortgages associated with Canadian and U.S. properties, respectively). The U.S. dollar-denominated mortgages and lines of credit associated with Canadian properties are designated as a net investment hedge of the Trust's U.S. operations. See note 23 for further details.

Pledged investment properties

As at December 31, 2015, $9.0 billion of the aggregate carrying value of investment properties, Canadian properties held for sale and residential inventory, serves as security for RioCan's mortgages payable and floating rate credit facilities (December 31, 2014 - $11.3 billion).

Weighted average effective and contractual interest rates

The following table summarizes the details of the Trust's weighted average effective and contractual interest rates on mortgages associated with properties located in Canada and U.S. and lines of credit:

	Canada		U.S.		Total	
As at December 31,	**2015 (i)**	2014	**2015 (ii)**	2014	**2015**	2014
Weighted average interest rates						
Effective	**3.71%**	4.21%	**—**	4.59%	**3.71%**	4.46%
Contractual	**3.63%**	4.13%	**—**	4.56%	**3.63%**	4.34%

(i) Mortgages maturing between 2016 and 2034.

(ii) As at December 31, 2015, mortgages associated with U.S. properties were classified as held for sale. See note 4 for details.

Summary of lines of credit

As at December 31, 2015, RioCan has five revolving lines of credit in place with five Canadian Schedule I financial institutions with an aggregate capacity of $934 million (December 31, 2014 - $718 million), of which $339 million remains undrawn.

The following table summarizes the details of the Trust's secured lines of credit as at December 31, 2015:

		Amounts drawn				
	Facility maximum loan amount	Cash advances	Letters of credit	Available to be drawn	Interest rates	Maturity
1 (i) (ii)	**$ 450,000**	**$ 215,461**	**$ 9,557**	**$ 224,982**	CDN$ advances – prime plus 0.25% per annum or Bankers' Acceptance rate plus 1.25% per annum; US$ advances – US$ Base Rate plus 0.25% per annum or US $ LIBOR plus 1.25% per annum	April to November 2016
2 (i) (ii)	**130,000**	**95,000**	**19,679**	**15,321**	CDN$ advances – prime plus 0.25% per annum or Bankers' Acceptance rate plus 1.25% per annum; US$ advances – US$ Base Rate plus 0.25% per annum or US $ LIBOR plus 1.25% per annum	June 2017
3 (i) (ii)	**185,000**	**165,826**	**—**	**17,338**	CDN$ advances – prime plus 0.25% per annum or Bankers' Acceptance rate plus 1.25% per annum ; US$ advances – US$ Base Rate plus 0.25% per annum or US $ LIBOR plus 1.25% per annum	December 2016
4 (i) (ii)	**75,000**	**60,000**	**—**	**15,000**	CDN$ advances – prime plus 0.25% per annum or Bankers' Acceptance rate plus 1.25% per annum; US$ advances – US$ Base Rate plus 0.25% per annum or US $ LIBOR plus 1.25% per annum	June 2017
5 (iii)	**93,717**	**27,074**	**—**	**66,643**	CDN$ advances – prime plus 0.25% per annum or Bankers' Acceptance rate plus 1.25% per annum; US$ advances – US$ Base Rate plus 0.25% per annum or US $ LIBOR plus 1.25% per annum	December 2016
	$ 933,717	**$ 563,361**	**$ 29,236**	**$ 339,284**		

(i) Secured by charges against certain income properties. Should the aggregate agreed values for lending purposes of such properties fall to a level that would not support a borrowing of the maximum loan amount, RioCan has the option to provide substitute income properties as additional security.

(ii) Subject to meeting certain conditions, these loans can be extended for a further year on same terms and conditions.

(iii) Line of credit has an aggregate borrowing capacity of $67.5 million in either US or Canadian dollars.

In January 2016, the Trust amended the terms of two existing operating lines to temporarily increase the Trust's borrowing capacity by $300 million to a total of $1.2 billion. The additional operating line capacity was used to fund the Kimco property acquisitions and is anticipated to be used to redeem the Series A preferred units at the end of March 2016.

Net current liabilities

As at	Note	**December 31, 2015**	December 31, 2014
Cash and cash equivalents		**$ 83,318**	$ 56,273
Receivables and other assets	*8*	**367,864**	307,188
Mortgages and loans receivable	*7*	**38,036**	44,865
Current assets		**489,218**	408,326
Accounts payable and other liabilities	*12*	**292,124**	278,897
Debentures payable	*11*	**—**	115,990
Net current assets before the under noted		**197,094**	13,439
Mortgages payable and lines of credit		**1,176,912**	794,728
Net current liabilities		**$ (979,818)**	$ (781,289)

11. Debentures Payable

Debentures payable consist of the following:

As at	**December 31, 2015**	December 31, 2014
Current	**$ —**	$ 115,990
Non-current	**2,000,066**	1,740,511
	$ 2,000,066	$ 1,856,501

As at December 31, 2015, total debentures payable bear interest at weighted average effective and contractual rates of 3.80% and 3.68%, respectively. As at December 31, 2014, total debentures payable bear interest at weighted average effective and contractual rates of 4.11% and 3.86%, respectively.

Issuances

On February 12, 2015, the Trust issued $300 million of Series W senior unsecured debentures, which mature on February 12, 2024 and carry a coupon of 3.287%. A portion of the net proceeds were used to repay indebtedness, including the redemption of the Trust's Series O senior unsecured debentures (the Series O Debentures) as described below, and the balance for general trust purposes.

On April 2, 2015, the Trust issued an additional $175 million of Series Q senior unsecured debentures (the Additional Debentures). The Additional Debentures carry a coupon of 3.85% and will mature on June 28, 2019. The Additional Debentures were sold at a price of $107.312 per $100 principal amount plus accrued interest, with an effective yield of 2.04% if held to maturity.

Redemptions

On March 9, 2015, RioCan redeemed its US$100 million 4.10% Series N senior unsecured debentures due September 21, 2015 (the Series N Debentures), in full, in accordance with their terms, at a total redemption price of US$101.8 million, plus accrued and unpaid interest of US$1.9 million, up to but excluding the redemption date. The Trust recorded an early extinguishment charge of $2.3 million (US$1.8 million).

On March 11, 2015, RioCan redeemed its $225 million 4.499% Series O Debentures due January 21, 2016, in full, in accordance with their terms, at a total redemption price of $231.8 million, plus accrued and unpaid interest of $1.4 million, up to but excluding, the redemption date. The Trust recorded an early extinguishment charge of $7.6 million, which includes a write-off of the related unamortized deferred financing costs.

The Trust has the following series of senior unsecured debentures outstanding as at December 31, 2015:

Series	Maturity date	Coupon rate	Interest payment frequency	**2015**	2014
N (i)	September 21, 2015	4.10%	Semi-annual	**$ —**	$ 116,000
O	January 21, 2016	4.50%	Semi-annual	**—**	225,000
P	March 1, 2017	3.80%	Semi-annual	**150,000**	150,000
S	March 5, 2018	2.87%	Semi-annual	**250,000**	250,000
Q	June 28, 2019	3.85%	Semi-annual	**350,000**	175,000
U	June 1, 2020	3.62%	Semi-annual	**150,000**	150,000
R	December 13, 2021	3.72%	Semi-annual	**250,000**	250,000
V	May 30, 2022	3.75%	Semi-annual	**250,000**	250,000
T	April 18, 2023	3.73%	Semi-annual	**200,000**	200,000
W	February 12, 2024	3.29%	Semi-annual	**300,000**	—
I	February 6, 2026	5.95%	Semi-annual	**100,000**	100,000
Contractual obligations				**$ 2,000,000**	$ 1,866,000

(i) US dollar-denominated $100 million debenture.

