RIO CAN
REAL VISION, SOLID GROUND.

ANNUAL REPORT 2018

RIOCAN'S 25TH ANNIVERSARY

BUILDING ON EXPERIENCE, **SHAPING THE FUTURE**

RIOCAN'S 25TH ANNIVERSARY

CORPORATE PROFILE

RioCan is one of Canada's largest real estate investment trusts with a total enterprise value of approximately $13.2 billion as at December 31, 2018. RioCan owns, manages and develops retail-focused, increasingly mixed-use properties located in prime, high-density transit-oriented areas where Canadians want to shop, live and work. Our portfolio is comprised of 233 properties, including 16 development properties, with an aggregate net leasable area of approximately 38.7 million square feet. To learn more about how we deliver real vision on solid ground, visit www.riocan.com.

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Strategic Canadian Major Market Positioning

VANCOUVER
7 ASSETS
1.8M SF

CALGARY
14 ASSETS
3.2M SF

EDMONTON
12 ASSETS
1.7M SF

TORONTO
83 ASSETS[2]
15.3M SF

OTTAWA
35 ASSETS
4.8M SF

MONTREAL
20 ASSETS
3.0M SF

Key Metrics in Canada's Six Major Markets[3]

1. Excludes 16 active properties under development with 2.2M sf at RioCan's interest
2. Excludes 12 active properties under development with 1.7M sf at RioCan's interest
3. As of December 31, 2018

RIOCAN'S
25TH
ANNIVERSARY

EDWARD SONSHINE, O.ONT., Q.C.
CHIEF EXECUTIVE OFFICER

Dear Unitholders,

2018 was an extraordinary year for RioCan as we celebrated our 25th Anniversary and continued to execute on our strategic transformation. The quality of our portfolio and income has never been stronger than it is now. We expect that prior to the end of 2019 we will reach two of our key strategic targets: specifically, deriving 90% of our revenue from Canada's six major markets (Toronto, Ottawa, Montreal, Vancouver, Edmonton, and Calgary), and 50% of our total revenue from the Greater Toronto Area (GTA), the largest, most prosperous and fastest growing area in this country.

To continue delivering long-term unitholder value, we remain focused on implementing a strategy underpinned by four critical pillars:

- **Strengthening our leading major market portfolio** by concentrating on properties within fast-growing, highly populated and high-income areas;
- **Driving organic growth** by evolving our tenant mix to stay ahead of changing consumer trends and delivering operating efficiencies and ancillary revenue;
- **Unlocking intrinsic value** by bringing our major market assets to their highest and best use by intensifying transit-oriented properties with mixed-use residential developments, generating new sources of cash-flow and Net Asset Value (NAV) growth; and
- **Managing risks effectively** through diversification, an experienced leadership team, and the strongest balance sheet in our sector.

As we celebrate our **25th Anniversary**, we can look back on a successful and dynamic history, which has driven RioCan to adapt and thrive in an ever-evolving environment by building upon our competitive advantages of leadership team experience, leading major market portfolio, robust development pipeline and a strong balance sheet. I would like to take you briefly through this journey to illustrate how RioCan's past is shaping our future.

RioCan's History

1993-1999 – Growth through Acquisition, Scale and Flexibility

We founded RioCan Real Estate Investment Trust (REIT) in **1993** in the wake of one of the worst real estate recessions of our time. Our intent was to create and build a REIT that would stand the test of time through fluctuating economic cycles and evolving market landscapes. From the outset, we built a leadership team with strong skill sets in investments, leasing, and asset management with the aim of delivering long-term tenant satisfaction and unitholder value.

In **1994**, RioCan listed on the Toronto Stock Exchange and raised crucial capital to fuel a strategic combination of growth from acquisitions, operational scale and financial flexibility, enabling us to focus exclusively on the retail sector. From **1997**, we identified and capitalized on the inherent value in retail "Power Centres". We strategically acquired signature properties such as Gloucester Silver City in Ottawa, Ontario (which later became the site of one of our first residential rental developments) and Colossus Centre in Vaughan, Ontario (a 60 acre site, rich in intensification opportunities due to its proximity to the recently opened Vaughan Metropolitan Subway Station).

By the end of **1999**, we had acquired RealFund, another of the first three Canadian REITs, which added 5 million square feet of space, nearly doubling our total portfolio size. This decision enabled us to establish RioCan as Canada's largest REIT and Power Centre owner with a distinctive foothold in major markets, ultimately positioning the Trust for the future and creating a baseline for what eventually became a robust development pipeline.

2000-2004 – Expanding and Adding Value

As we moved into the new millennium, we undertook our first exclusive partnership with Kimco Realty, and expedited our growth through the joint acquisition of a portfolio with a fair value of approximately $2 billion that would strengthen our balance sheet and simultaneously mitigate risk.

The Canadian suburbs expanded and RioCan shifted gears, strategically adapting to the evolving population demographics and retail trends. We diversified our portfolio with developments that enabled us to build assets from the ground up, which offered retailers greater customization and drove overall cost efficiencies. To execute this strategy, we continued to acquire in partnership with Kimco, focusing on purchasing sought-after land where retailers wanted to be, and then building developments to specification. In some cases, we opportunistically bought troubled assets, turned them around and sold them at a substantial profit.

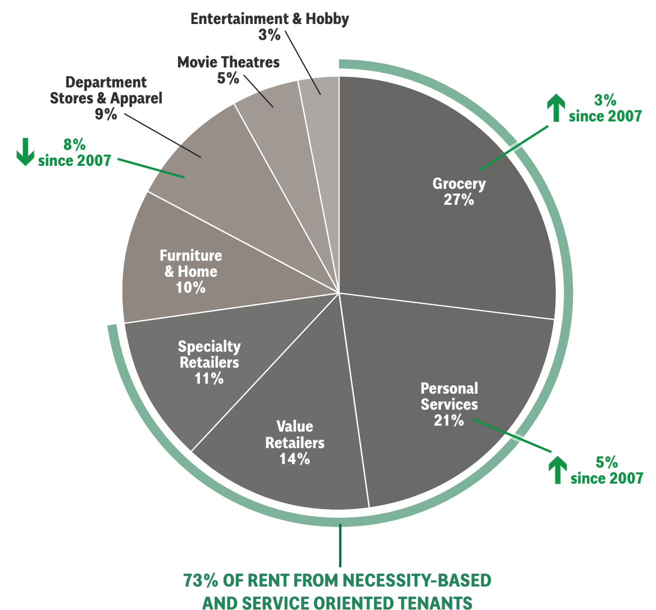
In parallel, the leadership team developed additional institutional partnerships to mitigate risk and grow. By **2004**, our leadership team had expanded to include in-house development and project management capabilities.

2005-2017 – Strengthening our Major Market Focus, Tenant Mix and Balance Sheet

A foundation of disciplined capital allocation and astute strategic execution fortified RioCan to weather the upcoming global financial crisis and thrive on the valuable opportunities it would unearth.

From **2005**, having long-benefitted from its robust and sustainable characteristics, RioCan applied an even greater focus to Canada's major markets by strategically pruning our portfolio and decreasing our exposure in secondary markets. We also invested in mixed-use, transit-oriented properties such as the iconic Yonge Eglinton Centre and Yonge Sheppard Centre in Toronto. In addition, we began to aggressively pursue mixed-use zoning for our existing portfolio in order to unlock its intrinsic value, giving us a ten-year head start over our peers and translating to a significant present day competitive advantage.

Rent Breakdown 2018



Our Management Team

Qi Tang
Senior Vice President &
Chief Financial Officer

Andrew Duncan
Senior Vice President,
Developments

Jennifer Suess
Senior Vice President,
General Counsel &
Corporate Secretary

John Ballantyne
Senior Vice President,
Asset Management

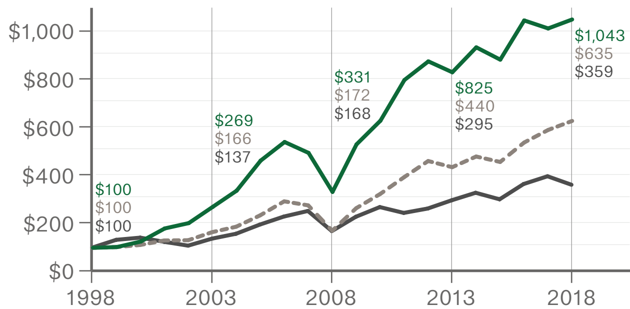
Edward Sonshine, O. Ont, Q.C.
Chief Executive Officer

Oliver Harrison
Vice President,
National Operations

Jeff Ross
Senior Vice President,
Leasing & Tenant
Coordination

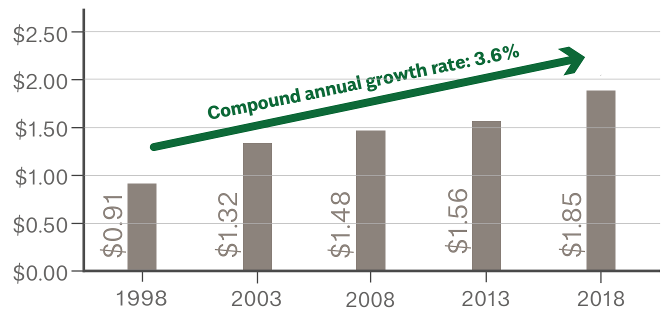
Jonathan Gitlin
President &
Chief Operating Officer

Total Return to Unitholders
Assuming Distributions are Re-Invested



RioCan — S&P/TSX Capped REIT Index - - - S&P/TSX Composite Index —

FFO per Unit



South of the border, by **2009**, the 2007-2008 financial crisis had driven the U.S. into a recession resulting in a wealth of available, undervalued assets. The Leadership Team made the strategic decision to enter the U.S., eventually purchasing 49 retail properties across the Northeastern States and Texas, prior to divesting all the U.S. assets for $2 billion at a high point in the market in May **2016** and realizing a substantial gain on the original investment. This strategic divestment enabled RioCan to further strengthen our balance sheet and at the same time focus exclusively on our Canadian assets and development pipeline, which included buying out Kimco's interest in our Canadian major market assets by the end of **2016**.

2018 and beyond – Building on our Strength and Vision to Position RioCan to Thrive

RioCan is stronger than it has ever been, having developed and built our competitive strengths through 25 years of combined leadership experience, vision and discipline. A best-in-class balance sheet enables RioCan to access a lower cost of debt compared to peers. Strong operation, divestiture and development execution has enabled us to accelerate our Canadian major market strategy with the aim of reaching the target of 90% of our rental revenue from the six major markets by the end of 2019.

Our development and intensification projects are progressing well. Bathurst College Centre and King Portland Centre in Toronto reached substantial completion in 2018, and both are fully leased with high profile tenants. Pre-leasing of the office portion of The Well, our highly anticipated mixed-use property in the heart of downtown Toronto, has surpassed 70%, and retail leasing will commence in 2019.

RioCan has 2,100 residential units currently under construction in Toronto, Ottawa and Calgary and an additional 2,200 residential units will be underway by 2021. Rental residential leasing of eCentral (Toronto) and Frontier (Ottawa) commenced in late 2018, and is progressing well.

Our current 26.2 million square feet of development pipeline provides substantial value-add opportunities with approximately 43% of the pipeline having already received zoning approval, which is particularly valuable as changes in Ontario's zoning approval process has led to longer wait times and more uncertainty. 25 years of experience, continuous strengthening of our major market portfolio and our strong balance sheet enables us to continue to drive organic growth, unlock the value inherent in this development pipeline and drive cash flow and unitholder value growth.

As we look forward with great excitement to where the next 25 years will take us, RioCan is financially strong, strategically structured and well positioned to consistently deliver long-term growth and unitholder returns.

Thank you for your continued support and confidence in RioCan.

Edward Sonshine O.Ont., Q.C.

Chief Executive Officer
RioCan Real Estate Investment Trust

DEVELOPMENT PIPELINE

26.2M SF
development pipeline

11.2M SF
with zoning approved

100%
located in Canada's six major markets

2,100
residential units under construction with an **additional 2,200** residential units underway by 2021

DEVELOPMENT RECENTLY OR NEARLY COMPLETED

Total project costs:
$574M

Estimated development yield:
5.7%

Estimated value creation:
$231M

TRANSFORMING THE INTERSECTION

Yonge Eglinton Centre

Located at the intersection of the Yonge subway line and the future Eglinton Crosstown LRT, Yonge Eglinton Centre is one of midtown Toronto's busiest shopping centres. With more than four million visitors annually, the mixed-use centre is an integral part of the thriving, growing community.

Acquired in 2007, and subsequently renovated and strategically remerchandised with a tenant mix curated to meet the needs of the community, Yonge Eglinton Centre demonstrates RioCan's ability to drive organic growth and unlock intrinsic value within Canada's major markets. Demand in the iconic location has driven a per square foot rent increase of nearly 60% for office space and 55% for retail since 2007. Yonge Eglinton Centre has delivered approximately $306M in value creation (a 92% increase) since acquisition.

OF YONGE AND EGLINTON

eCentral
YONGE & EGLINTON

eCentral

eCentral is a prototypical RioCan Living™ development with an emphasis on design, quality, professional management, retail integration and access to transit. eCentral is a 36-storey, 466 unit rental residential building, adjacent to eCondo, a newly completed 58-storey, 623 unit, fully sold-out condominium tower.

Located next to three storeys of retail in ePlace and across the street from Yonge Eglinton Centre, the newly built eCentral is perfectly situated with direct underground access to the Yonge/University subway line and the future Eglinton Crosstown LRT.

Residential rental leasing commenced at eCentral late in 2018 and is progressing well, demonstrating the effectiveness of RioCan's leadership and development capability.

UNLOCKING INTRINSIC VALUE

frontier
GLOUCESTER

Frontier

Frontier is a newly constructed, 23-storey, 228-unit rental residential building located in Gloucester, Ottawa. Frontier is a 50% joint venture with Killam Apartment REIT. With zoning approved for up to 840 units on the site, Frontier is the first residence in a planned four-phase community. Residential rental leasing commenced at the development late in 2018 and is progressing well.

Frontier is adjacent to the new Confederation LRT line at the Blair station in Ottawa and represents RioCan's development expertise and skill in unlocking the intrinsic value of its portfolio. The land was transitioned from 77,000 square feet of struggling fashion retail to a desirable rental residential development.

IN THE OTTAWA MARKET

SILVER CITY GLOUCESTER

Silver City Gloucester

Frontier is located on a 7.1 acre portion of RioCan's Silver City Gloucester shopping centre property. Retail integration is central to all RioCan Living™ projects and the shopping centre will provide Frontier residents with convenient access to a compelling and diverse tenant mix including retail and services such as Cineplex theatre, Chapters, GoodLife Fitness and restaurants.

The newly constructed Confederation LRT transit line, combined with the residents of the four-phase Frontier community, will provide additional foot traffic to the Silver City shopping centre. This increase in population density will serve to drive long-term FFO growth for the property.

DELIVERING MIXED-USE

Bathurst College Centre

Bathurst College Centre is a newly completed, four-storey, commercial mixed-use development located on Bathurst Street between Dundas and College in Toronto. RioCan purchased the land in 2011 and worked closely with the city and community to ensure Bathurst College Centre is an integral contributor to the area in which it operates. The property is virtually fully leased to high-profile retail tenants led by FreshCo. (Sobeys), Winners and Scotiabank. The nearly 70,000 square feet of office space is leased to University Health Network and Uber Advanced Technologies Group's research and development lab.

DEVELOPMENT IN TORONTO

Bathurst College Centre

RioCan's ability to deliver and fully lease this development to high-calibre retail and office tenants reflects the sophistication and expertise of our Development and Leasing teams, the value of this urban mixed-use property, and the quality of our development pipeline and overall portfolio.

RioCan is confident the property will deliver returns in the upper end of the targeted range we require for all our developments. Bathurst College Centre is a perfect example of RioCan's major market strategy coming to life with the delivery of mixed-use development that will drive unitholder value and serve the needs of the community long into the future.

INCREDIBLE INTRINSIC VALUE IN THE GTA

VAUGHAN METROPLITAN SUBWAY

HWY 7

HWY 400

HWY 407

RioCan COLOSSUS

RIOCAN COLOSSUS CENTRE

Colossus Centre

At the crossroads of Hwy 400/ Hwy 407/Hwy 7 and Weston Road in Vaughan, Ontario, and with the newly constructed TTC subway stop (Vaughan Metropolitan Station) minutes away, Colossus Centre is located in one of the fastest growing areas in the region. The tenant mix has been adapted to shifting population and retail trends. Powerful draws include Cineplex Colossus, and leading retailers such as Costco, HomeSense, buy buy Baby, PetSmart and a compelling range of national restaurants.

Purchased in 1998, the approximately 60-acre site has 98% occupancy and consistently delivers strong Same Property Net Operating Income (SPNOI) growth. Its prime location and proximity to transit makes Colossus Centre an excellent example of the intrinsic value inherent in RioCan's portfolio, which can be strategically unlocked with mixed-use development.

PROPERTY PORTFOLIO

CANADA

ALBERTA

As at December 31, 2018 Property and Location	Ownership Interest (%)	RioCan's Interests NLA (sq. ft.)	Total Site NLA (sq. ft.)[1]	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%	292,455	292,455	Bed Bath & Beyond, Buy Buy Baby, London Drugs, Safeway, Ashley Home Furniture
East Hills, Calgary, AB	40%	156,075	550,187	Walmart, Cineplex, Sport Chek, Bed Bath & Beyond, Michaels, Marshalls, Costco*
Edmonton Walmart Centre, Edmonton, AB	40%	127,518	370,406	Walmart, Golf Town, Totem Building Supplies*
Glenmore Landing, Calgary, AB	50%	73,030	146,060	Safeway
Jasper Gates Shopping Centre Edmonton, AB	100%	91,063	146,063	London Drugs, Safeway*
Lethbridge Towne Square, Lethbridge, AB	100%	76,651	76,651	Fit For Less
Lethbridge Walmart Centre Lethbridge, AB	100%	284,731	284,731	Walmart, Shoppers Drug Mart
Lowe's Sunridge Centre, Calgary, AB	100%	213,100	213,100	Lowe's, GoodLife Fitness, Golf Town
Market at Citadel Village, Edmonton, AB	100%	50,669	50,669	Shoppers Drug Mart
Mayfield Common, Edmonton, AB	50%	207,487	414,973	Winners, Save-On-Foods, JYSK, Value Village
Mill Woods Town Centre, Edmonton, AB	40%	184,361	457,019	Safeway (Co-op), Canadian Tire, GoodLife Fitness, Shoppers Drug Mart
North Edmonton Cineplex Centre Edmonton, AB	100%	75,836	75,836	Cineplex
Northgate Village Shopping Centre Calgary, AB	100%	268,914	396,004	Safeway, Gold's Gym, JYSK, Staples, Home Depot*
RioCan Beacon Hill, Calgary, AB	100%	527,815	787,189	Canadian Tire, Winners, The Brick, Best Buy, GoodLife Fitness, Sport Chek, PetSmart, Michaels, Mark's Work Wearhouse, Home Depot*, Costco*
RioCan Centre Grande Prairie Grande Prairie, AB	100%	279,984	379,984	Rona, Cineplex Odeon, London Drugs, Staples, Michaels, JYSK, Walmart*
RioCan Meadows, Edmonton, AB	100%	323,884	423,884	Home Depot, Staples, Winners, Best Buy, PetSmart, Loblaws*
RioCan Shawnessy, Calgary, AB	100%	470,460	841,105	Lowe's, Sport Chek, Winners, Staples, Michaels, Best Buy, Home Depot*, Walmart*, Co-op*, Canadian Tire*
RioCan Signal Hill Centre, Calgary, AB	100%	477,125	592,125	Lowe's, Winners, Indigo, Michaels, Staples, Loblaws*
Riverbend Square Shopping Centre Edmonton, AB	100%	138,654	138,654	Safeway
Sage Hill, Calgary, AB	50%	188,019	376,037	Walmart, Loblaws City Market, London Drugs , Liquor Depot

As at December 31, 2018 Property and Location	Ownership Interest (%)	RioCan's Interests NLA (sq. ft.)	Total Site NLA (sq. ft.)[1]	Major or Anchor Tenants
Southbank Centre, Calgary, AB	75%	108,910	421,227	Winners, GoodLife Fitness, Michaels, Save-On-Foods*, Home Depot*, Costco*
South Edmonton Common, Edmonton, AB	100%	430,418	981,488	London Drugs, The Brick, Home Outfitters, Michaels, Old Navy, Home Depot*, Walmart*, Loblaws*, Cineplex*, Staples*, Best Buy*
South Trail Crossing, Calgary, AB	100%	311,684	311,684	Winners, HomeSense, Marshalls, Staples, Sport Chek
Southland Crossing Shopping Centre Calgary, AB	100%	132,063	132,063	Safeway
Summerwood Shopping Centre, Edmonton, AB	100%	83,990	83,990	Save-On-Foods, Shoppers Drug Mart
Timberlea Landing, Fort McMurray, AB	100%	104,307	104,307	Regional Municipality of Wood Buffalo

BRITISH COLUMBIA

Property and Location	Ownership Interest (%)	RioCan's Interests NLA (sq. ft.)	Total Site NLA (sq. ft.)[1]	Major or Anchor Tenants
Abbotsford Power Centre, Abbotsford, BC	100%	219,892	459,892	Lowe's, Winners, PetSmart, Costco*, Rona*
Chahko Mika Mall, Nelson, BC	100%	173,107	173,107	Walmart, Save-On-Foods
Clearbrook Town Square, Abbotsford, BC	100%	189,552	189,552	Safeway, GoodLife Fitness, Staples
Grandview Corners, Surrey, BC	100%	529,289	614,289	Walmart, Best Buy, Indigo, The Brick, Home Depot*
Impact Plaza, Surrey, BC	100%	134,584	134,584	T&T Supermarket
Parkwood Place, Prince George, BC	100%	370,250	370,250	Save-On–Foods, Hudson's Bay, London Drugs, Cineplex, Staples
RioCan Langley Centre, Langley, BC	100%	380,088	380,088	Leon's, Winners, HomeSense, Chapters, Michaels, Marshalls, PetSmart, Mark's Work Wearhouse
Strawberry Hill Shopping Centre, Surrey, BC	100%	337,846	337,846	Home Depot, Cineplex, Winners, PetSmart, Sport Chek
Tillicum Centre, Victoria, BC	100%	475,821	475,821	Lowe's, Cineplex, London Drugs, Winners, Save-On–Foods, Home Outfitters

MANITOBA

Property and Location	Ownership Interest (%)	RioCan's Interests NLA (sq. ft.)	Total Site NLA (sq. ft.)[1]	Major or Anchor Tenants
Garden City, Winnipeg, MB	30%	113,923	379,743	Canadian Tire, Winners, Seafood City, Michaels, GoodLife Fitness
Kildonan Crossing Shopping Centre Winnipeg, MB	100%	179,027	179,027	Safeway, PetSmart

NEW BRUNSWICK

Property and Location	Ownership Interest (%)	RioCan's Interests NLA (sq. ft.)	Total Site NLA (sq. ft.)[1]	Major or Anchor Tenants
Corbett Centre, Fredericton, NB	100%	237,287	457,287	Winners, Michaels, Bed Bath & Beyond, Princess Auto, Home Depot*, Costco*

NEWFOUNDLAND

As at December 31, 2018 Property and Location	Ownership Interest (%)	RioCan's Interests NLA (sq. ft.)	Total Site NLA (sq. ft.)[1]	Major or Anchor Tenants
Shoppers on Topsail, St. John's, NFLD	100%	29,690	29,690	Shoppers Drug Mart
Trinity Conception Square, Carbonear, NFLD	100%	181,635	181,635	Walmart, Dominion, Rossy

ONTARIO

Property and Location	Ownership Interest (%)	RioCan's Interests NLA (sq. ft.)	Total Site NLA (sq. ft.)[1]	Major or Anchor Tenants
85 Bloor Street West, Toronto, ON	100%	13,810	13,810	COS
1650-1660 Carling Avenue, Ottawa, ON	100%	142,188	142,188	Canadian Tire
1860 Bayview Avenue, Toronto, ON	100%	70,318	70,318	Whole Foods, Shoppers Drug Mart
1910 Bank Street, Ottawa, ON	100%	6,425	6,425	
1946 Robertson Road, Nepean, 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%	9,748	9,748	
2990 Eglinton Avenue East, Toronto, ON	100%	6,200	6,200	
404 Town Centre, Newmarket, ON	100%	267,954	267,954	Walmart, Metro, National Gym Clothing, Shoppers Drug Mart
491 College Street, Toronto, ON	50%	12,231	24,461	
555-563 College Street, Toronto, ON	50%	26,960	53,920	
642 King Street West, Toronto, ON	50%	12,312	24,624	
649 Queen Street West, Toronto, ON	100%	14,200	14,200	CB2
6666 Lundy's Lane, Niagara Falls, ON	100%	8,434	8,434	
Ajax Marketplace, Ajax, ON	100%	70,724	70,724	Metro, Pharma Plus
Albion Centre, Etobicoke, ON	100%	376,279	376,279	Canadian Tire, No Frills
Bathurst College Centre, Toronto, ON	100%	9,092	9,092	Freshco, Winners, UHN, Uber
Belleville Stream Centre, Belleville, ON	100%	89,237	89,237	Stream International
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-519 Brant Street, Burlington, ON	100%	5,190	5,190	
BMO-945 Smyth Road, Ottawa, ON	100%	8,532	8,532	
Burlington Centre, Burlington, ON	50%	300,416	713,984	Canadian Tire, Winners, HomeSense, Indigo, Denninger's, Sport Chek, GoodLife Fitness, The Bay*
Cambrian Mall, Sault Ste. Marie, ON	100%	134,807	316,638	Winners, Shoppers Drug Mart, Canadian Tire*, Loblaws*
Chapman Mills Marketplace, Ottawa, ON	100%	451,673	566,673	Walmart, Winners, Staples, Indigo, Galaxy Cinemas (Cineplex), Loblaws*

As at December 31, 2018 Property and Location	Ownership Interest (%)	RioCan's Interests NLA (sq. ft.)	Total Site NLA (sq. ft.)[1]	Major or Anchor Tenants
Cherry Hill Centre, Fergus, ON	100%	73,886	73,886	Zehrs
Clarkson Crossing, Mississauga, ON	100%	213,077	213,077	Metro, Canadian Tire, Shoppers Drug Mart
Clarkson Village Shopping Centre Mississauga, ON	100%	63,835	63,835	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
Dufferin Plaza, Toronto, ON	100%	70,100	70,100	Staples
Dundas 427 Marketplace, Mississauga, ON	100%	97,885	97,885	Staples, Bad Boy, Starsky Foods
Eagle's Landing, Vaughan, ON	100%	175,427	175,427	Yummy Market
Eastcourt Mall, Cornwall, ON	50%	81,487	162,974	No Frills
Elmvale Acres, Ottawa, ON	100%	146,699	146,699	Loblaws, Pharma Plus
Empress Walk, Toronto, ON	100%	179,439	237,439	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
Five Points Shopping Centre, Oshawa, ON	100%	190,286	190,286	A&P, LA Fitness, JYSK, Value Village
Frontenac Mall, Kingston, ON	30%	84,064	280,214	Food Basics, Value Village, Boys and Girls Club of Kingston
Galaxy Centre, Owen Sound, ON	100%	91,563	91,563	No Frills, Galaxy Cinemas (Cineplex)
Garrard & Taunton, Whitby, ON	100%	146,835	146,835	Lowe's
Glendale Marketplace, Pickering, ON	100%	53,963	53,963	Loblaws, Pharma Plus
Goderich Walmart Centre, Goderich, ON	100%	94,283	202,859	Walmart, Canadian Tire*, Zehrs*
Grant Crossing, Ottawa, ON	100%	237,405	365,345	Winners, HomeSense, Michaels, Bed Bath & Beyond, Value Village, JYSK, Lowe's*
Green Lane Centre, Newmarket, ON	100%	160,225	417,668	Bed Bath & Beyond, Michaels, PetSmart, Costco*, Loblaws*
Halton Hills Shopping Plaza Georgetown, ON	100%	73,030	73,030	Food Basics
Hamilton Highbury Plaza, London, ON	100%	5,269	5,269	
Hamilton Walmart Centre, Hamilton, ON	100%	325,426	425,426	Walmart, Winners, Staples, Canadian Tire*
Heart Lake Town Centre, Brampton, ON	100%	123,572	123,572	Metro
Herongate Mall, Ottawa, ON	100%	139,939	139,939	Metro, GoodLife Fitness, PetSmart
Highbury Shopping Plaza, London, ON	100%	70,981	70,981	LA Fitness (dark)
Hunt Club Centre, Ottawa, ON	100%	67,186	67,186	Metro
Hunt Club Centre II (Lowe's), Ottawa, ON	100%	143,815	143,815	Lowe's
Huron & Highbury, London, ON	100%	87,969	87,969	Talize, Shoppers Drug Mart
Innes Road Centre, Gloucester, ON	100%	47,512	167,512	PetSmart, Costco*
Kanata Centrum Shopping Centre Kanata, ON	100%	286,348	386,348	Walmart, Chapters, Loblaws
Kendalwood Park Plaza, Whitby, ON	100%	158,688	158,688	FreshCo., Value Village, Shoppers Drug Mart
Kennedy Commons, Scarborough, ON	50%	195,767	472,534	Metro, The Brick, LA Fitness, Chapters, Michaels, Ashley Furniture

As at December 31, 2018 Property and Location	Ownership Interest (%)	RioCan's Interests NLA (sq. ft.)	Total Site NLA (sq. ft.)[1]	Major or Anchor Tenants
Keswick Walmart, Keswick, ON	75%	120,363	160,484	Walmart
King & Portland, Toronto, ON	50%	27,364	54,728	
Lawrence Square, Toronto, ON	100%	663,345	663,345	Fortino's, Canadian Tire, Marshalls, HomeSense, PetSmart, Hudson's Bay Company (office)
Lincoln Fields Shopping Centre, Ottawa, ON	100%	129,434	129,434	Metro
Markington Square, Scarborough, ON	100%	173,029	173,029	Metro, GoodLife Fitness, City of Toronto
Meadow Ridge Plaza, Ajax, ON	100%	111,762	111,762	Sobeys, GoodLife Fitness
Meadowlands Power Centre, Ancaster, ON	100%	145,605	589,209	Best Buy, Sport Chek, Michaels, PetSmart, Costco*, Home Depot*, Sobeys*, Staples*
Merivale Market, Ottawa, ON	75%	59,136	78,848	Food Basics, Shoppers Drug Mart
Millcroft Shopping Centre, Burlington, ON	50%	151,994	356,219	A&P, Movati Athletic, Value Village, Canadian Tire*
Mississauga Plaza, Mississauga, ON	100%	175,672	175,672	FreshCo., Talize, LA Fitness
Niagara Falls Plaza, Niagara Falls, ON	100%	79,562	79,562	LA Fitness, Lee Valley Tools
Niagara Square, Niagara Falls, ON	30%	68,098	226,993	Cineplex, Winners, Michaels, JYSK, World Gym, 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	100%	260,615	402,989	Food Basics, Movati Athletic, Landmark Cinemas, Toys R Us, Lowe's*
RioCan Centre Burloak, Oakville, ON	100%	454,623	552,623	Cineplex, Home Outfitters, Longo's, Home Depot*
RioCan Centre Kingston, Kingston, ON	100%	635,037	756,082	Cineplex, Staples, Winners, HomeSense, Michaels, Best Buy, The Brick, Home Outfitters, Bed Bath & Beyond, Old Navy, Home Depot*
RioCan Centre Merivale, Nepean, ON	100%	200,177	200,177	Your Independent Grocer, Winners, Value Village
RioCan Centre Milton, Milton, ON	100%	171,465	291,465	Cineplex, LA Fitness, Home Depot*, Longo's*
RioCan Centre Newmarket, Newmarket, ON	40%	26,688	66,721	Staples, Mark's Work Wearhouse
RioCan Centre Sudbury, Sudbury, ON	100%	403,797	669,193	Cineplex, Staples, Chapters, Michaels, Winners, Costco*, Home Depot*
RioCan Centre Vaughan, Vaughan, ON	100%	262,336	262,336	Walmart
RioCan Centre Windsor, Windsor, ON	100%	239,420	349,420	Cineplex, Giant Tiger, The Brick, PetSmart, Staples, Costco*
RioCan Colossus Centre, Vaughan, ON	100%	570,574	700,574	Cineplex, Marshalls, Bed Bath & Beyond, HomeSense, Buy Buy Baby, Staples, Golf Town, Costco*
RioCan Durham Centre, Ajax, ON	100%	891,888	1,272,888	Walmart, Canadian Tire, Cineplex, Marshalls, Winners, HomeSense, Sport Chek, Chapters, Michaels, Value Village, DSW, Home Depot*, Loblaws*, Costco*
RioCan Elgin Mills Crossing, Richmond Hill, ON	100%	320,325	441,325	Costco, Michaels, PetSmart, Staples, Home Depot*

As at December 31, 2018 Property and Location	Ownership Interest (%)	RioCan's Interests NLA (sq. ft.)	Total Site NLA (sq. ft.)[1]	Major or Anchor Tenants
RioCan Georgian Mall, Barrie, ON	50%	244,038	604,590	Hudson's Bay, Sport Chek, HomeSense, H&M, F21 Red
RioCan Grand Park, Mississauga, ON	100%	118,681	118,681	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, Michaels, GoodLife Fitness
RioCan Leaside Centre, Toronto, ON	100%	133,035	133,035	Canadian Tire, PetSmart
RioCan Marketplace Toronto, Toronto, ON	67%	114,298	447,429	Winners, Loblaws*, Home Depot*
RioCan Niagara Falls, Niagara Falls, ON	100%	71,582	170,157	Loblaws, Home Depot*
RioCan Oakville Place, Oakville, ON	50%	231,007	462,014	Hudson's Bay, GoodLife Fitness, Buy Buy Baby, H&M, PetSmart, Sport Chek, Shoppers Drug Mart
RioCan Orleans, Cumberland, ON	100%	182,251	297,251	Metro, JYSK, Staples, Home Depot*
RioCan Renfrew Centre, Renfrew, ON	100%	57,791	131,791	Giant Tiger, No Frills*
RioCan Scarborough Centre, Scarborough, ON	100%	326,823	326,823	Costco, PetSmart, Staples, LA Fitness, Al's Premium Food Market
RioCan St. Laurent, Ottawa, ON	100%	299,463	299,463	Adonis, Decathlon, Giant Tiger, Winners, Food Basics
RioCan Thickson Ridge, Whitby, ON	100%	472,646	602,646	Winners, Ikea, JYSK, Bed Bath & Beyond, HomeSense, PetSmart, Best Buy, Michaels, DSW, Golf Town, Buy Buy Baby, Home Depot*
RioCan Warden, Scarborough, ON	100%	230,974	230,974	Lowe's, Marshalls, Michaels
RioCan West Ridge Place, Orillia, ON	100%	148,761	319,197	Galaxy Cinemas (Cineplex), Sport Chek, Value Village, Home Depot*, Food Basics*
RioCan Yonge Eglinton Centre, Toronto, ON	100%	1,058,646	1,058,646	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%	92,688	92,688	Metro, Shoppers Drug Mart
RioCentre Oakville, Oakville, ON	100%	106,884	106,884	Metro, Shoppers Drug Mart
RioCentre Thornhill, Thornhill, ON	100%	140,370	140,370	No Frills, Winners, HomeSense
Sandalwood Square Shopping Centre Mississauga, ON	100%	91,684	91,684	Value Village
Sheppard Centre, Toronto, ON	50%	246,715	493,429	Longo's, LA Fitness, Winners, Shoppers Drug Mart, BMO (office)
Sherwood Forest Mall, London, ON	100%	218,758	218,758	Metro, Goodwill, Shoppers Drug Mart, GoodLife Fitness
Shoppers City East, Ottawa, ON	82.8%	34,368	41,507	Shoppers Drug Mart
Shoppers World Brampton, Brampton, ON	100%	692,019	692,019	Canadian Tire, Winners, Staples, Oceans, Medix School, JYSK, Bad Boy, Giant Tiger, GoodLife Fitness, Kitchen Stuff Plus
Shoppers World Danforth, Toronto, ON	100%	326,303	326,303	Lowe's, Metro, LA Fitness, Staples
Shoppes on Avenue, Toronto, ON	100%	20,884	20,884	Ambrosia
Shoppes on Queen West, Toronto, ON	100%	89,419	89,419	Loblaws, Winners
Silver City Gloucester, Gloucester, ON	100%	145,468	145,468	Cineplex, Chapters, GoodLife Fitness

As at December 31, 2018 Property and Location	Ownership Interest (%)	RioCan's Interests NLA (sq. ft.)	Total Site NLA (sq. ft.)[1]	Major or Anchor Tenants
Silver City Gloucester II (Frontier) Gloucester, ON	50%	2,570	5,140	
South Cambridge Shopping Centre Cambridge, ON	100%	189,739	189,739	Zehrs, Home Hardware
South Hamilton Square, Hamilton, ON	100%	298,527	298,527	Fortino's, Flying Squirrel, JYSK, GoodLife Fitness
Southgate Shopping Centre, Ottawa, ON	100%	72,627	72,627	Metro, Shoppers Drug Mart
Spring Farm Marketplace, Vaughan, ON	100%	72,896	72,896	Sobeys, Shoppers Drug Mart
Stratford Centre, Stratford, ON	100%	132,224	132,224	Food Basics, Michaels, World Gym, Value Village
Sunnybrook Plaza, Toronto, ON	50%	21,560	43,120	Pharma Plus
Tanger Outlets Cookstown, Cookstown, ON	50%	155,181	310,362	H&M, Under Armour, Coach, Tommy Hilfiger, Nike, Polo
Tanger Outlets Ottawa, Ottawa, ON	50%	170,269	340,537	Polo, Old Navy, Nike, Saks Fifth Avenue, Under Armour, Coach, Marshalls
The Stockyards, Toronto, ON	50%	254,920	509,839	Nations, Winners, Best Buy, Sport Chek, HomeSense, Michaels, PetSmart
The Shops of Summerhill, Toronto, ON	75%	23,115	30,820	
Timiskaming Square, New Liskeard, ON	50%	47,697	95,394	Food Basics
Timmins Square, Timmins, ON	30%	117,140	390,468	No Frills, Winners, Sport Chek, Urban Planet
Trafalgar Ridge Shopping Centre Oakville, ON	100%	131,250	131,250	HomeSense, GoodLife Fitness
Trinity Common Brampton, Brampton, ON	100%	615,090	830,090	Cineplex, Metro, Winners, Marshalls, HomeSense, Staples, Sport Chek, Michaels, DSW, Canadian Tire*, Home Depot*
Trinity Crossing, Ottawa, ON	100%	191,465	371,465	Winners, Michaels, Value Village, Loblaws*
University Plaza, Dundas, ON	100%	185,792	185,792	Canadian Tire, Shoppers Drug Mart
Victoria Crossing, Scarborough, ON	100%	76,698	76,698	FreshCo.
Viewmount Centre, Ottawa, ON	100%	127,270	127,270	Metro, Best Buy, HomeSense
Walker Place, Burlington, ON	100%	69,844	69,844	FreshCo.
Walker Towne Centre, Windsor, ON	100%	39,768	39,768	
Westgate Shopping Centre, Ottawa, ON	100%	165,660	165,660	Shoppers Drug Mart
White Shield Plaza, Toronto, ON	100%	148,766	148,766	Lone Thai Supermarket
Woodview Place, Burlington, ON	100%	145,401	145,401	Food Basics, Bad Boy
Yonge & Erskine Avenue, Toronto, ON	50%	6,862	13,723	
Yorkville, Toronto, ON	50%	8,352	16,703	

PRINCE EDWARD ISLAND

Property and Location	Ownership Interest (%)	RioCan's Interests NLA (sq. ft.)	Total Site NLA (sq. ft.)[1]	Major or Anchor Tenants
Charlottetown Mall, Charlottetown, PEI	100%	355,091	355,091	Cineplex, Loblaws, Sport Chek, Winners, West Royalty Fitness, Urban Planet, H&M

QUEBEC

As at December 31, 2018 Property and Location	Ownership Interest (%)	RioCan's Interests NLA (sq. ft.)	Total Site NLA (sq. ft.)[1]	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	
BMO-279 Rue St Charles Ouest Longueuil, PQ	100%	5,015	5,015	
Centre Carnaval LaSalle, LaSalle, PQ	100%	208,185	208,185	Super C, L'Aubainerie
Centre Carnaval Pierrefonds Pierrefonds, PQ	100%	129,472	129,472	Super C, Dollarama
Centre Concorde, Laval, PQ	50%	31,649	63,298	IGA
Centre Rene A. Robert Centre Ste. Therese, PQ	50%	37,513	75,025	IGA
Centre RioCan Kirkland, Kirkland, PQ	100%	319,445	319,445	Cineplex, Winners
Centre Sicard, Ste. Therese, PQ	100%	106,329	106,329	IGA
Centre St. Jean St. Jean Sur Richelieu, PQ	100%	104,280	104,280	IGA
Centre St. Julie, Ste. Julie, PQ	50%	30,389	60,778	IGA
Centre St. Martin, Laval, PQ	100%	248,963	248,963	Provigo, Giant Tiger, World Gym
Galeries Laurentides, St. Antoine, PQ	100%	131,853	131,853	Hydro Quebec
Galeries Mille-Iles, Rosemere, PQ	100%	252,450	252,450	Maxi, World Gym, Leon's, Staples
Les Factories Tanger Bromont Bromont, PQ	50%	81,187	162,373	Atmosphere, Reebok
Les Factories Tanger St. Sauveur Prevost, PQ	50%	56,996	113,992	Tommy Hilfiger, Atmosphere
Les Galeries Lachine, Montreal, PQ	100%	167,383	167,383	Maxi, Rossy, Shoppers Drug Mart
Mega Centre Notre Dame / Desserte Ouest Sainte Dorothée, PQ	100%	508,630	570,528	Winners, L'Aubainerie, Sky Zone, Sports Experts, Staples, JYSK, Gold's Gym, Shoppers Drug Mart*, Super C*
Place Carnaval Laval, Laval, PQ	100%	112,404	112,404	Adonis
Place Newman, LaSalle, PQ	100%	181,178	181,178	Maxi, Winners, Rossy
RioCan Gatineau, Gatineau, PQ	100%	300,007	300,007	Walmart, Canadian Tire, Super C
RioCan Greenfield, Greenfield Park, PQ	100%	352,297	352,297	Maxi, Winners, Staples, Guzzo Cinemas, JYSK, Giant Tiger
Place La Prairie, La Prairie, PQ	50%	35,467	70,934	IGA
RioCan La Gappe, Gatineau, PQ	100%	372,883	372,883	Walmart, Winners, Michaels
Silver City Hull, Hull, PQ	100%	84,590	499,775	Cineplex, Rona*, Walmart*, Maxi*, Super C*, Winners*
Vaudreuil Shopping Centre Vaudreuil-Dorion, PQ	100%	117,773	228,273	Staples, Canadian Tire*, Super C*

*Non-owned anchor

[1] Total site NLA (net leasable area) includes RioCan's and partner's ownership interests and estimates for non-owned anchors.

REAL ESTATE PORTFOLIO KEY FACTS *as at December 31, 2018 (all metrics stated at RioCan's interest)*

Net Leasable Area (NLA) (thousands of sq.ft.):	Retail	Office	Total Commercial	Residential Rental (iii)	Total
Income Producing Properties (i)	**34,651**	**1,830**	**36,481**	**—**	**36,481**
Properties Under Development (ii)	**765**	**709**	**1,474**	**726**	**2,200**
Total NLA	**35,416**	**2,539**	**37,955**	**726**	**38,681**

(i) Includes NLA which has a rent commencement date on or before December 31, 2018.
(ii) Includes the NLA only for active projects with detailed costs estimates, but excludes NLA for air rights sales and condominium/townhouse developments (residential inventory). Includes completed Properties Under Development NLA that have a rent commencement date after December 31, 2018.
(iii) Residential rental NLA represents RioCan's share of NLA in approximately 2,100 rental units.

Occupancy (commercial only)

	Retail	Office	Total Commercial
Committed Occupancy	**97.2%**	**94.4%**	**97.1%**
In-Place Occupancy	**96.2%**	**93.0%**	**96.1%**
Average Net Rent per Occupied Square Foot	**$ 19.26**	**$ 15.25**	**$ 19.07**

Six Major Markets and Greater Toronto Area (commercial only)

Six Major Markets (i)	Retail	Office	Total Commercial
Committed Occupancy	**98.0%**	**93.9%**	**97.7%**
In-Place Occupancy	**96.9%**	**92.2%**	**96.7%**
% of total annualized rental revenue	**79.7%**	**5.7%**	**85.4%**
% of total NLA	**77.3%**	**4.4%**	**81.7%**
Greater Toronto Area (ii)			
Committed Occupancy	**98.3%**	**94.4%**	**98.0%**
In-Place Occupancy	**97.3%**	**92.8%**	**96.9%**
% of total annualized rental revenue	**41.6%**	**5.2%**	**46.8%**
% of total NLA	**38.0%**	**3.9%**	**41.9%**

(i) The six Canadian major markets include Calgary, AB; Edmonton, AB; Montreal, QC; Ottawa, ON (includes Gatineau region); Greater Toronto Area (GTA), ON; and Vancouver, BC.
(ii) GTA extends north to Barrie, ON; west to Hamilton, ON; and east to Oshawa, ON. This definition was extended from Burlington to Hamilton effective January 1, 2018.

Geographic Diversification

	Income producing properties		Number of properties		
	NLA at RioCan's Interest (thousands of sq.ft.)	Percentage of annualized rental revenue	Income producing properties	Properties under development (i)	Total
Greater Toronto Area	**15,295**	**46.8%**	**83**	**12**	**95**
Ottawa	**4,820**	**13.0%**	**35**	**1**	**36**
Calgary	**3,220**	**9.5%**	**14**	**3**	**17**
Montreal	**2,951**	**5.5%**	**20**	**—**	**20**
Vancouver	**1,791**	**5.1%**	**7**	**—**	**7**
Edmonton	**1,738**	**5.5%**	**12**	**—**	**12**
Total Six Major Markets	**29,815**	**85.4%**	**171**	**16**	**187**
Total Secondary Markets	**6,666**	**14.6%**	**46**	**—**	**46**
Total Portfolio	**36,481**	**100.0%**	**217**	**16**	**233**

(i) Given the multi-phase nature of certain development projects, a single investment property could have more than one project, as discussed in the *Properties Under Development* section of this MD&A. Therefore, the number of projects should not be viewed as equivalent to number of properties under development.

Top Ten Sources of Revenue by Property Tenant (commercial only)

Rank	Tenant	Percentage of annualized rental revenue	Weighted average remaining lease term (yrs)
1	Loblaws/Shoppers Drug Mart (i)	**4.5%**	**7.9**
2	Canadian Tire Corporation (ii)	**4.2%**	**6.0**
3	Cineplex/Galaxy Cinemas	**4.2%**	**8.0**
4	The TJX Companies, Inc. (iii)	**4.1%**	**6.1**
5	Metro/Super C/Loeb/Food Basics	**2.8%**	**7.4**
6	Walmart	**2.7%**	**9.3**
7	Sobeys/Safeway	**1.7%**	**8.0**
8	Recipe Unlimited (iv)	**1.6%**	**7.4**
9	Lowe's	**1.6%**	**9.9**
10	Dollarama	**1.5%**	**5.4**
		28.9%	**7.4**

(i) Loblaws/Shoppers Drug Mart includes No Frills, Fortinos, Zehrs Markets, Joe Fresh, Dominion and Maxi.
(ii) Canadian Tire Corporation includes Canadian Tire, PartSource, Mark's, Sport Chek, Sports Experts, National Sports and Atmosphere.
(iii) The TJX Companies, Inc. includes Winners, HomeSense and Marshalls.
(iv) Formerly Cara Operations Limited.

Property Lease Expiries and Contractual Rent Increases (commercial only)

	Total	2019	2020	2021	2022	2023
NLA (thousands of sq.ft.)	36,481	3,038	4,071	4,548	3,614	4,423
Average expiring rent per square foot	$ 19.07	$ 19.69	$ 19.47	$ 18.86	$ 21.26	$ 20.13
Contractual rent increases (in thousands of dollars) (i)		$ 8,864	$ 5,237	$ 4,874	$ 4,481	$ 3,671

(i) Contractual rent increases are based on existing leases as of December 31, 2018 and are on a year-over-year incremental basis. The contractual rent increases are higher in 2019 as they reflect more market rents as a result of new leasing and renewals completed in 2018. 2020 contractual rent increases are additional increases over 2019 rent increases, etc.

RIOCAN'S
25TH
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RioCan
FINANCIAL REVIEW MANAGEMENT'S DISCUSSION AND ANALYSIS

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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 assess our results of operations and financial condition for the three months and year ended December 31, 2018 (Q4 2018 and 2018, respectively). This MD&A is dated February 11, 2019 and should be read in conjunction with our annual audited consolidated financial statements and related notes for the year ended December 31, 2018 (2018 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 (AIF), 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 information in this MD&A refers to the results of our continuing operations only, amounts are in thousands of Canadian dollars and percentage changes are calculated using whole numbers.

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 the *2018 Financial Highlights*, *Business Overview, Outlook, Strategy*, *Asset Profile, Properties Under Development* and *Capital Resources and Liquidity* sections, 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 the following 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 the *Risks and Uncertainties* section 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: financial and liquidity risks; 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, the timing and ability of RioCan to sell certain properties; the valuations to be realized on property sales relative to current IFRS values; the Trust's ability to utilize the capital gain refund mechanism; unexpected costs or liabilities related to acquisitions and dispositions; development risk associated with construction commitments, project costs and related zoning and other permits approvals, changes to rent control legislation; environmental matters including climate changes; litigation; reliance on key personnel; unitholder liability; income, sales and land transfer taxes; cyber security and credit ratings.

Our U.S. subsidiary qualified as a REIT for U.S. income tax purposes up to May 25, 2016, subsequent to the closing date of the sale of our U.S. property portfolio. For U.S. income tax purposes, the subsidiary distributed all of its U.S. taxable income and is entitled to deduct such distributions against its taxable income. The subsidiary’s qualification as a REIT depended on the REIT’s satisfaction of certain asset, income, organizational, distribution, unitholder ownership and other requirements up until May 25, 2016. We did not distribute any withholding taxes paid or payable to our unitholders related to the disposition. Should RioCan’s U.S. subsidiary no longer qualify as a U.S. REIT for U.S. tax purposes prior to May 25, 2016, certain statements contained in this MD&A may need to be modified.

General economic conditions, including interest 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 historically low 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; the availability of investment opportunities for growth in Canada; and the timing and ability for RioCan to sell certain properties, the valuations to be realized on property sales relative to current IFRS values, and the Trust's ability to utilize the capital gain refund mechanism. For a description of additional risks that could cause actual results to materially differ from management’s current expectations, refer to the *Risks and Uncertainties* section in this MD&A and the *Risks and Uncertainties* section 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 (REIT) listed on the Toronto Stock Exchange (TSX) under the symbol REI.UN. We are one of Canada's largest REITs based on market capitalization with a total enterprise value of approximately $13.2 billion at December 31, 2018. RioCan is a fully integrated REIT that owns, manages and develops high quality retail, increasingly mixed-use, transit-oriented properties in Canada's major markets, with ownership interests in 233 retail and mixed-use properties, including 16 properties under development, containing an aggregate net leasable area (NLA) of 38,681,000 square feet.

RioCan's property portfolio includes grocery anchored, urban retail, mixed-use and non-grocery anchored centres, of which 189 properties are 100% owned (186 income properties and 3 properties under development) and 44 are co-owned and governed by co-ownership agreements (including 13 properties under development). RioCan's primary co-ownership arrangements are with Allied Properties REIT (Allied); Canada Pension Plan Investment Board (CPPIB); KingSett Capital (KingSett); Tanger Factory Outlet Centres, Inc. (Tanger); Boardwalk REIT (Boardwalk); Killam Apartment REIT (Killam); Concert Properties (Concert); and Woodbourne Canada Partners (Woodbourne). In addition, the Trust also owns partial interests in 13 properties through joint ventures with Hudson's Bay Company (HBC) and Marketvest Corporation/Dale-Vest Corporation which are included in our equity accounted investments in the 2018 Annual Consolidated Financial Statements.

Operating Results

For the year ended December 31, 2018, RioCan reported net income per unit of $1.68 and FFO per unit of $1.85, with FFO per unit growth of 3.3% from 2017 despite nearly $1.0 billion secondary market asset dispositions completed in 2018 and $7.5 million of severance costs incurred during the year. Severance costs were incurred as the Trust further streamlined its organizational structure during the year to maximize operational efficiency and focus on the major markets, which will further drive same property NOI and FFO growth. Since September 30, 2017, there has been a net reduction of 69 employees.

Operationally, the Trust reported same property NOI growth of 2.2%. Same property NOI for RioCan's properties in Canada's six major markets grew by 2.6%, while same property NOI for its secondary markets properties increased by 0.2% compared to 2017. Committed occupancy and in-place occupancy each increased 50 basis points from December 31, 2017 to 97.1% and 96.1%, respectively, as of December 31, 2018. Further, committed occupancy for retail properties increased by 60 basis points to 97.2% over the same period. The Trust's major markets properties' committed occupancy further grew by 10 basis points to 97.7% as of December 31, 2018 over the year.

The Trust's strong same property NOI growth, successful progress on its secondary market asset disposition program, and 799,000 square feet of development completions (at RioCan's interest and all in Canada's six major markets) led to 85.4% of the Trust's annualized rent revenues from the six major markets as of December 31, 2018, a 930 basis points increase from a year ago. The Greater Toronto Area (GTA) represents 46.8% of the Trust's annualized rent revenues as of December 31, 2018, a 590 basis point increase from the previous year. For the year ended December 31, 2018, the Trust's maintenance capital expenditures were $45.6 million, closely in line with the $45.0 million normalized capital expenditure expected for the year.

For the three months ended December 31, 2018, RioCan reported net income per unit of $0.49 and FFO per unit of $0.45, representing FFO per unit growth of 2.2% from Q4 2017, despite nearly $1.0 billion of secondary market asset dispositions completed since Q4 2017 and $2.7 million of severance costs incurred during the quarter. Operationally, the Trust reported same property NOI growth of 2.1% in the quarter over the same period in 2017, with same property NOI growth of 2.2% for RioCan's properties in the six major markets and same property NOI increase of 1.3% for its secondary markets properties. Committed occupancy increased 10 basis points from the previous quarter to 97.1%. Further, committed occupancy for retail remained stable at 97.2% from the previous quarter, while committed occupancy for office increased 60 basis points to 94.4%.

Progress on Acceleration of Canadian Major Market Focus

On October 2, 2017, the Trust announced its plan to accelerate its portfolio focus in Canada's six major markets through the sale of approximately 100 properties located primarily in secondary markets across Canada over two to three years. Refer to the *Strategy* section of this MD&A for further details.

As of February 11, 2019, the Trust has either completed or entered into firm agreements to sell $1.3 billion of properties in secondary markets at a weighted average capitalization rate of 6.50% based on in-place net operating income (NOI), representing approximately 63% of the announced disposition target. The deals, which span a broad geographical range of secondary markets, consist of the following:

- Closed or firm deals for 58 properties as of October 30, 2018 as disclosed in the Trust's Q3 2018 MD&A have been closed as of December 31, 2018 for aggregate sales proceeds of $1.1 billion at a weighted average capitalization rate of 6.47%. Approximately $58.9 million of mortgages were assumed by purchasers on closing.
- The sale of a property in Niagara Falls, Ontario, which consisted of land and an income producing property portion, for sales proceeds of $11.8 million. The income producing portion was sold at a capitalization rate of 6.60%.
- The sale of three properties located in Quispamsis, New Brunswick and Ottawa and Orillia, Ontario to three separate buyers for aggregate sales proceeds of $34.9 million at a weighted average capitalization rate of 7.16%.
- The sale of two properties located in Victoria, British Columbia and St. John's, Newfoundland to two separate buyers for aggregate sales proceeds of $115.8 million at a weighted average capitalization rate of 6.47%.

- A firm agreement to sell a property located in Gravenhurst, Ontario for sales proceeds of $29.4 million at a capitalization rate of 6.89%.

In addition to the above $1.3 billion closed and firm deals, as of February 11, 2019 the Trust has also entered into two conditional agreements and three letters of intent ("LOIs") to sell seven properties with five separate buyers located in Ontario, Quebec, PEI and Alberta for aggregate sales proceeds of $190.9 million. Should these firm, conditional and LOI transactions close, the Trust would have completed the sale of 72 properties for aggregate sales proceeds of $1.5 billion or approximately 73% of our disposition target by sales proceeds, at a weighted average capitalization rate of 6.68%. The aggregate sales prices of these properties are materially in line with the Trust's IFRS valuations.

The capitalization rate of a strategic disposition referred to in this MD&A is calculated based on in-place twelve-month-trailing NOI of a property or a portfolio of properties when the related sale agreement becomes firm.

The net proceeds from the dispositions have been, and are expected to be, used to pay down debt, fund unit repurchases through RioCan’s Normal Course Issuer Bid (NCIB) program and fund the Trust’s development activities.

Additional Capital Recycling

For the three months and year ended December 31, 2018, RioCan sold a portion of its marketable securities and realized a cash gain on units sold of $9.2 million and $59.2 million (three months and year ended December 31, 2017 - $10.5 million and $46.0 million), respectively.

Development Progress and Strategic Alliances

RioCan's development program is a significant component of its growth strategy to unlock the intrinsic value of its existing properties through redevelopment and intensification and will enable the Trust to deliver strong Net Asset Value (NAV) growth to its unitholders. The head start that RioCan has in its development program in terms of the extent of zoning approvals achieved and zoning applications submitted, recent completion or near substantial completion of a number of large mixed-use projects and the experience and scale of our development team, gives us distinct competitive advantages. During 2018, RioCan continued to make significant progress in a number of key areas of its development program, notably:

- **Launch of residential brand RioCan Living**™ - On March 5, 2018, RioCan announced its residential brand, RioCan Living™, marking RioCan’s official, and permanent, entry into the residential market. RioCan Living™ includes purpose-built residential rental buildings developed by RioCan along Canada’s most prominent transit corridors. The locations, designs, amenities, community-focused event programming, and professional services, as well as the population growth in Canada's major markets, unique to RioCan Living™ are expected to further support demand for our residential rental projects, particularly as housing affordability becomes more and more of an issue for individuals in the major markets.
- **Zoning approvals and development pipeline -** As of December 31, 2018, the Trust has identified 26.2 million square feet of development pipeline (at RioCan's interest), of which 11.2 million square feet or 42.9% have zoning approvals and an additional 5.4 million square feet or 20.5% have zoning applications submitted. The zoned density is particularly valuable in markets such as Ontario, where changes to the zoning approval process have led to a longer approval process and more uncertainties. All development projects are in Canada's six major markets. The Trust's development pipeline includes 18.7 million square feet (at RioCan's interest) of residential projects, representing 71.4% of its total development pipeline as of December 31, 2018.
- **Development completions and progress** - For the three months and year ended December 31, 2018, the Trust completed 298,000 square feet and 799,000 square feet of developments, respectively. Key project completions and progress during the year are highlighted as follows:
    - The Well (50/50 co-ownership with Allied for the commercial component and 50/50 with Woodbourne for The Well Residential Building 6) - This flagship mixed-use development with nearly 3.0 million square feet of net leasable area (NLA), at 100%, made significant leasing progress during the year with lease commitments from high caliber office tenants, representing 71% of the office space of the project. Retail leasing is scheduled to commence in 2019. The office tower is under construction and is now above grade. The remainder of the project is proceeding well and the 12-million-litre Enwave thermal energy tank has been installed. We are expecting to reach grade on the retail component by Q2 2019.
    - Yonge Eglinton Northeast Corner (ePlace, 50/50 co-ownership with Metropia/Bazis) - This condominium (eCondos) and residential rental (eCentral) project at Toronto's busy mid-town with connections to the Yonge Subway and Eglinton Crosstown Light Rail Transit (LRT) is near substantial completion. At eCondo, possession of a number of the condominium units occurred in Q4 2018, resulting in $1.4 million of residential inventory gains recognized into the Trust's income in Q4 2018. Possession of the remaining condominium units is scheduled to be taken in an orderly fashion during the first half of 2019. Residential rental leasing at the 466-unit ePlace has started and is progressing well. First occupancy occurred in January 2019.
    - Bathurst College Centre (100% owned) - This grocery-anchored retail and office development with 140,000 square feet of NLA was substantially completed in Q3 2018 and is fully leased with several high profile tenants. All tenants have taken possession and the grocery anchor commenced operations in January 2019.
    - King Portland Centre (50/50 co-ownership with Allied) - The commercial component of the 421,000 square feet (100%) mixed-use development in the trendy King West neighborhood of Toronto was substantially completed in Q3 2018 and fully leased. The 100% pre-sold, 132-unit condominium component of the project (Kingly) is expected to be substantially complete and turned over for possession in Q3 2019.

    - Gloucester (Frontier, 50/50 co-ownership with Killam) - The first phase of this project in Ottawa, Ontario includes 228 residential rental units and is progressing on schedule toward a mid-2019 completion. The leasing of the rental units commenced in Q4 2018 and is progressing ahead of our expectations.
    - Windfield Farms Townhouses (50/50 co-ownership with Tribute Communities) - This project to develop a 31-acre site of residential lands located in Oshawa, Ontario also known as UC Towns 2, includes 538 condominium townhouses to be constructed in four phases and two phases of high rise condominiums, the first of which consists of a 479-unit high rise condominium. 166 of the 170 units released in phase one and 14 of the 94 units in phase two for the townhouse developments have been sold. Building construction of the townhouses commenced in Q2 2018 with first occupancy expected in Q2 2019. Marketing for the first phase of the high rise condominium project began in Q4 2018 with 202 of the 479 units pre-sold during the quarter.
- **Development yield and incremental value creation** - For the five projects that are complete or near completion (ePlace, Bathurst College Centre and King Portland Centre in Toronto, Gloucester Phase I in Ottawa, and Sage Hill in Calgary), the Trust estimates the average development yield to be 5.7% based on estimated stabilized NOI, which leads to an estimated $204.5 million incremental value creation for the projects' commercial and residential rental components plus an additional $26.5 million of residential inventory gains on the sale of condominium units at two projects, bringing the total incremental value creation to $231.0 million. These yield and value creation estimates take into account the Trust's purchase of our partner's non-managing 50% interest in Sage Hill subsequent to the year end and the expected purchase of the remaining 50% interest in the residential rental and retail portions of ePlace in 2019 based on agreements in place. Refer to the *Development Yield and Incremental Value Creation* section of this MD&A for details.

Capital Management

During 2018, the Trust continued to exercise sound capital management. All debt metrics as discussed in the *Debt Metrics* section of this MD&A outperformed the Trust's targets. Notably, the Trust's Debt to Adjusted EBITDA ratio (at RioCan's proportionate share) remained below our 8.0x target at 7.88x as of December 31, 2018, even though the Trust has disposed $1.1 billion of secondary market assets since October 2017. The Trust has a significant unencumbered asset pool of $8.0 billion as of December 31, 2018 that generates 59.1% of RioCan's annualized NOI as of December 31, 2018. In addition, RioCan's unencumbered assets to unsecured debt ratio stood at 231%, above its 200% target.

As of December 31, 2018, RioCan's debt to total assets was at 42.1% on a proportionate share basis, in line with its target range. The Trust is committed to maintaining its leverage in its target range, although the leverage may exceed the upper limit of the target range modestly from time to time.

NCIB

During the year ended December 31, 2018, the Trust acquired and cancelled 19.0 million units at a weighted average purchase price of $24.35 per unit, for a total cost of $461.8 million. Since October 20, 2017, RioCan has purchased and cancelled 22.9 million units at a weighted average purchase price of $24.51 per unit, for a total cost of $561.2 million.

In October 2018, RioCan renewed its NCIB. Under the renewed NCIB, RioCan may acquire up to a maximum of 30,579,868 of its units, or approximately 10% of outstanding units as of September 30, 2018, for cancellation over the next 12 months effective October 22, 2018. The number of units that can be purchased pursuant to the renewed NCIB is subject to a current daily maximum of 178,116 units (which is equal to 25% of 712,465, being the average daily trading volume from April 1, 2018 to September 30, 2018, excluding RioCan's purchases on the TSX under its former NCIB), 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 primarily out of net proceeds from its asset dispositions, available cash and undrawn credit facilities.

Base Shelf Short Form Prospectus

During Q3 2018, the Trust renewed its Base Shelf Short Form Prospectus which provides for the issuance of up to $3.0 billion in debt securities, trust units and preferred units up to August 3, 2020.

Senior Unsecured Debentures

On January 31, 2018, the Trust issued $300 million of Series AA senior unsecured debentures, which mature on September 29, 2023 and carry a coupon rate of 3.209%. The interest on these debentures is payable semi-annually commencing September 29, 2018. The debentures were sold at a price of $999.95 per $1,000 principal amount with an effective yield of 3.209% if held to maturity. Prior to maturity, the Series AA debentures can be redeemed in whole or in part at par on or after August 29, 2023.

On March 5, 2018, RioCan redeemed, in full, its $250 million 2.87% Series S senior unsecured debentures in accordance with its terms.

Non-revolving Unsecured Credit Facilities

On January 12, 2018, the Trust exercised its option to increase its $100 million non-revolving unsecured credit facility by up to $50 million, with the addition of a lender, and borrowed an additional $50 million from a Schedule III bank under this facility.

On May 4, 2018, the Trust exercised its option to extend the maturity date on its $1 billion revolving unsecured operating credit facility to May 31, 2023. All other terms and conditions remained the same.

Subsequent to year end, the Trust extended the maturity date of its $150.0 million non-revolving unsecured credit facility from December 27, 2019 to June 27, 2024 and fixed the annual all-in interest rate at 3.43% through an interest rate swap. The Trust also fixed the annual all-in interest rate for $125.0 million of its other non-revolving unsecured credit facility maturing on January 31, 2023 at 3.38% through an interest rate swap. Further, the Trust entered into a $350.0 million five-year non-revolving unsecured credit facility with three financial institutions and has fully drawn on the credit facility to repay certain debt and for general Trust purposes. This credit facility matures on February 7, 2024 and, through an interest rate swap, bears an all-in fixed interest rate of 3.34% per annum. These transactions demonstrate the Trust's creditworthiness and further strengthen the Trust's financial flexibility by providing access to additional sources of capital, further extending the average term to maturity of the Trust's total debt, and reducing its floating interest rate debt exposure.

Distribution Increase

Effective January 1, 2018, the Trust increased its annual distribution to unitholders by $0.03 per unit or 2.1% to $1.44 per unit.

Outlook

Canada's economy performed well in 2018, although it experienced a slowdown towards the end of the year due to a sharp drop in oil prices and equity markets given the uncertainties heightened by trade tensions between the U.S. and China, partial shutdown of the U.S. government and Brexit. These factors dampened expectations for economic growth in Q1 2019. The Bank of Canada increased its overnight rate three times during 2018 but kept it unchanged at 1.75% at its January 2019 policy announcement and expressed a more dovish tone in its economic outlook. Despite these factors, it is generally expected that the economy will strengthen again as early as the second quarter of 2019 buoyed by growth in exports and non-energy investments and recent recovery in oil prices. As a result, interest rates are generally expected to rise in the second half of 2019, albeit in a more cautious fashion. The U.S. Federal Reserve increased interest rates four times in 2018 and is generally believed to continue to raise interest rates in 2019.

RioCan is well-positioned to withstand an increasing interest rate environment through our low leverage, measured variable interest rate debt exposure, and staggered portfolio of debt maturities. RioCan's supply of zoned development pipeline also positions it well within the changing regulatory landscape with respect to zoning approvals particularly in Ontario. Overall, our large size and dominant position in Canada's six major markets from which 85.4% of our portfolio rental revenues are derived, leaves us well-positioned in the current economic and retail environment. The ongoing acceleration of our major market strategy, which is further discussed in the *Strategy* section below, will increase our focus in these markets and is expected to further improve the quality and growth profile of our portfolio in the ever changing retail environment. In addition to the competitive advantage provided by RioCan's significant scale and six major markets presence, our strengths also include the depth of our management team, our well diversified portfolio, the portfolio's value creation potential through its development program, solid and diversified tenant base, flexible capital structure (evidenced by our ability to raise debt from a variety of sources and a large pool of unencumbered assets) and conservative borrowing practices.

We expect continued organic growth over the short and long term given our continuous improvement in the overall quality and diversification of our portfolio as we execute on our major market acceleration strategy and continue with project deliveries from our development program. For 2019, we expect to achieve same property NOI growth in the 2.0% to 3.0% target range assuming current market conditions prevail, although quarter to quarter results may vary.

Macro Economic and Market Trends

Interest rates

As noted earlier, the Bank of Canada raised its overnight interest rates three times in 2018 to 1.75% but kept it unchanged in its recent January 2019 policy meeting. The relatively low oil prices despite recent price increases, the U.S.-China trade tension and its impacts on global growth and commodity demand, the Brexit uncertainty, and the uncertain fate of the USMCA trade agreement are key factors that put the Bank of Canada in a more dovish tone. While the Bank of Canada is expected to raise interest rates over time, the pace at of the rate hikes will depend on factors such as oil prices, domestic economic growth and inflation, the Canadian housing market, and developments with respect to various global geopolitical and trade risks.

Despite the expectations for eventual further rate increases, the interest rate environment remains relatively favorable in Canada in comparison to longer term historical levels. We will monitor the economy and real estate markets with a view to ensure that we continue to have adequate access to capital, either by way of debt, strategic asset dispositions or equity to meet our business requirements and to optimize financing options and costs.

Canadian dollar

The Canadian dollar has traded lower than at the beginning of 2018. Continued weakness in oil prices despite a recent price rally is a key factor impacting the Canadian dollar. The U.S. dollar is expected to remain strong despite uncertainties relating to the recent U.S. government partial shutdown and trade tension between the U.S. and China. A tighter monetary policy position stance from the Federal Reserve will also assist in maintaining the strength of the U.S. dollar and put more pressure on the Bank of Canada to raise interest rate in Canada. On the other hand, if the Canadian dollar remains relatively low, it may attract more tourists and foreign capital to Canada, and more specifically to Canada's major markets where we have a significant presence.

Alberta economy

The gradual recovery in light oil prices stalled in June 2018, regained strength in the third quarter, and then sharply declined in Q4 2018 as escalating global trade tensions raised concerns over global growth and oil demand. It has since recovered to some extent with Brent Crude oil trading above USD $60 per barrel. Alberta heavy crude oil prices experienced a sharp decline in 2018 as a result of growing output and transportation bottlenecks but has since recovered to some extent and narrowed the gap in

prices to light crude in early 2019. The Alberta provincial government ordered production cut starting in January 2019, which helped the Canadian heavy oil price recovery among other factors such as Organization of the Petroleum Exporting Countries (OPEC) production cuts, and the latest political crisis in Venezuela which handicaps Canada's main competitor in the oil markets in the Americas. The delay and uncertainty surrounding large pipeline developments in Canada, however, will likely continue to put pressure on Alberta's oil production and growth.

Notwithstanding the volatility in oil prices, Alberta's labour market continues to improve in 2018 and net inter-provincial immigration shows that people are returning to the province. Occupancy rates in our Alberta portfolio remain amongst the highest in our portfolio at approximately 98%, and valuations for RioCan's high quality, well-located assets in Alberta also remain strong. Nonetheless, the regional economy is sensitive to energy prices and further volatility to oil prices will have the potential to impact retail and residential markets.

E-commerce

We believe that the depth and breadth of our retail portfolio, especially in Canada's six major markets, positions us well to withstand the effects of e-commerce on the overall retail market.

We have been evolving our tenant mix to increase the number of tenants in those sectors which tend to be less impacted by e-commerce, such as personal services, food and restaurants, value retailing, as well as lifestyle and fitness offerings. Refer to the *Tenant Profile* section of this MD&A for an overview of our tenant mix. Our residential strategy further addresses the e-commerce effects, in part, as it re-purposes the existing retail portfolio and adds density to existing retail sites, and in doing so, builds in natural traffic for the retailers. Our residential strategy also embraces the impact of e-commerce by incorporating e-commerce friendly amenities to our rental buildings such as concierge services and sufficient space for the receipt and storage of packages and in some cases cold storage.

We believe that shopping centres will continue to have a place for consumers as they remain the most cost-effective way for a retailer to distribute goods and services and provide a social gathering place for the communities that they serve. Many retailers effectively execute a combined on-line and brick-and-mortar strategy and employ models that have been adapted to integrate sales in their storefronts as well as catering to on-line sales. Commonly referred to as 'omni channeling', this strategy provides today's consumer with the choice of how they want to shop. In the changing face of retail, national tenants are increasingly providing this flexibility to their customers and are also adapting their store size, layout and product mix to better meet consumer demands in urban, more densely populated settings.

Mitigating any potentially disruptive effects of e-commerce are strong population growth in urban centres, which is generally out-pacing the overall population growth, the relative high cost for the "last-mile" deliveries, higher barriers for e-commerce players to establish distribution centres in urban settings, and Canada's geographic dispersion.

Canadian retail environment

We expect fundamentals in Canadian retail real estate to remain steady, particularly necessity-based retail, value retail, and services and experience-oriented retail such as restaurants and entertainment. As the retail landscape continues to evolve, innovative responses to reorienting retail spaces in order to create value are evident in today's marketplace. For locations that are centrally located in high demand areas, the integration or change in use can, in fact, maximize the value of the real estate and enhance the productivity of the space.

The Target departure, Sears Canada insolvency and other announced store closures that have occurred over the past two to three years have contributed to the overall negative market sentiment towards retail real estate and created a more cautious environment for retailers. The general tone towards the Canadian retail market is shifting towards a more neutral or positive outlook. More investors are becoming aware of the key fundamental differences between the Canadian retail market and the U.S retail market, such as fundamentally lower retail space per capita in Canada, tighter controlled municipal zoning bylaws which limit over-supply of retail space, higher distribution costs in Canada given its geographic diversity, and more conservative lending practices by Canadian financial institutions which limit over-build and over-risk-taking. Overall, we expect that the amount of retail space per capita in Canada will decline over time as the population grows with limited new retail development as well as some rationalization of existing retail space into other uses. In addition, Canada's sound retail tenant base with solid financial strength will benefit the retail real estate market in Canada over the long run as tenants and landlords continue to adapt to the changing retail environment.

Development environment

With population growth and a limited supply of zoned land available for development, Canada's six major markets, particularly the GTA and Vancouver areas, have experienced a significant boom in housing development and construction over the last number of years. As concerns over the affordability of single detached homes and household debt level grew, governments introduced foreign buyer taxes and other measures applicable to the GTA and Vancouver areas approximately a year ago. The Office of the Superintendent of Financial Institutions also introduced a new minimum qualifying rate, or "stress test," for uninsured mortgages effective January 1, 2018, which limits mortgage borrowings in general. The growth in single detached home sales volumes and price increases has currently curbed to an extent but house prices in these areas are still near historical highs. In the meantime, condominium sales volumes and prices, as well as the demand for residential rental units and rental rates, continue to grow.

The increasing and persistently high development and construction activities over the last few years, as well as the projected sustaining bullish tone on future development by many industry players, have led to rising construction costs, increasing development charges by municipalities, and a shortage of experienced labor, which tend to increase development risks. In Ontario, which has experienced one of the most significant development booms, the previous provincial government introduced further uncertainties and risks to the sector through the expansion of rent controls to new rental units in 2017 and the replacement of the Ontario Municipal Board ("OMB") with the Local Planning Appeal Tribunals ("LPAT") whose mandate is still

unclear at this stage. The new provincial government in Ontario elected in 2018 has since introduced the New Housing Supply Action Plan in November 2018, which is designed to encourage more rental housing development by exempting new rental units from rent control while preserving rent control for existing tenants. Although there has been speculation regarding whether the new Ontario provincial government will address the previous government's replacement of the OMB with the LPAT, there has been no change in this regard.

RioCan is confident in its development program and the cash flow and NAV growth potential such development will bring to its unitholders. However, the Trust will remain vigilant in monitoring the market trends and will continue to prudently manage development risks and adapt its development program to the changing marketing conditions. Refer to the *Properties Under Development* section of this MD&A for a discussion of how the Trust prudently manages its development risks.

Strategy

Acceleration of Canadian Major Market Focus

The major market strategy is a key strategy for the Trust. Over the last decade, the Trust has been gradually increasing its major markets focus. On October 2, 2017, RioCan announced its plan to accelerate its portfolio focus in Canada's six major markets through the sale of approximately 100 of its properties located primarily in secondary markets across Canada over two to three years. The sales proceeds are primarily used to repay debt, to fund the repurchase and cancellation of the Trust's units through the Trust's NCIB program while maintaining its strong credit fundamentals, and to fund developments. As noted under *the Business Overview* section of this MD&A, as of February 11, 2019, RioCan has successfully completed or entered into firm, conditional or LOI agreements to sell $1.5 billion of the secondary market assets, represent approximately 73% of the announced disposition target.

On completion, RioCan expects to generate in excess of 90% of its annualized rental revenue from Canada's six major markets (currently at 85.4%). This strategy will further enhance the quality, growth profile and resilience of the Trust's portfolio of retail focused, increasingly mixed-use properties located in prime, high density, transit oriented areas where Canadians want to shop, live and work. This portfolio of major market properties with a diversified, strong national tenant base has significant upside potential for rent growth and is the foundation for significant NAV growth through unlocking of the tremendous intrinsic value of our major market assets.

Driving Organic Growth

RioCan drives strong organic growth by leveraging its existing strengths, such as its strong relationships with high quality tenants and partners, its economies of scale, diversity and experience, carefully curating and evolving the tenant mix of its properties, and improving the operating efficiency and cost structure of its portfolio. In addition, RioCan continually searches for ways to create new sources of cash flow from ancillary revenues, the generation of fee income from its joint venture arrangements and adding NLA through new pads and redevelopments.

Unlocking Intrinsic Value through Development

Over the past 25 years, the Trust has accumulated a robust portfolio of income producing properties with significant redevelopment potential that are strategically situated on or near existing or government approved transit lines where we can create additional NAV for our unitholders. We are focused on optimizing the value of our existing properties through our development program, diversifying our portfolio into residential real estate, combining great retail experiences with residential to create a premium residential tenant experience that will in turn drive traffic to our retail tenants that we believe will ultimately drive future rent growth and deliver FFO and NAV growth to our unitholders. The Trust will continue to pursue a disciplined approach to our development program with a focus on major urban markets and to meet the evolving needs of the communities we serve. Please refer to the *Properties under Development* section of this MD&A for further details on how the Trust prudently manages development risks.

Strategic Acquisitions

Given the current competitive nature of the real estate market and limited supply of assets that meet RioCan's criteria in the major markets, acquisition of income producing properties is not a significant growth driver for RioCan in the near term. However, RioCan continues to seize opportunities to acquire partners' interests in existing co-owned properties in highly desirable areas that are unavailable on the open market, such as the 2018 purchases outlined in the *Income Property Acquisitions During 2018* section of this MD&A. In addition, the Trust will evaluate and seize opportunities to acquire selective sites suitable for development, such as its acquisitions of properties in the prestigious Yorkville neighbourhood of Toronto or assembling adjacent properties surrounding existing development properties.

Strong Balance Sheet

RioCan is committed to prudent management of its balance sheet and capital structure. The Trust maintains low leverage, staggers its debt maturities and limits its variable rate debt so as to reduce interest rate and refinancing risk, maintains an optimal mix of unsecured and secured debt that ensures continued financial flexibility and liquidity, balances between line of credit utilization and unsecured debenture issuance, builds and maintains lender relationships and continues to utilize multiple sources of capital. It is this disciplined approach that allows RioCan to maintain the strong liquidity and financial strength to drive growth and thrive in the ever changing market place.

SUSTAINABILITY

Embedding Sustainability

The Trust targets to be amongst the leaders in embedding sustainability practices in its business model. This means that it enhances its business model and management approaches and incorporates sustainability in developments, operations, investment activities and corporate functions. RioCan's platform for sustainability focuses on three areas: people, community and environmental leadership.

For the past two years, RioCan has been working diligently to formalize the sustainability commitments as set out in its sustainability policy. A multi-year plan has been developed which includes strategies to put these commitments into action and focuses on improving sustainability performance year over year. The Global Real Estate Sustainability Benchmark (GRESB) and standards developed by the Sustainability Accounting Standards Board (SASB) not only provide a framework to benchmark organization-wide performance, they also ensure transparency and continuous improvement.

While RioCan's culture has always revolved around strategic decision making, fostering mutually beneficial relationships, and shaping the future through good community stewardship, it has recently formalized its commitment to integrate sustainability factors into decision making at every stage and level of its business and to benchmark and report its performance according to industry standards.

Key sustainability accomplishments in 2018 include:

- Improved GRESB Survey score by 37% from the previous year.
- Developed a plan to achieve continued sustainability performance improvements in GRESB categories such as Policy and Disclosure, Building Certifications and Stakeholder Engagement in future years.
- Implemented a data and utility management system to better measure and manage energy, water and waste consumption at our properties and improve reporting capabilities. This system facilitated GRESB and EWRB reporting.
- Completed our first tenant engagement survey of our top 20 tenants in major markets. This third party administered survey allowed us to better understand the drivers of tenant engagement and develop tenant action/improvement plans.
- Recognized as one of Greater Toronto's top 100 employers.
- Aligned our Environmental Management System (EMS) to a standard, ISO 14001 and trained relevant internal departments on our new methods to manage environmental risks and opportunities.
- Continued to integrate sustainability features into many of our development and construction projects through our Sustainability Guidelines. These guidelines incorporate sustainability into all phases of the development project lifecycle - from the feasibility study phase to the handover to Operations/ Asset Management. They consider energy codes, standards such as LEED and WELL, energy and water efficiencies, renewables and community engagement.
- Installed a high efficiency geothermal HVAC system for Frontier residential rental development in Ottawa and partnered with Enwave in installing a 12-million-litres thermal energy tank at our flagship development The Well in Toronto.
- Complied with the Ontario Energy and Water Reporting and Benchmarking (EWRB) regulation for RioCan properties with gross floor area over 250,000 square feet, which equated to submitting 26 compliance reports for RioCan.
- Discussed with a number of investors, tenants, suppliers and partners in our sustainability materiality assessment and are in the process of setting long term targets for sustainability.

Sustainability Governance

RioCan's Sustainability Steering Committee is comprised of cross functional executive and leadership team members that oversee the sustainability strategy implementation and drive performance improvements. Steering Committee members sponsor and provide guidance on sustainability initiatives within the organization and enable performance measurement. In addition, RioCan has a dedicated environmental and sustainability team to manage day-to-day sustainability strategy implementation.

For RioCan's sustainability policy and additional information about its sustainability strategy and plan, visit RioCan's website under *Social Responsibility*. We plan to publish our inaugural Sustainability Report in 2019.

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 2018 Annual Consolidated Financial Statements. In connection with the sale of our U.S. assets in 2016, the net income associated with our former U.S. geographic segment is presented as a single line in the consolidated statements of income as discontinued operations.