Future repayments are as follows:

		Weighted average contractual interest rate	Principal maturities
Year ending December 31:	2017	3.80%	$ 150,000
	2018	2.87%	250,000
	2019	3.85%	350,000
	2020	3.62%	150,000
	Thereafter	3.81%	1,100,000
Contractual obligations			2,000,000
Unamortized debt financing costs			66
			$ 2,000,066

Covenants

The debentures have covenants relating to RioCan's leverage limit of up to 60% of aggregate assets as set out in the Trust's Declaration, the maintenance of a $1.0 billion Adjusted Book Equity (as defined in the debenture), and maintenance of an interest coverage ratio of 1.65 times or greater. There are no requirements under the unsecured debenture covenants for RioCan to maintain unencumbered assets. RioCan has the right, at any time, to convert the Series I debentures to mortgage debt, subject to the acceptability of the security given to the debenture holders. In such an event, the covenants relating to the 60% leverage limit, minimum book equity and interest coverage ratio would be eliminated for those debentures. As at and during the year ended December 31, 2015, the Trust was in compliance with these covenants pursuant to the Trust's Declaration and debenture indentures.

12. Accounts Payable and Other Liabilities

	December 31, 2015			December 31, 2014		
As at	Current	Non-current	Total	Current	Non-current	Total
Property operating costs	**$ 103,908**	**$ 21,011**	**$ 124,919**	$ 85,284	$ 17,567	$ 102,851
Development and capital expenditures	**81,333**	**24,113**	**105,446**	92,610	—	92,610
Deferred revenue	**20,821**	**27,385**	**48,206**	20,581	23,027	43,608
Distributions to unitholders payable	**37,893**	**—**	**37,893**	37,128	—	37,128
Interest on mortgages and debentures payable	**30,085**	**—**	**30,085**	30,837	—	30,837
Interest rate swap agreements	**1,751**	**24,665**	**26,416**	—	15,989	15,989
Unfunded employee future benefits	**—**	**13,170**	**13,170**	—	12,953	12,953
Finance lease obligation	**—**	**19,851**	**19,851**	—	14,036	14,036
Other trade payables and accruals	**15,469**	**3,507**	**18,976**	11,682	2,775	14,457
Contingent consideration	**864**	**—**	**864**	775	—	775
	$ 292,124	**$ 133,702**	**$ 425,826**	$ 278,897	$ 86,347	$ 365,244

13. Unitholders' Equity

Common trust units

The Trust is authorized to issue an unlimited number of common units. The common units are entitled to distributions, as and when declared by the Board (and upon liquidation), to a pro rata share of the residual net assets remaining after the preferential claims, thereon, of debt holders and preferred unitholders. As the Trust is a closed end trust, the units are not puttable.

The units issued and outstanding are as follows:

	2015		2014	
Year ended December 31,	Units	$	Units	$
Balance, beginning of year	**315,986**	**4,536,957**	304,075	4,238,936
Units issued:				
Public offerings	**—**	**—**	4,800	126,000
Distribution reinvestment plan	**5,443**	**142,715**	4,738	121,564
Direct purchase plan	**35**	**932**	42	1,119
Unit option plan	**1,019**	**23,701**	2,331	49,433
Value associated with unit options granted	**—**	**5,135**	—	5,451
Unit issue costs	**—**	**(275)**	—	(5,546)
Balance, end of year	**322,483**	**4,709,165**	315,986	4,536,957

Included in units outstanding as at December 31, 2015, are exchangeable limited partnership units totaling 1.1 million units (December 31, 2014 - 1.1 million units) of three limited partnerships that are subsidiaries of the Trust (the LP units), which were issued to vendors as partial consideration for income properties acquired by RioCan. RioCan is the general partner of the limited partnerships. The LP units are entitled to distributions equivalent to distributions on RioCan units, and are exchangeable for RioCan units on a one-for-one basis at any time at the option of the holder.

Normal Course Issuer Bid

On August 5, 2015, RioCan announced the TSX approval of its notice of intention to make a normal course issuer bid (NCIB) for a portion of its units as appropriate opportunities arise from time to time. RioCan's NCIB will be made in accordance with the requirements of the TSX. Under the NCIB, RioCan may acquire up to a maximum of 7,970,466 of its units, or approximately 2.5% of its issued and outstanding units as at July 31, 2015, for cancellation over the 12 months commencing on or about August 7, 2015 until August 6, 2016. No units were purchased by RioCan pursuant to its previous NCIB, which expired August 6, 2015.

The number of units that can be purchased pursuant to the bid is subject to a current daily maximum of 126,326 units (which is equal to 25% of 505,305, being the average daily trading volume from February 2, 2015 through to July 31, 2015), subject to RioCan's ability to make one block purchase of units per calendar week that exceeds such limits. RioCan intends to fund the purchases out of its available cash and undrawn credit facilities.

During the years ended December 31, 2015 and 2014, RioCan did not purchase for cancellation any of its units under its NCIB.

Preferred trust units

The Trust is authorized to issue 50 million preferred units.

Series A

In 2011, the Trust issued a total of 5 million perpetual Cumulative Rate Reset Preferred Trust Units, Series A (the Series A Units) for aggregate gross proceeds of $125 million ($120 million, net of issue costs). The Series A Units pay a cumulative distribution yield of 5.25% per annum, payable quarterly, as and when declared by the Board of Trustees of RioCan, for the initial five-year period ending March 31, 2016. The distribution rate will be reset on March 31, 2016 and every five years thereafter, at a rate equal to the then five-year Government of Canada bond yield plus 2.62%.

The Series A Units are redeemable by RioCan, at its option, on March 31, 2016 and on March 31 of every fifth year thereafter. Holders of Series A Units have the right to reclassify all or any part of their units as perpetual Cumulative Floating Rate Preferred Trust Units, Series B (the Series B Units), subject to certain conditions, on March 31, 2016 and on March 31 of every fifth year thereafter. Holders of Series B Units will be entitled to receive a cumulative quarterly floating distribution at a rate equal to the then 90-day Government of Canada Treasury Bill yield plus 2.62%, as and when declared by the Board of Trustees of RioCan. Holders of Series B Units will have the right to reclassify all or part of their units as Series A Units on March 31, 2021 and on March 31 of every fifth year thereafter.

Series C

In 2011, the Trust issued an aggregate of 5.98 million Cumulative Rate Reset Preferred Trust Units, Series C (the Series C Units) for aggregate gross proceeds of $149.5 million ($145 million, net of issue costs). The Series C Units pay a fixed cumulative distribution yield of 4.70% per annum, payable quarterly, as and when declared by the Board of Trustees of RioCan, for the initial approximate five and a half-year period ending June 30, 2017. The distribution rate will be reset on June 30, 2017 and every five years thereafter at a rate equal to the then five-year Government of Canada bond yield plus 3.18%.