Non-GAAP Measures

In addition to reported IFRS measures, industry practice is to evaluate real estate entities giving consideration, in part, to certain non-IFRS performance measures described below, such as funds from operations, net operating income and same property net operating income growth. Management believes that these measures are helpful to investors because they are widely recognized measures of a REIT's performance and provide a relevant basis for comparison among real estate entities. In addition to the IFRS results, we also use these measures internally to measure the operating performance of our investment

property portfolio. These measures are not in accordance with IFRS generally accepted accounting principles (GAAP) and have no standardized definition prescribed by IFRS and, as such, our computation of these non-GAAP performance measures might not be comparable to similar measures reported by other issuers. Non-GAAP measures should not be considered as alternatives to net income or comparable metrics determined in accordance with IFRS as indicators of RioCan's performance, liquidity, cash flows and profitability. We supplement our IFRS measures with these non-GAAP measures to aid in assessing our core performance and we report these additional measures so that investors may do the same. Management believes that the supplementary non-GAAP measures described below provide readers with a more comprehensive understanding of management's perspective on its operating performance.

The following discussion describes the non-GAAP measures RioCan management currently uses in evaluating its operating results. For greater clarity, each measure defined below includes the 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 Canadian real estate industry based on the definition set forth by REALPAC. It is RioCan's view that IFRS net income does not necessarily provide a complete measure of RioCan's recurring operating performance. This is primarily because IFRS net income includes items such as fair value changes of investment property that are subject to market conditions and capitalization rate fluctuations and gains and losses on the disposal of investment properties, including associated transaction costs and taxes, which are not representative of recurring operating performance.

FFO is computed as IFRS consolidated net income attributable to RioCan unitholders adjusted for items such as, but not limited to, unrealized changes in the fair value of investment properties and transaction gains and losses on the acquisition or disposal of investment properties (including related transactions costs and income taxes) calculated on a basis consistent with IFRS. In February 2019, REALPAC updated the definition of FFO to also include adjustments relating to certain subleases or leases that are classified as finance leases under IFRS 16 effective January 1, 2019, which RioCan will adopt on effective date.

RioCan regards FFO as a key measure of operating performance and as a key measure for determining the level of employee incentive based compensation. RioCan also uses FFO in assessing its distribution paying capacity.

FFO should not be construed as an alternative to net income or cash flows provided by or used in operating activities determined in accordance with IFRS.

As noted in the *Significant Accounting Policies and Estimates* section of this MD&A, the Trust adopted the new accounting standard IFRS 9 - *Financial Instruments* (IFRS 9) on the required effective date of January 1, 2018. One impact of adopting IFRS 9 is that the unrealized gains or losses on marketable securities are included in IFRS net income, whereas they were recorded in other comprehensive income in 2017 and prior years Consolidated Financial Statements. Based on the FFO definition currently set forth by REALPAC, the unrealized gains or losses on marketable securities would be included in FFO, as a result of adopting IFRS 9. However, the Trust believes that including such unrealized gains or losses on marketable securities in FFO does not represent the recurring operating performance of the Trust. As a result, effective January 1, 2018 upon adoption of IFRS 9, RioCan's method of calculating FFO is in compliance with REALPAC's definition of FFO except that RioCan excludes these unrealized gains or losses on marketable securities in its calculation of FFO. For further clarity, RioCan continues to include realized gains or losses on marketable securities in its calculation of FFO.

RioCan's method of calculating FFO may differ from other issuers' methods and, accordingly, may not be comparable to FFO reported by other issuers. A reconciliation of FFO to IFRS net income can be found under the *Results of Operations* section in this MD&A.

Adjusted Cashflow From Operations (ACFO)

ACFO is a non-GAAP financial measure of sustainable economic cash flow available for distributions based on the definition set forth by REALPAC. RioCan adopted the REALPAC definition of ACFO effective January 1, 2017 and uses it as an input, together with FFO, in assessing RioCan's distribution payout ratios. In February 2019, REALPAC updated the definition of ACFO effective January 1, 2019, which RioCan will adopt on effective date.

ACFO is computed as cash provided by (used in) operating activities per the IFRS consolidated statement of cash flows plus, but not limited to, the following adjustments:

- includes adjustments for certain working capital items that are not considered indicative of sustainable economic cash flow available for distribution. Examples include, but are not limited to, working capital changes relating to the following: residential inventory and developments, prepaid realty taxes and insurance, interest payable and receivable, sales and other indirect taxes payable to or receivable from applicable governments, income taxes payable and receivable and transaction cost accruals relating to acquisitions and dispositions;
- includes cash distributions from equity accounted for investments;
- adds back transaction-related income statement expenses associated with dispositions and acquisitions;
- includes realized gains or losses on marketable securities;
- adds back taxes relating to non-operating activities;
- deducts normalized capital expenditures, which include both third-party leasing commissions and capital spending related to maintaining the physical condition and the existing earnings capacity of the Trust's income property portfolio (see below for a further description of normalized capital expenditures);

- adds back internal leasing costs relating to development projects; and
- includes adjustments relating to certain subleases or leases that are classified as finance leases under IFRS 16 effective January 1, 2019.

The REALPAC ACFO definition effectively includes working capital fluctuations relating to recurring operating activities in ACFO, such as working capital changes relating to trade accounts receivable and trade accounts payable and accrued liabilities. This, in management's view, introduces greater fluctuations in quarterly and twelve-month trailing ACFO. As a result, RioCan uses ACFO, together with FFO, in assessing its distribution payout ratios.

ACFO should not be construed as an alternative to cash flows provided by or used in operating activities determined in accordance with IFRS. RioCan's method of calculating ACFO is in accordance with REALPAC's recommendations, but may differ from other issuers' methods and, accordingly, may not be comparable to ACFO reported by other issuers. A reconciliation of ACFO to IFRS cash flow from operating activities is found in the *Results of Operations* section in this MD&A.

The adoption of the IFRS 9 effective January 1, 2018 did not have an impact on ACFO with respect to unrealized gains or losses on marketable securities. As a result, The Trust's calculation of ACFO continues to be in accordance with REALPAC's ACFO recommendations with the adoption of IFRS 9 on January 1, 2018.

RioCan does not report on the earnings metric, adjusted funds from operations (New AFFO), as introduced by REALPAC in February 2017. RioCan management does not use the New AFFO as a measure of its recurring operating performance and believes that the disclosures in the subsections "FFO", "ACFO" and "Net Operating Income (NOI)" included in the *Results of Operations* section in this MD&A provide sufficient information for readers to compute the New AFFO. Management has, therefore, opted not to report the New AFFO in order to reduce the number of non-GAAP measures reported in our MD&A.

Normalized Capital Expenditures

Normalized capital expenditures are an estimate made by management of the amount of ongoing capital investment required to maintain the condition of the physical property and current rental revenues. Management considers a number of items in estimating normalized capital expenditures relative to the growth in the age and size of the Trust's property portfolio. Such factors include, but are not limited to, review and analysis of historical capital spending, comparison of each quarter's annualized actual spending activity to the annual budgeted capital expenditures as approved by our Board of Trustees at the beginning of each year and management's expectations and/or plans for the properties.

RioCan does not obtain support from independent sources for its normalized capital expenditures but relies on internal diligence and expertise in arriving at this management estimate. RioCan's long tenured management team has extensive experience in commercial real estate and in-depth knowledge of the property portfolio. As a result, RioCan believes that management is best suited to make the assessment of normalized capital expenditures without independent third party sources.

Since actual capital expenditures can vary widely from quarter to quarter depending on a number of factors, management believes that normalized capital expenditures are a more relevant input than actual capital expenditures in assessing a REIT's distribution payout ratio and for determining an appropriate level of sustainable distributions over the long run. The number of factors affecting the quarterly variations in actual capital expenditures include, but are not limited to, lease expiry profile, tenant vacancies, age and location of the properties, general economic and market conditions, which impact the level of tenant bankruptcies and acquisitions and dispositions.

Prior to 2018, the Trust formulated its normalized capital expenditure estimate based on analyzing historic average spending and reviewing its actual capital spending levels based on property performance and type of spend (e.g. HVAC, elevator, roof, parking lot, electrical, etc.) to determine the amount of ongoing capital investment required to maintain the condition of the physical property and current rental revenues. This review was done with representation and input from RioCan's cross-functional teams. Short-term fluctuations in actual capital expenditures were analyzed to remove any expenditures that are determined to not represent the level of ongoing maintenance capital expenditures, such as increased capital expenditures incurred during adverse market conditions. Property capital expenditures that are generally expected to add to the overall earnings capacity of the property are considered revenue enhancing capital expenditures by management and are also excluded in determining the normalized capital expenditure estimate.

Given the Trust's announcement on October 2, 2017 to sell approximately $2.0 billion of income properties over two to three years with the acceleration of its major market focus strategy, the Trust expects its normalized capital expenditures to decrease over the next two to three years as the Trust sells most of its secondary market properties. The Trust's remaining properties located in Canada's six major markets tend to have higher tenant retention and lower average age, resulting in lower average maintenance capital expenditures on a per square foot basis relative to the Trust's secondary markets properties. The Trust also expects its income producing NLA to decrease as it sells secondary markets properties, as evidenced by the approximately 5.3 million square feet net decrease in income producing NLA from December 31, 2017 to December 31, 2018.

As a result, the Trust determined that it is no longer reasonable to use its historical average approach in estimating its 2018 normalized capital expenditures. Instead, the Trust adopted a more forward looking approach and used its 2018 maintenance capital expenditure budget as its normalized capital expenditures for 2018, which amounts to $45.0 million, representing an average of approximately $1.16 per square foot on a projected average income-producing NLA of approximately 38.8 million square feet for the year. The Trust's actual maintenance capital expenditures amounted to $45.6 million for the year, closely in line with its normalized maintenance capex estimate for the year.

Using a similar approach, the Trust determined that $40.0 million is a reasonable estimate for its normalized capital expenditures for 2019 as the Trust expects its income producing NLA to further decrease as it sells more of its secondary market assets. As the 2019 annual normalized capital expenditures of $40.0 million is based on a projected average income producing NLA for the

year, there will be greater quarterly variations between average quarterly normalized capital expenditures of $10.0 million and actual maintenance capital expenditure during a quarter.

IFRS capital expenditures are further discussed and analyzed in *Capital Expenditures on Income Properties* section in this MD&A.

FFO and ACFO Payout Ratios

FFO and ACFO payout ratios are supplementary non-GAAP measures of a REIT's distribution paying capacity. FFO and ACFO payout ratios are computed on a rolling twelve month basis by dividing total common unitholder distributions paid (including distributions paid under RioCan's distribution reinvestment program) by FFO and ACFO, respectively, over the same period. RioCan's method of calculating FFO and ACFO payout ratios may differ from other issuers' methods and, accordingly, may not be comparable to payout ratios reported by other issuers.

As previously discussed, the REALPAC ACFO definition includes net working capital increases and decreases relating to operating activities, which tend to fluctuate period over period in the normal course of business. In management's view, this tends to introduce greater fluctuations in ACFO calculations. As a result, RioCan management uses the FFO payout ratio in addition to the ACFO payout ratio in assessing its distribution paying capacity, as FFO is not subject to such working capital fluctuations.

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.

For the calculation of NOI, 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 for the calculation of NOI. The amount of property taxes and operating costs that can be recovered from tenants is impacted by property vacancy and fixed cost recovery tenancies. Management will consider adjustments to NOI for certain subleases or leases that are classified as finance leases under IFRS 16 effective January 1, 2019, based on rationales similar to the adjustments in the REALPAC definitions of FFO and ACFO that were recently released in February 2019.

Management believes that NOI is a meaningful supplementary measure of operating performance of the Trust's income producing properties in addition to the most comparable IFRS measure, which we believe is operating income. The IFRS measure of operating income also includes residential inventory gains and losses as well as property and asset management fees earned from co-owners. While management considers its residential inventory and portfolio management activities part of its business operations, and thus operating income, such revenues are not part of how we evaluate the operating performance of our income producing properties. As such, we report NOI as a useful supplementary non-GAAP measure to report the operating performance of our income producing properties.

NOI is an important measure of the income generated from the income producing properties 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 income producing 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 Property NOI

Same property NOI is a non-GAAP financial measure used by RioCan to assess the period over period performance of those properties owned and operated by RioCan in both periods. In calculating same property NOI growth, NOI for the period is adjusted to remove the impact of lease cancellation fees and straight-line rent revenue in order to highlight the 'cash impact' of contractual rent increases embedded in the underlying lease agreements. 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 same property basis and the impact of capital investments. Management will consider adjustments to same property NOI for certain subleases or leases that are classified as finance leases under IFRS 16 effective January 1, 2019, based on the rationales similar to the adjustments in the REALPAC definitions of FFO and ACFO that were recently released in February 2019.

Enterprise Value

Enterprise value is a non-GAAP measure calculated at the reporting period date as the sum of RioCan's total debt measured on a proportionate basis, common unit market capitalization and preferred unit market capitalization. This non-GAAP measure is used by RioCan management and the industry as a measure of total value of the REIT based on fair value of debt and market price of equity instead of IFRS total assets.

RioCan's Proportionate Share

Debt metrics, such as those described below, are shown on both an IFRS and a RioCan proportionate basis (as defined below). Unless otherwise indicated, comparative financial information has been updated to reflect the current year's presentation.

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 the 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 include the results of both continuing and discontinued operations. In our opinion, the following ratios calculated on the basis of the combined continuing and discontinued operations provide a more meaningful measure of financial performance with respect to the periods reported.

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

Adjusted EBITDA is a non-GAAP measure that is used by management 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 as an alternative to IFRS net income because it excludes major non-cash items (including, but not limited to, depreciation and amortization expense, unit-based compensation costs, fair value gains and losses on investment properties, and unrealized gains or losses on marketable securities (upon adoption of IFRS 9 which was effective January 1, 2018), interest costs, current and deferred tax expenses (recoveries), transaction gains and losses on the disposition of investment properties and equity accounted investments, transaction costs and other items that management considers either non-operating in nature or related to the capital cost of our investment properties. For greater clarity, realized gains and losses on the disposition of marketable securities have been and will continue to be included in Adjusted EBITDA for purposes of management assessing the Trust's ongoing ability to satisfy its obligations and service its debt upon adoption of IFRS 9, which was effective January 1, 2018. Management will consider adjustments to Adjusted EBITDA for certain subleases or leases that are classified as finance leases under IFRS 16 effective January 1, 2019, similar to the adjustments in the REALPAC definitions of FFO and ACFO that were recently released in February 2019.

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

Debt to Adjusted EBITDA

Debt to Adjusted EBITDA is a non-GAAP measure of our financial leverage calculated on a trailing twelve month basis and is defined as our quarterly average total debt (net of cash and cash equivalents) divided by Adjusted EBITDA. Debt to Adjusted EBITDA is calculated and presented in the *Debt Metrics* section of this MD&A on both a RioCan's proportionate share basis and using IFRS reported amounts.

Debt Service Coverage

Debt service coverage is a non-GAAP measure calculated on a trailing twelve month basis and is defined as Adjusted EBITDA divided by the sum of total interest costs (including interest that has been capitalized) and scheduled mortgage principal amortization. It measures our ability to meet our debt service obligations on a trailing twelve month basis. Debt service coverage is calculated and presented in the *Debt Metrics* section of this MD&A on both a RioCan's proportionate share basis and using IFRS reported amounts.

Interest Coverage

Interest coverage is a non-GAAP measure calculated on a trailing twelve month basis and is defined as Adjusted EBITDA divided by total interest costs (including interest that has been capitalized). It measures our ability to meet our interest cost obligations on a trailing twelve month basis. Interest coverage is calculated and presented in the *Debt Metrics* section of this MD&A on both a RioCan's proportionate share basis and using IFRS reported amounts.

Fixed Charge Coverage

Fixed charge coverage is a non-GAAP measure calculated on a trailing twelve month basis and is defined as Adjusted EBITDA divided by total interest costs (including interest that has been capitalized) and distributions declared and/or paid to common and preferred unitholders. It measures our ability to meet our interest and unitholder distribution obligations on a trailing twelve month basis. Fixed charge coverage is calculated and presented in the *Debt Metrics* section of this MD&A on both a RioCan's proportionate share basis and using IFRS reported amounts.

Percentage of NOI Generated from Unencumbered Assets

Percentage of NOI generated from unencumbered assets is a non-GAAP measure defined as the annualized in-place NOI from unencumbered assets as of the end of a reporting period divided by total annualized NOI as of the end of the same reporting period. Unencumbered assets are investment properties that have not been pledged as security for debt.

Unencumbered Assets to Unsecured Debt

The unencumbered asset to unsecured indebtedness ratio is a non-GAAP measure calculated as the carrying value of all investment properties that have not been pledged as security for debt divided by total unsecured indebtedness.

RESULTS OF OPERATIONS

Selected Annual Information

(thousands of dollars, except where otherwise noted)	**2018**	2017	2016
Revenue	**1,147,842**	1,155,219	1,133,332
Net income from continuing operations	**527,362**	708,265	683,151
Net income	**528,103**	715,286	830,838
FFO (i)	**580,223**	584,597	547,879
ACFO (i)	**527,347**	588,462	484,185
Weighted average common units outstanding – diluted (in thousands)	**314,024**	326,929	325,665
Per unit basis (diluted)			
Net income from continuing operations	**$ 1.68**	$ 2.16	$ 2.06
Net income	**$ 1.68**	$ 2.18	$ 2.51
FFO (i)	**$ 1.85**	$ 1.79	$ 1.68
Common unitholder distributions	**$ 1.44**	$ 1.41	$ 1.41
Key Ratios			
Same property NOI growth% (i)	**2.2%**	2.1%	0.5%
Payout ratios for the twelve months ended December 31:			
FFO (i) (iv)	**77.9%**	78.8%	83.6%
ACFO (i) (iv)	**85.7%**	78.3%	94.6%

As at	**December 31, 2018**	December 31, 2017	December 31, 2016
Total assets	**14,003,765**	14,376,578	14,173,760
Total debt (ii)	**5,874,033**	5,931,965	5,653,592
Debt to total assets (i) (iii)	**41.6%**	41.0%	39.7%
Debt to total assets (RioCan's proportionate share) (i) (iii)	**42.1%**	41.4%	40.0%
Interest coverage (RioCan's proportionate share) (i) (v)	**3.63**	3.84	3.36
Debt to Adjusted EBITDA (RioCan's proportionate share) (i) (v)	**7.88**	7.57	8.10
Weighted average contractual interest rate	**3.51%**	3.37%	3.54%
Unencumbered assets to unsecured debt (i)	**231%**	226%	240%
% NOI generated from unencumbered assets (i)	**59.1%**	56.7%	49.5%

(i) Represents a non-GAAP measure. RioCan's method of calculating non-GAAP measures may differ from other reporting issuers' methods and accordingly may not be comparable. For definitions and basis of presentation of RioCan's non-GAAP measures, refer to the *Presentation of Financial Information and Non-GAAP Measures* section in this MD&A.

(ii) Total debt is defined as the sum of mortgages payable, lines of credit and other bank loans, mortgages on properties held for sale and debentures payable.

(iii) Debt to total assets is a non-GAAP measure and is calculated as total debt less cash and cash equivalents, divided by total assets, excluding cash and cash equivalents.

(iv) Calculated on a trailing twelve month basis. For further discussion of the Trust's FFO and ACFO payout ratios, refer to the *FFO and ACFO* sections in this MD&A. Excluding a one-time special distribution of $29.2 million received during Q4 2017, the 2017 ACFO payout ratio would have been 82.4%.

(v) Calculated on a trailing twelve month basis. Refer to the *Debt Metrics* section of this MD&A for further details.

Overall, despite $1.1 billion secondary market asset dispositions completed by the Trust since October 2017 and the sale of its $2.0 billion U.S. portfolio in May 2016, the Trust has grown its revenues from 2016 to 2018 and grew its FFO per unit by 9.9% from 2016 to 2018. FFO and ACFO payout ratios have been reduced over the same period as a result. Year-over-year same property NOI growth has improved, further supporting the Trust's strategy to dispose its secondary market properties to accelerate its major markets focus, and continue to optimize its retail tenant mix, drive leasing growth and improve operational efficiency. In the meantime, the Trust continues to maintain strong balance sheet as reflected in its various debt metrics.

Net income from continuing operations changes from 2016 to 2018 were impacted by the year-over-year change in the fair value gains on investment properties and changes in unrealized fair value of marketable securities with the implementation of IFRS 9 effective January 1, 2018.

Refer to the remaining sections of this MD&A for more detailed analysis of the Trust's key financial information.

2018 Financial Highlights

Due to the sale of our U.S. property portfolio in the second quarter of 2016, our results are presented on both a continuing and discontinued operations basis below. For the fourth quarter 2018 and 2017 consolidated statements of income refer to the *Quarterly Results and Trend Analysis* section of this MD&A. For a discussion of fair value adjustments during the quarter, refer to the *Other Income* section of this MD&A.

Net Income Attributable to Unitholders

	Three months ended December 31		Year ended December 31	
(thousands of dollars, except per unit amounts)	**2018**	2017	**2018**	2017
Net income attributable to unitholders:				
Continuing operations	**$ 149,959**	$ 209,735	**$ 527,362**	$ 708,265
Discontinued operations	**(794)**	(62)	**741**	7,021
Net income attributable to unitholders	**$ 149,165**	$ 209,673	**$ 528,103**	$ 715,286
Net income per unit attributable to unitholders (basic):				
Continuing operations	**$ 0.49**	$ 0.64	**$ 1.68**	$ 2.16
Discontinued operations	**—**	—	**—**	0.02
Net income per unit attributable to unitholders (basic)	**$ 0.49**	$ 0.64	**$ 1.68**	$ 2.18
Net income per unit attributable to unitholders (diluted):				
Continuing operations	**$ 0.49**	$ 0.64	**$ 1.68**	$ 2.16
Discontinued operations	**—**	—	**—**	0.02
Net income per unit attributable to unitholders (diluted)	**$ 0.49**	$ 0.64	**$ 1.68**	$ 2.18

Continuing Operations

2018

Net income from continuing operations attributable to unitholders for the year ended December 31, 2018 is $527.4 million compared to $708.3 million during the same period in 2017, representing a decrease of $180.9 million. Excluding $118.6 million lower net fair value gains on investment properties over the comparable period and a $42.8 million change in unrealized fair value included in net income related to marketable securities, net income from continuing operations attributable to unitholders for the year ended December 31, 2018 is $551.8 million compared to $571.3 million in 2017, representing a decrease of $19.5 million or 3.4%.

The decrease of $19.5 million is largely the net effect of the following:

- $17.1 million in lower operating income primarily due to property dispositions (net of acquisitions) as part of the Trust's strategic disposition program, net of same property NOI growth, higher fees income, and higher income from development;
- $8.2 million in higher transaction costs primarily due to higher dispositions given the Trust's strategic disposition program;
- $3.4 million in higher general and administrative expenses primarily due to higher severance costs and mark to market adjustments for cash settled unit-based compensation net of the impact of the accelerated depreciation of certain management information systems in 2017;
- $4.5 million in lower income from our equity accounted investments;
- $5.6 million in lower income earned on marketable securities;
- $1.6 million in lower transaction gains and other income; partially offset by,
- $13.3 million in higher realized gains on marketable securities sold;
- $3.9 million in higher interest revenue due to new advances on mortgages and loans receivable at higher interest rates and fair value gains on mortgages and loans receivable; and
- $3.1 million decrease in interest expense due to higher capitalized interest due to development progress, resulting in higher development costs on the consolidated balance sheet.

Q4 2018

Net income from continuing operations attributable to unitholders for the three months ended December 31, 2018 is $150.0 million compared to $209.7 million during the same period in 2017, representing a decrease of $59.8 million. Excluding $41.8 million lower fair value gains over the comparable period and a $14.0 million change in unrealized fair value included in net income related to marketable securities, net income from continuing operations attributable to unitholders for the fourth quarter of 2018 is $134.7 million compared to $138.7 million in 2017, representing a decrease of $4.0 million or 2.9%.

The decrease of $4.0 million is largely the net effect of the following:

- $8.1 million in lower operating income primarily due to property dispositions (net of acquisitions) as part of the Trust's strategic disposition program, net of same property NOI growth, and higher income from development completions;
- $1.3 million in lower realized gains on marketable securities sold;

- $1.1 million in lower income earned on marketable securities; partially offset by,
- $3.4 million in lower general and administrative expense primarily due to accelerated depreciation of certain management information systems in 2017 net of higher severance and mark to market for cash settled unit-based compensation in 2018;
- $2.1 million in higher income from our equity accounted investments; and
- $1.4 million in higher other income.

As noted in the *Significant Accounting Policies and Estimates* section of this MD&A and as described more fully in notes 19 and 37 to the Annual Consolidated Financial Statements, effective January 1, 2018, the Trust adopted IFRS 9 without restatement of prior periods. Effective January 1, 2018, cumulative unrealized fair value gains of $68.7 million as of December 31, 2017 that were previously recognized in other comprehensive income (loss) were reclassified to opening retained earnings and all realized and unrealized fair value gains (losses) on marketable securities are recognized in net income. During the comparative period in 2017, unrealized fair values gains (losses) were recorded in other comprehensive income and realized fair value gains (losses) were recorded to net income upon the sale of the marketable securities. As a result, the $14.0 million and $42.8 million decrease in unrealized fair value included in net income for three months and year ended December 31, 2018, respectively, relating to marketable securities were excluded for purpose of the analysis above.

Discontinued Operations

2018

Net income from discontinued operations attributable to unitholders is $0.7 million compared to net income of $7.0 million in 2017, representing a decrease of $6.3 million. During 2018, bad debt provisions based on receivable collections and general and administrative expense accruals were adjusted including related foreign exchange translation. The 2017 comparative amount of $7.0 million includes the impact of a reversal of an accrual related to a better than expected settlement of a dispute with a former tenant located in the U.S., partial reversal of bad debt provisions based on receivable collections, positive post-deal-closing working capital adjustments, general and administrative recoveries (state tax refunds) and current income tax recoveries as a result of foreign exchange translation and accrual adjustments.

Q4 2018

Net loss from discontinued operations attributable to unitholders for the three months ended December 31, 2018 is $0.8 million compared to a net loss of $0.1 million in the same period in 2017, representing higher net loss of $0.7 million. The increase was primarily related to foreign exchange translation change for current income tax expense accrual.

Operating Income

The IFRS operating income for the three months and year ended December 31, 2018 and 2017 is as follows:

	Three months ended December 31		Year ended December 31	
(thousands of dollars)	**2018**	2017	**2018**	2017
Revenue				
Rental revenue	**$ 274,775**	$ 289,403	**$ 1,110,160**	$ 1,140,665
Property management and other service fees	**3,967**	3,823	**15,418**	14,554
Residential inventory sales	**22,264**	—	**22,264**	—
	$ 301,006	$ 293,226	**$ 1,147,842**	$ 1,155,219
Operating costs				
Rental operating costs				
Recoverable under tenant leases	**$ 95,970**	$ 100,110	**$ 389,285**	$ 399,580
Non-recoverable costs	**4,460**	5,353	**17,384**	18,270
Residential inventory cost of sales	**20,882**	—	**20,882**	—
	121,312	105,463	**427,551**	417,850
Operating income	**$ 179,694**	$ 187,763	**$ 720,291**	$ 737,369

2018

Operating income from continuing operations for the year ended December 31, 2018 is $720.3 million compared to $737.4 million during the same period in 2017, representing a decrease of $17.1 million or 2.3%. The decrease of $17.1 million is largely the net effect of the following:

- $36.6 million lower operating income due to property dispositions as part of the Trust's strategic disposition program (net of acquisitions); partially offset by,
- $13.1 million of same property operating income growth;
- $1.7 million higher income from development projects completed that are not same property during the comparable periods;
- $1.7 million higher lease cancellation fees;
- $1.4 million higher income associated with our residential inventory sales;

- $0.9 million higher property management and other service fee revenue; and
- $0.8 million higher straight-line rent.

Q4 2018

Operating income from continuing operations for the three months ended December 31, 2018 is $179.7 million compared to $187.8 million during the same period in 2017, representing a decrease of $8.1 million or 4.3%. The decrease of $8.1 million is largely the net effect of the following:

- $15.4 million lower operating income due to property dispositions as part of the Trust's strategic disposition program (net of acquisitions); and
- $0.3 million lower lease cancellation fees; partially offset by,
- $3.2 million in same property operating income growth;
- $2.6 million higher straight-line rent;
- $1.4 million higher income associated with our residential inventory sales; and
- $0.4 million higher income from development projects completed that are not same property during the comparable periods.

Net Operating Income (NOI)

This NOI section is a sub-section of the MD&A related to IFRS operating income. The NOI for the three months and year ended December 31, 2018 and 2017 is as follows:

	Three months ended December 31		Year ended December 31	
(thousands of dollars)	**2018**	2017	**2018**	2017
Operating income (i)	**$ 179,694**	$ 187,763	**$ 720,291**	$ 737,369
Adjusted for the following:				
Property management and other service fees	**(3,967)**	(3,823)	**(15,418)**	(14,554)
Residential inventory				
Sales	**(22,264)**	—	**(22,264)**	—
Cost of sales	**20,882**	—	**20,882**	—
NOI	**$ 174,345**	$ 183,940	**$ 703,491**	$ 722,815
NOI as a percentage of rental revenue (excluding the impact of lease cancellation fees)	**63.0%**	63.1%	**63.1%**	63.2%
Add: NOI of proportionate share of equity accounted investments				
RioCan-HBC JV:				
Rental income (excluding straight-line rent)	**3,617**	3,160	**14,380**	12,336
Straight-line rent	**432**	412	**1,780**	1,893
Property operating costs	**(676)**	(377)	**(2,983)**	(1,326)
Other (ii)	**(3)**	(26)	**200**	132
NOI - RioCan's proportionate share	**$ 177,715**	$ 187,109	**$ 716,868**	$ 735,850

(i) In accordance with IFRS.

(ii) Includes NOI from RioCan's equity accounted investments in Dawson Yonge LP, WhiteCastle New Urban Fund, LP, WhiteCastle New Urban Fund 2, LP, WhiteCastle New Urban Fund 3, LP and WhiteCastle New Urban Fund 4, LP.

NOI as a percentage of rental revenue (excluding the impact of lease cancellation fees) was relatively stable for the three months and year ended December 31, 2018 over the comparable period. Refer to the *Same Property NOI* section of this MD&A below for more detailed breakdown and analysis of NOI.

Same Property NOI

Same property NOI for the three months and year ended December 31, 2018 and 2017 is as follows:

	Three months ended December 31		Year ended December 31	
(thousands of dollars)	**2018**	2017	**2018**	2017
Same property (i)	**$ 154,754**	$ 151,560	**$ 602,954**	$ 589,833
NOI from income producing properties:				
Acquired (ii)	**5,855**	4,261	**26,384**	20,752
Disposed (ii)	**4,233**	21,272	**44,302**	86,575
	10,088	25,533	**70,686**	107,327
NOI from completed properties under development	**3,181**	2,781	**13,356**	11,624
Lease cancellation fees	**2,983**	3,330	**7,932**	6,225
Straight-line rent adjustment	**3,339**	736	**8,563**	7,806
NOI	**$ 174,345**	$ 183,940	**$ 703,491**	$ 722,815
Add: NOI of proportionate share of equity accounted investments				
RioCan-HBC JV:				
Rental income (excluding straight-line rent)	**3,617**	3,160	**14,380**	12,336
Straight-line rent	**432**	412	**1,780**	1,893
Property operating costs	**(676)**	(377)	**(2,983)**	(1,326)
Other (iii)	**(3)**	(26)	**200**	132
NOI - RioCan's proportionate share	**$ 177,715**	$ 187,109	**$ 716,868**	$ 735,850
Total straight-line rent - RioCan's proportionate share	**$ 3,771**	$ 1,148	**$ 10,343**	$ 9,699

(i) Represents a non-GAAP measure. Refer to the same property NOI in the *Presentation of Financial Information and Non-GAAP Measures* section of this MD&A.

(ii) Includes properties acquired or disposed during the periods being compared.

(iii) Includes NOI from RioCan's Canadian equity accounted investments in Dawson Yonge LP, WhiteCastle New Urban Fund, LP, WhiteCastle New Urban Fund 2, LP, WhiteCastle New Urban Fund 3, LP and WhiteCastle New Urban Fund 4, LP.

2018

Same property NOI for the year ended December 31, 2018 increased 2.2% or $13.1 million compared to the same period in 2017. Approximately $6.8 million of the increase is related to higher occupancy, renewal rate growth and contractual rent increases and $8.3 million is due to Target backfills and other expansion and redevelopment projects completed in 2018 and 2017, which is offset by $2.0 million negative effect as a result of the Sears closures.

As a component of total same property NOI growth, same property NOI from RioCan's properties in Canada's six major markets increased 2.6% and same property NOI from its secondary markets properties increased 0.2% for the year ended December 31, 2018 when compared to the same period in 2017.

Total NOI for the year decreased $19.3 million primarily due to a $36.6 million decrease as a result of property dispositions (net of acquisitions), partially offset by the aforementioned $13.1 million same property NOI growth, $1.7 million in increased NOI from completed developments that are not considered same property for comparable period purposes, $1.7 million in higher lease cancellation fees and $0.8 million higher straight-line rent.

Q4 2018

Same property NOI for the three months ended December 31, 2018 increased 2.1% or $3.2 million compared to the same period in 2017. Approximately $1.9 million of the increase related to higher occupancy, renewal rate growth and contractual rent increases and $1.5 million is due to an increase in NOI from Target backfills and other expansion and re-development projects completed, which is offset by $0.2 million negative effect as a result of the Sears closures.

As a component of total same property NOI growth, same property NOI from RioCan's properties in Canada's six major markets increased 2.2% and same property NOI from its secondary markets properties increased 1.3% compared to the same period in 2017 for the three months ended December 31, 2018.

Total NOI during the quarter decreased by $9.6 million primarily due to a $15.4 million decrease as a result of property dispositions (net of acquisitions) and a $0.3 million decrease in lease cancellation fees, partially offset by the aforementioned $3.2 million same property NOI growth, $2.6 million higher straight-line rent, and $0.4 million increased NOI from completed developments that are not considered same property for comparable period purposes.

Other Income

The components of other income are as follows:

(thousands of dollars)	Three months ended December 31 2018	2017	Year ended December 31 2018	2017
Interest income	**$ 2,861**	$ 1,950	**$ 11,452**	$ 7,586
Income from equity-accounted investments	**5,848**	3,782	**11,174**	15,719
Fair value gains on investment properties, net	**29,230**	71,013	**18,304**	136,942
Investment and other income (loss)	**(3,020)**	11,979	**20,316**	57,014
Other income	**$ 34,919**	$ 88,724	**$ 61,246**	$ 217,261

Interest income for the three months and year ended December 31, 2018 was higher than the same periods in 2017 primarily due to new mortgages and loans receivable advanced during fiscal 2018 at higher interest rates. In addition, for the year ended December 31, 2018, the increase over the prior year was partially attributable to fair value gains on mortgages and loans receivable that were measured at fair value through profit and loss (FVTPL).

Income from equity accounted investments includes our share of the income from the RioCan-HBC joint venture and gains from inventory sales from our other equity accounted investments. For further details on the 100% results of operations of the RioCan-HBC joint venture, refer to the *Co-ownerships Arrangements* section of this MD&A.

During the three months ended December 31, 2018, fair value gains on investment properties of $29.2 million were recognized compared to fair value gains of $71.0 million in the same period last year resulting in $41.8 million lower net income year over year. For the year ended December 31, 2018, we recognized fair value gains on investment properties of $18.3 million compared to fair value gains of $136.9 million in the same period last year resulting in $118.6 million lower net income. The changes in fair value gains were primarily due to revaluation of specific development properties, changes in capitalization rates and NOI adjustments to certain income producing properties.

Investment and other income (loss) primarily includes realized gains (losses) on the sale of marketable securities as well as related dividend income, transaction gains (losses) on the sale of investment properties, and effective January 1, 2018 unrealized fair value gains (losses) on marketable securities pursuant to IFRS 9. As noted in the *Significant Accounting Policies and Estimates* section of this MD&A and as described more fully in notes 19 and 37 to the 2018 Annual Consolidated Financial Statements, the Trust adopted IFRS 9 without restatement of prior periods, effective January 1, 2018. Pursuant to IFRS 9, the Trust recognizes all realized and unrealized gains (losses) on marketable securities in net income effective January 1, 2018. During the comparative period in 2017, unrealized fair values gains (losses) were recorded in other comprehensive income while realized gains (losses) were recorded in net income upon the sale of the marketable securities.

During the three months ended December 31, 2018, the decrease in investment and other income of $15.0 million over the comparable period in 2017 was primarily due to $1.3 million in lower realized gains on the sale of marketable securities and a $14.0 million change in unrealized fair value on marketable securities which is recorded in investment and other income upon the adoption of IFRS 9, and $1.1 million in lower income earned on marketable securities, partially offset by $1.4 million in higher transaction gains and other income. During the year ended December 31, 2018, the decrease in investment and other income of $36.7 million over the comparable period in 2017 was primarily due to $13.3 million in higher realized gains on the sale of marketable securities, offset by $42.8 million change in unrealized fair value on marketable securities which is recorded in investment and other income upon the adoption of IFRS 9, $5.6 million in lower income earned on marketable securities and $1.6 million in lower transaction gains and other income.

For clarity, during the three months and year ended December 31, 2018, the Trust realized gains on the sale of marketable securities of $9.2 million and $59.2 million, respectively (three months and year ended December 31, 2017 - $10.5 million and $46.0 million, respectively).

Other Expenses

Interest Costs

The components of interest costs are as follows:

(thousands of dollars)	Three months ended December 31 2018	2017	Year ended December 31 2018	2017
Total interest	**$ 52,639**	$ 50,385	**$ 206,743**	$ 199,817
Interest costs capitalized (i)	**(10,198)**	(7,996)	**(38,444)**	(28,399)
Net interest	**$ 42,441**	$ 42,389	**$ 168,299**	$ 171,418
Percentage capitalized	**19.4%**	15.9%	**18.6%**	14.2%

(i) Includes amounts capitalized to properties under development and residential inventory.

Total interest costs increased by $2.3 million and $6.9 million, respectively, for the three months and the year ended December 31, 2018 compared to the same periods in 2017 primarily due to higher average debt balances and higher average cost of debt. As at December 31, 2018, the weighted average effective interest rate of our total debt is 3.55% (December 31, 2017 - 3.35%).

Interest capitalized to property under development for the three months and year ended December 31, 2018 increased by $2.2 million and $10.0 million, respectively, compared to the same periods in 2017, due to development progress, resulting in higher development costs on the consolidated balance sheet. Interest was capitalized to properties under development and residential inventory at weighted average effective interest rates of 3.52% and 3.46% for the three months and year ended December 31, 2018, respectively (three months and year ended December 31, 2017 – 3.49% and 3.54%, respectively).

As a result of the changes in total interest costs and interest costs capitalized, net interest costs was relatively flat and decreased by $3.1 million, respectively, for the three months and the year ended December 31, 2018 compared to the same periods in 2017.

General and Administrative ("G&A")

The components of general and administrative expenses are as follows:

	Three months ended December 31		Year ended December 31	
(thousands of dollars)	**2018**	2017	**2018**	2017
Non-recoverable salaries and benefits	**$ 12,573**	$ 11,023	**$ 47,766**	$ 41,095
Capitalized to development and residential inventory (i)	**(2,081)**	(2,206)	**(9,202)**	(8,538)
Internal leasing salaries and benefits	**(2,255)**	(2,839)	**(9,352)**	(9,290)
Non-recoverable salaries and benefits, net	**8,237**	5,978	**29,212**	23,267
Unit-based compensation expense	**1,476**	1,562	**7,070**	3,911
Depreciation and amortization	**1,144**	5,712	**4,575**	9,865
Other general and administrative (ii)	**3,826**	4,871	**15,142**	15,517
Total general and administrative expense	**$ 14,683**	$ 18,123	**$ 55,999**	$ 52,560
Total general and administrative expense as a percentage of rental revenue	**5.3%**	6.3%	**5.0%**	4.6%

(i) Include salaries and benefits related to properties under development and residential inventory, as well as landlord work.

(ii) Primarily includes information technology costs, public company costs, travel, marketing, legal and professional fees, as well as trustee costs.

2018

For the year ended December 31, 2018, G&A expenses increased $3.4 million or 6.5% primarily due to the net effect of the following:

- $5.9 million higher net non-recoverable salaries and benefits primarily due to $7.5 million of severance costs partially offset by the resulting salaries & benefits costs savings; and
- $3.2 million higher unit-based compensation expense primarily due to mark to market adjustment related to employee cash-settled unit-based compensation costs; partially offset by,
- $5.3 million lower depreciation and amortization expense mainly as a result of accelerated depreciation of certain management information systems in Q4 2017; and
- $0.4 million lower other general and administration fees primarily due to lower IT and other consulting fees.

Severance costs were incurred during the year as the Trust further streamlined its organizational structure to maximize operational efficiency and focus on the major markets, which will further drive same property NOI and FFO growth. Since September 30, 2017, there has been a net reduction of 69 employees.

Q4 2018

For the three months ended December 31, 2018, G&A expenses decreased $3.4 million or 19.0% primarily due to:

- $4.6 million lower depreciation and amortization expense mainly as a result of accelerated depreciation of certain management information systems in Q4 2017;
- $1.0 million lower other general and administration fees primarily due to mark to market adjustment related to trustee cash-settled unit-based compensation costs and lower professional consulting fees; partially offset by,
- $2.3 million higher net non-recoverable salaries and benefits primarily due to severance costs.

Internal Leasing Costs

Internal leasing costs are comprised of the payroll costs of our internal leasing department and related administration costs. For the three months and year ended December 31, 2018, leasing costs were relatively flat relative to the prior year same periods.

Transaction and Other Costs

Transaction and other costs increased $0.9 million and $8.2 million for the three months and year ended December 31, 2018, respectively, over the comparable period. The increase for the year was the net effect of increased disposition activities given the

Trust's strategic disposition program partially offset by $2.6 million of costs associated with transactions the Trust decided not to pursue further and a $2.6 million fair value market adjustment to a loan receivable, both which occurred in 2017 and did not recur in 2018.

Funds from Operations (FFO)

RioCan's method of calculating FFO is in compliance with the REALPAC whitepaper issued in February 2018 except that effective January 1, 2018 upon the adoption of IFRS 9, RioCan excludes unrealized fair value gains or losses on marketable securities in its calculation of FFO and continues to include realized gains or losses on marketable securities in FFO. Refer to the *Non-GAAP Measures* section of this MD&A for more detailed discussion.

The following table presents a reconciliation of IFRS net income attributable to unitholders to FFO on both a continuing and discontinued operations basis:

	Three months ended December 31		Year ended December 31	
(thousands of dollars, except per unit amounts)	**2018**	2017	**2018**	2017
Net income from continuing operations attributable to unitholders	**$ 149,959**	$ 209,735	**$ 527,362**	$ 708,265
Add back/(Deduct):				
Fair value (gains) losses, net	**(29,230)**	(71,013)	**(18,304)**	(136,942)
Fair value (gains) losses included in equity accounted investments	**(3,258)**	2,472	**(1,222)**	408
Deferred income tax expense (recovery)	**(540)**	(1,320)	**(1,440)**	(320)
Internal leasing costs	**2,862**	3,265	**11,294**	10,882
Transaction (gains) losses on investment properties, net (i)	**54**	—	**(78)**	(1,275)
Transaction costs on sale of investment properties	**4,655**	993	**17,760**	5,136
Change in unrealized fair value on marketable securities (ii)	**13,965**	—	**42,767**	—
Preferred unit distributions	**—**	—	**—**	(3,514)
FFO from continuing operations	**$ 138,467**	$ 144,132	**$ 578,139**	$ 582,640
Net income from discontinued operations attributable to unitholders	**$ (794)**	$ (62)	**$ 741**	$ 7,021
Add back/(Deduct):				
Transaction costs (recoveries) on sale of U.S. investment properties (iii)	**14**	73	**155**	(549)
Current tax expense (recovery) on U.S. income properties sold	**745**	75	**1,188**	(2,871)
Transaction gains on sale of U.S. investment properties, net (iii)	**—**	—	**—**	(1,644)
FFO from discontinued operations	**$ (35)**	$ 86	**$ 2,084**	$ 1,957
FFO	**$ 138,432**	$ 144,218	**$ 580,223**	$ 584,597
FFO per unit - basic	**$ 0.45**	$ 0.44	**$ 1.85**	$ 1.79
FFO per unit - diluted	**$ 0.45**	$ 0.44	**$ 1.85**	$ 1.79
Weighted average number of units - basic (in thousands)	**306,225**	326,040	**313,936**	326,805
Weighted average number of units - diluted (in thousands)	**306,295**	326,155	**314,024**	326,929
FFO payout ratio (iv)			**77.9%**	78.8%

(i) Represents net transaction gains or losses connected to certain investment properties during the period.

(ii) Adjustment is a result of adopting IFRS 9 on January 1, 2018 without prior period restatement. The $4.8 million fair value losses and $16.5 million fair value gains on marketable securities under IFRS 9 for the three months and year ended December 31, 2018, respectively, include both the change in unrealized fair value and realized gains on the sale of marketable securities during the current period. Refer to the *Adoption of New Accounting Standards* section of this MD&A and notes 19 and 37 of the 2018 Annual Consolidated Financial Statements for a more fulsome discussion on the impact of IFRS 9 on the 2018 Annual Consolidated Financial Statements. By adding back the change in unrealized fair value on marketable securities, RioCan effectively continues to include realized gains or losses on the sale of marketable securities in FFO and excludes unrealized fair value gains or losses on marketable securities from FFO. Refer to the *Non-GAAP Measures* section of this MD&A for a more detailed discussion on FFO and IFRS 9's impact on FFO.

(iii) Includes transaction costs associated with the disposal of U.S. investment properties.

(iv) Calculated on a twelve month trailing basis. For a definition of the Trust's common unitholder distributions as a percentage of FFO, refer to the *Non-GAAP Measures* section of this MD&A.

FFO Highlights

2018

FFO for the year ended 2018 is $580.2 million compared to $584.6 million in the comparable period in 2017, representing a decrease of approximately $4.4 million or 0.7%. On diluted per unit basis, FFO is $1.85 compared to $1.79, representing an increase of $0.06 per unit or 3.3%.

Continuing Operations

FFO from continuing operations decreased from $582.6 million during 2017 to $578.1 million in 2018, representing a decrease of $4.5 million or 0.8%. The $4.5 million decrease in FFO from continuing operations for the period was primarily due to the net effect of the following:

- $17.1 million in lower operating income primarily due to property dispositions (net of acquisitions) as part of the Trust's strategic disposition program, net of same property NOI growth, higher fee income and higher income from development;
- $6.2 million in lower income from equity-accounted investments, excluding fair value gains (losses), primarily due to higher interest costs and income timing;
- $5.6 million in lower dividend income from marketable securities;
- $3.4 million in higher general and administrative expenses primarily due to higher severance costs and mark to market adjustments associated with cash-settled unit-based compensation net of accelerated depreciation of certain management information systems in 2017; partially offset by,
- $13.3 million increase in realized gains on marketable securities sold;
- $4.4 million decrease in transaction and other costs primarily due to a 2017 one-time fair market value adjustment to a loan receivable and 2017 costs associated with transactions the Trust decided to not to pursue further;
- $3.9 million increase in interest revenue primarily due to new mortgages and loans receivable advanced during fiscal 2018 at higher interest rates;
- $3.5 million less Series C preferred unit distributions; and
- $3.1 million decrease in interest expense due to higher capitalized interest given development progress.

Discontinued Operations

FFO from discontinued operations of $2.1 million in 2018 was mainly due to the partial reversal of bad debt provisions based on receivable collections to date and the reversal of general and administrative expense accruals.

Q4 2018

FFO for the fourth quarter of 2018 is $138.4 million compared to $144.2 million in the comparable period in 2017, representing a decrease of approximately $5.8 million or 4.0%. On a diluted per unit basis, FFO is $0.45 compared to $0.44, representing an increase of $0.01 per unit or 2.2%.

Continuing Operations

FFO from continuing operations decreased from $144.1 million in the fourth quarter of 2017 to $138.5 million in the comparable period in 2018, representing a decrease of $5.7 million or 3.9%. The $5.7 million decrease in FFO from continuing operations for the quarter was primarily due to the net effect of the following:

- $8.1 million in lower operating income mainly as a result of dispositions (net of acquisitions), net of same property NOI growth and higher income from development;
- $3.7 million in lower income from equity-accounted investments, excluding fair value gains (losses), primarily due to income timing and higher interest costs;
- $1.3 million in lower realized gains on marketable securities sold; and
- $1.1 million in lower dividend income on marketable securities; largely offset by,
- $3.4 million in lower general and administrative expenses primarily due to accelerated depreciation of certain management information systems in Q4 2017, net of higher severance costs in Q4 2018;
- $2.6 million in lower transaction and other costs due to a 2017 one-time fair value adjustment to a loan receivable;
- $1.4 million in higher other income; and
- $0.9 million in higher interest revenue.

Discontinued Operations

FFO from discontinued operations was nominal during the fourth quarter of 2018 and for the same period in the prior year.

FFO Payout Ratio

For the year ended December 31, 2018, RioCan achieved its FFO payout ratio target of less than 80% and further improved it by 0.9% from 78.8% for 2017 to 77.9% for 2018. This improvement is mainly due to a small decrease in total FFO from 2017 to 2018 for reasons noted above despite substantial strategic dispositions completed and severance costs incurred and the impact of the 22.9 million units that have been repurchased and cancelled since October 2017 as part of the Trust's NCIB program using the disposition proceeds.

Adjusted Cashflow from Operations (ACFO)

RioCan's method of calculating ACFO is in accordance with the REALPAC whitepaper issued in February 2018. The following table presents a reconciliation of cash provided by operating activities to ACFO:

	Three months ended December 31		Year ended December 31	
(thousands of dollars)	**2018**	2017	**2018**	2017
Cash provided by operating activities	**$ 128,325**	$ 159,155	**$ 404,005**	$ 354,028
Adjustments to working capital changes for ACFO (i)	**1,065**	(6,898)	**78,736**	192,813
Distributions received from equity accounted investments	**1,846**	34,883	**9,180**	44,415
Transaction costs on sale of investment properties	**4,669**	1,066	**17,915**	4,587
Normalized capital expenditures (ii):				
Leasing commissions and tenant improvements	**(6,000)**	(6,875)	**(24,000)**	(27,500)
Maintenance capital expenditures recoverable from tenants	**(3,250)**	(3,750)	**(13,000)**	(15,000)
Maintenance capital expenditures not recoverable from tenants	**(2,000)**	(2,500)	**(8,000)**	(10,000)
Realized gain on disposition of marketable securities	**9,161**	10,504	**59,239**	45,981
Internal leasing costs related to development properties	**528**	602	**2,084**	2,009
Taxes related to non-operating activities (iii)	**745**	75	**1,188**	(2,871)
ACFO (iv)	**$ 135,089**	$ 186,262	**$ 527,347**	$ 588,462

(i) Includes working capital changes that, in management's view and based on the REALPAC February 2018 whitepaper, are not indicative of sustainable cash flow available for distribution. Examples include, but are not limited to, working capital changes relating to residential inventory and developments, prepaid realty taxes and insurance, interest payable and interest receivable, sales and other indirect taxes payable to or receivable from applicable governments, income taxes and transaction cost accruals relating to acquisitions and dispositions of investment properties.

(ii) Normalized capital expenditures are management's estimate of ongoing capital investment required to maintain the condition of the physical property and current rental revenues. Refer to the *Presentation of Financial Information and Non-GAAP Measures* section of this MD&A for further discussion.

(iii) Includes income tax expenses (recoveries) associated with the sale of our U.S. portfolio, which have been deducted in determining cash provided by (used in) operating activities from continuing and discontinued operations. This adjustment effectively excludes this item's impact in ACFO based on the REALPAC February 2018 whitepaper.

(iv) The ACFO definition per the REALPAC whitepaper does not prescribe for the deduction of preferred unit distributions in the ACFO calculation. Based on the REALPAC whitepaper, the ACFO reported for the year ended December 31, 2017, therefore, did not deduct preferred unitholder distributions of $3.5 million.

The following table represents a breakdown of adjustments for working capital changes used in the calculation of ACFO. These are working capital changes that, in management's view and based on the REALPAC February 2018 whitepaper, are not indicative of sustainable cash flow available for distribution:

	Three months ended December 31		Year ended December 31	
(thousands of dollars)	**2018**	2017	**2018**	2017
Working capital changes related to:				
Taxes relating to the U.S. portfolio (i)	**$ (857)**	$ (75)	**$ (136)**	$ 121,773
Transaction related costs (ii)	**(1,694)**	13,617	**(11,367)**	19,196
Realty taxes and insurance	**(31,422)**	(34,084)	**86**	5,615
Residential inventory	**17,910**	1,713	**77,637**	37,519
Other (iii)	**17,128**	11,931	**12,516**	8,710
Adjustments to working capital changes for ACFO	**$ 1,065**	$ (6,898)	**$ 78,736**	$ 192,813

(i) Includes income tax payment (accrual) relating to the sale of our U.S. portfolio in May 2016.

(ii) Represents costs associated with dispositions and acquisitions.

(iii) Includes working capital changes related to interest payable and interest receivable, sales and other indirect taxes payable to or receivable from applicable governments.

As ACFO starts with cash provided by operating activities, the adjustments outlined neutralize the above working capital changes to ACFO. The net impact to ACFO of working capital changes is determined as follows:

	Three months ended December 31		Year ended December 31	
(thousands of dollars)	**2018**	2017	**2018**	2017
Adjustments for other changes in working capital items as reported on the consolidated statements of cash flows	**$ 10,655**	$ 27,213	**$ (79,468)**	$ (170,691)
Add: Adjustments to working capital changes for ACFO	**1,065**	(6,898)	**78,736**	192,813
Net working capital increase (decrease) included in ACFO	**$ 11,720**	$ 20,315	**$ (732)**	$ 22,122

ACFO Highlights

2018

ACFO for the year ended December 31, 2018 is $527.3 million compared to $588.5 million in the same period in 2017 representing a decrease of $61.1 million or approximately 10.4%. Excluding a one-time $29.2 million special distribution from equity accounting investments in 2017, ACFO decreased by $31.9 million for the year or approximately 5.4%, primarily due to the following:

- $22.9 million in lower net working capital increase relating to property operations;
- $17.8 million in lower operating income (net of straight-line rent) mainly as a result of dispositions, net of strong same property growth, higher fee income and higher income from development;
- $6.7 million in higher general and administrative expenses (excluding non-cash depreciation and amortization and non-cash compensation costs) primarily due to severance costs;
- $6.0 million decrease in distributions received from equity accounted investments;
- $5.6 million in lower income earned on marketable securities;
- $2.2 million in higher income from discontinued operations in the prior year; and
- $1.6 million in lower other income; partially offset by,
- $13.3 million increase in realized gains related to the sale of marketable securities;
- $7.5 million lower normalized capital expenditures;
- $3.9 million increase in interest revenue primarily due to new mortgages and loans receivable advanced during fiscal 2018 at higher interest rates;
- $3.1 million lower interest expense due to higher capitalized interest given development activities; and
- $2.6 million decrease in transaction and other costs primarily due to 2017 costs associated with transactions the Trust decided to not to pursue further.

Q4 2018

ACFO for the three months ended December 31, 2018 is $135.1 million compared to $186.3 million in the same period in 2017 representing a decrease of $51.2 million or approximately 27.5%. Excluding a one-time $29.2 million special distribution from equity accounting investments in 2017, ACFO decreased by $22.0 million for the year or approximately 11.8%, primarily due to the net effect of the following:

- $10.7 million in lower operating income (net of straight-line rent) mainly as a result of dispositions, net of same property growth and higher income from development;
- $8.6 million lower net working capital increase relating to property operations;
- $3.8 million decrease in distributions received from equity accounted investments;
- $1.3 million lower realized gains related to the sale of marketable securities;
- $1.1 million in lower dividend income on marketable securities; and
- $1.0 million in higher general and administrative expenses (excluding non-cash depreciation and amortization and non-cash compensation costs) primarily due to severance costs; partially offset by,
- $1.9 million lower normalized capital expenditures;
- $1.4 million in higher other income; and
- $0.9 million in higher interest revenue.

The following tables present RioCan's ACFO payout ratio for the twelve months ended December 31, 2018 and 2017:

(thousands of dollars, except where otherwise noted)	**Twelve months ended December 31, 2018**	Q4 2018	Q3 2018	Q2 2018	Q1 2018
ACFO (i)	**$ 527,347**	$ 135,089	$ 127,988	$ 139,910	$ 124,360
Distributions paid	**452,170**	110,366	112,370	114,110	115,324
ACFO payout ratio	**85.7%**				
Net working capital increase (decrease) included in ACFO	**$ (732)**	$ 11,720	$ (5,411)	$ 6,297	$ (13,338)

(thousands of dollars, except where otherwise noted)		Twelve months ended December 31, 2017		Q4 2017		Q3 2017		Q2 2017		Q1 2017
ACFO (i)	$	588,460	$	186,262	$	149,405	$	135,210	$	117,583
Distributions paid		460,944		115,154		115,363		115,264		115,163
ACFO payout ratio		78.3%								
Net working capital increase (decrease) included in ACFO	$	22,122	$	20,315	$	13,941	$	(858)	$	(11,277)

(i) The ACFO definition per the REALPAC whitepaper does not prescribe for the deduction of preferred unit distributions in the ACFO calculation. Based on the REALPAC whitepaper, the ACFO for the twelve months ended December 31, 2017, therefore, did not deduct preferred unitholder distributions of $3.5 million.

The ACFO payout ratio for the twelve month period ended December 31, 2018 is 85.7%, which is 3.3% higher than the ACFO payout ratio of 82.4% for the comparable period in 2017 excluding a one-time special distribution of $29.2 million received during Q4 2017. The timing of working capital change, the $7.5 million of severance costs incurred during the year, and timing of distributions received from equity accounted investments are key factors contributing to this increase in ACFO payout ratio.

As previously discussed, the REALPAC ACFO definition includes net working capital fluctuations relating to recurring operating activities. In RioCan management's view, this tends to introduce greater volatility in the ACFO payout ratio. Management, therefore, also uses the FFO payout ratio in addition to the ACFO payout ratio in assessing its distribution paying capacity because FFO is not subject to such working capital fluctuations.

OPERATIONS

Total Portfolio

(thousands of square feet) Total Portfolio	Retail	Office	Total Commercial	Residential Rental	Total Portfolio
Net Leasable Area (NLA) - At 100% (i)					
Income properties (ii)	39,127	2,155	**41,282**	—	**41,282**
Properties under development (iii)	1,237	1,361	**2,598**	1,457	**4,055**
Total NLA	**40,364**	**3,516**	**43,880**	**1,457**	**45,337**
Net Leasable Area (NLA) - at RioCan's Interest (i)					
Income properties (ii)	34,651	1,830	**36,481**	—	**36,481**
Properties under development (iii)	765	709	**1,474**	726	**2,200**
Total NLA	**35,416**	**2,539**	**37,955**	**726**	**38,681**
Occupancy					
Committed occupancy	97.2%	94.4%	**97.1%**	n/a	**97.1%**
In-place occupancy	96.2%	93.0%	**96.1%**	n/a	**96.1%**

(i) Excludes non-owned anchors.

(ii) Includes NLA which has a rent commencement date on or before December 31, 2018.

(iii) Includes the NLA for Active Projects with Detailed Cost Estimates under the *Property Under Development* section of this MD&A. Excludes condominium or townhouse units which are reported separately under Residential Inventory.

Annualized Rental Revenue from Six Major Markets and GTA

As at	**December 31, 2018**	December 31, 2017
Six Major Markets (i)		
% of total annualized rental revenue	**85.4%**	76.1%
% of total NLA	**81.7%**	70.3%
GTA (ii)		
% of total annualized rental revenue	**46.8%**	40.9%
% of total NLA	**41.9%**	34.9%

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

(ii) The GTA extends north to Barrie, Ontario; west to Hamilton, Ontario; and east to Oshawa, Ontario. The GTA definition has been extended from Burlington to Hamilton effective January 1, 2018.

The increases in the percentage of total annualized rental revenue from the six major markets overall and from the GTA in particular as of December 31, 2018 relative to December 31, 2017 were primarily due to the nearly $1.0 billion secondary market asset dispositions completed in 2018 and the strong 2.6% same property NOI growth achieved for the Trust's six major market portfolio, as well as development completions during the year, which are all located in the six major markets. The Trust is progressing well towards its targets of greater than 90% and 50% of total annualized rental revenue from the six major markets and the GTA, respectively.

NLA and Occupancy by Markets

The NLA for income producing properties, committed and in-place occupancy rates for our commercial property portfolio at RioCan's interest are as follows:

At RioCan's Interest	NLA for Income Producing Properties (in thousands of sq.ft.)		Committed Occupancy		In-Place Occupancy	
As at December 31	**2018**	2017	**2018**	2017	**2018**	2017
Commercial Six Major Markets:						
Greater Toronto Area (i)	**15,295**	14,597	**98.0%**	97.5%	**96.9%**	96.1%
Ottawa (ii)	**4,820**	4,889	**98.8%**	98.0%	**96.7%**	97.7%
Calgary	**3,220**	3,196	**98.8%**	98.6%	**98.3%**	97.6%
Montreal	**2,951**	3,201	**92.6%**	95.3%	**92.4%**	93.9%
Vancouver (iii)	**1,791**	1,790	**99.3%**	98.7%	**98.9%**	98.6%
Edmonton	**1,738**	1,723	**98.0%**	98.4%	**97.0%**	97.3%
Total Commercial Six Major Markets	**29,815**	29,396	**97.7%**	97.6%	**96.7%**	96.5%
Total Commercial Secondary Markets	**6,666**	12,411	**94.1%**	94.3%	**93.2%**	93.5%
Total Commercial	**36,481**	41,807	**97.1%**	96.6%	**96.1%**	95.6%

(i) Area extends north to Barrie, Ontario; west to Hamilton, Ontario; and east to Oshawa, Ontario.

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

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

As at December 31, 2018, NLA at RioCan's interest was 36,481,000 square feet compared to 41,807,000 square feet as at December 31, 2017. This decrease of 5,326,000 square feet of NLA in 2018 was primarily due to 6,100,000 square feet of dispositions in the secondary markets pursuant to the acceleration of the major market focus strategy, partially offset by transfers and an increase in income producing NLA as a result of 799,000 square feet of development completions during the year.

The table above breaks down our committed occupancy (tenants that have signed leases) and in-place occupancy (tenants that are in possession of their space) by market. As at December 31, 2018, the gap between committed and in-place occupancies was 100 basis points, same as at December 31, 2017.

Committed and in-place occupancies showed strong improvements when compared to the prior year end. Both occupancy metrics for the total portfolio increased by 50 basis points when compared to December 31, 2017, reaching 97.1% and 96.1% respectively, as of December 31, 2018. Major market assets outperformed secondary market assets in both committed and in-place occupancies, which further improved by 10 basis points and 20 basis points, respectively, from 2017 to 2018, reaching 97.7% and 96.7% respectively as of December 31, 2018.

Future Lease Commencements

Subsequent to Q4 2018, we expect to generate approximately $10.4 million of annualized net incremental rent under IFRS from tenants that have signed leases but have not taken possession of the space as of December 31, 2018. This includes base rent, operating cost recoveries and straight-line rent, but excludes operating costs capitalized while a property is under redevelopment. An IFRS rent commencement timeline for the NLA on our properties (at RioCan's interest) that have been leased but are not currently in possession as at December 31, 2018 is as follows:

(in thousands, except percentage amounts)

At RioCan's Interest	Annualized	Total	Q1 2019	Q2 2019	Q3 2019	Q4 2019+
Square feet:						
NLA commencing (i)		378	179	148	48	3
Cumulative NLA commencing (i)		378	179	327	375	378
% of NLA commencing			47.4%	39.2%	12.6%	0.8%
Cumulative % total			47.4%	86.6%	99.2%	100.0%
Average net incremental IFRS rent:						
Monthly net incremental IFRS rent commencing (ii)	$ 10,428	$ 869	$ 520	$ 258	$ 85	$ 6
Cumulative monthly net incremental IFRS rent commencing	$ 10,428	$ 869	$ 520	$ 778	$ 863	$ 869
% of net incremental IFRS rent for NLA commencing			59.8%	29.7%	9.8%	0.7%
Cumulative % total net incremental IFRS rent commencing			59.8%	89.5%	99.3%	100.0%

(i) Includes NLA expected to be completed from expansion and redevelopment projects.
(ii) Based on monthly IFRS rental revenue.

Average Net Rent

The portfolio weighted average net rent per occupied square foot for our income producing properties is as follows:

As at	**December 31, 2018**	December 31, 2017
Average net rent per occupied square foot (i)	**$ 19.07**	$ 17.75

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

The 7.4% increase in average net rent per occupied square foot from $17.75 as of December 31, 2017 to $19.07 as of December 31, 2018 reflects the significant improvement in the quality of the Trust's portfolio as it disposes secondary market assets, develops new assets and drives for stronger same property NOI growth.

New Leasing Activity

	Three months ended December 31		Year ended December 31	
(in thousands, except per sqft amounts)	**2018**	2017	**2018**	2017
New Leasing NLA at 100%	**359**	527	**2,243**	1,996
Average net rent per square foot (i)	**$ 25.61**	$ 19.16	**$ 24.51**	$ 19.61

(i) Net rent is primarily contractual base rent pursuant to tenant leases. Includes new square footage that has not previously been tenanted and existing square footage leased to a new tenant.

Average net rent per square foot on new leasing activity increased by $4.90 or 25.0% from 2017 to 2018. The increase was primarily due to the increase in our major market focus and new leases on our development projects which are all major market focused. The 2018 new leases include three leases with large office tenants at The Well. The timing and location of new leases completed during the comparable periods affect the change in the above average net rent per square foot during the comparable periods.

Renewal Leasing Activity

A summary of our 2018 and 2017 commercial renewal leasing activity is as follows:

	Three months ended December 31		Year ended December 31	
(in thousands, except percentage and per sqft amounts)	**2018**	2017	**2018**	2017
Square feet renewed at market rental rates (at 100%)	**684**	500	**3,210**	2,656
Square feet renewed at fixed rental rates (at 100%)	**387**	228	**2,256**	1,853
Total square feet renewed (at 100%)	**1,071**	728	**5,466**	4,509
Average net rent per square foot (i)	**$ 20.66**	$ 20.91	**$ 18.27**	$ 18.99
Renewal leasing spread in average net rent (ii)	**$ 0.98**	$ 0.89	**$ 0.47**	$ 1.04
Renewal leasing spread percentage (ii) (iii)	**5.0%**	4.5%	**2.6%**	5.8%
Retention ratio	**91.2%**	87.5%	**91.2%**	91.1%

(i) Net rent is primarily contractual base rent pursuant to tenant leases.
(ii) Represents increase in average net rent per square foot for renewal leasing.
(iii) Represents percentage increase in average net rent per square foot for renewal leasing.

Renewal leasing spread on tenant renewals increased by $0.98 or 5.0% for the three months ended December 31, 2018 over the prior year comparable period while the retention ratio increased to 91.2%. For the year ended December 31, 2018, the renewal leasing spread percentage was dampened by eleven leases with an anchor. Excluding these eleven leases, the percentage increase in average net rent per square foot would have been 4.6% for the year. Most of the eleven lease renewals occurred at properties located in secondary markets, of which one large property has since been sold subsequent to the year end.

Blended Leasing Spread - New Leasing and Renewal Leasing

	Three months ended December 31		Year ended December 31	
As at	**2018**	2017	**2018**	2017
Blended leasing spread for both new and renewal leasing (i)	**10.7%**	4.9%	**5.0%**	5.7%

(i) The blended leasing spread is the weighted average net rent leasing spread for both renewal leasing as discussed in the previous section of this MD&A and new leasing.

For new leasing, the spread is calculated based on percentage change in net rent between new leases and the respective previous leases for units that have been vacant for two years or less as of the respective comparable period end dates. In other words, the new leasing spread excludes any space that has not previously been tenanted (such as a newly completed development) or has been vacant for longer than two years. As this is the first year for the Trust to report blended leasing spread, the new leasing spread used in calculating the blended renewal and new leasing spread for comparable periods in 2017 and 2018 are calculated only for properties that the Trust owns as of December 31, 2018. Given that nearly $1.0 billion secondary market asset was disposed during 2018, it is not meaningful to calculate the 2017 new leasing spread for properties the Trust no longer owns as of December 31, 2018. On a going forward basis, however, the quarterly new leasing spread will be calculated for properties owned by the Trust as of each quarter end date. The annual new leasing spread will be the weighted average of quarterly new leasing spreads as reported over the four quarters of a year.

Excluding the eleven lease renewals with an anchor tenant as discussed under *Renewal Leasing Activity* section of this MD&A, the blended renewal and new leasing spread would have been 6.8% for the year ended December 31, 2018.

For the three months ended December 31, 2018, the increase in the blended renewal and new leasing spread over the prior year same quarter was primarily due to leasing of the former Sears space, as well as the timing and location of new leases completed during the quarter.

Sears Space Leasing Update

RioCan is progressing well on the re-leasing of the former Sears premises, with leases completed or in the final stages of negotiation, which will generate approximately 120% of the lost annual rental revenue while representing 284,000 square feet (at RioCan's interest) or 74% of the vacated Sears space. Replacement rent on the entire space is expected to exceed previous rent from Sears by $4.84 per square foot (55% increase). Unlike our previous experience with the Target premises, we will not be required to undergo the time-consuming process of obtaining site plan approval to convert the majority of the Sears premises to multi-tenant units. As such, a number of tenants took possession of their spaces in the second half of 2018 and we anticipate that the remaining replacement tenants will be in possession of their spaces in the first half of 2019.

Other Store Closures

2018 saw limited store closures, none of which is expected to have a material impact on the Trust's operations.

The Bombay/Bowring/Fluid Brands group submitted a notice of intent in October 2018 to make a proposal under the *Bankruptcy and Insolvency Act* with the intention of restructuring its operations. RioCan had 25 locations under lease representing approximately 128,000 square feet at RioCan's interest or 0.4% of total NLA as of the year end. All leases were disclaimed in December 2018 and in January 2019. The Trust expects to lease the units in the normal course, but these disclaimed leases may have a short term impact on same property NOI growth for part of 2019.

Lease Expiries

Lease expiries for the next five years are as follows:

(in thousands, except per sqft and percentage amounts)		Lease expiries for the years ending				
At RioCan's interest	Total IPP NLA	2019	2020	2021	2022	2023
Square feet	36,481	3,038	4,071	4,548	3,614	4,423
Square feet expiring/Portfolio NLA		8.3%	11.2%	12.5%	9.9%	12.1%
Average net rent per occupied square foot		$ 19.69	$ 19.47	$ 18.86	$ 21.26	$ 20.13

Contractual Rent Increases

Certain of our leases provide periodic increases in rates during the lease terms which contribute to growth in same property NOI. Contractual rent increases in each year for the next five years for our properties are as follows:

At RioCan's interest *(in thousands of dollars)*

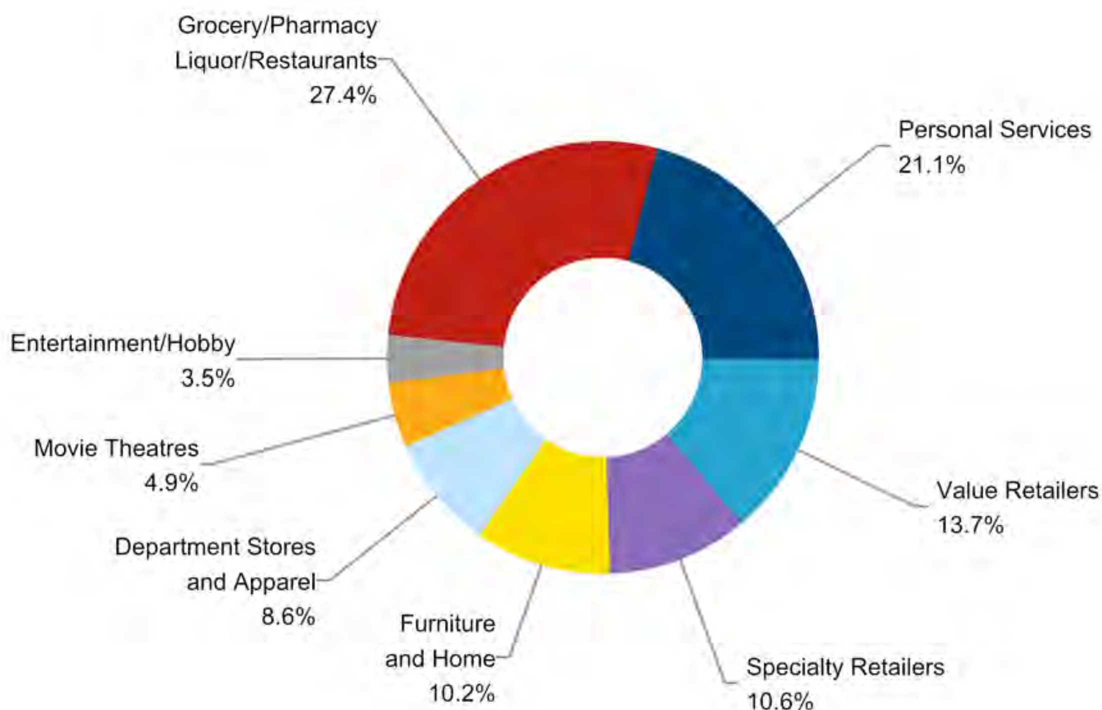
For the years ending	2019	2020	2021	2022	2023
Contractual rent increases	$ 8,864	$ 5,237	$ 4,874	$ 4,481	$ 3,671

Above contractual rent increases are based on existing leases as of December 31, 2018 and are on a year-over-year incremental increase basis. The contractual rent increases are higher in 2019 as they reflect more market rent changes as a result of new leasing and renewals completed in 2018. Contractual rent increases in 2020 as shown above are additional increases over 2019 contractual rent increases on a year-over-year incremental basis, which tend to be lower than in 2019 as it reflects more of annual inflationary rent increases. The above schedule is on a cash rent basis and takes into account the timing of contractual rent increases year over year (in other words, not on an annualized basis but based on a year-over-year cash rent change basis).

Tenant Profile

As discussed under the *Outlook* section of this MD&A, RioCan is well aware that the Canadian retail environment has been changing, although the fundamentals remain solid. The Trust is adapting to the ever changing retail landscape and incorporates future trends and growth patterns in its strategy and operation. The Trust has been increasing its major market focus while evolving its tenant mix to better suit community needs, make its tenant mix more resilient to the impact of e-commerce, and increase the growth profile of its portfolio. It has been reducing its tenant mix in department stores, apparel, entertainment and hobby retailers, and increasing its tenant mix in the sectors that have demonstrated growth and resilience such as grocery, pharmacies, restaurants, personal services, specialty retailers and value retailers.

As of December 31, 2018, RioCan's tenant profile is as follows based on annualized net rent revenues:



Retailer Category	% of Rent	Key Brands (i)
Grocery/ Pharmacy Liquor/Restaurants	27.4%	Loblaws, metro, Sobeys, Shoppers Drug Mart, Rexall, LCBO
Personal Services	21.1%	TD Canada Trust, RBC Royal Bank, BMO, LA Fitness, GoodLife Fitness
Value Retailers	13.7%	Wal*Mart, Costco Wholesale, Dollarama, Winners, Marshalls
Specialty Retailers	10.6%	Canadian Tire, Sport Chek, PetSmart, Michaels, Staples
Furniture and Home	10.2%	Lowe's, The Home Depot, HomeSense, Bed Bath & Beyond, Pier 1 Imports, JYSK
Department Stores and Apparel	8.6%	Hudson's Bay, H&M, carter's, OshKosh B'gosh, GAP, Old Navy, Reitmans
Movie Theatres	4.9%	Cineplex, Famous Players, Landmark Theatres
Entertainment/ Hobby	3.5%	Indigo, Chapters, Best Buy, The Source, EB Games

(i) All trademarks and registered trademarks in the chart above are the property of their respective owners.

Top 30 Tenants

We strive to reduce our exposure to rental revenue risk in our portfolio through geographical diversification, staggered lease maturities, investment in residential developments, growing major market portfolio, diversification of revenue sources, 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, 2018, RioCan's 30 largest tenants measured by annualized gross rental revenue have the following profile:

Rank	Tenant name	Annualized percentage of total 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)	**4.5%**	**69**	**1,783**	**4.9%**	**7.9**
2	Canadian Tire Corporation (iii)	**4.2%**	**66**	**1,830**	**5.0%**	**6.0**
3	Cineplex/Galaxy Cinemas	**4.2%**	**27**	**1,448**	**4.0%**	**8.0**
4	The TJX Companies, Inc.(iv)	**4.1%**	**70**	**1,881**	**5.2%**	**6.1**
5	Metro/Super C/Loeb/Food Basics	**2.8%**	**37**	**1,519**	**4.2%**	**7.4**
6	Walmart	**2.7%**	**17**	**2,067**	**5.7%**	**9.3**
7	Sobeys/Safeway	**1.7%**	**23**	**823**	**2.3%**	**8.0**
8	Recipe Unlimited (v)	**1.6%**	**84**	**417**	**1.1%**	**7.4**
9	Lowe's	**1.6%**	**11**	**1,315**	**3.6%**	**9.9**
10	Dollarama	**1.5%**	**70**	**636**	**1.7%**	**5.4**
11	Staples/Business Depot	**1.4%**	**29**	**648**	**1.8%**	**5.8**
12	Michaels	**1.4%**	**26**	**532**	**1.5%**	**6.8**
13	PetSmart	**1.3%**	**28**	**460**	**1.3%**	**6.0**
14	GoodLife Fitness	**1.2%**	**25**	**523**	**1.4%**	**10.5**
15	TD Bank	**1.1%**	**47**	**237**	**0.6%**	**5.9**
16	Bank Of Montreal	**1.1%**	**36**	**247**	**0.7%**	**5.4**
17	Reitmans (vi)	**0.9%**	**51**	**270**	**0.7%**	**4.2**
18	Chapters/Indigo	**0.9%**	**19**	**291**	**0.8%**	**9.5**
19	Best Buy	**0.9%**	**14**	**296**	**0.8%**	**3.6**
20	Leon's/The Brick	**0.7%**	**12**	**305**	**0.8%**	**4.4**
21	The Bay/Home Outfitters (vii)	**0.7%**	**9**	**472**	**1.3%**	**10.7**
22	LA Fitness	**0.7%**	**8**	**306**	**0.8%**	**8.9**
23	DSW/Town Shoes/The Shoe Company	**0.7%**	**29**	**218**	**0.6%**	**6.2**
24	Liquor Control Board of Ontario (LCBO)	**0.6%**	**20**	**182**	**0.5%**	**10.3**
25	Tim Hortons/Burger King/Popeyes	**0.6%**	**60**	**154**	**0.4%**	**7.1**
26	Bed Bath & Beyond	**0.6%**	**10**	**243**	**0.7%**	**6.8**
27	The Bank Of Nova Scotia	**0.6%**	**26**	**126**	**0.3%**	**4.8**
28	Value Village	**0.6%**	**12**	**286**	**0.8%**	**5.8**
29	Jysk Linen	**0.5%**	**13**	**314**	**0.9%**	**8.2**
30	Rexall Pharma Plus	**0.5%**	**11**	**116**	**0.3%**	**8.4**
		45.9%	**959**	**19,945**	**54.7%**	**7.2**

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

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

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

(iv) The TJX Companies, Inc. includes Winners, HomeSense and Marshalls.

(v) Formerly Cara Operations Limited.

(vi) Reitmans includes Penningtons, Smart Set, Addition Elle and Thyme Maternity.

(vii) Excludes RioCan's proportionate share of the equity-accounted investment in the RioCan-HBC Joint Venture which owns ten HBC wholly-owned properties and HBC's 50% of the two properties that are 50/50 owned by RioCan and HBC.

ASSET PROFILE

Investment Property

Refer to note 5 of the 2018 Annual Consolidated Financial Statements for the change in consolidated IFRS carrying values of our income properties.

Valuation Processes

Internal valuations

RioCan measures the vast majority of its investment properties, including co-owned properties, using valuations prepared by its internal valuation team. 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 management. The internal valuation team's processes and results are reviewed and approved by the Valuations Committee on a quarterly basis.

The Trust's Valuations Committee is responsible for approving any fair value changes to the investment properties and consists of senior management of the Trust including the Chief Operating Officer, the Senior Vice President & Chief Financial Officer, and other executive members.

External valuations

Depending on the property asset type and location, management may opt to obtain independent third party valuations from firms that employ experienced valuation professionals having the required qualifications in property appraisals for purposes of adopting such appraised values in the case of land parcels or assessing the reasonableness of its internal investment property valuations.

During 2018, the Trust obtained a total of 31 external property appraisals (including appraisals for 7 vacant land parcels), which supported an IFRS fair value of approximately $2.1 billion or 16% of the Trust's investment property portfolio as of December 31, 2018. On a go-forward basis, the Trust will continue to select approximately six investment properties for external appraisal on a quarterly basis or 24 investment properties a year.

Capitalization Rates

The capitalization rate is based on the location and quality of the properties and takes into account market data at the valuation date. The table below provides details of the average capitalization rate (weighted on stabilized NOI) by market category:

	Weighted average capitalization rate	
As at	**December 31, 2018**	December 31, 2017
Major markets (i)	**5.21%**	5.28%
Secondary markets	**7.27%**	6.32%
Total average portfolio capitalization rate (ii)	**5.49%**	5.56%

(i) Includes properties located in the six major Canadian markets of Calgary, Edmonton, Montreal, Ottawa, Vancouver and the Greater Toronto Area.

(ii) The change in the total average portfolio capitalization rate reflects the change in the relative weightings of the major markets and secondary market assets in the total portfolio.

During the year ended December 31, 2018, the overall average portfolio capitalization rates compressed by 7 basis points when compared to December 31, 2017 and compressed by 2 basis points when compared to September 30, 2018, primarily as a result of capitalization rate compression in major markets and the sale of secondary market assets which are valued at higher than average capitalization rates. The fair value gains for Q4 2018 and for the year were primarily driven by these capitalization rate changes, higher stabilized net operating income on certain income properties and updated valuation estimates on specific development properties.

The 95 basis points increase in the weighted average capitalization rate of secondary markets when compared to December 31, 2017 and 26 basis points increase when compared to September 30, 2018 resulted from changes in composition of the secondary market assets as the Trust continues to sell secondary market assets and adjustments to capitalization rates based on latest market conditions.

Income Property Acquisitions During 2018

During the year ended December 31, 2018, RioCan completed acquisitions of interests in six income producing properties aggregating $105.2 million, comprised of approximately 273,000 square feet at RioCan's interests. In connection with these acquisitions, RioCan assumed mortgages with fair value of $38.6 million, which included a mark to market adjustment of $2.5 million.