The Series C Units are redeemable by RioCan, at its option, on June 30, 2017 and on June 30 of every fifth year thereafter. Holders of Series C Units have the right to reclassify all or any part of their units as Cumulative Floating Rate Preferred Trust Units, Series D (the Series D Units), subject to certain conditions, on June 30, 2017 and on June 30 of every fifth year thereafter. Holders of Series D Units will be entitled to receive a cumulative quarterly floating distribution at a rate equal to the then 90-day Government of Canada Treasury Bill yield plus 3.18%, as and when declared by the Board of Trustees of RioCan. Holders of Series D Units will have the right to reclassify all or part of their units as Series C Units on June 30, 2022 and on June 30 of every fifth year thereafter.

The Series A Units and the Series C Units will rank equally with each other and with the outstanding Series B Units and the Series D Units into which they may be reclassified.

Accumulated other comprehensive income (loss)

Accumulated other comprehensive income (loss) as at and for the years ended December 31, 2015 and 2014 consists of the following amounts:

	Unrealized gain (loss)				
	Interest rate swap agreements	Cumulative translation gain on U.S. foreign operations	Available-for-sale investments	Actuarial gain (loss) on pension	Total
As at December 31, 2014	$ (13,753)	$ 102,956	$ 27,474	$ (2,225)	$ 114,452
Other comprehensive income (loss)	**(9,882)**	**205,424**	**14,105**	**535**	**210,182**
As at December 31, 2015	**$ (23,635)**	**$ 308,380**	**$ 41,579**	**$ (1,690)**	**$ 324,634**

14. Unit-based Compensation Plans

Incentive unit option plan

During 2015, our Unitholders approved an increase to the number of authorized unit options available for grant under RioCan's incentive unit option plan of 10.6 million. The Unitholders also approved a modification to the unit option plan that set the maximum aggregate number of unit options issuable thereunder (for purposes of satisfying the exercise of currently outstanding options together with future grants, and no longer capturing unit options previously granted and exercised or cancelled) to 22 million. Accordingly, as at December 31, 2015, we are authorized to issue up to a maximum of 22 million unit options.

The exercise price for each option is equal to the volume weighted average trading price of the units on the TSX for the five trading days immediately preceding the dates of grant except for those options granted prior to May 27, 2009, which have an exercise price equal to the closing price of the units on the date prior to the day the option was granted. An option's maximum term is ten years. All options granted vest at 25% per annum commencing on the first anniversary of the grant date, and become fully vested after four years.

The Trust accounts for this plan by estimating the fair value of each tranche of an award at the grant date and subsequently recognizing the compensation expense over the vesting period.

The weighted average assumptions utilized in the calculation of units granted for the years ended December 31, 2015 and 2014 using the Black-Scholes option valuation model are as follows:

Year ended December 31,	**2015**	2014
Fair value of unit options granted	**$ 1,834**	$ 6,983
Unit options granted (in thousands)	**1,453**	2,171
Unit option exercise price	**$ 29.20**	$ 27.29
Expected risk free interest rate (i)	**0.6%**	2.0%
Expected distribution yield (ii)	**4.8%**	5.2%
Expected unit price volatility (iii)	**14.8%**	23.5%
Expected option life (years) (iv)	**4.3**	5.5 - 7

(i) Determined using the yield on Government of Canada benchmark bonds with an average maturity period similar to the expected option life.
(ii) Based on the annual distribution yield on the date of grant.
(iii) Estimated by considering historic average unit price volatility.
(iv) Estimated based upon expected holding period of options between the grant and exercise dates.

The following summarizes the changes in options outstanding during the years ended December 31, 2015 and 2014:

	2015		2014	
Options	Units (in thousands)	Weighted average exercise price	Units (in thousands)	Weighted average exercise price
Outstanding, beginning of year	**8,782**	**$ 25.30**	9,704	$ 24.01
Granted	**1,453**	**29.20**	2,171	27.29
Exercised	**(1,019)**	**23.25**	(2,331)	21.21
Forfeited or cancelled	**(189)**	**27.28**	(762)	27.04
Outstanding, end of year	**9,027**	**$ 26.12**	8,782	$ 25.30
Options exercisable at end of year	**4,976**	**$ 24.63**	4,402	$ 23.60
Average fair value per unit of options granted during the year		**$ 1.26**		$ 3.22

The following table summarizes our outstanding options and related exercise price ranges of units granted under the plan:

As at December 31, 2015		Outstanding Options		Vested Options	
Exercise Price Range ($/unit)	Number of Common Shares Issuable (in thousands)	Weighted Average Exercise Price per Common Share	Weighted Average Remaining Life (years)	Number of Common Shares Issuable (in thousands)	Weighted Average Exercise Price per Common Share
12.15 to 24.93	**1,447**	**$20.07**	**3.7**	**1,447**	**$20.07**
24.94 to 26.53	**1,140**	**25.26**	**3.9**	**1,140**	**25.26**
26.54	**1,489**	**26.54**	**7.0**	**865**	**26.54**
26.55 to 27.50	**1,790**	**27.31**	**7.2**	**959**	**27.28**
27.51 to 27.69	**1,785**	**27.56**	**8.1**	**565**	**27.59**
27.70 to 30.00	**1,376**	**29.31**	**9.2**	**—**	**—**
	9,027	**$26.12**	**6.7**	**4,976**	**$24.63**

As at December 31, 2014		Outstanding Options		Vested Options	
Exercise Price Range ($/unit)	Number of Common Shares Issuable (in thousands)	Weighted Average Exercise Price per Common Share	Weighted Average Remaining Life (years)	Number of Common Shares Issuable (in thousands)	Weighted Average Exercise Price per Common Share
12.15 to 21.16	1,278	$18.60	4.0	1,278	$18.60
21.17 to 24.93	610	23.28	5.5	481	23.13
24.94	775	24.94	6.4	566	24.94
24.95 to 26.53	825	25.54	2.3	819	25.54
26.54	1,602	26.54	8.0	563	26.54
26.55 to 27.50	1,831	27.32	8.1	576	27.27
27.51 to 27.69	1,861	27.56	9.1	119	27.69
	8,782	$25.30	6.8	4,402	$23.60

New executive compensation plan

In February 2015, the Trust granted performance equity units (PEUs) under the performance equity unit plan (PEU Plan) with a 3-year performance period effective January 1, 2015 for senior executives. The implementation of the new PEU Plan will reduce the proportion of long-term incentives granted through unit options through replacement with an equivalent value of PEUs. PEUs will be subject to both internal and external measures consisting of both absolute and relative performance. Subject to performance, PEUs granted during February 2015 vest in February 2018, and are cash settled.

The Trust accounts for this plan under the fair value method of accounting which uses the Monte-Carlo simulation pricing model to determine the fair value of market-based awards. The Monte-Carlo simulation pricing model uses the same input assumptions as the Black-Scholes model; however, it allows for the incorporation of the market-based performance hurdles that must be met before the PEU vests in the holder. Pursuant to IFRS, compensation costs related to awards with a market-based condition are recognized regardless of whether the market condition is satisfied, provided that the requisite service has been provided and all performance conditions have been satisfied.

During February 2015, the Trust granted 0.1 million PEUs under its PEU Plan. Unit-based compensation expense and fair value assumptions using the Monte-Carlo valuation model are as follows:

Fair value of PEUs granted	**$ 3,766**
PEUs granted (in thousands)	**111**
Grant date fair value per unit	**$ 33.93**
Expected risk-free interest rate (i)	**0.45%**
Expected unit price volatility (ii)	**14.0%**
Expected total unitholder return (iii)	**11.4%**

(i) Determined using the yield on Government of Canada benchmark bonds with an average maturity period similar to the PEU vesting period.