- In September 2018, acquired the remaining 20% interest in the Silver City property located in Gloucester, Ontario, for $9.6 million including transaction costs, at a capitalization rate of 6.67% and assumed $6.9 million debt.
- In September 2018, acquired the remaining 40% interest in the RioCan Centre Belcourt located in Ottawa, Ontario, for $26.6 million including transaction costs, at a capitalization rate of 6.42% and assumed $16.8 million debt.
- In June 2018, acquired the remaining 25% interest in Herongate Shopping Centre in Ottawa, Ontario, for a purchase price of $13.4 million including transaction costs and assumed $5.4 million debt.
- In June 2018, acquired an additional 20% interest in Shoppers City East in Ottawa, Ontario, for an aggregate purchase price of $10.9 million including transaction costs, with no debt assumed. In connection with this acquisition, RioCan increased its ownership interest in this property to 82.8%. The Shoppers City East acquisition included both income producing property ($5.1 million) and property under development ($5.8 million).
- In January 2018, acquired Thickson Centre in Whitby, Ontario for a purchase price of $31.7 million, including transaction costs at a capitalization rate of 6.16% with no assumption of debt.
- In January 2018, acquired the remaining one third interest in Green Lane Centre in Newmarket, Ontario, for a purchase price of $18.9 million, including transaction costs at a capitalization rate of 5.65% and assumed a mortgage with a fair value of $9.4 million, which included a mark-to-market adjustment of $2.5 million.

Subsequent to the year end, the Trust acquired one property located in Hamilton, Ontario, for a purchase price of $35.2 million at a weighted average capitalization rate of 6.21% and assumed a mortgage payable with a fair value of $14.2 million, which included a mark-to-market adjustment of $0.4 million. In addition, the Trust acquired the remaining 50% interest in one property located in Calgary, Alberta for a purchase price of $70.4 million at a weighted average capitalization rate of 5.83% and assumed a mortgage payable for $45.0 million.

Income Property Dispositions During 2018

During the year ended December 31, 2018, the Trust disposed interests in fifty-six properties for sales proceeds aggregating $974.9 million. Details are provided in the table below. From October 2017 to December 31, 2018, as part of its acceleration of major markets focus strategy, the Trust disposed interest in sixty-two properties for sales proceeds aggregating $1.1 billion.

Property name and location	Capitalization rate (i)	Sales proceeds (thousands of dollars)	Debt assumed by purchaser(s) (thousands) (ii)	GLA disposed of at RioCan's interest (thousands of sqft)	Ownership interest disposed of by RioCan
Q4 2018					
Churchill Plaza, Sault Ste. Marie, ON	7.49%	$ 15,550	$ —	143	100%
King Plaza, Oshawa, ON	5.59%	14,050	—	34	100%
London Plaza, London, ON (iii)	12.87%	4,000	—	122	100%
Aberdeen & Cecile, Hawkesbury, ON (iv)	n/a	1,100	—	17	100%
Six properties in PQ and ON (v)	7.37%	107,600	—	1,066	100%
Bellfront Shopping Centre, Belleville, ON	7.79%	14,735	—	110	100%
City View Plaza, Ottawa, ON	5.97%	14,050	—	60	100%
Quispamsis Town Centre, Quispamsis, NB	8.21%	12,526	—	83	100%
RioCan Niagara Falls, Niagara Falls, ON (vi)	6.60%	11,800	—	132	100%
4055 Carling, Ottawa, ON	6.52%	6,570	—	103	100%
West Ridge Place, Orillia, ON	6.60%	15,850	—	106	100%
Total Q4 2018		**$ 217,831**	**$ —**	**1,976**	
Q3 2018					
Shoppers Drug Mart, Pembroke, ON Shoppers Drug Mart on Argyle, Caledonia, ON	6.46%	$ 11,340	$ —	34	100%
506 & 510 Hespeler Rd, Cambridge, ON	5.26%	7,625	—	13	100%
Mega Centre Rive-Sud, Levis, PQ	7.03%	42,304	26,145	394	100%
735 Queenston Road, Hamilton, ON	6.06%	3,000	—	9	100%
Hartsland Market Square, Guelph, ON	5.75%	38,000	—	109	100%
Four properties in PQ (vii)	9.34%	41,100	—	589	100%
RioCan Centre Victoria, Whitby, ON (viii)	0.48%	7,992	—	49	50%
RioCan Centre London North, London, ON	6.36%	42,000	—	105	100%
Five properties in London, ON (ix)	6.47%	100,564	—	516	100%
Flamborough Power Centre, Hamilton, ON	6.82%	18,468	—	187	100%
Total Q3 2018		**$ 312,393**	**$ 26,145**	**2,005**	
Q2 2018					
Four properties in ON and BC (x)	6.08%	$ 216,214	$ —	926	100%
Six properties in ON (xi)	7.12%	13,280	—	82	100%
King George Square, Belleville, ON Centre Carnaval, Trois Rivieres, PQ	7.48%	27,400	—	185	100%
West Side Place, Port Colborne, ON	5.63%	4,200	—	93	100%
Northumberland Square, Miramichi, NB	7.24%	5,025	—	57	50%
Norwest Plaza, Kingston, ON	6.76%	9,300	—	40	100%
Shoppers Drug Mart, Repentigny, PQ	6.12%	6,250	—	17	100%
410 King Street North, Waterloo, ON	4.96%	1,100	—	2	100%
Total Q2 2018		**$ 282,769**	**$ —**	**1,402**	
Q1 2018					
Collingwood Centre, Collingwood, ON GoodLife Plaza, St. Catherines, ON (xii)	5.86%	$ 64,802	$ —	348	100%
Dilworth SC, Kelowna, BC Vernon Square, Vernon, BC	5.45%	84,950	32,725	294	100%
Gates of Fergus, Fergus, ON (viii)	4.49%	12,150	—	75	100%
Total Q1 2018		**$ 161,902**	**$ 32,725**	**717**	
Total 2018 Dispositions		**$ 974,895**	**$ 58,870**	**6,100**	

(i) Capitalization rate is based on in-place NOI calculated on a trailing 12 month basis when the related sale agreement becomes firm.

(ii) Excludes debt associated with property paid prior to or on closing.

(iii) This property was negotiated in tandem with the purchase of RioCan Centre London North which closed in Q3 2018. When both properties are considered together, sales proceeds of $46M are at a weighted average capitalization rate of 6.92%.
(iv) Land parcel disposition.
(v) Includes six Walmart properties located in New Liskeard, ON; Belleville, ON; Trenton, ON; Leamington, ON; Saint-Hyacinthe, PQ; and Lachute, PQ.
(vi) The sale of a property in Niagara Falls, Ontario, which consisted of land and an income producing property portion, for sales proceeds of $11.8 million. The income producing portion was sold at a capitalization rate of 6.60%.
(vii) Includes four properties: Centre Carnaval-Montreal, Montreal, PQ; Centre-Granby, Granby, PQ; Galeries Laurentides (retail), St-Antoine, PQ; and Levis Mall, Levis, PQ.
(viii) The capitalization rate based on in-place NOI was very low on these deals as the sale price had incorporated income from tenants which would open later in 2018.
(ix) Includes five properties all located in London, ON: Commissioners Court Plaza; Adelaide Centre; Wharncliffe Centre; Oakridge Centre; and RioCan Centre London South.
(x) Includes four properties: RioCan Fairgrounds I&II in Orangeville, ON; Campus Estates in Guelph, ON; Cowichan Common in Duncan, BC; and Flamborough Walmart in Flamborough, ON.
(xi) Includes six properties in Ontario: 2 King Street West, Bowmanville; 297 King Street East, Kingston; 270 Dundas Street East, London; 81 King Street West, Hamilton; 200 Ouellette Avenue, Windsor; and 79 Durham Street, Sudbury.
(xii) The weighted average capitalization rate for the seven properties under the total portfolio deal with CT REIT is 6.12% based on in-place NOI. The initial five properties closed in Q4 2017.

Refer to the *Business Overview* section of this MD&A for information on firm and conditional dispositions under contract as of February 11, 2019 and note 36 of the 2018 Annual Consolidated Financial Statements for deals closed subsequent to December 31, 2018.

Co-ownership Arrangements

Co-ownership activities represent real estate investments in which RioCan has joint control and either owns an undivided interest in the assets and liabilities with its co-owners (joint operations) or ownership rights to the residual equity of the co-ownership (joint ventures).

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 $251.2 million as at December 31, 2018 on behalf of co-owners (December 31, 2017 - $348.9 million).

Selected Financial Information of Joint Operations (Proportionate Share)

(thousands of dollars) As at December 31, 2018	RioCan's ownership interest	Number of investment properties (i)	Assets (ii)	Liabilities (ii)	Three months ended December 31, 2018 NOI (iii)	Year ended December 31, 2018 NOI (iii)
Allied	**50%**	**4**	**$ 197,503**	**$ 21,158**	**$ 1,721**	**$ 3,936**
Allied/Diamond (The Well) (iv)	**50%**	**1**	**293,528**	**31,777**	**—**	**386**
Bayfield	**30% - 40%**	**5**	**100,363**	**49,348**	**1,923**	**6,815**
CMHC Pension Fund	**50%**	**1**	**52,580**	**28,940**	**689**	**2,701**
CPPIB	**40% - 50%**	**2**	**230,355**	**19,478**	**2,618**	**8,820**
First Gulf	**50%**	**1**	**83,298**	**45,994**	**1,022**	**4,059**
KingSett	**50%**	**3**	**496,449**	**271,947**	**3,438**	**13,019**
Metropia/CD	**50%**	**1**	**82,030**	**4,105**	**145**	**583**
Metropia/Bazis	**50%**	**1**	**276,273**	**179,529**	**78**	**59**
Sun Life	**40% - 50%**	**2**	**97,605**	**14,582**	**1,261**	**5,247**
Tanger	**50%**	**4**	**164,392**	**11,126**	**2,443**	**8,953**
Trinity	**67% - 75%**	**2**	**107,619**	**37,022**	**1,138**	**7,980**
Other	**50% - 83%**	**17**	**377,437**	**112,996**	**3,022**	**13,136**
		44	**$ 2,559,432**	**$ 828,002**	**$ 19,498**	**$ 75,694**

(i) Includes properties under development and is based on the number of proportionately owned properties as at December 31, 2018.
(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.
(iv) The Trust has a 50% interest in the commercial component and a 40% interest in the residential component of The Well project, excluding The Well Residential Building 6 which the Trust owns 50/50 with another partner, Woodbourne.

Selected Financial Information of Joint Operations and Joint Ventures

Total Assets

(thousands of dollars) As at December 31, 2018	Income properties	PUD (i)	Residential development inventory (iii)	Other (ii)	Total assets	December 31, 2017
Proportionately consolidated joint operations						
Allied	**$ 152,850**	**$ 8,517**	**$ 28,291**	**$ 7,845**	**$ 197,503**	$ 138,488
Allied/Diamond (The Well) (v)	**—**	**282,009**	**—**	**11,519**	**293,528**	193,261
Bayfield	**92,474**	**6,231**	**—**	**1,658**	**100,363**	105,736
CMHC Pension Fund	**52,234**	**—**	**—**	**346**	**52,580**	48,874
CPPIB	**164,236**	**59,999**	**—**	**6,120**	**230,355**	240,574
First Gulf	**79,368**	**2,488**	**—**	**1,442**	**83,298**	82,335
KingSett	**438,474**	**49,019**	**—**	**8,956**	**496,449**	415,864
Metropia/CD	**—**	**12,206**	**69,301**	**523**	**82,030**	46,701
Metropia/Bazis	**81,084**	**67,657**	**86,849**	**40,683**	**276,273**	209,103
Sun Life	**96,654**	**—**	**—**	**951**	**97,605**	97,735
Tanger	**151,219**	**9,636**	**—**	**3,537**	**164,392**	164,510
Trinity	**62,399**	**—**	**—**	**45,220**	**107,619**	322,133
Other	**200,997**	**136,771**	**21,682**	**17,987**	**377,437**	270,471
Total assets of proportionately consolidated joint operations	**$ 1,571,989**	**$ 634,533**	**$ 206,123**	**$ 146,787**	**$ 2,559,432**	$ 2,335,785
Equity accounted joint ventures (iv):						
HBC (RioCan-HBC JV)	**$ 255,536**	**$ —**	**$ —**	**$ 577**	**$ 256,113**	$ 243,709
Marketvest Corporation/Dale-Vest Corporation (Dawson-Yonge LP)	**9,371**	**—**	**—**	**169**	**9,540**	9,068
Total assets of equity accounted joint ventures	**264,907**	**—**	**—**	**746**	**265,653**	252,777
	$ 1,836,896	**$ 634,533**	**$ 206,123**	**$ 147,533**	**$ 2,825,085**	$ 2,588,562

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

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

(iii) Residential development inventory represents the Yonge Eglinton Northeast Corner ePlace in Toronto with Metropia and Bazis Inc., development at the prestigious Yorkville area of Toronto with Metropia and CD, the condominium component of the King Portland Centre in Toronto with Allied, and the Windfield Farms townhouses in Oshawa, Ontario with Tribute.

(iv) Includes the Trust's equity accounted joint arrangements only and excludes our equity accounted investment in the WhiteCastle Funds.

(v) The Trust has a 50% interest in the commercial component and a 40% interest in the residential component of The Well project, excluding The Well Residential Building 6 which the Trust owns 50/50 with another partner, Woodbourne.

Total NOI

(thousands of dollars)	Three months ended December 31 2018	2017	Year ended December 31 2018	2017
Proportionately consolidated joint operations (i)				
Allied	**$ 1,721**	$ 333	**$ 3,936**	$ 1,341
Allied/Diamond (The Well)	**—**	34	**386**	194
Bayfield	**1,923**	2,129	**6,815**	7,042
CMHC Pension Fund	**689**	608	**2,701**	2,190
CPPIB	**2,618**	2,050	**8,820**	6,473
First Gulf Corporation	**1,022**	1,036	**4,059**	4,147
KingSett	**3,438**	3,034	**13,019**	11,426
Metropia/CD	**145**	85	**583**	230
Metropia/Bazis	**78**	—	**59**	—
Sun Life	**1,261**	1,326	**5,247**	5,223
Tanger	**2,443**	2,387	**8,953**	9,524
Trinity	**1,138**	3,911	**7,980**	16,309
Other	**3,022**	3,071	**13,136**	11,491
Total NOI of proportionately consolidated joint operations	**$ 19,498**	$ 20,004	**$ 75,694**	$ 75,590
Equity accounted joint ventures (ii):				
HBC (RioCan-HBC JV)	**$ 3,373**	$ 3,195	**$ 13,177**	$ 12,903
Marketvest Corporation/Dale-Vest Corporation (Dawson-Yonge LP)	**122**	125	**503**	497
Total NOI of equity accounted joint ventures	**3,495**	3,320	**13,680**	13,400
Total joint arrangements	**$ 22,993**	$ 23,324	**$ 89,374**	$ 88,990

(i) Represents the proportionate share of NOI related to all properties for which we owned a proportionate interest during the year.
(ii) Includes the Trust's equity accounted joint arrangements only and excludes our equity accounted investment in the WhiteCastle Funds.

RioCan-HBC JV

As at December 31, 2018, the Trust's ownership interest in RioCan-HBC JV was 12.5% (December 31, 2017 - 12.0%). The following tables present the financial results of RioCan-HBC JV on a 100% basis:

Condensed Statements of Financial Position

(thousands of dollars) As at	December 31, 2018	December 31, 2017
Current assets	**$ 4,621**	$ 10,045
Non-current assets	**2,028,739**	2,003,865
Current liabilities (i)	**362,726**	12,747
Non-current liabilities (ii)	**418,151**	782,892
Net assets	**$ 1,252,483**	$ 1,218,271
RioCan's share of net assets in RioCan-HBC JV (iii)	**$ 158,629**	$ 147,897

(i) As at December 31, 2018, current liabilities include $365.6 million of mortgages payable and term loans.
(ii) Includes mortgages payable and lines of credit with maturities beyond twelve months.
(iii) Represents RioCan's proportionate share of net assets and other acquisition-related costs.

Condensed Statements of Income

(thousands of dollars)	Three months ended December 31 2018	2017	Year ended December 31 2018	2017
Rental revenue	**$ 35,111**	$ 32,466	**$ 142,496**	$ 129,766
Operating expenses	**5,491**	2,649	**24,333**	11,387
Fair value gains (losses)	**25,086**	(5,467)	**5,249**	(3,722)
Interest expense	**8,478**	4,163	**31,101**	18,386
Net income	**$ 46,228**	$ 20,187	**$ 92,311**	$ 96,271
RioCan's share of net income in RioCan-HBC JV	**$ 5,772**	$ 2,407	**$ 11,357**	$ 11,347

Capital Expenditures on Income Properties

Maintenance Capital Expenditures

Maintenance capital expenditures refer to investments that are necessary to maintain the existing earnings capacity of our property portfolio and are dependent upon many factors. These include, but are not limited to, lease expiry profile, tenant vacancies, the age and location of the income properties and general economic and market conditions, which impact the level of tenant bankruptcies. As at December 31, 2018, the estimated weighted average age of our income property portfolio is approximately 24 years (December 31, 2017 - approximately 24 years). Maintenance capital expenditures consist primarily of tenant improvements, third-party leasing commissions and certain recoverable and non-recoverable capital expenditures. Actual maintenance capital expenditures can vary widely from period to period depending on a number of factors as noted above, as well as the level of acquisition and disposition activity particularly given our targeted over $2.0 billion asset sales over the next two to three years with our acceleration of major market focus strategy announced in October 2017.

As a result, management believes that for the purpose of determining ACFO which, as discussed in the *Non-GAAP Measures* section of this MD&A, is used as an input in assessing a REIT's distribution payout ratio, normalized capital expenditures are more relevant than using actual capital expenditures. Refer to the *Non-GAAP Measures* section of this MD&A for details on how management estimates its normalized capital expenditures used in the determination of ACFO.

Tenant improvements and external leasing commissions

Our portfolio requires ongoing investments of capital for costs related to tenant improvements, broker commissions on new and renewal tenant leases and other third-party leasing costs. The amount and timing of capital outlays to fund tenant improvements on our income property portfolio depend on several factors, which may include the lease maturity profile, unforeseen tenant bankruptcies and the location of the income property.

Recoverable and non-recoverable capital expenditures

We also invest capital on a regular basis to physically maintain our 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.

The majority of such activities occur when weather conditions are favourable. As a result, these expenditures are generally 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 our unitholders. Revenue enhancing capital expenditures are not included in the determination of ACFO.

Summary of Capital Expenditures

Expenditures for third-party leasing commissions and tenant improvements, recoverable and non-recoverable, and revenue enhancing capital expenditures pertaining to our income properties are as follows:

	Three months ended December 31		Year ended December 31		Normalized capital expenditures (i)	
(thousands of dollars)	**2018**	2017	**2018**	2017	**2018**	2019
Maintenance capital expenditures:						
Tenant improvements and external leasing commissions	**$ 8,060**	$ 4,917	**$ 30,469**	$ 29,089	**$ 24,000**	$ 16,000
Recoverable from tenants	**6,762**	5,122	**10,195**	9,424	**13,000**	18,000
Non-recoverable	**2,312**	6,372	**4,934**	12,440	**8,000**	6,000
	$ 17,134	$ 16,411	**$ 45,598**	$ 50,953	**$ 45,000**	$ 40,000
Revenue enhancing capital expenditures	**5,655**	3,475	**13,975**	18,230		
	$ 22,789	$ 19,886	**$ 59,573**	$ 69,183		

(i) Refer to the *Non-GAAP Measures* section in this MD&A for details on how management estimates its normalized capital expenditures.

For the three months ended December 31, 2018, our total capital expenditures on income properties were $22.8 million compared to $19.9 million for the same period in 2017. The $2.9 million increase was primarily due to $2.2 million in higher revenue enhancing expenditures and $3.1 million in higher payments for tenant improvements, partially offset by $2.4 million in lower recoverable and non-recoverable capital expenditures. Quarterly variations were primarily due to timing of expenditures.

For the year ended December 31, 2018, our total capital expenditures on income properties were $59.6 million compared to $69.2 million for the same period in 2017. The $9.6 million decrease was primarily due to $6.7 million in lower recoverable and non-recoverable capital expenditures, and $4.3 million in lower revenue enhancing expenditures, partially offset by $1.4 million in higher payments for tenant improvements,

RioCan's total maintenance capital expenditures for the year ended December 31, 2018 of $45.6 million were closely in line with

our normalized capital expenditures of $45.0 million for the period. The small difference was primarily due to the timing of expenditures. Refer to the *Non-GAAP Measures* section of this MD&A for details on how estimates of normalized capital expenditures are determined for 2018 and 2019.

Properties Under Development

RioCan's development program is an important component of its long-term growth strategy and is focused on well-located properties in the six major markets in Canada. Often, these are properties that RioCan already owns and are located directly on, or in proximity to, major transit lines such as the existing Toronto Transit Commission's subway lines or the Eglinton LRT line, which is currently under construction. Development opportunities also arise from the fact that retail centres are generally built with lot coverages of approximately 25% of the underlying lands and municipalities are supporting additional density particularly near major infrastructure investments. Considering that RioCan already owns the land for its portfolio of mixed-use redevelopment opportunities, these projects are expected to generate strong incremental returns and increase the Trust's net asset value.

The overall development environment in Canada is undergoing changes and development risks are becoming more prevalent. Refer to the *Outlook* and *Risks and Uncertainties* sections of this MD&A for discussions about the development environment and associated risks. Development risk management is essential to the Trust's successful implementation of its strategy. The Trust strategically and prudently manages its development risks as follows:

- RioCan undertakes developments selectively based on opportunities in its portfolio and within the major markets it focuses on.
- Development projects must be expected to generate appropriate risk-adjusted returns. The Trust will not commence construction until it has solid third-party market studies of the rental markets in the development areas and, where a large portion of the development has commercial space, the requisite leasing commitments pertaining to the commercial portion of the mixed-use developments are required.
- RioCan's well established and robust internal control framework ensures proper oversight over development approvals and construction management.
- RioCan uses a staggered approach in its development program to avoid unnecessary concentration of development projects in a single period of time to allocate risks and manage the Trust's capital. The staggered development approach also enables proper allocation of personnel resources and ensures that the Trust's experienced development team is at the appropriate scale, resulting in no overhead pressure for RioCan to take on development activities.
- RioCan utilizes strategic alliances to reduce capital requirements and mitigate risks.
- RioCan often already owns the assets under its development program which are income producing. This allows the Trust to manage the timing of development starts, and if needed, these assets can continue to generate income until the appropriate time to commence development is reached. This is becoming an increasingly important element of development risk management as construction costs and overall development costs are increasing.
- RioCan's development team utilizes a variety of cost mitigation strategies, such as working with experienced construction managers early in the project design stage to ensure a project's constructibility and efficiency is maximized, ensuring construction drawings are finalized to the furthest extent possible prior to commencing construction, structuring construction management contracts such that the contracts are converted to fixed price contracts as soon as all the scope is defined thus limiting costs escalations, and so on.
- The Trust's mixed-use residential development will also allow the Trust to access Canadian Mortgage and Housing Corporation ("CMHC") insured mortgages, which will further diversify the Trust's funding sources and provide lower cost of debt.

The Trust categorizes the projects within its development program as follows:

Category	Description
Greenfield Development	Projects on vacant land typically located in suburban markets that are being constructed or developed from the ground-up for future use as income producing properties (IPP or IPPs).
Urban Intensification	Projects at existing IPPs located in urban markets, which typically involve increasing the density or square footage of the properties and are often mixed-use projects.
Expansion and Redevelopment	Existing IPPs, or components thereof, that are being repositioned through redevelopment, which typically increases NOI by adding to the rentable area of the properties.

In addition to the above development categories, the Trust also owns vacant lands and other properties that could be used for future developments. Such vacant land and other properties are reported as "Development Lands and Other" under properties under development (PUD) in the *Estimated Project Costs* section of this MD&A.

Management's current estimates and assumptions as discussed throughout this *Properties Under Development* section of this MD&A are subject to change. Such changes may be material to the Trust. RioCan's estimated NLA, estimated future development costs and estimated proceeds from disposition are based on assumptions which are updated regularly based on revised site plans, the cost tendering process and continuing tenant negotiations. These assumptions, among other items, include the following: anchor tenants, estimated NLA and mix among rental, air rights sale, and condominiums/townhouses, the likelihood, timing and amount of future sales of air rights and land dispositions, tenant rents, building sizes, project completion timelines, availability and cost of construction financing and zoning approvals. Although the estimated development expenditures are based upon what management believes are reasonable assumptions, there can be no assurance that actual results will be

consistent with these projections and may, therefore, materially differ from management's current estimates. In addition, there is no assurance that all of these developments will be undertaken, and if they are, there is no assurance as to the mix of commercial and residential developments, the costs, the phasing of the projects, or the development yields achieved.

Declaration of Trust and Financial Covenants

The provisions of the Trust's Declaration have the effect of limiting direct and indirect investments in greenfield developments and development properties held for resale (each net of related mortgage debt and mezzanine financing which funds the co-owners' share of such developments) to no more than 15% of total consolidated unitholders' equity of the Trust, as determined under IFRS. As at December 31, 2018, RioCan's investments in greenfield development and residential inventory as a percentage of consolidated unitholders' equity is 5.3% and, therefore, the Trust is in compliance with this restriction.

In addition, RioCan's revolving unsecured operating line of credit and non-revolving unsecured credit facilities agreements require the Trust to maintain certain financial covenants, one of which includes a more restrictive covenant as it pertains to the Trust's development activities. As of December 31, 2018, the Trust is in compliance with all financial covenants pursuant to the operating line of credit and credit facility agreements including the one relating to the Trust's development activities. Refer to note 27 of the 2018 Annual Consolidated Financial Statements for further details.

Development Pipeline

RioCan's development pipeline as at December 31, 2018 is estimated as follows:

		Estimated Density (NLA) at RioCan's Interest (i)					
					Components of PUD		
(thousands of square feet)	Number of Projects (ii)	Total	PUD (iii)	Residential Inventory (iv)	Commercial	Residential Rental	Air Rights Sale (ix)
A. Active projects with detailed cost estimates							
Greenfield Development	1	291	291	—	291	—	—
Urban Intensification (v)	10	3,151	2,906	245	1,275	597	1,033
	11	**3,442**	**3,197**	**245**	**1,566**	**597**	**1,033**
Expansion & Redevelopment (vi)	16	492	492	—	364	129	—
Subtotal	**27**	**3,934**	**3,689**	**245**	**1,930**	**726**	**1,033**
B. Active projects with cost estimates in progress (vii)	**16**	**12,679**	**11,912**	**767**	**3,236**	**8,676**	**—**
Total Active Projects	**43**	**16,613**	**15,601**	**1,012**	**5,166**	**9,402**	**1,033**
C. Future estimated density (viii)	**14**	**9,614**	**9,614**	**—**	**2,323**	**7,291**	**—**
Total development pipeline	**57**	**26,227**	**25,215**	**1,012**	**7,489**	**16,693**	**1,033**

(i) Estimated density across the various components of the development pipeline is expressed as Net Leasable Area (NLA), which represents approximately 90% of Gross Floor Area (GFA) for residential rental and inventory developments. This conversion factor is an estimate, which is based on a number of assumptions including but not limited to, site plan approval, final building design and floor plans as well as the mix of commercial and residential space in a multi-use development project.

(ii) Given the range of development activities and the multi-phase nature of the development projects included in the total development pipeline, a single investment property could have more than one project. Therefore, the number of projects shall not be viewed as equivalent to number of properties under development.

(iii) PUD NLA includes NLA for air right sales in addition to commercial and residential rental NLA, but excludes NLA for condominiums and townhouse projects which are reported separately as Residential Inventory.

(iv) Represents the density associated with the development of our residential condominiums and townhouse projects that are to be sold in the normal course of business upon project completion, not to be held for long-term capital appreciation or rental income. As such, the costs associated with this NLA are treated as residential inventory under IFRS and are thus not reported as PUD, even though this NLA forms part of RioCan's development program and is included in the above estimated development pipeline. Condominium and townhouse developments are discussed under the *Residential Inventory* section of this MD&A.

(v) Urban Intensification projects include approximately 0.1 million square feet that are currently IPP.

(vi) Expansion and Redevelopment projects include approximately 0.3 million square feet of vacant NLA which was primarily former Sears space prior to its redevelopment, with remaining 0.2 million square feet as incremental NLA.

(vii) Active projects with cost estimates in progress include approximately 2.0 million square feet that are currently IPP.

(viii) Future estimated density includes approximately 1.0 million square feet that are currently IPP.

(ix) Under IFRS, costs associated with air rights sales, which include, but are not limited to, the costs of underlying structure and infrastructure required for the closing of the air rights sales, are part of the costs of the properties under development. As a result, density related to air rights sales is included as part of the PUD square footage.

Approximately 3.5 million square feet of NLA out of the total estimated 26.2 million square feet development pipeline as of December 31, 2018 is existing NLA which is currently income producing, resulting in net incremental density estimated at 22.7 million square feet as of December 31, 2018. When compared to the Trust's development pipeline as of December 31, 2017, the development pipeline square footage has not changed much despite the development completions during the year and sale of one large development project in a secondary market in British Columbia. This was largely because of an increase in our future estimated density, which reflects the Trust's ability to tap into its existing portfolio to identify intensification opportunities for a robust development pipeline over time.

A key milestone of the development process is to obtain the zoning approval. The following table breaks down the Trust's development pipeline (at RioCan's interest) by zoning status. As of the date of this MD&A, of total estimated NLA in the Trust's current development pipeline, approximately 42.9% have zoning approvals and an additional 20.5% have zoning applications submitted.

			Estimated Density (NLA) at RioCan's Interest (i)					
						Components of PUD		
(thousands of square feet)	Number of Projects	% of square footage zoned	Total	PUD (ii)	Residential Inventory (iii)	Commercial	Residential Rental	Air Rights Sale
Zoning approved	37	42.9%	11,239	10,438	801	4,119	5,286	1,033
Zoning applications submitted	6	20.5%	5,374	5,163	211	1,047	4,116	—
Future estimated density	14	36.6%	9,614	9,614	—	2,323	7,291	—
Total development pipeline	**57**	**100.0%**	**26,227**	**25,215**	**1,012**	**7,489**	**16,693**	**1,033**

(i) Estimated density across the various components of the development pipeline is expressed as NLA, which represents approximately 90% of GFA for residential rental and inventory developments. This conversion factor is an estimate, which is based on a number of assumptions including but not limited to, site plan approval, final building design and floor plans as well as the mix of commercial and residential space in a multi-use development project.

(ii) PUD NLA includes NLA for air right sales in addition to commercial and residential rental NLA, but excludes NLA for condominiums and townhouse projects which are reported separately as Residential Inventory.

(iii) Represents the density associated with the development of our residential condominiums and townhouse projects that are to be sold in the normal course of business upon project completion, not to be held for long-term capital appreciation or rental income. As such, the costs associated with this NLA are treated as residential inventory under IFRS and are thus not reported as PUD, even though this NLA forms part of RioCan's development program and is included in the above estimated development pipeline. Condominium and townhouse developments are discussed under the *Residential Inventory* section of this MD&A.

Zoned NLA decreased by 0.7 million square feet or 2.2% as compared to Q3 2018 due to 0.3 million square feet of project completions during Q4 2018 and the exclusion of a large project in British Columbia that was sold subsequent to the year end. Similarly, when compared to December 31, 2017, the Trust's zoned NLA declined by about 1.0 million square feet, mainly as a result of 0.8 million square feet of project completions during the year and the aforementioned large project that was sold subsequent to the year end.

Estimated Project Costs

RioCan's share of estimated development costs as of December 31, 2018 are summarized in the following table, which includes estimated costs for the 27 active PUD projects with detailed cost estimates (Category A as shown in the Development Pipeline table earlier), plus the current carrying costs of the development lands and other, net of projected proceeds from dispositions. Costs relating to condominiums or townhouse developments are excluded in the following table but included in *Residential Inventory* in the Annual Consolidated Financial Statements and in this MD&A.

		At RioCan's Interest					
				Costs Incurred to Date			
(thousands of dollars or thousands of square feet)	Number of Projects	Total PUD NLA (i)	Total Estimated Costs	Completed (IPP)	PUD	Total	Estimated PUD Costs to Complete
Greenfield Development	1	291	$ 110,896	$ 47,083	$ 39,248	$ 86,331	$ 24,565
Urban Intensification	10	2,906	1,534,587	218,315	477,802	696,117	838,470
	11	3,197	1,645,483	265,398	517,050	782,448	863,035
Expansion & Redevelopment (iv)	16	492	241,841	—	124,956	124,956	116,885
Active projects with detailed cost estimates	**27**	**3,689**	**$ 1,887,324**	**$ 265,398**	**$ 642,006**	**$ 907,404**	**$ 979,920**
Development Lands and Other (ii)		—	298,431	—	298,431	298,431	—
Projected proceeds from dispositions (iii)		—	(153,830)	—	—	—	(153,830)
Total			**$ 2,031,925**	**$ 265,398**	**$ 940,437**	**$ 1,205,835**	**$ 826,090**
Fair Value to Date				**$ 340,225**	**$ 1,036,495**	**$ 1,376,720**	

(i) Total PUD NLA includes NLA from commercial, residential rental and air rights sales and excludes NLA from residential inventory.

(ii) Development lands and other includes excess land and other properties that could be used for future developments.

(iii) Represents conditional land and air right sales that the Trust intends to sell instead of holding for long-term income, which management considers to be reductions to its overall development costs.

(iv) Expansion and Redevelopment projects tend to be shorter in duration and smaller in size compared to Greenfield and Urban Intensification projects, and generally pertain to the redevelopment of individual unit(s) at a property. Once the redevelopment of the individual unit(s) has/have been completed, the NLA and associated costs are transferred to IPP and no longer included in the development pipeline or development costs, resulting in nil completed IPP in this table.

Total estimated project costs include the current carrying costs of development lands and other, net of estimated proceeds from land and air rights dispositions. Total estimated project costs include land costs measured at fair value of the land or existing IPP upon transfer to PUD, soft and hard construction costs, external leasing costs, tenant inducements, construction and development management fees, and capitalized interest and other carrying costs, as well as capitalized development staff compensation and other expenses.

The $101.5 million decrease in total estimated costs for active projects with detailed cost estimates as of December 31, 2018 when compared to the same estimates as of September 30, 2018 was primarily due to the transfer of completed expansion and redevelopment projects to IPP during the quarter.

The above total estimated development costs as at December 31, 2018 are further broken down by committed and non-committed spending as follows:

	At RioCan's Interest				
		Costs Incurred to Date			
(thousands of dollars)	Total Estimated Costs	Completed (IPP)	PUD	Total	Estimated PUD Costs to Complete
Committed (i)	$ 1,596,838	$ 265,398	$ 634,468	$ 899,866	$ 696,972
Non-committed	435,087	—	305,969	305,969	129,118
Total	**$ 2,031,925**	**$ 265,398**	**$ 940,437**	**$ 1,205,835**	**$ 826,090**

(i) A project is considered to be committed when all major planning issues have been resolved, anchor tenant(s) for the commercial components has/have been secured, and/or construction is about to commence or has commenced. Although a non-committed project may have a completed portion, the Trust is not committed to completing the remaining phase(s) of the project if it so decides in due course. Development Lands and Other are included in non-committed projects.

Annual Development Spending

Annual development costs for active PUD projects with detailed cost estimates are estimated in the $300 million to $400 million range over the next two years given the expected progress of large projects like The Well. Together with an estimated $100 million annual of costs for residential inventory, total annual development expenditures are estimated to be in the $400 million to $500 million range over the next two years. These annual costs estimates are management's estimates as of December 31, 2018 and are subject to change due to potential changes in various underlying factors as noted earlier in this MD&A.

Overall, the Trust targets to keep the total IFRS value of PUD and residential inventory on the consolidated balance sheet as a percentage of consolidated gross book value of assets at no more than 10% (except for short-term fluctuations as large projects are completed), despite the maximum of 15% permitted under the Trust's revolving unsecured operating line of credit and non-revolving unsecured credit facilities agreements. As of December 31, 2018, this metric was 8.5%. Refer to note 27 of the 2018 Annual Consolidated Financial Statements.

The Trust has been funding and will continue to fund its development pipeline through its capital recycling program including net proceeds from its strategic disposition program, sales proceeds from residential inventory developments or air rights sales, the sale of remaining marketable securities, and strategic development partnerships, as well as excess operating cash flows after maintenance capital expenditures and distributions have been paid.

Mixed-Use Residential Development

The government of Ontario's recent amendment to exempt new residential rental units from rent control is expected to encourage more residential rental supply and RioCan is committed to our residential development program.

RioCan targets to develop approximately 10,000 residential rental units over the next decade. RioCan has currently identified a number of properties, as summarized in the following table, some of which are actively being developed and others are considers to be strong possible intensification opportunities. All of the developments are in the six Canadian major markets in which the Trust operates and are typically located in the vicinity of existing or planned substantive transit infrastructure. This summary does not include Greenfield and Urban Intensification projects that have commercial components only.

					Estimated Density (NLA) at RioCan's Interest (i)					
								PUD Components		
	(thousands of square feet)	Locations	RioCan Ownership % (Partner)	Total NLA at 100%	Total	PUD (ii)	Residential Inventory (iii)	Commercial	Residential Rental	Air Rights Sale
A.	**Active mixed-use residential projects with detailed cost estimates (vi)**									
	Urban Intensification									
	Brentwood Village (Brio) (iv)	Calgary, AB	50% (Boardwalk)	145	72	72	—	5	67	—
	Dupont Street (Litho) (iv)	Toronto, ON	50% (Woodbourne)	180	90	90	—	16	75	—
	Fifth and Third East Village (iv)	Calgary, AB	100%	759	759	759	—	161	—	597
	Gloucester (Frontier) (iv)	Gloucester, ON	50% (Killam)	185	93	93	—	3	90	—
	King Portland Centre (iv)	Toronto, ON	50% (Allied)	421	210	164	46	164	—	—
	Yonge Eglinton Northeast Corner (ePlace) (iv) (ix)	Toronto, ON	50% (Metropia / Bazis)	712	356	157	199	11	146	—
	The Well (iv)	Toronto, ON	50% commercial (Allied) 40% residential (Allied / Diamond)	2,580	1,181	1,181	—	746	—	436
	College & Manning (Strada) (iv)	Toronto, ON	50% (Allied)	108	54	54	—	30	24	—
	The Well -Residential Bldg 6 (iv)	Toronto, ON	50% (Woodbourne)	391	195	195	—	—	195	—
				5,481	**3,010**	**2,765**	**245**	**1,136**	**597**	**1,033**
	Expansion and Redevelopment									
	Yonge Sheppard Centre (iv) (v)	Toronto, ON	50% (KingSett)	309	155	155	—	26	129	—
	Total active mixed-use residential projects with detailed cost estimates - 10 projects (vi)			**5,790**	**3,165**	**2,920**	**245**	**1,162**	**726**	**1,033**
B.	**Active mixed-use residential projects with cost estimates in progress (vii)**									
	Approved Zoning									
	Sunnybrook Plaza (iv)	Toronto, ON	50% (Concert)	316	158	158	—	22	136	—
	Clarkson Village (iv)	Mississauga, ON	100%	418	418	418	—	35	383	—
	Gloucester -Residential phase II (iv)	Gloucester, ON	50% (Killam)	668	334	334	—	10	324	—
	Brentwood Village -Residential phase II (iv)	Calgary, AB	100%	955	955	955	—	435	520	—
	Millwoods Town Centre (iv)	Edmonton, AB	40% (Bayfield)	2,010	804	804	—	300	504	—
	Westgate (iv)	Ottawa, ON	100%	744	744	744	—	96	648	—
	Southland Crossing (iv)	Calgary, AB	100%	968	968	968	—	187	781	—
	Windfield Farms (iv)	Oshawa, ON	100% of commercial, 50% of residential (Tribute)	1,931	1,375	819	556	819	—	—
	Markington Square (iv)	Toronto, ON	100%	977	977	977	—	163	814	—
	Elmvale Acres (iv)	Ottawa, ON	100%	572	572	572	—	122	450	—
				9,559	**7,305**	**6,749**	**556**	**2,189**	**4,560**	**—**
	Zoning applications submitted									
	Queensway	Toronto, ON	50% (Talisker)	538	269	269	—	70	199	—
	RioCan Grand Park	Mississauga, ON	100%	318	318	318	—	119	198	—
	Dufferin Plaza	Toronto, ON	100%	449	449	449	—	32	417	—
	RioCan Scarborough Centre	Toronto, ON	100%	2,760	2,760	2,760	—	600	2,160	—
	RioCan Leaside Centre	Toronto, ON	100%	1,324	1,324	1,324	—	204	1,120	—
	Yorkville project	Toronto, ON	50% (CD Capital / Metropia)	508	254	43	211	21	22	—
				5,897	**5,374**	**5,163**	**211**	**1,047**	**4,116**	**—**
	Total active mixed-use residential projects with cost estimates in progress - 16 projects (vii)			**15,456**	**12,679**	**11,912**	**767**	**3,236**	**8,676**	**—**
	Total active mixed-use residential projects - 26 projects			**21,246**	**15,844**	**14,832**	**1,012**	**4,398**	**9,402**	**1,033**
C.	**Future estimated density - 14 projects (viii)**			**9,999**	**9,614**	**9,614**	**—**	**2,323**	**7,291**	**—**
	Total mixed-use residential developments - 40 projects			**31,245**	**25,458**	**24,446**	**1,012**	**6,721**	**16,693**	**1,033**
	Mixed-use residential developments as a percentage of total development pipeline				**97.1%**	**96.9%**	**100.0%**	**89.7%**	**100.0%**	**100.0%**

(i) Estimated density across the various components of the development pipeline is expressed as NLA, which represents approximately 90% of GFA for residential rental and inventory developments. This conversion factor is an estimate, which is based on a number of assumptions including but not limited to, site plan approval, final building design and floor plans as well as the mix of commercial and residential space in a multi-use development project.

(ii) PUD NLA includes NLA for air right sales in addition to commercial and residential rental NLA, but excludes NLA for condominiums and townhouse projects which are reported separately as Residential Inventory.

(iii) Represents the density associated with the development of residential condominiums and townhouse projects.

(iv) As at the date of this MD&A, RioCan has obtained final zoning approvals for the development of these properties. The above table includes only mixed-use residential development projects and thus does not include Greenfield Development and Expansion and Redevelopment projects that do not have residential components. As a result, the Trust has more projects with zoning approvals than what is included in this table.

(v) Commercial square footage at Yonge Sheppard Centre represents the redevelopment of the existing enclosed mall retail space, which is all incremental.

(vi) Active mixed-use residential projects with detailed cost estimates include approximately 0.1 million square feet that are currently IPP.

(vii) Active mixed-use projects with cost estimates in progress include approximately 2.0 million square feet that are currently IPP.

(viii) Future estimated density includes approximately 1.0 million square feet that is currently IPP.

(ix) RioCan will acquire the remaining 50% interest in the residential rental tower for a purchase price estimated in the range of $95 million to $105 million which is expected to occur in the first half of 2019. In addition, RioCan has an agreement to acquire the remaining 50% interest in the retail component at a purchase price based on a 7% capitalization rate and the stabilized net operating income upon completion in 2019. Upon closing of each respective transaction, RioCan will own 100% of the respective component of the project.

Mixed-use residential projects account for approximately 97.1% or 25.5 million square feet of NLA of the Trust's total estimated development pipeline, of which 10.5 million square feet currently have zoning approvals, 5.4 million square feet currently have zoning applications submitted and 9.6 million square feet represent sites with future density.

Residential developments including rental, air rights sales, and residential inventory account for 71.4% or 18.7 million square feet of the Trust's total development pipeline as of December 31, 2018.

Properties under Development Continuity

The change in the IFRS consolidated net carrying amount is as follows:

	Three months ended December 31		Year ended December 31	
(thousands of dollars)	**2018**	2017	**2018**	2017
Balance, beginning of year	**$ 1,177,978**	$ 1,039,775	**$ 1,123,184**	$ 915,508
Acquisitions	**—**	25,425	**14,846**	63,933
Dispositions	**(11,600)**	(52,904)	**(19,448)**	(88,127)
Development expenditures	**131,006**	95,261	**410,791**	324,596
Transfers PUD to IPP - cost	**(263,014)**	(53,730)	**(550,925)**	(224,311)
Transfers PUD to IPP - fair value (gains) / losses	**(17,037)**	5,992	**(4,567)**	4,240
Transfers IPP to PUD	**14,900**	51,424	**70,935**	112,473
Transfers to residential inventory	**—**	(3,102)	**(5,014)**	(16,174)
Fair value (losses) gains, net	**183**	15,043	**(7,386)**	27,437
Earn-out consideration	**4,079**	—	**4,079**	3,609
Balance, end of year	**$ 1,036,495**	$ 1,123,184	**$ 1,036,495**	$ 1,123,184

Development Property Acquisitions and Dispositions

During the year, the Trust completed $46.3 million development related acquisitions including transaction costs, which were allocated as $14.8 million for PUD, $26.4 million for residential inventory and $5.1 million for IPP.

- In the second quarter of 2018, the Trust acquired an additional 20% interest in Shoppers City East from one of the partners which included PUD and IPP related assets for an aggregate purchase price of $10.9 million including transaction costs which was allocated $5.8 million to PUD and $5.1 million to IPP.
- In the first quarter of 2018, the Trust acquired the remaining 18.75% interest in development lands located in Vaughan, Ontario, at a purchase price of $4.4 million including transaction costs.
- During the first quarter of 2018, the Trust acquired three land parcels pertaining to its Yorkville development, located in the prestigious Yorkville area of Toronto, Ontario, for the total acquisition price of $31.1 million including transaction costs (at RioCan's 50% interest), which was allocated $26.4 million to residential development inventory and $4.7 million to PUD. RioCan and its partners have submitted zoning application for the site, which has the potential for approximately 0.5 million square feet of luxury condominiums, retail uses and up to 82 residential rental replacement units. RioCan has agreed to purchase the partners' interest in the retail portion upon project completion at a 6.00% capitalization rate and has the right of first opportunity to acquire the residential rental replacement units.

During the year, the Trust completed $19.4 million development related dispositions, consisting of the sale of one parcel of development land located in Calgary, Alberta, for sales proceeds of $11.6 million in the fourth quarter and the sale of one parcel of excess land in Oshawa, Ontario, for sale proceeds of $7.8 million in the third quarter.

Completed Developments in 2018

During the three months and year ended December 31, 2018, RioCan transferred $263.0 million and $550.9 million, respectively in costs to income producing properties pertaining to 298,000 and 799,000 square feet of completed development projects in the respective periods. A summary of RioCan's NLA completed during the period is as follows:

		NLA at RioCan's Interest					
(thousands of square feet, unless otherwise noted)		2018					
Property location	RioCan's % ownership	Total NLA	Q4	Q3	Q2	Q1	Tenants
Greenfield Developments							
East Hills, Calgary, AB	40%	18	2	2	2	12	Cineplex, Bottle Depot
Total Greenfield Developments		**18**	**2**	**2**	**2**	**12**	
Urban Intensification							
491 College Street, Toronto, ON	50%	12	—	—	4	8	LCBO, Arrivals + Departures, Genuine Health
642 King Street West, Toronto, ON	50%	13	—	8	—	5	The Parlour Steakhouse, Cava
Bathurst College Centre, Toronto, ON	100%	128	73	—	55	—	FreshCo, Bank Of Nova Scotia, University Health Network
King Portland Centre, Toronto, ON	50%	132	—	132	—	—	Shopify, Indigo
Yonge Eglinton Northeast Corner (ePlace), Toronto, ON	50%	80	80	—	—	—	eCentral Residential Rental Tower (Floors 1-13)
Total Urban Intensification		**365**	**153**	**140**	**59**	**13**	
Expansion and Redevelopment							
Lawrence Square, Toronto, ON	100%	15	—	—	—	15	Structube
Brentwood Village, Calgary, AB	100%	50	21	23	4	2	Ashley Furniture, CANA, 420 Premium Market, buybuy Baby
Burlington Centre, Burlington, ON	50%	41	—	30	—	11	Winners
RioCan Centre Victoria, Whitby, ON	50%	44	—	—	—	44	Reptilia, The Tile House, Flying Squirrel
Gates of Fergus, Fergus, ON	100%	21	—	—	—	21	Habitat for Humanity Restore, Pet Valu
Empress Walk, Toronto, ON	100%	10	—	—	10	—	Morals Village
RioCan Meadows, Edmonton, AB	100%	15	—	—	15	—	South St. Burger, Daycare, Firecrust Pizza
Place Carnaval, Laval, QC	100%	4	—	—	4	—	Jean Coutu Expansion
Yonge Sheppard Centre, Toronto, ON	50%	49	24	—	25	—	LA Fitness, Longo's
Kennedy Commons, Toronto, ON	50%	19	2	17	—	—	Structube, McDonald's
Stockyards Village, Toronto, ON	50%	6	3	3	—	—	Royal LePage, Kids & Company
RioCan Thickson Ridge, Whitby, ON	100%	49	—	49	—	—	Crunch Fitness, Goemans Appliances, Visions Electronics
Northgate Village SC, Calgary, AB	100%	7	7	—	—	—	The Canadian Brewhouse
RioCan Centre Kingston, Kingston, ON	100%	43	43	—	—	—	Winners, HomeSense
RioCan Centre Sudbury, Sudbury, ON	100%	43	43	—	—	—	Winners, HomeSense
Total Expansion and Redevelopment		**416**	**143**	**122**	**58**	**93**	
Total Development Completion		**799**	**298**	**264**	**119**	**118**	

Greenfield Development

As at December 31, 2018, RioCan currently has one active greenfield development project with a detailed cost estimate:

		At RioCan's Interest									
		Total NLA Upon Project Completion				Costs Incurred to Date					
(thousands of dollars or thousands of square feet)	RioCan's % Ownership	Completed (IPP)	PUD	Total	Total Estimated Costs	Completed (IPP)	PUD	Total	Estimated PUD Costs to Complete	% Commercial Leased (i)	Anticipated Date of Development Completion
East Hills, Calgary, AB	40%	154	137	291	$ 110,896	$ 47,083	$ 39,248	$ 86,331	$ 24,565	59%	2021
Fair Value to date						**$ 49,313**	**$ 42,922**	**$ 92,235**			

(i) Leasing activity includes leasing that is conditional on receiving municipal approvals and meeting construction deadlines. The percentage of commercial leasing activity is as at February 11, 2019.

As of the release date of this MD&A, approximately 171,000 square feet of the above greenfield development NLA has committed leases, which includes tenants that have taken possession of the space, at a weighted average net rent rate of approximately $19.18 per square foot.

Urban Intensification

A focus within our development growth strategy is urban intensification, which is another name for our residential mixed-use and commercial development program. The Trust currently has 10 active urban intensification projects with detailed cost estimates that will generate approximately 2.9 million square feet of NLA at RioCan's interest of space upon completion over the next six years, including air rights that have been or are expected to be sold. Excluding such air rights, these 10 active urban intensification projects are expected to generate approximately 1.9 million square feet of estimated NLA. Our urban intensification program currently is focused on properties located in densely populated areas in the urban cores of Toronto, Ottawa and Calgary.

A summary of our urban intensification projects with detailed cost estimates as at December 31, 2018 is as follows:

		At RioCan's Interest									
		Total PUD NLA Upon Project Completion				Costs Incurred to Date					
(thousands of dollars or thousands of square feet)	RioCan's % Ownership	Completed (IPP)	PUD	Total	Total Estimated Costs	Completed (IPP)	PUD	Total	Estimated PUD Costs to Complete	% Commercial Leased (i)	Anticipated Date of Development Completion
College & Manning (Strada),Toronto, ON (v)	50 %	27	27	54	$ 36,207	$ 8,985	$ 8,521	$ 17,506	$ 18,701	91%	2020
Bathurst College Centre, Toronto, ON (v)	100 %	127	13	140	111,311	79,665	28,816	108,481	2,830	100%	2019
Brentwood Village (Brio), Calgary, AB (v)	50 %	—	72	72	39,318	—	15,673	15,673	23,645	n/a	2020
Dupont Street (Litho), Toronto, ON (v)	50 %	—	90	90	78,639	—	21,204	21,204	57,435	74%	2020
Fifth and Third East Village, Calgary, AB (v)	100 %	—	759	759	128,189	—	87,180	87,180	41,009	82%	2021
Gloucester (Frontier), Ottawa, ON (v)	50 %	3	90	93	42,872	226	35,866	36,092	6,780	100%	2019
King Portland Centre, Toronto, ON (v)	50 %	164	—	164	86,393	77,143	—	77,143	9,251	100%	2018 / 2019
The Well, Toronto, ON (iv) (v) (vii)	50% of commercial 40% of residential air rights	—	1,181	1,181	768,717	—	233,765	233,765	534,952	71%	2021
Yonge Eglinton Northeast Corner (ePlace), Toronto, ON (v),(vi)	50 %	80	78	158	106,285	52,296	39,239	91,535	14,750	88%	2019
The Well -Residential Bldg 6, Toronto, ON (iii)	50 %	—	195	195	136,656	—	7,538	7,538	129,118	n/a	2022+
Total Estimated Costs (ii)		**401**	**2,505**	**2,906**	**$ 1,534,587**	**$ 218,315**	**$477,802**	**$696,117**	**$ 838,470**		
Fair Value to date						**$ 290,911**	**$584,001**	**$874,912**			

(i) Leasing activity includes leasing that is conditional on receiving municipal approvals and meeting construction deadlines. Leasing shown in this table is calculated as a percentage of commercial square footage only as there is no pre-leasing for residential rental square footage. The percentage of commercial leasing activity is as at February 11, 2019.

(ii) Total Estimated Costs exclude fair value gains of $106.2 million.

(iii) This development project has not yet commenced construction, therefore, costs incurred to date have not been substantial.

(iv) The total estimated PUD costs for The Well are net of approximately $61.0 million recoverable costs at RioCan's interest relating to matters such as parking, parkland dedication, and Enwave thermal energy tank based on the air rights sale agreement and other agreements in place. However, the estimated PUD costs have not deducted approximately $75.6 million (at RioCan's interest) of estimated proceeds from the sale of residential air rights

at the project. Net of the estimated proceeds from the sale of residential air rights, the total estimated PUD costs for The Well (at RioCan's interest) would be $693.1 million.

(v) These projects are committed, representing projects where all planning issues have been resolved, anchor tenant(s) has or have been secured, and/or construction is about to commence or has commenced.

(vi) RioCan will acquire the remaining 50% interest in the residential rental tower for a purchase price estimated in the range of $95 million to $105 million which is expected to occur in the first half of 2019. In addition, RioCan has an agreement to acquire the remaining 50% interest in the retail component at a purchase price based on a 7% capitalization rate and the stabilized net operating income upon completion in 2019. Upon closing of each respective transaction, RioCan will own 100% of the respective component of the project.

(vii) The 71% leased at The Well is based on committed leases, including extension rights, for office space only. Retail leasing will start in 2019 once office leasing is well progressed as office tenants determine the types of retail tenants best suited for the flagship development.

During Q3 2018, 642 King Street was substantially completed and transferred to IPP and is therefore no longer included in the above table. The commercial component of King Portland Centre was also substantially completed and transferred to IPP during Q3 2018. However, due to remaining costs to complete, this project is still included in the above table.

As of the release date of this MD&A, approximately 811,000 square feet of the above urban intensification NLA under development has committed or in-place leases, which includes tenants that have taken possession of the space, at a weighted average net rent rate of approximately $32.26 per square foot.

Expansion & Redevelopment

A summary of RioCan's expansion and redevelopment projects as at December 31, 2018 is as follows:

		At RioCan's interest					
				Costs Incurred to Date			
(thousands of dollars or thousands of square feet)	RioCan's % Ownership	Total PUD NLA Upon Project Completion	Total Estimated Costs	Costs Incurred to Date	Historical IPP Costs (iii)	Total	Estimated PUD Cost to Complete
1910 Bank Street, Ottawa, ON	100%	2	$ 1,878	$ 93	$ 126	$ 219	$ 1,659
Burlington Centre, Burlington, ON	50%	4	1,745	1,479	—	1,479	266
Five Points Mall, Oshawa, ON	100%	10	4,580	—	2,680	2,680	1,900
RioCan St. Laurent, Ottawa, ON	100%	96	26,446	810	14,900	15,710	10,736
Sage Hill, Calgary, AB	50%	4	2,173	1,357	328	1,684	489
Tanger Outlets - Kanata, Kanata, ON	50%	19	11,238	4,244	3,761	8,004	3,234
Stockyards Village, Toronto, ON	50%	4	3,305	611	2,670	3,281	24
Yonge Sheppard Centre, Toronto, ON	50%	155	138,681	43,000	16,018	59,018	79,663
1208 1216 Dundas Street East, Whitby ON	100%	7	5,200	258	1,551	1,809	3,391
Properties with former Sears units (ii) - 7 projects		191	46,595	10,028	21,044	31,072	15,523
Total Estimated PUD Costs (i)		**492**	**$ 241,841**	**$ 61,880**	**$ 63,077**	**$ 124,956**	**$ 116,885**
PUD Fair Value to date						**$ 99,721**	

(i) Total estimated PUD costs include carrying amounts transferred from IPP for redevelopment and exclude historical fair value losses of $25.2 million. Expansion and Redevelopment projects include approximately 0.3 million square feet of vacant NLA which was primarily former Sears space prior to its redevelopment, with the remaining 0.2 million square feet as incremental NLA.

(ii) RioCan transferred carrying value associated with the spaces formerly occupied by Sears from IPP to PUD. The estimated PUD costs to complete are based upon various scenarios with the objective of developing these assets, such that RioCan can attract new tenants, achieve higher rents and improve the overall shopping centre.

(iii) Historical costs were costs of IPP prior to the transfer to PUD.

The 48,000 square feet decrease in NLA during the three months ended December 31, 2018 from the previous quarter was primarily due to the 143,000 square feet transfer of certain projects from PUD to IPP upon project completions, net of 96,000 square feet transfer from IPP to PUD for RioCan St. Laurent in Ottawa, Ontario.

Residential Inventory

Residential inventory are properties acquired or developed for which RioCan intends to dispose of all or part of such properties in the ordinary course of business, rather than to hold on a long term basis for capital appreciation or for rental income purposes. It is expected that the Trust will earn a return on these assets through a combination of (i) property operating income earned during the relatively short holding period, which will be included in net income, and (ii) sales proceeds.

Transfers into residential inventory are based on a change in use evidenced by the commencement of development activities 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 and the inception of an operating lease to another party.

As at December 31, 2018, the costs of residential inventory include the costs incurred on the following four condominium or townhouse projects:

- **Yonge Eglinton Northeast Corner condominium component (eCondo) -** This 623-unit, fully pre-sold condominium project is co-owned with Metropia and Bazis Inc. ("Metropia"). Purchasers started taking possession of condominium units in Q4 2018 and will continue to take possession on a phased basis over the first half of 2019. In Q4 2018 the Trust recognized $1.4 million of income from the condominium sales based on units taken possession of in the quarter.
- **King Portland Centre condominium component** (**Kingly**) - This is a 132-unit condominium project at the northwest corner of King Street West and Portland Street in the trendy King West neighbourhood of Toronto. RioCan and its 50/50 partner Allied have fully pre-sold the condominium units with profitability of the project exceeding initial expectations. The building is expected to be completed and turned over for possession in Q3 2019.
- **Yorkville** - This is a 50/25/25 joint venture project among RioCan, Metropia and Capital Development ("CD") in the prestigious Toronto neighborhood of Yorkville. The project has the potential for the development of approximately half a million square feet of luxury condominiums, retail uses and up to 82 residential rental replacement units. During Q1 2018, the partners substantially completed acquisitions of adjacent properties required for the development.
- **Windfield Farms Townhouses** - This is a 50/50 joint venture project with Tribute Communities to develop a 31-acre residential component of lands at the Windfield Farms site located in Oshawa, Ontario. Also known as UC Towns 2, it includes 538 condominium townhouses to be constructed in four phases and two phases of high rise condominiums, the first of which consists of a 479-unit high rise condominium. 166 of the 170 units released in phase one and 14 of the 94 units in phase two for the townhouse developments have been sold. Building construction of the townhouses commenced in Q2 2018 with first occupancy expected in Q2 2019. Marketing for the first phase of the high rise condominium project began in Q4 2018 with 202 of the 479 units sold during the quarter.

Refer to the *Mixed-Use Residential Development* section of this MD&A for a summary of the Residential Inventory NLA as currently planned. The following table shows changes in the aggregate carrying value of RioCan's residential inventory:

	Three months ended December 31		Year ended December 31	
	2018	2017	**2018**	2017
Balance, beginning of year	**$ 205,675**	$ 113,681	**$ 132,003**	$ 48,414
Acquisitions	**—**	—	**26,370**	36,870
Dispositions	**(19,828)**	—	**(19,828)**	—
Development expenditures	**20,276**	15,220	**62,564**	30,545
Transfers from investment properties (i)	**—**	3,102	**5,014**	16,174
Balance, end of year (ii)	**$ 206,123**	$ 132,003	**$ 206,123**	$ 132,003

(i) During the year ended December 31, 2018, the current fair market value of certain office units located on the 2nd and 3rd floors of the Yonge-Eglinton Northeast Corner development were transferred from investment property to inventory as they will not be leased to tenants as originally contemplated, but rather, are being marketed and sold as condominium units.

(ii) Comprised of $86.8 million (December 31, 2017 - $72.5) for eCondo, $28.3 million (December 31, 2017 - $16.1) for Kingly, $69.3 million (December 31, 2017 - $38.1) for Yorkville and $21.7 million (December 31, 2017 - $5.3) for Windfield Farms Townhouses.

As discussed under *Annual Development Spending* section of this MD&A, annual costs for residential inventory are estimated in the $100 million range over the next two years. This annual cost estimate is management's estimate as of December 31, 2018 and is subject to changes due to potential changes in various underlying factors as noted earlier in this MD&A.

Development Yield and Incremental Value Creation

On an aggregate basis, greenfield development and urban intensification projects (including residential rental development) are currently estimated to generate a weighted average NOI yield of approximately 5% to 6%, although certain properties may be outside either side of this range. This yield is derived from estimated stabilized net operating income following completion of a project over total estimated net project costs (which are total estimated project costs net of estimated proceeds from dispositions including land and air right sales and net of applicable interim or fee income during the development period). The annualized stabilized NOI of a project is an estimate of stabilized NOI following completion of a project on a full year basis.

The Trust also estimates incremental value creation upon project stabilization. This incremental value creation is estimated by using estimated future stabilized value (estimated stabilized NOI of a project divided by an assumed capitalization rate applicable to the project upon stabilization under the prevailing market conditions), less total estimated net project costs as defined above.

Development yields and incremental value creations for five urban intensification and greenfield projects are estimated in the following table. These projects are included here because they are complete or close to completion.

	Commercial and/or Residential Rental Components							Residential Inventory	Total Project
(thousands of dollars)	Ownership % for Data in this Table	Total Estimated Net Project Costs	Estimated Stabilized NOI	Estimated Yield on Total Costs	Estimated Future Stabilized Value	Incremental Value Creation Upon Stabilization	Estimated Incremental Value Creation %	Estimated Residential Inventory Gains	Total Estimated Incremental Value Creation
Yonge Eglinton Northeast Corner (ePlace) (i)	100%	$ 223,200	$ 11,800	5.3%	$ 327,300	$ 104,100	46.6%	$ 14,000	$ 118,100
King Portland Centre	50%	86,400	5,500	6.4%	129,900	43,500	50.3%	12,500	56,000
Gloucester (Frontier) (ii)	50%	34,100	1,800	5.3%	44,800	10,700	31.4%	n/a	10,700
Bathurst College Centre	100%	109,400	5,200	4.8%	115,400	6,000	5.5%	n/a	6,000
Sage Hill (iii)	100%	120,800	8,500	7.0%	161,000	40,200	33.3%	n/a	40,200
Total		$ 573,900	$ 32,800	5.7%	$ 778,400	$ 204,500	35.6%	$ 26,500	$ 231,000

(i) Total estimated net project costs include estimated net project costs for the Trust's current 50% interest plus the cost of acquiring the remaining 50% interest in the residential rental tower eCentral at costs plus $10.0 million and the remaining 50% interest in the retail component based on stabilized retail NOI at a 7.0% capitalization rate pursuant to the existing agreements with our project partners.

(ii) Total estimated net project costs include land costs for this Phase I development. Excluding the cost of the Phase I land, which has been owned by the Trust since 1999 as part of the 7.1 acre shopping centre, the estimated development yield would be 5.8%.

(iii) The estimated yield on the Trust's original 50% interest in this project is 8.4%. In February 2019 the Trust acquired the remaining 50% ownership interest for $70.4 million, which is higher than the estimated net project costs of the Trust's original 50% interest in the project. The blended yield on this project is therefore 7.0%.

The Trust expects to achieve a blended development yield of 5.7% upon stabilization of these five projects. The Trust estimates $204.5 million of incremental value creation for these projects' commercial and/or residential rental components, and an additional $26.5 million of residential inventory gains on the sale of condominium units at two projects, bringing the total incremental value creation for these five projects to $231.0 million. Of the $204.5 million estimated incremental value creation for these projects' commercial and/or residential rental components, approximately $164.0 million of value creation has been recognized as of the year end December 31, 2018, given that these projects have been complete or near completion. Of the $26.5 million estimated residential inventory gains, only $1.4 million has been recognized into income as of the year end December 31, 2018.

- **Yonge Eglinton Northeast Corner (ePlace)** - The significant incremental value creation at ePlace includes the financial benefit of acquiring the remaining 50% interest in the residential rental building eCentral and retail component at ePlace at attractive pre-determined transaction prices. Both deals are expected to close in 2019. Residential rental leasing at the 466-unit ePlace has started and is progressing well. At eCondo, $1.4 million of residential inventory gains have been recognized into the Trust's income in Q4 2018, with the remaining gains to be recognized in the first half of 2019 as possession of the remaining condominium units is scheduled to be taken in an orderly fashion.
- **King Portland Centre** - The commercial component of the 421,000 square feet (100%) mixed-use development in the trendy King West neighborhood of Toronto was substantially complete in Q3 2018 and fully leased. Purchasers of the 100% pre-sold, 132 condominium units of the project (Kingly) are expected to take possession in Q3 2019.
- **Gloucester (Frontier)** - The first phase of the 228-unit residential rental project in Ottawa would be expected to produce an estimated 5.8% development yield if the $2.9 million land value is excluded in net project costs, given that the Trust has owned the property since 1999 and this is only a small portion of the 7.1 acre shopping centre the Trust owns. The construction is progressing on schedule toward a mid-2019 completion. The leasing of the rental units commenced in Q4 2018 and is progressing ahead of our expectations. The site is zoned for a total of 785 rental units in four phases, which we expect will lead to greater overall value creation. Planning work relating to Phase II is underway.
- **Bathurst College Centre** - Delays and costs relating to one tenant move-out reduced the development yield of this project. However, this grocery-anchored retail and office development in urban Toronto fits well within the Trust's major market portfolio and is expected to deliver further rent growth. The majority of the project was substantially completed in Q3 2018 and is fully leased with several high profile tenants. All tenants have taken possession and the grocery anchor commenced operations in January 2019.
- **Sage Hill** - This greenfield retail project in Calgary, Alberta was completed in 2017. The Trust recently acquired the remaining non-managing 50% interest from its partner in February 2019. The project's strong development yield and estimated incremental value creation reflects the Trust's capability in project execution and the location and quality of RioCan's development, even in challenging market conditions in Alberta caused primarily by a decline in oil prices in recent years.

As more urban intensification and greenfield projects progress near completion, the Trust will disclose the projects' estimated development yield and value creation.

For 2019, the Trust estimates to complete 439,000 square feet of developments in addition to the development completions in 2019 relating to these five projects, which will lead to $215.6 million cost transfers from PUD to IPP in 2019 and $11.0 million incremental NOI upon project stabilization.

For 2020, the Trust estimates to complete 497,000 square feet of developments, which will lead to $330.7 million cost transfers from PUD to IPP in 2020 and $16.9 million incremental NOI upon project stabilization.

Mortgages and Loans Receivable

Contractual mortgages and loans receivable as at December 31, 2018 and December 31, 2017 are comprised of the following:

	Contractual rates		Weighted		
(thousands of dollars)	Low	High	Average Rate	**December 31, 2018**	December 31, 2017
Mezzanine financing to co-owners	—%	7.95%	6.5%	**$ 146,680**	$ 126,868
Vendor-take-back and other	5.0%	5.5%	5.1%	**17,334**	19,005
Total	—%	7.95%	6.4%	**$ 164,014**	$ 145,873

Effective January 1, 2018, the Trust adopted IFRS 9 without restatement of prior periods. Pursuant to the requirements of IFRS 9, mortgages and loans receivable are classified and measured on the basis of both the business model for managing the assets and the contractual cash flow characteristics of the asset. The amortized cost method of accounting is permitted where mortgages and loans receivable are held with the objective of collecting contractual cash flows and those cash flows represent solely payments of principal and interest (SPPI) otherwise, they are measured at fair value. Of the total $164.0 million of mortgages and loans receivable as at December 31, 2018, none are carried at fair value.

RioCan's Declaration of Trust 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 consolidated unitholders' equity. Additionally, RioCan is limited to the amount of capital that can be invested in greenfield developments and development properties held for resale to no more than 15% of the book value of RioCan's total consolidated unitholders' equity, and this limitation also applies to any mortgages receivable to fund the co-owners' share of such developments referred to as mezzanine financing. At December 31, 2018, RioCan was in compliance with these restrictions.

CAPITAL RESOURCES AND LIQUIDITY

Liquidity and Cash Management

RioCan maintains a committed revolving unsecured operating credit facility to provide financial liquidity which can be drawn or 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 27 of RioCan's 2018 Annual Consolidated Financial Statements). In selecting appropriate funding choices, RioCan's objective is to manage its capital structure such that it diversifies its funding sources while minimizing its funding costs and risks. 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, utilization of its operating line of credit, credit facilities, construction financing facilities, sale of marketable securities, sale of non-core properties and secondary markets properties, and through public offerings of unsecured debentures and common equity. If market conditions become challenging, the Trust could finance certain assets currently unencumbered by debt or issue preferred units.

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). The addition of a rating outlook modifier, such as "Positive", "Negative", "Stable" or "Developing" assesses the potential direction of a long-term credit rating over the intermediate term (typically six months to two years).

The following table summarizes RioCan's credit ratings as at December 31, 2018:

Debt	Rating Agency	Long-term credit rating	Trend/Outlook
Senior Unsecured Debentures	S&P	BBB	Stable
Senior Unsecured Debentures	DBRS	BBB (high)	Stable

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.

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.

Capital Structure

RioCan's capital structure is as follows:

(thousands of dollars)	IFRS		RioCan's proportionate share	
As at	**December 31, 2018**	December 31, 2017	**December 31, 2018**	December 31, 2017
Capital:				
Debentures payable	**$ 2,742,633**	$ 2,694,619	**$ 2,742,633**	$ 2,694,619
Mortgages payable	**2,218,270**	2,300,247	**2,286,836**	2,364,415
Lines of credit and other bank loans	**913,130**	904,429	**958,187**	947,930
Mortgages on properties held for sale	**—**	32,670	**—**	32,670
Total debt	**$ 5,874,033**	$ 5,931,965	**$ 5,987,656**	$ 6,039,634
Common unit equity	**7,666,390**	8,044,686	**7,666,390**	8,044,686
Total capital	**$ 13,540,423**	$ 13,976,651	**$ 13,654,046**	$ 14,084,320
Total assets	**$ 14,003,765**	$ 14,376,578	**$ 14,117,865**	$ 14,492,113
Cash and cash equivalents	**$ 74,698**	$ 70,225	**$ 77,188**	$ 73,423
Ratio of total debt to total assets (net of cash and cash equivalents)	**41.6%**	41.0%	**42.1%**	41.4%
Ratio of floating rate debt to total debt	**15.8%**	16.5%	**16.4%**	17.1%

The Trust's leverage ratio at RioCan's proportionate share increased modestly from 41.4% at December 31, 2017 to 42.1% as at December 31, 2018, largely in line with its 38.0% to 42.0% target range. Over the next twelve months, the Trust expects its leverage to be at the upper end of its target range, although its leverage ratio as of a quarter end may exceed the upper target range from time to time due to the timing of its dispositions and NCIB program.

As at December 31, 2018, RioCan's ratio of floating rate debt to total debt at RioCan's proportionate share decreased to 16.4% (December 31, 2017 - 17.1%), primarily as a result of a decrease in unhedged floating rate mortgages partially offset by an increase in lines of credit. This ratio has also decreased from 19.6% as of September 30, 2018.

Subsequent to the year end, the Trust extended the maturity date of its $150.0 million non-revolving unsecured credit facility from December 27, 2019 to June 27, 2024 and fixed the annual all-in interest rate at 3.43% through an interest rate swap. The Trust also fixed the annual all-in interest rate for $125.0 million of its other non-revolving unsecured credit facility maturing on January 31, 2023 at 3.38% through an interest rate swap. Further, the Trust also entered into a $350.0 million five-year non-revolving unsecured credit facility with three financial institutions (consisting of two Schedule I banks and one Schedule III bank) and has fully drawn on the credit facility to repay certain debt and for general Trust purposes. This credit facility matures on February 7, 2024 and, through an interest rate swap, bears an annual all-in fixed interest rate of 3.34%. These transactions further extend the average term to maturity of the Trust's total debt and reduce the Trust's floating interest rate debt exposure.

Debt Metrics

RioCan's debt metrics are tracked and disclosed on a quarterly basis to help facilitate financial statement users' and stakeholders' understanding of RioCan's ability to service its debt and fixed charges. Presented below are the Trust's key debt metrics presented on both an IFRS and RioCan's proportionate share basis in comparison to our targeted ratios:

		Rolling 12 months ended			
		IFRS		RioCan's proportionate share	
	Targeted Ratios	**December 31, 2018**	December 31, 2017	**December 31, 2018**	December 31, 2017
Debt to Adjusted EBITDA (i)	<8.0x	**7.76**	7.49	**7.88**	7.57
Interest coverage (i)	>3.00x	**3.68**	3.87	**3.63**	3.84
Debt service coverage (i)	>2.25x	**3.09**	3.08	**3.05**	3.06
Fixed charge coverage (i)	>1.10x	**1.16**	1.17	**1.15**	1.17
Unencumbered assets		**$ 7,966,491**	$ 7,663,381	**$ 7,970,296**	$ 7,666,992
Unencumbered assets to unsecured debt	>200%	**231%**	226%	**231%**	226%
NOI generated from unencumbered assets (ii)	>50.0%	**59.1%**	56.7%	**59.1%**	56.7%
Unsecured debt to total debt	60%	**58.7%**	57.1%	**57.6%**	56.1%

(i) Refer to the *Non-GAAP Measures* section of this MD&A for further details. See tables below for the calculation of Adjusted EBITDA for the respective periods.

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

As at December 31, 2018, we outperformed our targets for all the debt metrics as summarized above.

Despite nearly $1.0 billion of secondary market asset dispositions completed during the year, the Trust's Debt to Adjusted EBITDA at RioCan's proportionate share outperformed its target of under 8.0x, albeit with a modest increase from 7.57x for the rolling twelve months ended December 31, 2017 to 7.88x for the rolling twelve months ended December 31, 2018. Adjusted EBITDA, which is an input in the calculation of the first four metrics in the table above, declined modestly by $12.6 million or 1.6% at RioCan's proportionate share despite substantial property dispositions, as the loss of EBITDA from property dispositions was offset, to quite an extent, by strong same property NOI growth, development completions and higher gains from the sale of marketable securities.

The interest coverage ratio at RioCan's proportionate share for the rolling twelve months ended December 31, 2018 declined modestly compared to December 31, 2017, mainly due to a modest decline in Adjusted EBITDA and higher interest costs resulting from a higher average debt balance and higher effective interest rates over the comparable periods.

Debt service coverage at RioCan's proportionate share for the rolling twelve months ended December 31, 2018 declined slightly when compared to December 31, 2017 due to the impact of modestly lower Adjusted EBITDA and higher interest costs as noted above, while being mostly offset by lower scheduled principal amortization.

Similarly, the fixed charge coverage ratio at RioCan's proportionate share for the rolling twelve months ended December 31, 2018 declined marginally compared to December 31, 2017, mainly due to modestly lower Adjusted EBITDA and higher interest costs, largely offset by lower distributions resulting from the redemption of Series C preferred units in Q2 2017 and unit buybacks since Q4 2017.

The Trust continued to grow its unencumbered asset pool, increasing it from $7.7 billion as at December 31, 2017 to $8.0 billion as at December 31, 2018. The percentage of NOI generated from unencumbered assets increased by 240 basis points to 59.1% as of December 31, 2018 over the comparable period. The unencumbered assets to unsecured debt ratio increased from 226% to 231% as at December 31, 2018, well above our 200% target.

The following tables present a reconciliation of consolidated net income from continuing and discontinued operations attributable to unitholders to Adjusted EBITDA:

	IFRS					
Year ended December 31	**2018**			2017		
(thousands of dollars)	Continuing Operations	Discontinued Operations	Total	Continuing Operations	Discontinued Operations	Total
Net income attributable to unitholders	**$ 527,362**	**$ 741**	**$ 528,103**	$ 708,265	$ 7,021	$ 715,286
Add (deduct) the following items:						
Income tax expenses (recovery):						
Current	**—**	**1,188**	**1,188**	—	(2,871)	(2,871)
Deferred	**(1,440)**	**—**	**(1,440)**	(320)	—	(320)
Fair value (gains) on investment properties, net	**(18,304)**	**—**	**(18,304)**	(136,942)	—	(136,942)
Change in unrealized fair value on marketable securities (i)	**42,767**	**—**	**42,767**	—	—	—
Internal leasing costs	**11,294**	**—**	**11,294**	10,882	—	10,882
Non-cash unit based compensation expense	**6,826**	**—**	**6,826**	4,757	—	4,757
Interest costs	**168,299**	**—**	**168,299**	171,418	—	171,418
Depreciation and amortization	**4,575**	**—**	**4,575**	9,865	—	9,865
Transaction gains on the sale of investment properties, net (ii)	**(78)**	**—**	**(78)**	(1,275)	(1,651)	(2,926)
Transaction costs on investment properties	**17,761**	**153**	**17,914**	5,136	(549)	4,587
Adjusted EBITDA	**$ 759,062**	**$ 2,082**	**$ 761,144**	$ 771,786	$ 1,950	$ 773,736
Debt, net of cash and cash equivalents is calculated as follows:						
Average debt outstanding			**$ 5,988,106**			$ 5,848,033
Less: average cash and cash equivalents			**(80,999)**			(53,153)
Debt, net of cash and cash equivalents			**$ 5,907,107**			$ 5,794,880
Debt to Adjusted EBITDA			**7.76**			7.49

(i) Adjustment is a result of adopting IFRS 9 on January 1, 2018 without prior period restatement. The $16.5 million fair value gains on marketable securities under IFRS 9 for the year ended December 31, 2018 include both the change in unrealized fair value and realized gains on sale of marketable securities during the year ended December 31, 2018. Refer to note 19 of the 2018 Annual Consolidated Financial Statement for this breakdown. By adding back the change in unrealized fair value on marketable securities, RioCan effectively continues to include realized gains or losses on the sale of marketable securities in Adjusted EBITDA and excludes unrealized fair value gains (losses) on marketable securities in Adjusted EBITDA. Refer to the *Non-GAAP Measures* section of this MD&A for more detailed discussion on Adjusted EBITDA and IFRS 9's impact on Adjusted EBITDA. Refer to the *Adoption of New Accounting Standards* section of this MD&A and notes 19 and 37 of the 2018 Annual Consolidated Financial Statements for a more fulsome discussion on the impact of IFRS 9.

(ii) Includes transaction gains and losses realized on the disposal of Canadian and U.S. investment properties.

	RioCan's proportionate share					
Year ended December 31	**2018**			2017		
(thousands of dollars)	Continuing Operations	Discontinued Operations	Total	Continuing Operations	Discontinued Operations	Total
Net income attributable to unitholders	**$ 527,362**	**$ 741**	**$ 528,103**	$ 708,265	$ 7,021	$ 715,286
Add (deduct) the following items:						
Income tax expense (recovery):						
Current	**—**	**1,188**	**1,188**	—	(2,871)	(2,871)
Deferred	**(1,440)**	**—**	**(1,440)**	(320)	—	(320)
Fair value gains on investment property, net	**(19,526)**	**—**	**(19,526)**	(136,534)	—	(136,534)
Change in unrealized fair value on marketable securities (i)	**42,767**	**—**	**42,767**	—	—	—
Internal leasing costs	**11,294**	**—**	**11,294**	10,882	—	10,882
Non-cash unit based compensation expense	**6,826**	**—**	**6,826**	4,757	—	4,757
Interest costs	**172,279**	**—**	**172,279**	173,791	—	173,791
Depreciation and amortization	**4,575**	**—**	**4,575**	9,865	—	9,865
Transaction gains on the sale of investment properties, net (ii)	**(78)**	**—**	**(78)**	(1,275)	(1,651)	(2,926)
Transaction costs on investment properties	**17,762**	**153**	**17,915**	5,136	(549)	4,587
Adjusted EBITDA	**$ 761,821**	**$ 2,082**	**$ 763,903**	$ 774,567	$ 1,950	$ 776,517
Debt, net of cash and cash equivalents is calculated as follows:						
Average debt outstanding			**$ 6,099,892**			$ 5,933,897
Less: average cash and cash equivalents			**(84,034)**			(55,498)
Debt, net of cash and cash equivalents			**$ 6,015,858**			$ 5,878,399
Debt to Adjusted EBITDA			**7.88**			7.57

(i) Adjustment is a result of adopting IFRS 9 on January 1, 2018 without prior period restatement. The $16.5 million fair value gains on marketable securities under IFRS 9 for the year ended December 31, 2018 include both the change in unrealized fair value and realized gains on sale of marketable securities during the year ended December 31, 2018. Refer to note 19 of the 2018 Annual Consolidated Financial Statement for this breakdown. By adding back the change in unrealized fair value on marketable securities, RioCan effectively continues to include realized gains or losses on the sale of marketable securities in Adjusted EBITDA and excludes unrealized fair value gains (losses) on marketable securities in Adjusted EBITDA. Refer to the *Non-GAAP Measures* section of this MD&A for more detailed discussion on Adjusted EBITDA and IFRS 9's impact on Adjusted EBITDA. Refer to the *Adoption of New Accounting Standards* section of this MD&A and note 19 and 37 of the 2018 Annual Consolidated Financial Statement for a more fulsome discussion on the impact of IFRS 9.

(ii) Includes transaction gains and losses realized on the disposal of Canadian and U.S. investment properties.

Total Debt Profile

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

As at December 31, 2018		Total debt	Percentage of total RioCan's aggregate debt	Weighted average term to maturity in years	Weighted average contractual	Weighted average effective
Total debt at:						
Fixed rate	$	4,945,718	84.2%	3.42	3.54%	3.59%
Floating rate (i)		928,315	15.8%	2.64	3.34%	3.34%
Total debt	**$**	**5,874,033**	**100.0%**	**3.30**	**3.51%**	**3.55%**

(i) Subsequent to the year end, the Trust extended the maturity date of its $150.0 million non-revolving unsecured credit facility from December 27, 2019 to June 27, 2024 and fixed the all-in annual interest rate at 3.43% through an interest rate swap. The Trust also fixed the annual all-in interest rate for $125.0 million of its other non-revolving unsecured credit facility maturing on January 31, 2023 at 3.38% through an interest rate swap. These transactions would further extend the average term-to maturity of the Trust's debt and reduce its floating rate debt exposure.