(ii) Estimated by considering historic average unit price volatility.

(iii) PEUs are subject to total unitholder return (TUR) performance hurdles where vesting is dependent upon RioCan's TUR performance relative to certain internal and external measures, which includes the following: a) one-third of PEU grants are subject to a relative performance against a comparative group of peer companies; b) one-third of PEU grants are subject to an absolute out performance hurdle against certain market indices; and one-third of PEU grants are subject to an internal Operating FFO growth performance hurdle.

Trustees' restricted equity unit plan

The Trustees' restricted equity unit plan provides for an allotment of restricted equity units (REUs) to each non-employee trustee (member). The value of REUs allotted appreciates or depreciates with increases or decreases in the market price of the Trust's units. Members are also entitled to be credited with REUs for distributions paid in respect of units of the Trust based on an average market price of the units as defined by the plan. REUs vest and are settled three years from the date of issue by a cash payment equal to the number of vested REUs credited to the member based on an average market price of the Trust's units at the settlement date.

Effective May 28, 2014, this plan has been replaced by the Trustees' deferred equity unit plan as the form of unit-based incentive compensation to Trustees as discussed below.

For the year ended December 31, 2015, the Trustees' restricted equity unit plan expense was $0.4 million (year ended December 31, 2014 - $0.8 million) and was recorded in general and administrative expenses on the consolidated statement of earnings.

Trustees' deferred equity unit plan

On May 28, 2014, the Board of Trustees approved the adoption of a deferred unit plan for non-employee Trustees of the Trust (Participants) to further align the interests of the Trustees of RioCan and its unitholders.

Participants may be awarded deferred units, each of which are economically equivalent to one unit, from time to time at the discretion of the Board of Trustees upon recommendation from management, subject to a maximum annual grant not to exceed that number of deferred units which is $150,000 divided by the average market price of a unit on the award date. Participants may also elect to receive up to 100% of his or her annual retainer and meeting fees for a calendar year otherwise payable in cash in the form of deferred units.

For the year ended December 31, 2015, the Trustees' deferred equity unit plan expense was $1.3 million (year ended December 31, 2014 - $1.2 million) and was recorded in general and administrative expenses on the consolidated statement of earnings.

15. Distributions to Unitholders

RioCan qualifies as a mutual fund trust and a REIT for income tax purposes. RioCan intends, but is not contractually obligated, to distribute all of the Trust's taxable income to unitholders in each year, as calculated in accordance with the *Income Tax Act* (Canada) after all permitted deductions under this Act have been taken.

Total distributions declared to unitholders are as follows:

Year ended December 31,	**2015**		2014	
	Total Distributions	Distributions per unit	Total Distributions	Distributions per unit
Common Unitholders	**$ 453,094**	**$ 1.4100**	$ 433,274	$ 1.4100
Preferred Unitholders – Series A	**6,563**	**1.3125**	6,563	1.3125
Preferred Unitholders – Series C	**7,027**	**1.1750**	7,027	1.1750
	$ 466,684		$ 446,864	

On February 5, 2016, RioCan paid a distribution of 11.75 cents per unit for the month of January 2016 to common unitholders of record as at January 29, 2016.

16. Rental Revenue

Year ended December 31,		**2015**		2014
Base rent	**$**	**657,922**	$	646,405
Straight-line rent		**8,094**		7,588
Common area maintenance recoveries		**148,539**		145,171
Realty tax recoveries		**206,959**		200,055
Percentage rent		**6,201**		5,088
Lease cancellation fees		**11,353**		5,115
	$	**1,039,068**	$	1,009,422

17. Other Income

Year ended December 31,		**2015**		2014
Income earned on available-for-sale investments	**$**	**12,790**	$	5,944
Transaction losses, net		**(2,631)**		—
Target settlement proceeds, net		**88,267**		—
	$	**98,426**	$	5,944

Target Canada Co. (Target Canada)

On January 15, 2015, Target Corporation (Target) announced plans to discontinue its Canadian operations through its indirect wholly owned subsidiary, Target Canada. At the time of this announcement RioCan had 26 locations under lease with Target Canada. During the year, Target Canada disclaimed 19 properties owned by RioCan and ceased paying rent at these locations. All but one of these leases were guaranteed through an indemnity arrangement with Target for the remaining term of each lease. The one location not covered by the Target indemnity remains a leasehold obligation of Walmart Canada through a pre-existing covenant and Walmart Canada has assumed payment of the annual rent obligation. Seven leases of the twenty-six have been assigned to new tenants who assumed payment of the rental obligations, thereunder, as of the closing date of the respective assignments.

During December 2015, RioCan entered into a binding agreement with Target Corp., the U.S. parent of Target Canada Co., concluding the terms of settlement relating to the 18 leases that were disclaimed pursuant to the *Companies' Creditors Arrangement Act*. Other income includes $88 million in settlement proceeds received in cash relating to the release of Target Corp. from the indemnity agreements, which is net of $3.5 million of outstanding rents receivable as of the disclaim date and other costs of settlement.

18. Interest Expense

Interest expense consists of the following:

Year ended December 31,		**2015**		2014
Total interest	**$**	**214,203**	$	226,473
Less: Interest capitalized to properties under development		**27,431**		32,400
	$	**186,772**	$	194,073

For the year ended December 31, 2015, interest was capitalized to properties under development at a weighted average effective interest rate of 4.2% (2014 – 4.5%).

19. General and Administrative

Year ended December 31,		**2015**		2014
Salaries and benefits	**$**	**21,206**	$	21,925
Unit-based compensation expense		**4,741**		4,075
Depreciation and amortization		**4,434**		4,019
Other general and administrative		**20,670**		18,931
	$	**51,051**	$	48,950

Other general and administrative costs include information technology, public company, professional, travel, occupancy, donations, advertising, promotion and marketing costs.

20. Transaction and Other Costs

For the year ended December 31, 2015, transaction and other costs include property disposition and demolition costs totalling $10.5 million (year ended December 31, 2014 - $4.9 million), mainly related to the disposition of a Quebec property portfolio and land transfer taxes incurred in connection with RioCan's acquisition of Kimco properties.

21. Net Earnings per Unit

Net earnings per unit and weighted average common units outstanding are calculated as follows:

Year ended December 31,	2015	2014
Net earnings attributable to common and preferred unitholders		
Continuing operations	**$ 416,892**	$ 447,008
Discontinued operations	**(275,129)**	216,250
	141,763	663,258
Less: Distributions to preferred unitholders	**13,590**	13,590
Net earnings attributable to common unitholders	**$ 128,173**	$ 649,668
Weighted average common units outstanding (in thousands):		
Basic	**319,492**	307,910
Dilutive effect of common unit options (i)	**491**	762
Diluted	**319,983**	308,672
Net earnings per unit - basic:		
From continuing operations	**$ 1.26**	$ 1.41
From discontinued operations	**(0.86)**	0.70
Total	**$ 0.40**	$ 2.11
Net earnings per unit - diluted:		
From continuing operations	**$ 1.26**	$ 1.40
From discontinued operations	**(0.86)**	0.70
Total	**$ 0.40**	$ 2.10

(i) The calculation of diluted weighted average units outstanding excludes options of 5.1 million and 5.3 million units for the years ended December 31, 2015 and 2014, respectively, as the exercise price of these options was greater than the average market price of RioCan's common units.