As at December 31, 2017		Total debt	Percentage of total RioCan's aggregate debt	Weighted average term to maturity in years	Weighted average contractual	Weighted average effective
Total debt at:						
Fixed rate	$	4,951,392	83.5%	3.37	3.55%	3.52%
Floating rate		980,573	16.5%	3.08	2.47%	2.50%
Total debt	**$**	**5,931,965**	**100.0%**	**3.32**	**3.37%**	**3.35%**

The following table summarizes the activity in debt for the year ended December 31, 2018:

(thousands of dollars)

Year ended December 31, 2018		Debentures		Mortgages Payable		Lines of Credit and Other Bank Loans		Total
Contractual obligations, beginning of year	$	2,700,000	$	2,324,252	$	907,978	**$**	**5,932,230**
Borrowings		300,000		496,860		318,768		**1,115,628**
Scheduled amortization		—		(39,295)		—		**(39,295)**
Repayments		(250,000)		(547,210)		(310,265)		**(1,107,475)**
Disposed on the sale of properties		—		(58,870)		—		**(58,870)**
Assumed on the acquisition of properties (i)		—		36,063		—		**36,063**
Contractual obligations, end of year	**$**	**2,750,000**	**$**	**2,211,800**	**$**	**916,481**	**$**	**5,878,281**
Unamortized differential between contractual and market interest rates on liabilities assumed at the acquisition of properties		—		10,115		—		10,115
Unamortized debt financing costs, net of premiums and discounts		(7,367)		(3,645)		(3,351)		(14,363)
Balance, end of year	**$**	**2,742,633**	**$**	**2,218,270**	**$**	**913,130**	**$**	**5,874,033**

(i) Excludes a mark-to-market adjustment of $2.5 million on debt relating to one acquisition.

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

	Contractual principal maturities and interest rates							
(thousands of dollars, except percentage amounts)	Debentures payable	Weighted average interest rate	Mortgages payable	Weighted average interest rate	Lines of credit and other bank loans	Weighted average interest rate	Total aggregate debt	Weighted average interest rate
Year of debt maturity								
2019	$ 350,000	3.85%	$ 310,217	4.21%	$ 363,481	3.27%	$ 1,023,698	3.76%
2020	400,000	2.72%	485,731	3.67%	—	—%	885,731	3.24%
2021	550,000	2.89%	407,379	4.25%	—	—%	957,379	3.47%
2022	550,000	3.25%	158,772	3.25%	—	—%	708,772	3.25%
2023	500,000	3.42%	285,628	3.48%	553,000	3.34%	1,338,628	3.40%
Thereafter	400,000	3.95%	564,073	3.83%	—	—%	964,073	3.88%
	$ 2,750,000	3.31%	$ 2,211,800	3.84%	$ 916,481	3.32%	$ 5,878,281	3.51%
Unamortized differential between contractual and market interest rates on liabilities assumed at the acquisition of properties							10,115	
Unamortized debt financing costs, net of premiums and discounts							(14,363)	
Balance							$ 5,874,033	

Debentures Payable

The following series of senior unsecured debentures were outstanding as at December 31, 2018 and 2017:

Series	Maturity date	Coupon rate	Interest payment frequency	2018	2017
S	March 5, 2018	2.87%	Semi-annual	**$ —**	$ 250,000
Q	June 28, 2019	3.85%	Semi-annual	**350,000**	350,000
U	June 1, 2020	3.62%	Semi-annual	**150,000**	150,000
X	August 26, 2020	2.19%	Semi-annual	**250,000**	250,000
Z	April 9, 2021	2.19%	Semi-annual	**300,000**	300,000
R	December 13, 2021	3.72%	Semi-annual	**250,000**	250,000
V	May 30, 2022	3.75%	Semi-annual	**250,000**	250,000
Y	October 3, 2022	2.83%	Semi-annual	**300,000**	300,000
T	April 18, 2023	3.73%	Semi-annual	**200,000**	200,000
AA	September 29, 2023	3.21%	Semi-annual	**300,000**	—
W	February 12, 2024	3.29%	Semi-annual	**300,000**	300,000
I	February 6, 2026	5.95%	Semi-annual	**100,000**	100,000
Contractual obligations				**$ 2,750,000**	$ 2,700,000
Unamortized debt financing costs				**(7,367)**	$ (5,381)
Balance - end of year				**$ 2,742,633**	$ 2,694,619

The unsecured debentures have covenants similar to our 60% debt to Aggregate Assets limit as set out in RioCan's Declaration of Trust, the maintenance of at least $1.0 billion in consolidated unitholders' equity 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 are $100 million in aggregate, 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 consolidated unitholders' equity and interest coverage ratio would be eliminated for this series of debentures.

Issuances

On January 31, 2018, the Trust issued $300 million of Series AA senior unsecured debentures, which mature on September 29, 2023 and carry a coupon rate of 3.209%. The interest on these debentures is payable semi-annually commencing September 29, 2018. The debentures were sold at a price of $999.95 per $1,000 principal amount with an effective yield of 3.209% if held to maturity. Prior to maturity, the Series AA debentures can be redeemed in whole or in part at par on or after August 29, 2023.

The Series AA senior unsecured debentures have similar terms as the rest of RioCan's debentures, with the exception of the additional provision for the Series I debentures, as described above, and a double trigger change of control provision (refer to the prospectus and indenture agreement publicly filed on www.sedar.com). The net proceeds from these issuances were used by RioCan to fund development and property acquisitions, to repay certain indebtedness and other general trust purposes.

Redemptions

On March 5, 2018, RioCan redeemed, in full, its $250 million 2.87% Series S senior unsecured debentures in accordance with its terms.

Mortgages Payable

Mortgages payable consist of the following and are presented net of unamortized financing costs:

As at	December 31, 2018	December 31, 2017
Mortgages payable	**$ 2,218,270**	$ 2,300,247
Mortgages on properties held for sale	**—**	32,670
	$ 2,218,270	$ 2,332,917

	December 31, 2018	December 31, 2017
Fixed rate mortgages	**$ 2,128,255**	$ 2,181,976
Floating rate mortgages	**90,015**	150,941
	$ 2,218,270	$ 2,332,917

At the outset of 2018, RioCan had $578.9 million of mortgage principal maturing in 2018 at a weighted average contractual interest rate of 3.67%. For the year ended December 31, 2018, RioCan completed new term mortgage borrowings of $496.9 million at a weighted average interest rate of 3.68% and a weighted average term of 7 years. For the year ended December 31, 2018, repayments of mortgage balances and scheduled amortization amounted to $586.5 million.

The majority of our mortgage debt 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 rates for the Trust.

Lines of Credit and Other Bank Loans

Lines of credit and other bank loans consist of the following:

As at	December 31, 2018	December 31, 2017
Revolving unsecured operating line of credit (i)	$ 350,190	$ 387,093
Non-revolving unsecured credit facilities (i)	349,459	299,360
Construction lines and other bank loans	213,481	217,976
	$ 913,130	$ 904,429

(i) Amount outstanding is net of a total of $3.4 million in unamortized financing costs.

Revolving Unsecured Operating Line of Credit

RioCan had drawn balance of $353.0 million and $647.0 million of credit availability to be drawn from this revolving unsecured operating line of credit at December 31, 2018. The weighted average contractual interest rate on amounts drawn under this facility was 3.41% (December 31, 2017 - 2.53%).

On May 4, 2018, the Trust exercised its option to extend the maturity date on its operating line of credit to May 31, 2023. All other terms and conditions remained the same.

Non-revolving Unsecured Credit Facilities

The Trust has a $200 million non-revolving unsecured credit facility with two financial institutions (consisting of a Schedule I and a Schedule III bank), maturing January 31, 2023 bearing interest at a rate of Bankers' Acceptances plus 110 basis points per annum. Subsequent to year end, the Trust fixed the annual all-in interest rate for $125.0 million of this credit facility at 3.38% through an interest rate swap. The remaining $75.0 million of this credit facility was previously fixed at 3.125%.

The Trust also has a $150 million non-revolving unsecured credit facility with two financial institutions (consisting of a Schedule I and a Schedule III bank), maturing December 27, 2019 bearing interest at a rate of Bankers' Acceptances plus 100 basis points per annum. Subsequent to the year end, the Trust extended the maturity date of this credit facility to June 27, 2024 and fixed the annual all-in interest rate at 3.43% through an interest rate swap.

As of December 31, 2018, the above two non-revolving unsecured credit facilities in total amount of $350.0 million are fully drawn. Refer to notes 36 of the 2018 Annual Consolidated Financial Statements for additional subsequent event on financing activity.

Construction Lines of Credit and Other Bank Loans

In addition to the revolving unsecured operating line of credit and non-revolving unsecured credit facilities, the Trust has secured credit facilities and other bank loans, which include variable rate non-revolving secured construction facilities for the funding of certain development properties. At December 31, 2018, these secured facilities and other bank loans have an aggregate maximum borrowing capacity of $311.4 million and mature in 2019, of which the Trust had drawn $213.5 million (December 31, 2017 - $218.0 million). The weighted average contractual interest rate on the aggregate amounts outstanding is 3.36% (December 31, 2017 - 2.28%).

Letter of Credit Facilities

The Trust has aggregate letter of credit facilities with certain Schedule I banks totaling $77.9 million (December 31, 2017 - $79.0 million). As at December 31, 2018, the Trust's outstanding letters of credit under these facilities was $47.5 million (December 31, 2017 - $37.2 million).

Liquidity

Liquidity refers to the Trust having credit availability under committed credit facilities and/or generating sufficient amounts of cash and cash 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 including tenant improvements costs and long term unfunded contractual obligations, among other items.

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

As at December 31, 2018, RioCan had the following sources of liquidity available:

- $74.7 million of cash and cash equivalents;
- $647.0 million of cash available under its undrawn revolving unsecured operating line of credit;
- $97.9 million of cash available under undrawn construction facilities to fund future construction commitments; and
- 153 unencumbered investment properties with a fair value of $8.0 billion.

RioCan's liquidity profile is as follows:

(thousands of dollars)	IFRS		RioCan's proportionate share	
As at	**December 31, 2018**	December 31, 2017	**December 31, 2018**	December 31, 2017
Cash and cash equivalents	**$ 74,698**	$ 70,225	**$ 77,188**	$ 73,423
Undrawn revolving unsecured operating line of credit	**647,000**	610,000	**647,000**	610,000
Undrawn construction lines of credit and other bank loans	**97,923**	169,927	**97,923**	169,927
Liquidity	**$ 819,621**	$ 850,152	**$ 822,111**	$ 853,350
Contractual debt:				
Debentures payable	**$ 2,750,000**	$ 2,700,000	**$ 2,750,000**	$ 2,700,000
Mortgages payable	**2,211,800**	2,324,252	**2,280,391**	2,388,481
Lines of credit and other bank loans	**916,481**	907,977	**961,548**	951,477
Total contractual debt	**$ 5,878,281**	$ 5,932,229	**$ 5,991,939**	$ 6,039,958
Percentage of total contractual debt:				
Liquidity	**13.9%**	14.3%	**13.7%**	14.1%
Unsecured debt	**58.7%**	57.1%	**57.6%**	56.1%
Secured debt	**41.3%**	42.9%	**42.4%**	43.9%

Our liquidity is impacted by contractual debt commitments and committed expenditures on active development projects. Our contractual debt commitments and committed development expenditures for the next five years are as follows:

(thousands of dollars)	2019	2020	2021	2022	2023	Thereafter	Total
Contractual obligations:							
Lines of credit and other bank loans	$ 363,481	$ —	$ —	$ —	$ 553,000	$ —	$ 916,481
Mortgages payable	310,217	485,731	407,379	158,772	285,628	564,073	2,211,800
Unsecured debentures	350,000	400,000	550,000	550,000	500,000	400,000	2,750,000
Lease commitments	3,841	3,551	3,272	3,219	3,080	21,288	38,251
Total	$ 1,027,539	$ 889,282	$ 960,651	$ 711,991	$ 1,341,708	$ 985,361	$ 5,916,532
Active committed developments (i)	326,330	256,242	114,398	—	—	—	696,972
Total	$ 1,353,869	$ 1,145,524	$ 1,075,049	$ 711,991	$ 1,341,708	$ 985,361	$ 6,613,504

(i) Represents estimated development costs spending to complete properties under active development only when all major planning issues have been resolved, anchor tenant(s) for the commercial components has/have been secured, and/or construction is about to commence or has commenced. The costs of additional projects will be added to this schedule once a project becomes committed.

The Trust's contractual debt obligations and projected development expenditures can be funded by net proceeds from the sale of non-core and secondary market assets (including, but not limited to, sale of excess land and potential air rights), existing cash on hand, our revolving unsecured operating line of credit, proceeds from mortgage refinancing and proceeds from the issuance of unsecured debentures or issuance of equity units. In addition, RioCan has undrawn construction facilities to fund future construction commitments as it pertains to certain development projects and our unencumbered asset pool of $8.0 billion as at December 31, 2018 can also allow us to support additional financing, if needed.

RioCan, as a mutual fund trust, expects to make monthly distributions to unitholders with the cash generated from ongoing operating activities. Our unitholder dividend reinvestment plan ("DRIP") allows us to conserve liquidity by issuing additional units, as opposed to paying cash distributions. Although RioCan suspended its DRIP effective November 1, 2017, RioCan can elect to reinstate the DRIP in the future, should we decide that it is beneficial to do so. During the prior year comparative year ended December 31, 2017, the Trust issued 1.0 million units pursuant to our DRIP resulting in $25.3 million savings in cash outlay, representing a participation rate of 5.5%. Refer to the *Distributions to Unitholders* section of this MD&A for further discussion.

Base Shelf Short Form Prospectus

During the third quarter, the Trust renewed its Base Shelf Short Form Prospectus which provides for the issuance of up to $3.0 billion in debt securities, trust units and preferred units up to April 3, 2020.

Unencumbered Assets

The fair value of the unencumbered investment property assets as at December 31, 2018 is estimated at approximately $8.0 billion for 153 properties or 61.2% of the total fair value of investment properties as compared to 187 properties with a fair value of $7.7 billion as at December 31, 2017. This has resulted in approximately 59.1% of the Trust's annualized NOI being generated by unencumbered assets (December 31, 2017 - 56.7%), providing RioCan with access to a pool of assets for obtaining additional secured debt.

The table below presents RioCan's investment properties at fair value that are available to finance and/or refinance mortgages maturing in 2019, 2020 and thereafter:

(thousands of dollars) As at December 31, 2018	Number of Properties	Investment Properties	Total contractual mortgages payable 2019	2020	Thereafter
Unencumbered assets (i)	153	**$ 7,966,491**	$ —	$ —	$ —
Encumbered assets with mortgages maturing in 2019	17	**964,303**	310,217	—	—
Encumbered assets with mortgages maturing in 2020	18	**1,338,879**	—	485,731	—
Encumbered assets with mortgages maturing thereafter	45	**2,933,975**	—	—	1,415,852
Total	233	**$ 13,203,648**	$ 310,217	$ 485,731	$ 1,415,852

(i) Substantially all of the Trust's unencumbered assets are income producing properties and 100% owned.

Considering the availability of our revolving operating line of credit, unencumbered asset pool, relatively low leverage, investment grade credit ratings 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 in 2019 to meet our maturing debt obligations in 2019, although we will sell assets as part of our acceleration of major markets focus strategy.

The table below presents RioCan's unencumbered assets and unsecured debt:

	IFRS		RioCan's proportionate share	
(thousands of dollars) As at	**December 31, 2018**	December 31, 2017	**December 31, 2018**	December 31, 2017
Unencumbered assets	**$ 7,966,491**	$ 7,663,381	**$ 7,970,296**	$ 7,666,992
Unsecured debt:				
Debentures	**$ 2,750,000**	$ 2,700,000	**$ 2,750,000**	$ 2,700,000
Amounts drawn on revolving unsecured operating line of credit	**353,000**	390,000	**353,000**	390,000
Amounts drawn on non-revolving unsecured credit facilities	**350,000**	300,000	**350,000**	300,000
Total unsecured debt outstanding	**$ 3,453,000**	$ 3,390,000	**$ 3,453,000**	$ 3,390,000
Unsecured debt to total debt	**58.7%**	57.1%	**57.6%**	56.1%
Unencumbered assets to unsecured debt	**231%**	226%	**231%**	226%
NOI generated from unencumbered assets (i)	**59.1%**	56.7%	**59.1%**	56.7%

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

Guarantees

As at December 31, 2018, the maximum exposure to loss resulting from the Trust's mortgage guarantees, on behalf of certain of our co-owners' interests and mortgages assumed by purchasers on property dispositions, is $309.2 million, with expiries between 2019 and 2023 (December 31, 2017 - $385.0 million). The maximum exposure to credit risk relating to a guarantee is the maximum risk of loss if there was a total default, without consideration of recoveries under recourse provisions against the aforementioned parties or the properties secured.

As at and for the year ended December 31, 2018, there have been no defaults by the primary obligors for debts on which we have provided guarantees and no provision for expected losses on these guarantees has been recognized in our 2018 Annual Consolidated Financial Statements.

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

(thousands of dollars) As at	**December 31, 2018**	December 31, 2017
Partners and co-owners		
HBC (RioCan-HBC JV)	**$ 43,523**	$ 122,467
KingSett	**—**	60,368
Bayfield	**63,230**	63,230
Metropia and Bazis	**119,454**	72,834
Trinity	**10,306**	22,614
Other	**14,678**	7,410
	$ 251,191	$ 348,923
Assumption of mortgages by purchasers on property dispositions	**58,029**	36,103
	$ 309,220	$ 385,026

Hedging Activities

Interest Rate Risk

As at December 31, 2018, the outstanding notional amount of floating-to-fixed interest rate swaps was $764.4 million (December 31, 2017 – $662.1 million) and the term to maturity of these agreements ranges from April 2020 to November 2028. We assess the effectiveness of the hedging relationship on a quarterly basis and have determined there is no ineffectiveness in the hedging of interest rate exposures as at December 31, 2018. Refer to notes 26 and 36 of the 2018 Annual Consolidated Financial Statements for further details and subsequent event on financing activity.

Foreign Currency 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. As a result of the Trust's disposal of its U.S. property portfolio in 2016 and the associated repayment of U.S. denominated debt, RioCan has significantly reduced its foreign exchange risk. Refer to note 4 for details on RioCan's discontinued U.S. operations. Refer to note 26 of the 2018 Annual Consolidated Financial Statements for further details.

Cross Currency Interest Rate Swaps

On occasion, we will fund our Canadian assets by electing to draw on our operating credit facility in U.S. dollars bearing interest at U.S. LIBOR when it is determined that it is economically advantageous to do so. As at December 31, 2018, the Trust has no cross currency interest rate swaps outstanding.

Trust Units

As at December 31, 2018, there are 305.1 million common trust units outstanding, including exchangeable limited partnership units. 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 quarter and year ended December 31, 2018 and 2017, we issued common units as follows:

	Three months ended December 31		Year ended December 31	
(number of units in thousands)	**2018**	2017	**2018**	2017
Units outstanding, beginning of period (i)	**307,314**	327,470	**323,734**	326,615
Units issued:				
Distribution reinvestment plan	**—**	186	**—**	1,003
Unit based compensation exercises	**178**	—	**268**	10
Direct purchase plan	**6**	8	**21**	36
Exchangeable limited partnership units	**—**	—	**31**	—
Units repurchased and cancelled	**(2,401)**	(3,930)	**(18,957)**	(3,930)
Units outstanding, end of period (i)	**305,097**	323,734	**305,097**	323,734

(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, 2018 – 481,769 LP units, December 31, 2017 – 1,030,342 LP units). During the year ended December 31, 2018, 30,827 additional exchangeable limited partnership units were issued pursuant to earn-out provisions of previously completed acquisitions. The Trust also issued 579,400 RioCan units pursuant to the exercise of exchangeable limited partnership units in connection with previous acquisitions, followed by an equivalent reduction in the number of outstanding exchangeable limited partnership units which are included as part of the total Units outstanding. 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.

As of February 11, 2019, there are 304.6 million common units issued and 7.9 million unit options issued and outstanding under the Trust's incentive unit option plan.

Distribution Reinvestment Plan ("DRIP")

Effective November 1, 2017 RioCan suspended its DRIP and unitholders that were enrolled in the DRIP receive cash distributions commencing with any distribution declared in November 2017. During the prior year comparative three months ended December 31, 2017, the Trust issued 0.2 million units resulting in $4.6 million in equity capital, representing a participation rate of 4.0%.

During the prior year comparative year ended December 31, 2017, the Trust issued 1.0 million units pursuant to our DRIP resulting in $25.3 million in equity capital, representing a participation rate of 5.5%.

Senior Executive Restricted Equity Plan (Senior Executive REU Plan)

As at December 31, 2018, 121,352 Senior Executive REUs are unvested and outstanding (December 31, 2017 - 78,258). The Senior Executive REU Plan was introduced in 2017 and provides for the allotment of REUs to the Chief Executive Officer (CEO), Chief Operating Officer & Senior Vice President Investments & Residential, and Senior Vice President & Chief Financial Officer of the Trust, and such other officers or executive employees of the Trust that are determined by the CEO and approved by RioCan's Human Resources and Compensation Committee. Each REU notionally represents the value of one unit of the Trust on the date of grant. Unit distributions paid during the period from grant date until settlement date will be credited to each REU participant in the form of additional REUs.

The number of REUs granted shall vest one-third on each of the first, second and third anniversary of the grant date, provided however that all vested REUs are only eligible for settlement upon the third anniversary of the grant date (the Settlement Date). Settlement of vested REUs is generally made within 30 days after the Settlement Date by the delivery of an equivalent number of common trust units purchased on the secondary market, net of applicable withholding taxes.

On February 26, 2018, the Trust granted 50,694 REUs under its Senior Executive REU Plan. The grant date price was $24.00 per unit based on the five-day volume weighted average market price of RioCan's common trust units traded on the TSX prior to the grant date, resulting in an aggregate fair value of $1.2 million.

Employee Restricted Equity Plan (Employee REU Plan)

As at December 31, 2018, 189,618 Employee REUs are unvested and outstanding (December 31, 2017 - 141,472). The Employee REU Plan was introduced in 2017 and provides for the allotment of REUs to certain senior level employees of the Trust that do not participate in the Senior Executive REU Plan. Each REU notionally represents the value of one unit of the Trust on the date of grant. Unit distributions paid during the period from grant date until settlement date will be credited to each REU participant in the form of additional REUs.

The number of REUs granted shall vest fully on the third anniversary of the grant date (the Settlement Date), including distribution equivalents that have accumulated during the vesting period. Settlement of vested REUs is generally made within 30 days after the Settlement Date by way by the delivery of an equivalent number of common trust units purchased on the secondary market, net of applicable withholding taxes.

On February 26, 2018, the Trust granted 86,131 REUs under its Employee REU Plan. The grant date price was $24.00 per unit based on the five-day volume weighted average market price of RioCan's common trust units traded on the TSX prior the grant date, resulting in an aggregate fair value of $2.0 million.

Performance Equity Unit Plan (PEU Plan)

As at December 31, 2018, 443,821 PEUs are unvested and outstanding (December 31, 2017 - 404,676). PEUs issued contain a multiplier factor and the final number of PEUs that will vest will range from 0% to 200% of the initial number awarded based on certain performance targets of each grant year. The PEUs outstanding will be paid out based on achievement of specific performance conditions in 2018, 2019 and 2020. Unit distributions paid during the period from grant date until settlement date will be credited to each PEU participant in the form of additional PEUs.

Effective January 1, 2017, the Trust, after receiving unitholder feedback, implemented several changes to its executive pay program including a modification made to the comparator group for compensation benchmarking to include only peers that are domiciled in Canada, and stipulated that settlement on the vesting date will be effected via the delivery of an equivalent number of common trust units purchased on the secondary market, net of applicable withholding taxes. For 2017, RioCan adopted a single performance metric for its PEU Plan, which was relative total unitholder return (TUR) against a peer group of S&P/TSX Capped REIT companies with a market capitalization above $1.0 billion (excluding RioCan), plus First Capital Realty Inc. For 2018, RioCan adopted two performance metrics for its PEU Plan, being FFO per unit achievement and relative TUR against its peer group, a modification made upon further assessment by the Trust of its PEU Plan and taking into account further unitholder feedback.

During February 2018, the Trust granted 175,347 PEUs under its PEU Plan at a fair value of $22.68 per unit resulting in an aggregate fair value of $4.0 million on grant date. PEUs will fully vest in February 2021.

Incentive Unit Option Plan

As part of comprehensive changes to its executive compensation program, the Trust enhanced the design of its long-term incentive program through its commitment to reduce the frequency of option grants, with no option grants made in 2017 and replacing that portion of the overall long-term incentive compensation in 2017 with grants of REU Plans and the PEU Plan as described above. The unit option program was not cancelled altogether to permit the Board to grant options at some future date as it determines in the best interest of the Trust. During February 2018, the Trust granted 0.7 million unit options to certain members of senior management (December 31, 2017 - nil).

As at December 31, 2018, 11.8 million unit options remain available for grant under the Plan (December 31, 2017 – 12.1 million unit options).

Trustee Deferred Unit Plan (DU Plan)

The Deferred Unit Plan was introduced in 2014 for non-employee Trustees of the Trust (Trustees). Trustees 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. Trustees 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. The maximum number of units reserved for issuance under the Deferred Unit Plan at any time is 750,000.

As at December 31, 2018, there are 272,269 DUs issued and outstanding (December 31, 2017 - 226,714). During the year ended December 31, 2018, 30,384 units were exercised.

Normal Course Issuer Bid

On October 10, 2017, RioCan announced the TSX approval of its notice of intention to make a normal course issuer bid (NCIB) for a portion of its common trust units. On October 16, 2018, RioCan received TSX approval of its notice of intention to renew its NCIB, to acquire up to a maximum of 30,579,868 of its units, or approximately 10% of its outstanding units as at September 30, 2018, for cancellation over the next 12 months, effective October 22, 2018.

The number of units that can be purchased pursuant to the renewed NCIB is subject to a current daily maximum of 178,116 units (which is equal to 25% of 712,465, being the average daily trading volume from April 1, 2018 to September 30, 2018, excluding RioCan's purchases on the TSX under its former NCIB), 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 primarily out of net proceeds from its asset dispositions, available cash and undrawn credit facilities.

During the year ended December 31, 2018, the Trust acquired and cancelled 19.0 million units at a weighted average price of $24.35 per unit, for a total cost of $461.8 million. See note 15 in RioCan's 2018 Annual Consolidated Financial Statements for further details.

During the three months ended December 31, 2018, the Trust acquired and cancelled 2,401,108 units at a weighted average price of $24.68 per unit, for a total cost of $59.3 million.

To date, RioCan has purchased and cancelled 22,886,878 units at a weighted average purchase price of $24.51 per unit at a total cost of $561.2 million since the renewal.

Preferred Units

On June 30, 2017, the Trust exercised its option to redeem all 5.98 million outstanding Series C preferred trust units at the cash redemption price of $25.00 per Series C unit, for a total redemption price of $149.5 million paid on June 30, 2017. Unit issue costs totalling $4.7 million were recorded as a charge to retained earnings upon redemption. The Trust currently has no preferred units issued and outstanding.

Distributions to Unitholders

RioCan qualifies as a mutual fund trust and a "real estate investment trust" ("REIT Exemption") 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. From time to time, RioCan may retain some taxable income and net capital gains, when appropriate, in order to utilize the capital gains refund available to mutual fund trusts without incurring any income taxes. Accordingly, no provision for current income taxes payable is required, except for amounts incurred in our incorporated Canadian subsidiaries.

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 for the REIT Exemption for Canadian income tax purposes, certain distributions ("taxable 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. Any remaining distributions, other than taxable distributions, would generally continue to be treated as returns of capital to unitholders.

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.

As announced on December 1, 2017, the Trust increased its annual distribution to unitholders by $0.03 per unit or 2.1% to $1.44 per unit effective January 1, 2018. Our monthly distribution during 2018 was $0.12 per unit.

Distributions to unitholders are as follows:

	Three months ended December 31		Year ended December 31	
(thousands of dollars, except when otherwise noted)	**2018**	2017	**2018**	2017
Distributions declared to unitholders	**$ 110,100**	$ 114,734	**$ 450,743**	$ 460,627
Distributions reinvested through the distribution reinvestment plan	**—**	(4,554)	**—**	(25,273)
Distributions to common unitholders, net of distribution reinvestment plan	**$ 110,100**	$ 110,180	**$ 450,743**	$ 435,354
Distribution reinvestment plan participation rate	**—%**	4.0%	**—%**	5.5%

As announced on October 2, 2017, RioCan suspended its DRIP effective November 1, 2017. Unitholders that are enrolled in the DRIP will receive the future distributions in cash commencing with any distribution declared in November 2017. If RioCan elects to reinstate the DRIP in the future, unitholders that were enrolled in the DRIP at the time of its suspension and remain enrolled at the time of its reinstatement will automatically resume participation in the DRIP.

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:

	Three months ended December 31		Year ended December 31	
(thousands of dollars)	**2018**	2017	**2018**	2017
Cash flows provided by operating activities	**$ 128,325**	$ 159,155	**$ 404,005**	$ 354,028
Add / (deduct) the (increase) / decrease in non-cash working capital items	**(10,655)**	(27,213)	**79,468**	170,691
Cash flows provided by operating activities, excluding non-cash working capital items	**117,670**	131,942	**483,473**	524,719
Less: Distributions declared to unitholders	**(110,100)**	(114,734)	**(450,743)**	(460,627)
Excess	**7,570**	17,208	**32,730**	64,092
Add: Distributions reinvested through the distribution reinvestment plan	**—**	4,554	**—**	25,273
Excess, net of distribution reinvestment plan	**$ 7,570**	$ 21,762	**$ 32,730**	$ 89,365

For year ended December 31, 2018, cash flows provided by operating activities, excluding non-cash working capital items, were higher than distributions declared to unitholders during the year by $32.7 million. Accordingly, we expect to maintain adequate cash flows to fund future unitholder distributions.

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 and residential inventory, impact of future acquisitions and dispositions, capital expenditures and leasing expenditures related to our 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 income in accordance with IFRS as the basis to establish the level of unitholders' distributions as net income includes, 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, capital expenditures for the property portfolio, preferred unitholder distributions (if any) and proceeds on the sale of marketable securities.

QUARTERLY RESULTS AND TREND ANALYSIS

(millions of dollars, except per unit amounts)	2018				2017			
As at and for the quarter ended (i)	**Q4**	**Q3**	**Q2**	**Q1**	Q4	Q3	Q2	Q1
Revenue	**$ 301**	**$ 279**	**$ 278**	**$ 290**	$ 293	$ 287	$ 286	$ 290
Net income attributable to unitholders	**149**	**130**	**111**	**137**	210	185	156	165
Net income from continuing operations attributable to unitholders	**150**	**129**	**111**	**137**	210	180	155	163
NOI (v)	**174**	**177**	**174**	**179**	184	183	180	176
FFO (v)	**138**	**147**	**145**	**149**	144	151	147	143
ACFO (v)	**135**	**128**	**140**	**124**	186	149	135	118
Total assets	**14,004**	**14,146**	**14,250**	**14,433**	14,377	14,376	14,275	14,273
Total debt (ii)	**5,874**	**6,019**	**6,019**	**6,097**	5,932	5,950	5,904	5,801
Common unitholder distributions	**110**	**112**	**113**	**115**	115	115	115	115
DRIP participation rate	**—%**	**—%**	**—%**	**—%**	4.0%	6.1%	5.6%	6.3%
Weighted average common units outstanding – diluted (in thousands)	**306,295**	**311,687**	**316,329**	**321,988**	326,155	327,438	327,201	326,956
Per unit basis (diluted)								
Net income attributable to unitholders from continuing operations	**$ 0.49**	**$ 0.41**	**$ 0.35**	**$ 0.43**	$ 0.64	$ 0.55	$ 0.47	$ 0.50
Net income attributable to unitholders	**$ 0.49**	**$ 0.41**	**$ 0.35**	**$ 0.43**	$ 0.64	$ 0.56	$ 0.47	$ 0.50
FFO (v)	**$ 0.45**	**$ 0.47**	**$ 0.46**	**$ 0.46**	$ 0.44	$ 0.46	$ 0.45	$ 0.44
Common unitholder distributions	**$ 0.36**	**$ 0.36**	**$ 0.36**	**$ 0.36**	$ 0.35	$ 0.35	$ 0.35	$ 0.35
Net book value per unit (iii)	**$ 25.13**	**$ 25.02**	**$ 24.96**	**$ 24.94**	$ 24.85	$ 24.54	$ 24.35	$ 24.25
Closing market price per common unit	**$ 23.80**	**$ 24.68**	**$ 24.15**	**$ 23.64**	$ 24.36	$ 23.93	$ 24.07	$ 26.20
Key Performance Indicator Ratios								
Same Property NOI growth % (v)	**2.1%**	**1.6%**	**2.1%**	**2.6%**	2.9%	2.4%	1.9%	1.5%
FFO payout ratio (v)	**77.9%**	**78.0%**	**78.0%**	**78.0%**	78.8%	80.5%	82.0%	83.9%
ACFO payout ratio (v)	**85.7%**	**79.0%**	**76.7%**	**77.5%**	78.3%	87.9%	91.1%	95.9%
Debt to total assets	**41.6%**	**42.0%**	**42.0%**	**42.0%**	41.0%	41.1%	41.2%	40.5%
Debt to total assets (RioCan's proportionate share) (v)	**42.1%**	**42.4%**	**42.4%**	**42.4%**	41.4%	41.5%	41.5%	40.8%
Interest coverage (RioCan's proportionate share) (v)	**3.63**	**3.72**	**3.78**	**3.85**	3.84	3.78	3.74	3.54
Debt to Adjusted EBITDA (RioCan's proportionate share) (v)	**7.88**	**7.79**	**7.74**	**7.63**	7.57	7.63	7.51	7.90
Weighted average contractual interest rate	**3.51%**	**3.46%**	**3.42%**	**3.39%**	3.37%	3.42%	3.40%	3.44%
Unencumbered assets to unsecured debt (v)	**231%**	**217%**	**221%**	**220%**	226%	229%	231%	236%
% NOI generated from unencumbered assets (v)	**59.1%**	**56.6%**	**58.3%**	**58.4%**	56.7%	53.4%	52.6%	52.9%
Other								
Number of employees	**597**	**627**	**637**	**645**	650	666	659	673
Residency of unitholders (iv)								
– Canadian	**67.1%**	**65.7%**	**64.7%**	**68.6%**	68.6%	69.0%	69.2%	69.9%
– Non-resident	**32.9%**	**34.3%**	**35.3%**	**31.4%**	31.4%	31.0%	30.8%	30.1%

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

(ii) Total debt is defined as the sum of mortgages payable, lines of credit and other bank loans, mortgages on properties held for sale and debentures payable.

(iii) 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.

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

(v) For definitions and basis of presentation of RioCan's non-GAAP measures, refer to the *Presentation of Financial Information and Non-GAAP Measures* section of this MD&A.

Our revenue and operating results are not materially impacted by seasonal factors. However, macroeconomic and market trends, as described under the *Outlook* section of this MD&A, do have an influence on the demand for space, occupancy levels and, consequently, our revenue and operating performance.

As more fully described in notes 3 and 37 to the 2018 Annual Consolidated Financial Statements, effective January 1, 2018, the Trust adopted IFRS 9 without restatement of prior periods. As a result, effective January 1, 2018 all realized and unrealized fair value gains (losses) on marketable securities are recorded in net income whereas previously, unrealized fair value gains (losses) were recorded in OCI and reclassified to net income only on derecognition or if there was evidence of a permanent decline in fair value. Net income attributable to unitholders and net income from continuing operations attributable to unitholders are impacted by the adoption of IFRS 9. FFO and Adjusted EBITDA exclude any impact of adopting IFRS 9 on marketable securities as more fully described in the *Non-GAAP Measures* section of this MD&A.

On October 2, 2017, the Trust announced its plan to accelerate its portfolio focus in Canada's six major markets through the sale of approximately 100 properties located primarily in secondary markets across Canada over the next two to three years. Refer to the *Strategy* section of this MD&A for further details.

In addition to the impact of IFRS 9 and property dispositions to accelerate the Trust's portfolio focus in Canada's six major markets, overall quarterly fluctuations in our revenue and operating results are also attributable to occupancy and same property growth, acquisitions and other dispositions, the sale of marketable securities, Target backfill progress, and so on.

Revenue improved in Q4 2017 relative to Q3 2017 due to the timing of common area maintenance and realty tax recoveries, higher percentage rent and an increase in lease cancellation fees. Revenue in Q1 2018 declined marginally from Q4 2017 as properties were sold in Q4 2017 and Q1 2018 pursuant to the strategic disposition program. Revenue declined further from Q1 2018 to Q2 2018 as the Trust executed on its strategic disposition program. Revenue in Q3 2018 increased marginally from Q2 2018 despite the Trusts strategic disposition program due to higher property and asset management fees, higher percentage rent, straight line rent, and lease termination fees. Revenue in Q4 2018 increased from Q3 2018 primarily from residential inventory sales revenue. The above factors for quarterly revenue variations also affect the quarterly variations in net income, NOI and FFO. ACFO, (with the exception of straight line rent) is also impacted by these factors.

The increase in net income from Q2 2017 to Q4 2017 was related to higher fair market value gains on investment properties and higher gains on the sale of marketable securities. Net income decreased from Q4 2017 to Q1 2018 primarily as a result of lower fair market gains on investment properties and unrealized items relating to marketable securities upon adoption of IFRS 9, partially offset by lower general and administrative expenses mainly due to accelerated depreciation and amortization of certain management information systems in Q4 2017. Net income decreased from Q1 2018 to Q2 2018 as a result of fair market adjustments on investment properties and lower revenues as noted above. In addition, the Trust incurred higher general and administration expenses mainly from severance and mark to market adjustment to unit-based compensation expense. Net income increased from Q2 2018 to Q3 2018 mainly as a result of fair market adjustments on investment properties, higher operating income and lower severance costs. Net income increased from Q3 2018 to Q4 2018 mainly as a result of fair market gains on investment properties, partially offset by severance costs and unrealized fair value losses on marketable securities.

FFO over the same periods were relatively stable as compared to net income as fair value gains and losses are excluded from FFO. The increase in Q2 2017 FFO compared to Q1 2017 was mainly due to strong property operations. The increase in Q3 2017 FFO compared to Q2 2017 was mainly due to higher gains on sale of marketable securities and strong same property growth. The decrease in Q4 2017 FFO compared to Q3 2017 was mainly due to lower gains on sale of marketable securities, accelerated depreciation and amortization costs of certain management information systems and a one-time fair value adjustment to a loan receivable, partially offset by higher operating income and lower interest. The increase in Q1 2018 FFO from Q4 2017 was mainly due to an increase in realized gains in marketable securities, strong same property NOI growth, and much lower general and administrative expenses due to accelerated depreciation of certain management information systems, donation and consulting costs timing in Q4 2017, partially offset by lost NOI from property dispositions (net of acquisitions). The decrease in Q2 2018 FFO from Q1 2018, was primarily due to higher volume of property dispositions as the Trust continued to execute on acceleration of its major market focus, as well as higher severance costs. The modest increase in Q3 2018 from Q2 2018 was primarily due to higher operating income and lower severance costs. The decrease in Q4 2018 FFO from Q3 2018, is primarily due to lower realized gains on the sale of marketable securities, higher severance costs, and continued dispositions of assets.

Quarterly changes in ACFO were driven by similar factors as for FFO, except for the quarterly net working capital changes included in ACFO. The increase in ACFO from Q1 2017 to Q2 2017 was primarily due to inclusion of $0.9 million net working capital decrease in ACFO in Q2 2017, as opposed to working capital decrease of $11.3 million in Q1 2017, and strong same property operations. The increase in ACFO from Q3 2017 to Q4 2017 was primarily due to a one-time $29.2 million special distribution from equity accounted investments in Q4 2017 and inclusion of $22.9 million net working capital increase in ACFO in Q4 2017, as opposed to working capital increase of $13.9 million in Q3 2017, as well as strong same property growth. The decrease in ACFO from Q4 2017 to Q2 2018 was similarly due to a one-time $29.2 million special distribution from equity accounted investments in Q4 2017 and inclusion of $6.3 million net working capital increase in ACFO in Q2 2018, as opposed to working capital increase of $20.3 million in Q4 2017. Q3 2018 ACFO decreased when compared to Q2 2018 mainly due to working capital changes, a $6.3 million increase in Q2 2018 compared to a $5.4 million decrease in Q3 2018. Q4 ACFO increased when compared to Q3 2018 mainly due to working capital increases of $11.7 million, partially offset by lower gains on the sale of marketable securities and higher severance costs.

Aggregate debt levels and overall leverage increased by approximately 0.7% in Q2 2017 when compared to Q1 2017 which was mainly attributable to payment of income taxes relating to the sale of U.S. taxes in Q1 2017 and redemption of the Series C preferred trust units in Q2 2017. The overall trend of improvement in interest coverage and Debt to Adjusted EBITDA from Q1 2017 to Q4 2017 was primarily due to the interest savings from our mortgage refinancing, higher gains on sale of marketable securities, and strong property operations. Debt to Adjusted EBITDA increased in Q1 2018 from Q4 2017 as a result of higher average debt balances partially offset by an increase in Adjusted EBITDA. The increase in Debt to Adjusted EBITDA from Q2 2018 to Q4 2018 was a result of the combination of a decline in the twelve month trending Adjusted EBITDA due to dispositions and the growth in average debt due to NCIB and disposition timing. Interest coverage declined in Q2 2018 to Q4 2018, primarily

from lower Adjusted EBITDA as the Trust continued to execute on its strategic disposition program despite strong same property NOI growth.