22. Fair Value Measurement

The fair value hierarchy of assets and liabilities measured at fair value on a recurring basis in the consolidated balance sheet is as follows:

	December 31, 2015			December 31, 2014		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets measured at fair value:						
Cash and equivalents	**$ 83,318**	**$ —**	**$ —**	$ 56,273	$ —	$ —
Available-for-sale investments	**300,553**	**—**	**—**	229,645	—	—
Investment properties:						
Income properties	**—**	**—**	**11,322,109**	—	—	13,121,331
Properties under development	**—**	**—**	**830,067**	—	—	649,432
Properties held for sale:						
Canada	**—**	**—**	**171,122**	—	—	188,933
U.S.	**—**	**—**	**2,796,973**	—	—	—
Total assets measured at fair value	**$ 383,871**	**$ —**	**$15,120,271**	$ 285,918	$ —	$13,959,696
Liabilities measured at fair value:						
Interest rate swap liability	**—**	**26,218**	**—**	—	15,989	—
Total liabilities measured at fair value	**$ —**	**$ 26,218**	**$ —**	$ —	$ 15,989	$ —

The three levels of the fair value hierarchy are described in note 3(b). For assets and liabilities measured at fair value as at December 31, 2015 and 2014, there were no transfers between Level 1, Level 2 and Level 3 assets and liabilities during the year. For changes in fair value measurements of investment properties and Canadian properties held for sale included in Level 3 of the fair value hierarchy, see note 5 for details. For U.S. properties held for sale, see note 4 for details.

Fair value of financial instruments

The Trust's financial instruments and their carrying values as at December 31, 2015 and 2014 on the consolidated balance sheets are as follows:

	2015		2014	
	Carrying value	Fair value	Carrying value	Fair value
Receivables and other assets	**$ 451,365**	**$ 451,365**	$ 373,093	$ 373,093
Mortgages and loans receivable	**129,258**	**126,227**	136,190	128,139
Mortgages payable, lines of credit and mortgages on properties held for sale	**5,413,304**	**5,660,359**	4,587,064	4,845,580
Debentures payable	**2,000,066**	**2,073,905**	1,856,501	1,925,975
Interest rate swap liability	**26,218**	**26,218**	15,989	15,989
Accounts payable and other liabilities	**394,483**	**394,483**	345,706	345,706

The fair values of the Trust's financial instruments were determined as follows:

Receivables, other assets, accounts payable and other liabilities

These instruments' carrying amounts approximate fair values due to their short-term nature.

Mortgages and other loans receivable, mortgages payable, lines of credit, mortgages on properties held for sale and debentures payable

The fair value of these instruments are estimates made at a specific point in time, based on relevant market information. These estimates are based on quoted market prices for the same or similar issues or on the current rates offered to the Trust for similar financial instruments subject to similar risk and maturities. Fair value measurements of these instruments were estimated using Level 2 inputs.

Interest rate swap liability

The fair value of the interest rate swaps reported in other liabilities represent estimates at a specific point in time using financial models, based on interest rates that reflect current market conditions, the credit quality of counterparties and interest rate curves.

23. Risk Management

The main risks arising from the Trust's financial instruments are interest rate, liquidity, credit and foreign exchange risks. The

Trust's approach to managing these risks is summarized below:

Interest rate risk

The Trust is exposed to interest rate risk on its borrowings and could be adversely affected if it were unable to obtain cost-effective financing. The majority of the Trust's debt is financed at fixed rates with maturities staggered over a number of years, thereby mitigating its exposure to changes in interest rates and financing risks. As at December 31, 2015, approximately 14.0% (December 31, 2014 - 7.7%) of the Trust's debt (including mortgages held for sale) is financed at variable rates, exposing the Trust to changes in interest rate risk.

From time to time, the Trust may enter into floating-for-fixed interest rate swaps as part of its strategy for managing certain interest rate risks. The Trust has applied hedge accounting and recorded the changes in fair value for the effective portion of the derivative in OCI from the date of designation. For any interest rate swaps for which the Trust does not apply hedge accounting, the change in fair value is recognized in the consolidated statement of earnings.

As at December 31, 2015, the outstanding notional amount of the floating-to-fixed interest rate swaps was $993 million (December 31, 2014 – $797 million) and the term to maturity of these agreements ranges from February 2016 to August 2022. The Trust assesses the effectiveness of the hedging relationship on a quarterly basis and has determined there is no ineffectiveness in the hedging of its interest rate exposure. As an effective hedge, unrealized gains or losses on the interest rate swap agreements are recognized in OCI. As at December 31, 2015, the fair value of the interest rate swaps are, in aggregate, a net financial liability of $26 million (December 31, 2014 – $16 million).

The following table summarizes the details of the interest rate swaps that are outstanding as at December 31, 2015:

Transaction date	Original principal amount (v)	Effective fixed interest rate	Maturity date
April 2011 (i)	$ 20,033	5.24%	February 2016
December 2011	32,500	3.36%	December 2016
March 2014 (ii)	76,362	3.61%	December 2016
September 2012	21,200	3.78%	April 2017
September 2012	27,200	3.74%	May 2017
September 2012	45,000	4.08%	November 2017
November 2012	13,000	3.08%	November 2017
September 2012	16,350	3.77%	May 2018
May 2013	58,300	2.98%	May 2018
May 2013	16,500	3.07%	May 2018
March 2014 (iii)	69,420	3.44%	July 2018
September 2012	26,430	4.26%	October 2018
September 2014	73,000	3.89%	November 2018
September 2012	22,975	3.78%	December 2018
November 2013	110,500	2.16%	February 2019
February 2014	13,420	3.40%	March 2019
September 2014 (iv)	83,998	2.00%	September 2019
March 2015	65,000	2.34%	April 2020
July 2015	16,125	2.41%	September 2020
December 2015	33,000	2.46%	November 2020
December 2010	15,500	5.03%	December 2020
November 2013	25,000	3.99%	December 2020
May 2011	2,000	4.89%	May 2021
September 2011	23,000	4.04%	September 2021
December 2011	30,000	4.13%	December 2021
July 2015	57,600	2.86%	August 2022
	$ 993,413		

(i) US dollar-denominated $14 million mortgage assumed upon property acquisition.
(ii) US dollar-denominated $55 million mortgage.
(iii) US dollar-denominated $50 million mortgage.
(iv) US dollar-denominated $61 million mortgage.
(v) All amounts shown in Canadian dollar equivalents.

As at December 31, 2015, the carrying value of the Trust's floating rate debt, not subject to a hedging strategy, is $957 million. As at December 31, 2015, a 50 basis point increase in market interest rates would result in a $4.8 million decrease in the Trust's net earnings.

Liquidity risk

Liquidity risk is the risk that the Trust will not meet its financial obligations as they become due. The Trust mitigates its liquidity risk by staggering the maturity dates of its long-term debt, limiting the use of floating rate debt, actively renewing expiring credit arrangements, utilizing undrawn lines of credit; and issuing equity when considered appropriate.

- For the schedule of future repayments of mortgages, floating rate debt and cash advances drawn against the Trust's lines of credit, see note 10 for further details.
- For the schedule of future repayments of debentures, see note 11 for further details.

The Trust expects to continue financing future acquisitions, development and debt obligations through existing cash balances, internally generated cash flows, mortgages, operating facilities, issuance of equity, unsecured debentures, and the sale of non-core assets.

Credit risk

Credit risk arises from the possibility that:

- Tenants experience financial difficulty and are unable to fulfill their lease commitments or tenants fail to occupy and pay rent in accordance with existing lease agreements, some of which are conditional.

- Borrowers default on the repayment of their mortgages to the Trust.
- Third-party defaults on the repayment of debt whereby RioCan has provided lender guarantees.

RioCan's Declaration of Trust contains provisions that have the effect of limiting the amount of space that can be leased to one tenant and its investment in mortgages receivable.

Additionally, the Trust mitigates tenant credit risk through geographical diversification, staggered lease maturities, diversification of revenue sources resulting from a large tenant base, avoiding dependence on any single tenant by ensuring no individual tenant contributes a significant percentage of the Trust's gross revenue and ensuring a considerable portion of the Trust's revenue is earned from national and anchor tenants and conducting credit assessments for new tenants.

Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Trust is exposed to both transaction and translation risk from changes in foreign exchange rates primarily relating to its net investment in its U.S. operations and, to a lesser extent, its monetary assets and liabilities denominated in this currency.

The Trust manages its foreign currency risk by hedging its exposure to fluctuations on the translation into US dollars by borrowing debt in US dollars and by using foreign currency forwards.

As at December 31, 2015, mortgages payable and lines of credit totaling US$327 million have been designated as part of the Trust's net investment hedge of its U.S. operations. During January 2016, RioCan increased its U.S. net investment hedge in order to further reduce its exposure to fluctuations in the Canadian/U.S. foreign exchange rate. As of the date hereof, the Trust has increased its U.S. dollar denominated borrowings by US$258 million and repaid outstanding Canadian debt using the proceeds of these U.S. borrowings converted at an average exchange rate of 1.3921, which was established using a series of short-term forward contracts. As at December 31, 2015, three such contracts remain outstanding having a notional value of US $166 million with maturity dates in January 2016.

As at December 31, 2015, the Trust's U.S. dollar-denominated net assets are $1.6 billion; therefore a 1% change in the value of the U.S. dollar will result in a gain or loss through OCI of approximately $11 million.

24. Capital Management

The Trust defines capital as the aggregate of unitholders' equity and debt. The Trust's capital management framework is designed to maintain a level of capital that complies with investment and debt restrictions pursuant to RioCan's Declaration, complies with existing debt covenants, enables the Trust to achieve target credit ratings, implements its business strategies and builds long-term unitholder value. The key elements of RioCan's capital management framework are approved by its unitholders via the Trust's Declaration of Trust and by its Board through their annual review of the Trust's strategic plan and budget, supplemented by periodic Board and Board Committee meetings. Capital adequacy is monitored by the Trust by assessing performance against the approved annual plan throughout the year, which is updated accordingly, and by monitoring adherence to investment and debt restrictions contained in the Declaration and debt covenants.

RioCan's Declaration provides for maximum total debt levels up to 60% of Aggregate Assets (as defined in the Declaration). The Trust is in compliance with this restriction.

Additionally, RioCan's Declaration contains provisions that have the effect of limiting capital expended by the Trust for, among other items, the following:

- direct and indirect investments (net of related mortgages payable) in non-income producing properties (including greenfield developments and mortgages receivable to fund the Trust's co-owners' share of such developments) to no more than 15% of the Adjusted Unitholders' Equity of the Trust (herein referred to as the "Basket Ratio" with Adjusted Unitholders' Equity as defined in the Declaration);
- total investment by the Trust in mortgages receivable, other than mortgages taken back by the Trust on the sale of its properties, to no more than 30% of the Adjusted Unitholders' Equity of the Trust;
- any property acquired by the Trust, directly or indirectly, if the cost to the Trust of such acquisition (net of the amount of mortgages payable assumed) exceeds 10% of the Adjusted Unitholders' Equity of the Trust;
- subject to the Basket Ratio, securities of an entity, other than to the extent that such securities would, for the purpose of the Declaration, constitute an investment in real estate; and
- the amount of space that can be leased or subleased to any tenant, with certain exceptions, to a maximum space having an aggregate gross leasable area of 20% of the aggregate gross leasable area of all real estate investments held by the Trust.

The Trust is in compliance with each of the above noted restrictions as at and for the year ended December 31, 2015. The Trust intends, but is not contractually obligated, to distribute to its unitholders in each year an amount not less than the Trust's income for the year, as calculated in accordance with the *Income Tax Act* (Canada) (the Tax Act) after all permitted deductions under the Tax Act have been taken. RioCan's Trustees rely upon forward looking cash flow information, including forecasts and budgets and the future business prospects of RioCan, to establish the level of cash distributions.

The Trust's debentures payable have covenants that are consistent with the Debt to Aggregate Assets ratio as discussed above, maintenance of at least $1 billion of Adjusted Book Equity (defined in the indenture), and maintenance of at least an interest coverage ratio (defined in the indenture) of 1.65 for a rolling twelve-month period.

The following table highlights RioCan's Ratio of Debt to Total Assets (net of cash), Basket Ratio and Interest coverage ratio in accordance with the Declaration:

As at	Note	**December 31, 2015**	December 31, 2014
Mortgages payable and lines of credit	*10*	**$ 4,164,669**	$ 4,566,096
Liabilities associated with assets held for sale	*4*	**1,248,635**	20,968
Debentures payable	*11*	**2,000,066**	1,856,501
Total Debt		**7,413,370**	6,443,565
Unitholders' equity		**7,926,039**	7,868,570
Total capital		**$ 15,339,409**	$ 14,312,135
Ratio of debt, net of cash, to total assets, net of cash		**46.1%**	43.7%
Basket Ratio		**2.9%**	3.5%

Year ended December 31,	**2015**	2014
Interest coverage ratio	**3.06**	2.92

25. Operating Leases

Lease commitments – Trust as lessor

The Trust as lessor has entered into leases on its property portfolio. The leases typically have lease terms between five and twenty years and include clauses to enable periodic upward revision of the rental charge according to prevailing market conditions. Some leases contain options to terminate before the end of the lease term.

Future minimum lease payments under non-cancellable operating leases in the aggregate and for each of the following periods are as follows:

As at	**December 31, 2015**
Within twelve months	**$ 801,272**
Two to five years	**2,302,039**
Over five years	**1,711,223**
Total	**$ 4,814,534**

Contingent rents recognized in the consolidated statements of earnings for the year ended December 31, 2015 is $9.2 million (2014 - $8.3 million). Included in the total future minimum lease payments of $4.8 billion is $836 million of future rents related to U.S. properties held for sale, for each of the following periods: within twelve months $133 million; within two to five years $380 million; and over five years $323 million.

26. Subsidiaries

The subsidiaries listed below are wholly owned and reflect significant entities of the Trust:

Name	Country
RioCan Management (BC) Inc.	Canada
RioCan Management Inc.	Canada
RioCan (KS) Management LP	Canada
RioCan Management Beneficiary Trust	Canada
RioCan Yonge Eglinton LP	Canada
RioCan (Festival Hall) Trust	Canada
Timmins Square Limited Partnership	Canada
Shoppers World Brampton Investment Trust	Canada
RioCan Realty Investments Partnership Four LP	Canada
RioCan Realty Investments Partnership Seven LP	Canada
RioCan Realty Investments Partnership Nine LP	Canada
RioCan Realty Investments Partnership Ten LP	Canada
RioCan (GH) Limited Partnership	Canada
RioCan Property Services Trust	Canada
RioCan White Shield Limited Partnership	Canada
RioCan (GTA Marketplace) LP	Canada
RioCan East Village LP	Canada
RC REIT Limited Partnership Trust	Canada
RioCan Holdings USA LLC	U.S.
RC Northeast Partnership LP	U.S.
RC/Dunhill Timber Creek Holdings LP	U.S.
RC RioCan LP	U.S.
RC Sterling II LP	U.S.
RC/Riocan LCV Arbor Holdings LP	U.S.
RioCan America Management LP	U.S.
RioCan USA Subsidiary Inc.	U.S.
RC (RP) I LP	U.S.
RC/Dunhill Louetta Holdings LP	U.S.
RioKim USA LP	U.S.

27. Supplemental Cash Flow Information

Year ended December 31,		**2015**		2014
Interest received	**$**	**3,286**	$	9,238
Interest paid		**264,208**		264,612
Distributions paid:				
Distributions declared during the year	**$**	**(453,094)**	$	(433,274)
Distributions declared in the prior year paid in current year		**(37,128)**		(36,954)
Distributions declared in current year paid in next year		**37,893**		37,128
Distributions paid	**$**	**(452,329)**	$	(433,100)
Proceeds from units issued under distributions reinvestment plan		**142,715**		121,564
	$	**(309,614)**	$	(311,536)

28. Net Change in Non-Cash Operating Items

Year ended December 31,		2015		2014
Accounts receivable	$	**13,815**	$	(16,376)
Mortgage receivable interest		**3,305**		9,240
Prepaid expenses and other assets		**(2,855)**		(17,248)
Accounts payable and other liabilities		**(10,966)**		19,795
Other		**208**		3,774
Net change in non-cash operating items	$	**3,507**	$	(815)

29. Related Party Transactions

Key management personnel are those individuals that have the authority and responsibility for planning, directing and controlling the Trust's activities, directly or indirectly.

The Trust's key management personnel include the Trustees and the following individuals: the Chief Executive Officer, Edward Sonshine; President and Chief Operating Officer, Raghunath Davloor; and Chief Financial Officer and Corporate Secretary, Cynthia Devine (collectively, the Key Executives).

Remuneration of the Trust's key management during the years was as follows:

	Trustees				Key Executives			
Year ended December 31,		2015		2014		2015		2014 (i)
Compensation and benefits	$	**237**	$	512	$	**5,497**	$	7,099
Unit-based payments		**1,751**		2,056		**2,751**		1,697
Post-employment benefit costs		**—**		—		**88**		(227)
	$	**1,988**	$	2,568	$	**8,336**	$	8,569

(i) Includes remuneration of Frederic Waks, former President and Chief Operating Officer of the Trust.

Unit-based payments for Trustees are made pursuant to equity unit plans as described in note 14.

30. Employee Benefits

Plan characteristics

RioCan sponsors a defined contribution plan and three defined benefit plans, that provides pension and certain post-employment benefits to eligible employees. Plan members are not required, nor are they permitted, to contribute to these plans. The defined benefit plans are closed to new members and any new employees are generally eligible to join the defined contribution pension plan. All plans are administered by separate funds that are legally segregated from RioCan.

Defined contribution plan

The Trust's defined contribution pension plans provide pension benefits based on accumulated RioCan contributions. RioCan's contributions are based on a percentage of an employee's annual earnings. For the year ended December 31, 2015, RioCan's contributions to the defined contribution plan was $0.9 million (2014 - $0.9 million).

Defined benefit plans

RioCan's defined benefit pension plans, one of which is a registered plan and two are supplemental unregistered plans, provide pension benefits mostly based on years of credited service, the average of the highest five years of earnings and the age of the member at retirement.

The Trust measures its benefit obligations and pension assets as at December 31 each year. All plans are valued using the projected unit-credit method. The Trust funds its registered defined benefit pension plans in accordance with actuarially determined amounts required to satisfy employee benefit obligations under current pension regulations. The most recent funding actuarial valuation for the Trust's defined benefit plans were completed as at January 1, 2013, and the subsequent valuation was completed as at January 1, 2016.

Risks

In general, defined benefit pension plans expose the Trust to risks such as investment performance, reductions in discount rates used to value the obligations, increased longevity of the plan members and future inflation levels impacting future compensation increases. By having closed the defined benefit pension plans and migrating to a defined contribution pension plan, the volatility associated with future service costs should reduce over time.

The following table presents RioCan's defined benefit pension plans' assets and liabilities as at December 31, 2015 and 2014.

As at		2015		2014
Amounts recognized in the consolidated balance sheets				
Fair value of plan assets	$	2,934	$	3,064
Present value of defined benefit pension obligation		16,104		16,017
Net defined benefit pension obligation	$	(13,170)	$	(12,953)

The following table presents an analysis of the movement in the consolidated balance sheets related to RioCan's defined benefit pension plans' for the years ended December 31, 2015 and 2014.

		2015		2014
Change in the fair value of plan assets				
Opening	$	3,064	$	2,979
Interest income		123		151
Employer contributions		209		233
Benefit payments from plan		(457)		(277)
Remeasurements				
Return on plan assets (excluding interest income)		(5)		(22)
Closing fair value of plan assets	$	2,934	$	3,064
Change in present value of defined benefit pension obligation				
Opening	$	16,017	$	13,488
Service costs		259		(17)
Interest expense		612		613
Benefit payments from plan		(457)		(303)
Benefit payments from employer		(26)		(26)
Remeasurements				
Actuarial losses from financial assumptions		231		2,015
Actuarial losses (gain) losses from experience adjustments		(532)		247
Closing present value of defined benefit pension obligation	$	16,104	$	16,017

Pension benefit expense

The following table presents the composition of the Trust's pension benefit expense:

Year ended December 31,		2015		2014
Current service costs	$	259	$	(17)
Net interest expense		489		462
Defined benefit pension expense		748		445
Defined contribution pension expense		915		865
Total pension expense	$	1,663	$	1,310

Remeasurements of employee benefit plans

The following table presents the composition of the Trust's remeasurement recorded in OCI:

Year ended December 31,		2015		2014
Actuarial losses (gain):				
Changes in financial assumptions	$	231	$	2,015
Experience changes		(532)		247
Return on plan assets (excluding interest income)		5		22
	$	(296)	$	2,284

Investment policy, strategies and risk management

Defined benefit pension plan assets are invested prudently in order to meet the Trust's pension obligations. Therefore, RioCan's investment strategy is to achieve diversification of risks and returns in a fashion that minimizes the likelihood of an overall reduction in total fund value and maximizes the opportunity for gains over the entire portfolio.

The Trust has outsourced the responsibility of investing existing and new plans' assets in accordance with RioCan's Statement of Investment Policies and Procedures (SIPP) to third party investment managers. The Trust's senior management reviews the SIPP and the performance of the plans' assets on a periodic basis.

RioCan's defined benefit pension plans' assets are primarily comprised of cash (Level 1) and equity securities in a private fund investment, where quoted market prices are typically unobservable (Level 2). These plan assets are valued by an independent valuator.

Defined benefit future contributions

The following payments are expected contributions to the defined benefit plans in future years:

Year	Expected payments per year
2016	$ 55
2017	128
2018 to 2025	6,372
Total expected payments	$ 6,555

Significant assumptions

RioCan's significant assumptions used in calculating the defined benefit pension benefit obligation are as follows:

As at	**December 31, 2015**	December 31, 2014
Discount rate	**3.8%**	3.9%
Rate of increase in future compensation	**4.0%**	4.0%
Life expectancy for a member at the age of 65	**21.4**	21.4

Sensitivity analysis

Assumptions adopted can have a significant effect on the obligations for defined benefit pension plans. The impact to the Trust's pension obligation in the following table has been determined assuming all other significant assumptions are held constant. The sensitivity analysis may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

As at	**December 31, 2015**	December 31, 2014
Discount rate		
Impact of 50bps increase	**$ (1,109)**	$ (1,105)
Impact of 50bps decrease	**1,235**	1,233
Rate of increase in future compensation	**n/a**	n/a

The terms of the Trust's defined benefit plans includes a defined maximum benefit payment to all plan members, which limits RioCan's exposure to increases in plan members' future compensation. As such, there is no impact to RioCan's pension benefit obligation from a change in the future compensation assumption.

31. Segmented Information

On December 17, 2015, RioCan entered into an agreement to sell its U.S. portfolio of investment properties to Blackstone and is expected to close before the end of April 2016, subject to certain closing conditions. In accordance with IFRS, RioCan has reclassified its U.S. geographical segment as discontinued operations, see note 4 for details.

RioCan primarily owns, develops, manages and operates grocery-anchored retail centres and mixed-use developments located in Canada. In measuring the performance of its retail centres, the Trust does not distinguish or group its operations on a geographical or any other basis and, accordingly has a single reportable segment. Management has applied judgment by aggregating its operating segments into one reportable segment for disclosure purposes. Such judgment considers the nature of property operations, tenant mix and an expectation that operating segments within a reportable segment have similar long-term economic characteristics.

The Trust's Chief Executive Officer is the chief operating decision maker and regularly reviews RioCan's operations and performance on an individual property basis. RioCan does not have any single major tenant or a significant group of tenants.

32. Contingencies and Other Commitments

Guarantees

As at December 31, 2015, the estimated amount of third-party debt subject to RioCan guarantees, and therefore the maximum exposure to credit risk, was approximately $296 million consisting of guarantees totalling $197 million (2014 – $309 million) to partners and co-owners. The remaining debt subject to RioCan guarantees of $99 million (2014 – $161 million) relates to the assumption of mortgages by purchasers on property dispositions with expiry dates between 2016 and 2034. There have been no defaults by the primary obligors for debts on which the Trust has provided its guarantees, and as a result, no provision for these guarantees has been recognized in these consolidated financial statements.

Lease commitments – Trust as lessee

The Trust as lessee is committed under long-term operating leases with various expiry dates to 2029. Future minimum lease payments are as follows:

	December 31, 2015		
	Land Leases	Operating Leases	Total Commitments
Within 12 months	$ **3,179**	$ **1,050**	$ **4,229**
2 to 5 years	**12,740**	**2,717**	**15,457**
Over 5 years	**21,594**	**4,787**	**26,381**
Total	$ **37,513**	$ **8,554**	$ **46,067**

As discussed in note 5, the above noted are operating leases and the related lease obligation has been recognized in accordance with IFRS.

Investment commitments

As described in note 4, the Trust has a $178 million remaining investment commitment related to the RioCan-HBC JV.

As at December 31, 2015, the Trust has unfunded investment commitments of approximately $59 million relating to WNUF, WNUF 2 and WNUF 3. Amounts to be funded are callable by the general partner at any point prior to the expiration of the investment period of February 28, 2018 for WNUF and WNUF 2 and May 1, 2020 for WNFU3.

RioCan has one income property disposition in Canada under firm contract where conditions have been waived that, if completed, would represent a disposition of approximately $11 million.

Litigation

The Trust is involved with litigation and claims which arise from time to time in the normal course of business. In the opinion of management, any liability that may arise from such contingencies will not have a significant adverse effect on the Trust's consolidated financial statements.

33. Events After the Balance Sheet Date

During February 2016, RioCan announced that the Trust will be exercising its option to redeem all 5 million outstanding Series A Units on March 31, 2016, for total redemption proceeds of $125 million or $25 per Series A Unit.

CORPORATE INFORMATION

SENIOR MANAGEMENT

Edward Sonshine, O.Ont., Q.C.
Chief Executive Officer

Raghunath Davloor
President and Chief Operating Officer

Cynthia Devine
Executive Vice President, Chief Financial Officer & Corporate Secretary

John Ballantyne
Senior Vice President, Asset Management

Michael Connolly
Senior Vice President, Construction

Jonathan Gitlin
Senior Vice President, Investments

Danny Kissoon
Senior Vice President, Operations

Jeff Ross
Senior Vice President, Leasing

Terri Andrianopoulos
Vice President, Corporate Marketing

Moshe Batalion
Vice President, Leasing – Ontario

Stuart Baum
Vice President, Human Resources

Nigel Bunbury
Vice President, Financial Reporting & Controls

Stuart Craig
Vice President, Planning & Development

Roberto DeBarros
Vice President, Construction

Andrew Duncan
Vice President, Development Engineering

Oliver Harrison
Vice President, Asset Management

Oliver Hobday
Vice President, Legal

Kevin Miller
Regional Vice President,
Operations - Central Ontario

Pradeepa Nadarajah
Vice President, Property Accounting

Paran Namasivayam
Vice President, Recovery Accounting

Jane Plett
Vice President, Operations – Western Canada

Stephen Roberts
Vice President, Analytics

Kenneth Siegel
Vice President, Leasing

Jonathan Sonshine
Vice President, Asset Management

Jeffrey Stephenson
Vice President, Leasing

Naftali Sturm
Vice President, Finance

Renato Vanin
Vice President, Information Technology

BOARD OF TRUSTEES

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Residences REIT

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Chief Executive Officer,
RioCan Real Estate Investment Trust

Charles M. Winograd [3,4]
President, Winograd Capital Inc.

Luc Vanneste [1,2]
Chair of the Audit Committee, RioCan

1 member of the Audit Committee
2 member of the Human Resources & Compensation Committee
3 member of the Nominating & Governance Committee
4 member of the Investment Committee

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STOCK EXCHANGE LISTING

The Toronto Stock Exchange
Trading Symbols:
Common Units – REI.UN
Preferred Units – Series A REI.PR.A
Series C REI.PR.C

ANNUAL MEETING

The 2016 Annual Meeting of RioCan REIT will be held on June 1, 2016 at 10:00 a.m. at SilverCity Theatres located at RioCan Yonge Eglinton Centre, 2300 Yonge Street, Toronto, Ontario. All unitholders are invited and encouraged to attend in person or via webcast at www.riocan.com.

On peut obtenir une version française du présent rapport annuel sur le site web de RioCan : www.riocan.com.

A French language version of this annual report is available on RioCan's website: www.riocan.com

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