Unencumbered assets to unsecured debt ratio declined modestly during Q1 2017 to Q3 2018, but remains well ahead of our 200% target. This was mainly as a result of an increase in our unsecured debt outpacing the increase in our unencumbered assets on a relative percentage basis. This trend was reversed in Q4 2018 and the ratio was back to Q2 2017 level as the Trust increased its unencumbered asset pool without increasing its unsecured debt during the quarter.

The FFO and ACFO payout ratio has decreased since Q1 2017 due to growth in FFO and ACFO from same property NOI growth, development completions and realized gains from the sale of marketable securities despite substantial dispositions completed over the period, as well as a decrease in total distributions to unitholders as a result of lower number of units outstanding because of the Trust's NCIB program. The large 9.6% decrease in ACFO payout ratio from Q3 2017 to Q4 2017 was mostly due to a one-time $29.2 million special distribution from equity accounted investments in Q4 2017 and higher working capital increases as noted above. The increase in ACFO payout ratio from Q3 2018 to Q4 2018 was mainly because of a one-time special distribution of $29.2 million received during Q4 2017 was no longer included in the payout ratio calculation for Q4 2018 given that the ratio was calculated on twelve months trailing basis. Excluding the $29.2 million one-time special distribution in Q4 2017, the ACFO payout ratio would have been 83.2% for Q3 2018 and 82.4% for Q4 2017.

Unaudited Consolidated Statements of Income

(In thousands of Canadian dollars, except per unit amounts)

Three months ended December 31	**2018**	2017
Revenue		
Rental revenue	**$ 274,775**	$ 289,403
Residential inventory sales	**22,264**	—
Property management and other service fees	**3,967**	3,823
	301,006	293,226
Operating costs		
Rental operating costs		
Recoverable under tenant leases	**95,970**	100,110
Non-recoverable costs	**4,460**	5,353
Residential inventory cost of sales	**20,882**	—
	121,312	105,463
Operating income	**179,694**	187,763
Other income		
Interest income	**2,861**	1,950
Income from equity-accounted investments	**5,848**	3,782
Fair value gain on investment properties, net	**29,230**	71,013
Investment and other income (loss)	**(3,020)**	11,979
	34,919	88,724
Other expenses		
Interest costs	**42,441**	42,389
General and administrative	**14,683**	18,123
Internal leasing costs	**2,862**	3,265
Transaction and other costs	**5,208**	4,295
	65,194	68,072
Income before income taxes	**149,419**	208,415
Deferred income tax recovery	**(540)**	(1,320)
Net income from continuing operations	**$ 149,959**	$ 209,735
Net loss from discontinued operations	**(794)**	(62)
Net income	**$ 149,165**	$ 209,673
Net income attributable to		
Unitholders	**$ 149,165**	$ 209,673
	$ 149,165	$ 209,673
Net income per unit - basic:		
From continuing operations	**$ 0.49**	$ 0.64
From discontinued operations	**—**	—
Net income per unit - basic	**$ 0.49**	$ 0.64
Net income per unit - diluted:		
From continuing operations	**$ 0.49**	$ 0.64
From discontinued operations	**—**	—
Net income per unit - diluted	**$ 0.49**	$ 0.64
Weighted average number of units (in thousands):		
Basic	**306,225**	326,040
Diluted	**306,295**	326,155

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

Our significant accounting policies are described in note 3 of RioCan's 2018 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.

Adoption of New Accounting Standards

Effective January 1, 2018, the Trust adopted IFRS 15, *Revenue from Contracts with Customers* (IFRS 15), IFRS 9, *Financial Instruments* (IFRS 9) and IAS 40, *Investment Property* (IAS 40), IFRS 2, *Share-Based Payments* (IFRS 2) and IFRIC 23, *Uncertainty over Income Tax Treatment* (IFRIC 23) as issued by the International Accounting Standards Board (IASB). As a result, significant accounting policies, estimates and judgments most affected by the adoption of the new pronouncements have been updated as indicated in note 3 and 37 of the 2018 Annual Consolidated Financial Statements and further described below.

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

The Trust adopted IFRS 15 on its effective date of January 1, 2018 using the modified retrospective basis. IFRS 15 replaces IAS 18, *Revenue* and establishes a five-step model to account for 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 standard requires entities to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with customers. The standard also specifies the accounting for the incremental costs obtaining a contract and the costs directly related to fulfilling a contract.

The Trust's assessment included a review of relevant contracts for the following key areas that are in scope of IFRS 15: common area maintenance recoveries, residential inventory sales, property and asset management fees and parking fees.

The Trust has concluded that there are no significant differences in revenue recognition for these revenue streams between the point of transfer of risks and rewards under IAS 18 and the point of transfer of control under IFRS 15. No transitional adjustment has been recorded as at January 1, 2018.

IFRS 9, Financial Instruments (IFRS 9)

Effective January 1, 2018, the Trust adopted IFRS 9 using the modified retrospective basis with no restatement of comparative periods. IFRS 9 replaces IAS 39, *Financial Instruments: Recognition and Measurement* (IAS 39) and all previous versions of IFRS 9. The standard introduces new requirements for: (i) classification and measurement of financial assets and financial liabilities, (ii) impairment of financial assets and (iii) hedge accounting.

Classification and measurement

Under IFRS 9, financial assets are classified and measured on the basis of both the business model in which the assets are managed and the contractual cash flow characteristics of the asset. Financial assets after initial recognition are classified and measured based on three categories: (i) amortized cost, (ii) fair value through other comprehensive income (FVOCI) with fair value gains or losses recycled to net income on de-recognition for loans and receivables only, or (iii) fair value through profit and loss (FVTPL). Financial liabilities are classified and measured on two categories: (i) amortized cost or (ii) FVTPL.

On transition, the Trust’s marketable securities, which were previously classified as available for sale (AFS) under IAS 39 were classified as FVTPL under IFRS 9 as the cash flows do not meet the solely payments of principal and interest (SPPI) test. As a result, cumulative unrealized fair value gains of $68.7 million previously recorded in accumulated other comprehensive income (AOCI) were reclassified to opening retained earnings as of December 31, 2017. Effective January 1, 2018 all realized and unrealized fair value gains (losses) on these marketable securities are recorded in investment and other income within net income whereas under IAS 39, unrealized fair value gains (losses) were recorded in other comprehensive income (OCI) until the asset was de-recognized or impaired, at which time the cumulative unrealized gains (losses) were recognized in investment and other income within net income.

In addition, on transition the Trust’s mortgages and loans receivable were assessed by reference to the underlying cash flows of the loans. Certain mortgages and loans receivable previously classified and measured at amortized cost were reclassified to FVTPL as the underlying cash flows did not represent solely payments of principal and interest and an accumulative fair value loss of $1.3 million was recognized in opening retained earnings as of January 1, 2018. Interest income and fair value gains (losses) on these mortgages and loans receivable recorded at FVTPL are included in interest income within net income.

The accounting for financial liabilities remained largely the same as under IAS 39.

Impairment of financial assets measured at amortized cost

IFRS 9 introduces a new single expected credit loss (ECL) impairment model for the Trust’s financial assets measured at amortized cost. The ECL model results in an allowance for credit losses being recorded on financial assets regardless of whether there has been an actual loss event. ECLs are based on the difference in cash flows the Trust expects to receive and the contractual cash flows due in accordance with the contract, discounted at the asset’s original effective interest rate, and are calculated using either a simplified or a general approach.

At each reporting date, each financial asset measured at amortized cost is assessed for impairment under the ECL model.

The adoption of the ECL model did not have a material impact on the Trust’s financial assets carried at amortized cost.

Hedging

IFRS 9 introduces a new hedge accounting model that expands the scope of hedged items and risks eligible for hedge accounting and aligns hedge accounting more closely with risk management. The new model no longer specifies quantitative measures for effectiveness testing and does not permit hedge de-designation.

The Trust applied hedge accounting under IFRS 9 prospectively. The Trust uses floating-for-fixed interest rate swaps to manage interest rate risk. At the date of the initial application, these existing hedging relationships were eligible to be treated as continuing hedging relationships. As such, the adoption of the hedge accounting requirements of IFRS 9 had no significant impact to the Trust's Annual Consolidated Financial Statements.

IAS 40, Investment Property (IAS 40)

In December 2016, the IASB issued a clarifying amendment to IAS 40. The amendment requires that an asset be transferred to or from investment property only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. These amendments were applied prospectively by RioCan on the effective date of January 1, 2018 as there was no change in classification to any of the Trust`s investment properties upon the adoption of the amendments. This amendment did not impact the Trust's consolidated financial statements upon adoption.

IFRS 2, Share-Based Payments (IFRS 2)

The IASB issued amendments to IFRS 2 that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The Trust's accounting policy for cash-settled share based payments is consistent with the approach clarified in the amendments. Therefore, these amendments do not have any impact on the Trust's consolidated financial statements.

Significant Accounting Estimates

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 consolidated 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. RioCan has recently involved third party appraisers in its valuation process. For the year ended December 31, 2018, RioCan had 31 properties including 7 land parcels (year ended December 31, 2017 - 35 properties including 11 land parcels) valued by experienced valuation professionals having the required qualifications in property appraisals. Going forward, our plan is to select a sample of investment properties (approximately six each quarter) on a rotational basis for external appraisal. Refer to the *Asset Profile* section of this MD&A for further discussion of fair values of investment property.
- Unit based compensation expense is measured at fair value and expensed over the option vesting period, calculated using the Black-Scholes Model for unit option valuation and the Monte-Carlo simulation pricing model for the performance equity unit plan. For the year ended December 31, 2018, we recorded unit-based compensation expense of $7.1 million (December 31, 2017 - $3.9 million).
- IFRS 9 Financial Instruments which was effective January 1, 2018 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 the classification of the financial instrument.

- At least annually, RioCan reports in its Annual Consolidated 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, 2018 is $5.0 billion. The Trust reported a $5.0 billion fair value relating to these mortgages and debentures payable in note 25 to the 2018 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 2018 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 2018 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. When 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 it 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 income.

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 consolidated financial statements for the year ended December 31, 2018, 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 16, Leases (IFRS 16)

In January 2016, the IASB issued IFRS 16. For lessees, the new standard brings most leases on-balance sheet 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 will be effective for the Trust's annual periods beginning on or after January 1, 2019.

The Trust has investment properties located on land which is leased. Under current IAS 17, *Leases* some of these leases are accounted for as operating lease and the related lease payments are expensed. It is expected that under the new lease standard, a right-of-use (ROU) asset and a lease obligation liability will be recorded along with the corresponding financing charges. The ROU asset will be accounted for as investment property, as these land leases meet the definition of investment property under IAS 40. Given the low dollar value of land leases, the gross-up on the consolidated balance sheet and impact on consolidated net income is not expected to be significant.

The Trust is the lessee of three land and building leases currently accounted for as investment properties under IAS 40 which it has subdivided and subleased to retail tenants (see note 5). Under IFRS 16, these are considered sublease arrangements, which are classified by reference to the ROU asset arising from the head lease, rather than by reference to the underlying asset under IAS 17. This will result in some tenant subleases to be reclassified to a finance lease on January 1, 2019. For tenant subleases classified as a finance lease, the subdivided portion of the investment property will be derecognized and a finance receivable recognized in its place. The lease cash payments will be allocated between interest income and principal reduction of the finance receivable. IFRS 16 is not expected to have a material impact on total assets, net income or total cash flows as prepared under IAS 17, however, there will be a reallocation amongst various respective components.

IASB Annual Improvements 2015-2017 Cycle (Issued in December 2017)

In December 2017, the IASB issued amendments to four standards IFRS 3, Business Combinations (IFRS 3), IFRS 11, Joint Arrangements (IFRS 11), IAS 12, Income Taxes (IAS 12), and IAS 23, Borrowing Costs (IAS 23). These amendments will be effective for annual periods beginning on or after January 1, 2019. The implementation of these standards is not expected to have a significant impact on the Trust.

IFRIC 23, Uncertainty over Income Tax Treatment (IFRIC 23)

In June 2017, the IASB issued amendments as a clarification to requirements under IAS 12, Income Taxes. IFRIC 23 clarifies the application of various recognition and measurement requirements when there is uncertainty over income tax treatments. This interpretation is effective for annual reporting periods beginning on or after January 1, 2019. The amendments are not expected to have any impact on the Trust's consolidated financial statements.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Disclosure Controls and Procedures (DCP)

The CEO and CFO of the Trust have designed or caused to be designed under their direct supervision the Trust's DCP to provide reasonable assurance that: i) material information relating to the Trust is made known to management by others, particularly during the period in which the annual and interim filings are being prepared; and (ii) information required to be disclosed by the Trust in its annual and interim fillings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time period specified in securities legislation. The CEO and CFO are assisted in this responsibility by a Disclosure Committee, which is composed of RioCan senior management. The Disclosure Committee has established disclosure controls and procedures so that it becomes aware of any material information affecting RioCan in order to evaluate and communicate this information to management of the Trust, including the CEO and CFO, as appropriate and determine the appropriateness and timing of any required disclosure. It was determined, as at December 31, 2018, RioCan's DCP were adequate and effective.

Internal Controls over Financial Reporting (ICFR)

RioCan has established adequate ICFR 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 ICFR as at December 31, 2018 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 at December 31, 2018, RioCan's ICFR were appropriately designed and were operating effectively based on the criteria established in the *Internal Control - Integrated Framework (2013)*.

There were no changes in the Trust's ICFR during the three and twelve months ended December 31, 2018 that have materially affected, or are reasonably likely to materially affect, the Trust's ICFR.

Inherent Limitations

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 and Monitoring

RioCan currently qualifies for the REIT Exemption 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 for the REIT Exemption, 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.

RioCan monitors its REIT Exemption status to ensure that we continue to qualify as a Canadian REIT. From time to time, the members of the Board of Trustees, Audit Committee and senior management are updated on RioCan's continued REIT Exemption qualification, including any significant legislation updates.

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". The impact of these proposed changes on our U.S. portfolio sale is that it 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 Service to determine whether the Trust can potentially benefit from the new tax legislation. There can be no assurance that we will benefit from any changes in the tax legislation related to FIRPTA.

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.

RioCan's related parties include the following persons and/or entities:

(a) associates, joint ventures, or entities which are controlled or significantly influenced by the Trust; and

(b) key management personnel including the Trustees and those persons having the authority and responsibility for planning, directing and controlling the activities of RioCan, directly or indirectly.

The Trust's key management personnel include each of the Trustees and the following individuals: Chief Executive Officer, Edward Sonshine; Chief Operating Officer and Senior Vice President Investments & Residential, Jonathan Gitlin; and Senior Vice President and Chief Financial Officer, Qi Tang (collectively, the Key Executives).

Remuneration of the Trust's Trustees and Key Executives during the year ended December 31, 2018 and 2017 is as follows:

	Three months ended December 31				Year ended December 31			
	Trustees		Key Executives		Trustees		Key Executives	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
Compensation and benefits	**$ 74**	$ 66	**$ 1,164**	$ 1,299	**$ 280**	$ 261	**$ 8,188**	$ 5,226
Unit-based payments	**(9)**	565	**800**	985	**1,663**	1,537	**4,551**	2,214
Post-employment benefit costs	**—**	—	**10**	8	**—**	—	**41**	36
	$ 65	$ 631	**$ 1,974**	$ 2,292	**$ 1,943**	$ 1,798	**$ 12,780**	$ 7,476

On June 18, 2018, the Trust announced the resignation of Raghunath Davloor, President and Chief Operating Officer, effective July 31, 2018. Effective August 1, 2018, Jonathan Gitlin assumed the role of Chief Operating Officer & Senior Vice President, Investments and Residential.

During February 2016, RioCan's Chief Executive Officer (CEO), Edward Sonshine, agreed to commit to remain CEO of the Trust until at least December 31, 2018 and has agreed to use his best efforts to provide the Trust with 12 month's notice if he is interested in resigning or retiring.

For further details on related party transactions, refer to note 32 of our 2018 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 creditworthiness of tenants, and various other factors.

On June 17, 2015, Unitholders authorized and approved amendments made to the Trust's Declaration of Trust to further align it with evolving governance best practices. The rights granted in the amended Declaration of Trust are granted as contractual rights afforded to Unitholders (rather than as statutory rights). Similar to other existing rights contained in the Declaration of Trust (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 CBCA. 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.

Ownership of Real Estate

Tenant Concentration

In the event a given tenant, or group of tenants, experience financial difficulty and is unable to fulfill its lease commitments, a given geographical area suffers an economic decline, or the changing consumer/retail trends result in less demand for rental space, 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 conduct credit assessments for new tenants when considered appropriate 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 commercial leases with base terms between five and ten years, and by negotiating longer term commercial 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, 2018, RioCan was in compliance with this restriction.

It is common practice for a major tenant, such as Canadian Tire or Loblaws/Shoppers Drug Mart, to lease space from other landlords similar to RioCan in addition to owning real estate either within a controlled publicly traded REIT or within its own operating entity. Past experience and industry practice has dictated that it is the strength of a location more than the ownership of the property that drives the business decisions of RioCan’s tenants. Despite this, there may be instances where a tenant may forgo the competitive advantage of RioCan’s property location in order to better utilize its own real estate. RioCan does not consider the collective impact of this risk to be significant.

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 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, 2018, RioCan had NLA, at its interest, of 36,481,000 square feet and a portfolio economic occupancy rate of 96.1%. Based on our current annualized portfolio weighted average gross rental revenue of approximately $30 per square foot including CAM and tax recoveries, for every fluctuation in occupancy by a differential of 1%, our operations would be impacted by approximately $11.1 million annually.

RioCan's aggregate net rent revenue for leases expiring over the next five years is $391 million based on current contractual rental rates, excluding CAM and tax recoveries. If the leases associated with these expiring net rents are renewed upon maturity at an aggregate net rental rate differential of 100 basis points, our net income would be impacted by approximately $3.9 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.

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.

Ontario Rent Control Legislation

On November 15, 2018 the Ontario government amended legislation governing rent control rules for newly purpose built rental developments. The amended legislation provides that rent control exemptions will apply to all units first occupied as a residential space after November 15, 2018. This is expected to encourage the supply of residential rental units in Ontario. However, there is no assurance that future governments will not reintroduce rent control measures. Any reintroduction of rent control legislation in the future could impact the Trust's certain mixed-use development projects' future NOI growth potential, and thus, there can be no assurance that all of our proposed residential projects as described herein would be undertaken, and if so, with what mix of residential and commercial development and at what costs. There could also be changes to the mix of condominium versus residential rental units or air rights sales for certain projects.

Development Risk

As discussed in the *Outlook* section of this MD&A under *Development Environment*, after many years of development and housing booms in Canada's major markets, there are a number of emerging factors that are affecting development risks that the Trust faces. Such factors include, but are not limited to, rising construction costs and development charges, shortage of experienced labour in certain construction related trades, uncertainties associated with Ontario's, and the transition to the LPAT, structure for municipal zoning approvals due to its unclear mandate at the current stage. The impact of these factors will be further assessed and observed in terms of broader market reactions. These factors could impact certain of the Trust's certain mixed-use development projects' future NOI growth potential, and profit margin or development yield potential. As a result, there can be no assurance that all of our proposed residential projects as described herein will be undertaken, and if so, with what mix of residential and commercial development, at what costs, and generating what profit margin or development yield. There could also be changes to the mix of condominium versus residential rental units or air rights sales for certain projects.

Residential Rental Business Risk

RioCan 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, housing supply and housing demand. As a landlord in its properties that include rental apartments, RioCan is subject to the risks inherent in the multi-unit residential rental business, including, but not limited to, fluctuations in occupancy levels, individual credit risk, heightened reputation risk, tenant privacy concerns, potential changes to rent control regulations, increases in operating costs including the costs of utilities and the imposition of new taxes or increased property taxes.

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.

As at December 31, 2018, RioCan’s total indebtedness had a 3.30 year weighted average term to maturity bearing interest at a weighted average contractual interest rate of 3.51% 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 increases in 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. As at December 31, 2018, 16.4% of our total debt was at floating interest rates on RioCan's proportionate basis.

From time to time, the Trust may enter into floating-for-fixed interest rate swaps as part of its strategy for managing interest rate risk. As at December 31, 2018, the carrying value of our floating rate debt, not subject to a hedging strategy, is $0.9 billion. A 50 basis point increase in market interest rates would result in a $4.6 million decrease in our net income.

Credit Ratings Risk

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.

Foreign Currency 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. As a result of the Trust’s disposal of its U.S. property portfolio in 2016 and the associated repayment of U.S. denominated debt, RioCan has significantly reduced its foreign exchange risk.

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.

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. 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.

Uninsured Losses

RioCan carries comprehensive general liability, environmental, fire, flood, extended coverage and rental loss insurance with policy specifications, limits and deductibles customarily carried for similar properties. There are, however, certain types of risks (including, but not limited to, environmental contamination or catastrophic events such as war or acts of terrorism) which are either uninsurable, in whole or in part, or not insurable on an economically viable basis. Should an uninsured or underinsured loss occur, the Trust could lose its investment in, and anticipated profits and cash flows from, one or more of its properties, and the Trust would continue to be obliged to repay any recourse mortgage indebtedness on such properties.

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 Chief Operating Officer, Jonathan Gitlin and our Senior Vice President and Chief Financial Officer, Qi Tang 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 personnel 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 for the REIT Exemption for income tax purposes. RioCan expects to distribute the Trust's taxable income to unitholders such that it will not be subject to tax. From time to time, RioCan may retain some taxable income and net capital gains in order to utilize the capital gains refund available to mutual fund trusts without incurring any income taxes. 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 was to cease to qualify as a mutual fund trust, or for the REIT Exemption 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 the REIT Exemption 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.

Cyber Security Risk

Cyber security has become an increasing area of focus as reliance on digital technologies to conduct business operations has grown significantly. Cyber attacks can include but are not limited to intrusions into operating systems, theft of personal or other sensitive data and/or cause disruptions to normal operations. Such cyber attacks could compromise the Trust's confidential information as well as that of the Trust's employees, tenants and third parties with whom the Trust interacts and may result in negative consequences, including remediation costs, loss of revenue, additional regulatory scrutiny, litigation and reputational damage.

As a result, the Trust has developed a cyber security risk management program focused across a spectrum of preventative protective and detective measures. These measures include, but are not limited to, security awareness programs with employees, regular vulnerability testing performed by both internal and by external parties, establishing and maintaining a robust disaster recovery program, implementation of a formal incident response program and enhancing email security. The Trust continues to evolve its security tactics and defenses in response to emerging threats. The Trust also follows certain protocols when it engages software vendors concerning data security and access control.

Climate Change Risks

RioCan is exposed to climate change risk from natural disasters and severe weather, such as floods, ice storms, and wild fires that may result in damage to our investment properties. Such damage may result in loss of NOI from an investment property becoming non-operational, increase in costs to recover/repair properties from a natural disaster and inclement weather, and increase in insurance costs to insure the property against natural disasters and severe weather events.

RioCan
AUDITED ANNUAL CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

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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 annual consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

The annual 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 consolidated 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, 2018, 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 auditor before such statements are approved by the Board of Trustees. Other key responsibilities of the Audit Committee include selecting RioCan's auditor, approving the consolidated financial statements and MD&A, and monitoring RioCan's existing systems of internal controls.

Ernst & Young LLP, the independent auditor appointed by the unitholders of RioCan upon the recommendation of the Board of Trustees, has examined our 2018 and 2017 annual consolidated financial statements and has expressed their opinion upon the completion of such examination in the following report to the unitholders. The auditor has full and free access to, and meets at least quarterly with, the Audit Committee to discuss their audits and related matters.

(signed) Edward Sonshine
Edward Sonshine, O.Ont., Q.C.
Chief Executive Officer

(signed) Qi Tang
Qi Tang
Senior Vice President and Chief Financial Officer

Toronto, Canada
February 11, 2019

INDEPENDENT AUDITOR'S REPORT

To the Unitholders of RioCan Real Estate Investment Trust

Opinion

We have audited the consolidated financial statements of RioCan Real Estate Investment Trust and its subsidiaries (the Trust), which comprise the consolidated balance sheets as at December 31, 2018 and 2017, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Trust as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Trust in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis
- The information, other than the consolidated financial statements and our auditor's report thereon, in the Annual Report

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

The Annual Report is expected to be made available to us after the date of the auditor's report. If based on the work we will perform on this other information, we conclude there is a material misstatement of other information, we are required to report that fact to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Trust or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Trust's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT (continued)

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Trust's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Trust to cease to continue as a going concern
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is John Langhorne, CPA, CA.

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
February 11, 2019

RIOCAN REAL ESTATE INVESTMENT TRUST
CONSOLIDATED BALANCE SHEETS

(In thousands of Canadian dollars)

As at	Note		**December 31, 2018**		December 31, 2017
Assets					
Investment properties	*5*	**$**	**13,009,421**	$	13,160,244
Deferred tax assets			**13,339**		11,929
Equity-accounted investments	*6*		**189,817**		176,256
Mortgages and loans receivable	*7*		**164,014**		145,873
Residential inventory	*8*		**206,123**		132,003
Assets held for sale	*4,5*		**194,227**		410,178
Receivables and other assets	*9*		**152,126**		269,870
Cash and cash equivalents			**74,698**		70,225
Total assets		**$**	**14,003,765**	$	14,376,578
Liabilities					
Debentures payable	*13*	**$**	**2,742,633**	$	2,694,619
Mortgages payable	*12*		**2,218,270**		2,300,247
Lines of credit and other bank loans	*11*		**913,130**		904,429
Liabilities associated with assets held for sale	*4,12*		**—**		32,670
Accounts payable and other liabilities	*14*		**463,342**		399,927
Total liabilities		**$**	**6,337,375**	$	6,331,892
Equity					
Unitholders' equity:					
Common	*15*		**7,666,390**		8,044,686
Total equity			**7,666,390**		8,044,686
Total liabilities and equity		**$**	**14,003,765**	$	14,376,578

The accompanying notes are an integral part of the consolidated financial statements.

Approved on behalf of the Board of Trustees

(signed) Siim A. Vanaselja
Siim A. Vanaselja
Chair of Audit Committee
Trustee

(signed) Edward Sonshine
Edward Sonshine, O. Ont., Q.C.
Chief Executive Officer
Trustee

RIOCAN REAL ESTATE INVESTMENT TRUST
CONSOLIDATED STATEMENTS OF INCOME

(In thousands of Canadian dollars, except per unit amounts)

Years ended December 31,	Note	**2018**	2017
Revenue			
Rental revenue	*18*	**$ 1,110,160**	$ 1,140,665
Residential inventory sales		**22,264**	—
Property management and other service fees	*18*	**15,418**	14,554
		1,147,842	1,155,219
Operating costs			
Rental operating costs			
Recoverable under tenant leases		**389,285**	399,580
Non-recoverable costs		**17,384**	18,270
Residential inventory cost of sales		**20,882**	—
		427,551	417,850
Operating income		**720,291**	737,369
Other income			
Interest income	*20*	**11,452**	7,586
Income from equity-accounted investments	*6*	**11,174**	15,719
Fair value gains on investment properties, net	*5*	**18,304**	136,942
Investment and other income	*19*	**20,316**	57,014
		61,246	217,261
Other expenses			
Interest costs	*21*	**168,299**	171,418
General and administrative	*22*	**55,999**	52,560
Internal leasing costs		**11,294**	10,882
Transaction and other costs	*23*	**20,023**	11,825
		255,615	246,685
Income before income taxes		**525,922**	707,945
Deferred income tax recovery		**(1,440)**	(320)
Net income from continuing operations		**$ 527,362**	$ 708,265
Net income from discontinued operations	*4*	**741**	7,021
Net income		**$ 528,103**	$ 715,286
Net income attributable to:			
Unitholders		**$ 528,103**	$ 715,286
		$ 528,103	$ 715,286
Net income per unit - basic:			
From continuing operations	*24*	**$ 1.68**	$ 2.16
From discontinued operations	*24*	**—**	0.02
Net income per unit - basic		**$ 1.68**	$ 2.18
Net income per unit - diluted:			
From continuing operations	*24*	**$ 1.68**	$ 2.16
From discontinued operations	*24*	**—**	0.02
Net income per unit - diluted		**$ 1.68**	$ 2.18
Weighted average number of units (in thousands):			
Basic	*24*	**313,936**	326,805
Diluted	*24*	**314,024**	326,929

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)

Years ended December 31,	Note		**2018**		2017
Net income		**$**	**528,103**	$	715,286
Other comprehensive (loss) income:					
Items that may be reclassified subsequently to income, net of tax:					
Interest rate swap agreements:					
Unrealized (loss) gain during the year	*15, 26*		**(7,796)**		12,901
Reclassified during the year to income	*26*		**2,099**		—
Unrealized (gain) on cross-currency interest rate swap agreements	*15*		**—**		(74)
Marketable securities:					
Unrealized gain during the year	*15, 37*		**—**		35,698
Reclassified during the year to income	*15, 37*		**—**		(45,981)
Other comprehensive (loss) from equity-accounted investments			**(149)**		—
Item that is not to be reclassified to income, net of tax:					
Actuarial gain (loss) on pension plan	*15*		**864**		(984)
Other comprehensive (loss) income, net of tax			**(4,982)**		1,560
Comprehensive income, net of tax		**$**	**523,121**	$	716,846
Comprehensive income, net of tax attributable to:					
Unitholders		**$**	**523,121**	$	716,846

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	Preferred equity	Common trust units	Contributed surplus	Retained earnings	Accumulated other comprehensive income	Total equity
Balance, December 31, 2016		$ 144,755	$ 4,788,520	$ 22,619	$ 2,986,177	$ 67,817	$ 8,009,888
Changes during the year:							
Net income		—	—	—	715,286	—	715,286
Other comprehensive income	*15*	—	—	—	—	1,560	1,560
Unit-based compensation exercises	*15*	—	250	(10)	—	—	240
Units issued	*15*	—	26,171	—	—	—	26,171
Units purchased and cancelled	*15*	—	(57,870)	—	(41,705)	—	(99,575)
Unit-based compensation awards	*15*	—	—	4,757	—	—	4,757
Unit redemptions	*15*	(149,500)	—	—	—	—	(149,500)
Preferred trust unit issue costs		4,745	—	—	(4,745)	—	—
Distributions to unitholders	*17*	—	—	—	(464,141)	—	(464,141)
Balance, December 31, 2017		$ —	$ 4,757,071	$ 27,366	$ 3,190,872	$ 69,377	$ 8,044,686

	Note	Preferred equity	Common trust units	Contributed surplus	Retained earnings	Accumulated other comprehensive income	Total equity
Balance, December 31, 2017	*2*	$ —	$ 4,757,071	$ 27,366	$ 3,190,872	$ 69,377	$ 8,044,686
Adjustment on adoption of IFRS 9	*37*	—	—	—	67,371	(68,664)	(1,293)
Balance, January 1, 2018	*37*	$ —	$ 4,757,071	$ 27,366	$ 3,258,243	$ 713	$ 8,043,393
Changes during the year:							
Net income		**—**	**—**	**—**	**528,103**	**—**	**528,103**
Other comprehensive loss	*15*	**—**	**—**	**—**	**—**	**(4,982)**	**(4,982)**
Unit-based compensation exercises	*15*	**—**	**5,105**	**(743)**	**—**	**—**	**4,362**
Units issued	*15*	**—**	**1,245**	**—**	**—**	**—**	**1,245**
Units purchased and cancelled	*15*	**—**	**(278,594)**	**—**	**(183,220)**	**—**	**(461,814)**
Unit-based compensation awards	*15*	**—**	**—**	**6,826**	**—**	**—**	**6,826**
Distributions to unitholders	*17*	**—**	**—**	**—**	**(450,743)**	**—**	**(450,743)**
Balance, December 31, 2018		**$ —**	**$ 4,484,827**	**$ 33,449**	**$ 3,152,383**	**$ (4,269)**	**$ 7,666,390**

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)

Years ended December 31,	Note	2018	2017
Operating activities			
Net income from:			
Continuing operations		**$ 527,362**	$ 708,265
Discontinued operations	*4*	**741**	7,021
Net income		**528,103**	715,286
Items not affecting cash:			
Depreciation and amortization	*22*	**4,575**	9,865
Amortization of straight-line rent	*18*	**(8,563)**	(7,806)
Unit-based compensation expense	*15*	**6,826**	4,757
Income from equity-accounted investments	*6*	**(11,174)**	(15,719)
Fair value gains on investment properties, net	*5*	**(18,304)**	(136,942)
Deferred income tax recovery		**(1,440)**	(320)
Fair value gains on marketable securities	*19, 37*	**(16,472)**	—
Fair value loss on loans receivable		**—**	2,550
Transaction gains, net on disposition of:			
Realized gain on marketable securities	*19, 37*	**—**	(45,981)
Canadian investment properties		**(78)**	(971)
Adjustments for changes in other working capital items	*31*	**(79,468)**	(170,691)
Cash provided by operating activities		**404,005**	354,028
Investing activities			
Acquisitions of investment properties		**(63,181)**	(46,137)
Construction expenditures on properties under development		**(362,359)**	(312,237)
Capital expenditures on income properties:			
Recoverable and non-recoverable costs		**(25,541)**	(33,683)
Tenant improvements and external leasing commissions		**(34,032)**	(35,500)
Proceeds from sale of investment properties		**917,573**	381,579
Earn-outs on investment properties		**(930)**	(1,567)
Contributions to equity-accounted investments	*6*	**(11,533)**	(18,475)
Distributions received from equity-accounted investments	*6*	**9,180**	44,415
Advances of mortgages and loans receivable		**(45,964)**	(60,396)
Repayments of mortgages and loans receivable		**20,091**	14,221
Investment in bonds, net of maturities		**(2,880)**	—
Proceeds from sale of marketable securities, net of selling costs	*19*	**142,812**	153,696
Cash provided by investing activities		**543,236**	85,916
Financing activities			
Proceeds from mortgage financing, net of issue costs		**496,860**	334,875
Repayments of mortgage principal		**(586,511)**	(719,719)
Advances from bank credit lines, net of issue costs		**371,650**	563,198
Repayment of bank credit lines		**(363,140)**	(362,265)
Proceeds from issuance of debentures, net of issue costs	*13*	**298,323**	596,948
Repayment of unsecured debentures	*13*	**(250,000)**	(150,000)
Distributions to common trust unitholders, net of distributions reinvested	*30*	**(452,170)**	(435,671)
Distributions to preferred trust unitholders	*17*	**—**	(3,514)
Units repurchased under normal course issuer bid		**(461,814)**	(99,575)
Proceeds received from issuance of common units, net		**4,034**	1,138
Redemption of preferred units		**—**	(149,500)
Cash used in financing activities		**(942,768)**	(424,085)
Net change in cash and cash equivalents		**4,473**	15,859
Cash and cash equivalents, beginning of year		**70,225**	54,366
Cash and cash equivalents, end of year		**$ 74,698**	$ 70,225
Supplemental cash flow information	*30*		

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, 2018 AND 2017

To facilitate a better understanding of RioCan Real Estate Investment Trust's consolidated financial statements, significant accounting policies and related disclosures, a listing of all the notes is provided below:

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1. GENERAL INFORMATION

RioCan Real Estate Investment Trust and its consolidated subsidiaries (collectively, the Trust or RioCan) own, develop and operate one of Canada's largest portfolio of retail, increasingly mixed-use properties. 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 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) are listed on the Toronto Stock Exchange (TSX) under the ticker symbol REI.UN.

These consolidated financial statements of the Trust for the years ended December 31, 2018 and 2017 were authorized for issue by the Board of Trustees on February 11, 2019.

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

(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).

All dollar amounts discussed herein are in thousands of Canadian dollars, unless otherwise stated.

(b) Basis of presentation

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. RioCan considers this presentation to be more relevant than a classified balance sheet as the Trust considers its operating cycle to be longer than one year. The notes to the consolidated financial statements distinguish between current and non-current assets and liabilities. Current assets and liabilities are those expected to be recovered or settled within one year from the reporting period, and non-current assets and liabilities are those where the recovery or settlement is expected to be greater than a year from the reporting period. The accounting policies set out below have been applied consistently in all material respects, except with respect to the adoption of IFRS 15, *Revenue from Contracts with Customers* and IFRS 9, *Financial Instruments*, which have been applied on a modified retrospective basis without restatement of comparatives. Any IFRS standards issued but not yet effective up to the date of issuance of these consolidated financial statements are described in note 3(x). Certain comparative amounts have been reclassified to conform to the current year's presentation.

(c) 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 income attributable to non-controlling interests is separately disclosed in the Trust's consolidated statements of income.

(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, of other comprehensive income (OCI) 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 income and consolidated statements of comprehensive income.

(d) 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 income 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 income 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 income.

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.

(e) 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 income 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, but are not limited to, capitalization rates, stabilized net operating income, leasing costs, vacancy rates, and costs to complete, if applicable. The Trust examines the key assumptions at the end of each reporting period and updates these assumptions based on recent leasing activity and external data available at the time. A change to any of these inputs may 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.

The accounting policies set out below have been applied consistently in all material respects, except with respect to the adoption of IFRS 15, *Revenue from Contracts with Customers* and IFRS 9, *Financial Instruments*, which have been applied on a modified retrospective basis without restatement of comparatives. Refer to note 37 for the transitional impacts and significant accounting polices which apply to comparative information for 2017. Any IFRS not effective for the current accounting year are described in note 3(x).

(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 significant processes, 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 income. 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 income. 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 and/or building 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. Cost includes all amounts related to the acquisition (excluding transaction costs related to a business combination as outlined in note 3(a)) and improvements of the properties. All costs associated with upgrading and extending the economic life of the existing facilities other than ordinary repairs and maintenance are capitalized to investment property. Subsequent to initial recognition, income properties are recorded at fair value, in accordance with International Accounting Standard IAS 40, *Investment Property* (IAS 40). 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. Gains or losses arising from differences between current period fair value and the sum of previously measured fair value and capitalized costs as described above are recognized in net income in the period in which they arise.

(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 the unit of the property can operate in a manner intended by management, which may include that 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 income.

Investment properties are derecognized on disposal or when no future economic benefits are expected from their use or disposal.

(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 is recorded at the lower of cost, including pre-development expenditures and capitalized borrowing costs, and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated selling costs and estimated development costs to complete.

Residential inventory is reviewed for impairment at each reporting period date. An impairment loss is recognized in net income when the carrying value of the asset exceeds its net realizable value.

Transfers into residential inventory are based on a change in use evidenced by the commencement of development activities 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 and the inception of an operating lease to another party.

(e) Investment properties classified as held for sale

Investment property is classified as held for sale when it is expected that the carrying amount will be recovered principally through sale rather than from continuing use. To be classified as held for sale, the property must be available for immediate sale in its present condition, subject only to terms that are usual and customary for sales of such property, and its sale must be highly probable, generally within one year. Upon designation as held for sale, the investment property continues to be measured at fair value and is presented separately on the consolidated balance sheets.

(f) Revenue

The following is a description of the principal activities from which the Trust generates its revenues, including the nature of revenues, timing of satisfaction of performance obligations and significant payment terms.

The following specific recognition criteria must also be met before revenue is recognized:

(i) Rental revenue

The majority of the Trust's rental revenue is earned from its lease contracts with customers.

Base rent

The Trust classifies leases with its tenants as operating leases when it has not transferred substantially all of the benefits and risks of ownership of its investment properties. 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 contract where it is determined that the tenant fixturing has no benefit to RioCan beyond the existing tenancy.

Realty tax and insurance recoveries

Tenant reimbursements for real estate taxes and insurance incurred by the Trust relate specifically to the leased property and are considered to be unavoidable costs directly related to the leased asset. The Trust recognizes realty tax and insurance recoveries as they become due.

Straight-line rent

Certain lease contracts 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 contract, 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.

Common area maintenance (CAM) services

The Trust has obligations pursuant to its lease contracts with tenants to provide CAM services in exchange for CAM recoveries which are considered non-lease components. These CAM services are delivered to tenants during the period which the tenants occupy the premises and as such, CAM recoveries are recognized in revenue over time. The Trust receives variable consideration for the CAM recoveries to the extent of costs incurred and revenue is recognized on this basis as this is the best estimate of amounts earned over the period these services are performed. Revenue is constrained by actual costs incurred and any restrictions in the lease contracts. The Trust is obligated to continue to provide CAM services over the remainder of the lease contract term and will recognize revenue based on actual cost incurred to fulfill the CAM services.

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.

Parking revenue

Parking revenue are fees charged for short-term or transient use of a parking space. Revenue is recognized when the parking space is used and the fee is collected. Parking revenue pursuant to a lease is included in base rent.

(ii) Residential inventory

Revenue from contracts with customers for residential land sales, the sale of townhomes and residential condominium units is recognized at the point in time when control over the property has been transferred, which is generally when possession passes to the customer (i.e., the purchaser) since the customer then has the ability to direct the use and obtain substantially all of the benefits of the respective property. Revenue is measured at the transaction price agreed to under the contract.

Funds received from the customer prior to the customer taking possession are recognized as deferred revenue (a contract liability). Non-refundable sales commissions paid by the Trust prior to the customer taking possession are capitalized as contract assets and expensed when the residential inventory revenue is recognized.

Directly attributable selling and disposition costs are expensed as incurred.

(iii) Property management and other service fees

RioCan has interests in various investment properties through joint arrangements and investments in associates. The Trust provides property management services, construction and development services, finance arranging services and leasing services to co-owners, partners and third parties for which it earns market-based fees.

Fees for property management services, construction and development services are generally recognized as revenue over the period of performance of those services. Amounts are determined and revenue is recognized based on the agreed transaction price in each contract.

Finance arranging and leasing service fees are recognized as revenue in the period in which the service is received by the customer. Amounts are determined and revenue is recognized based on the agreed transaction price in each contract.

(g) Investment and other income and transaction and other costs

Transaction gains included in investment and other income, and transaction losses included in transaction and other costs on the consolidated statements of income, are recognized on the settlement date or on the settlement of post transaction adjustments and represent the excess proceeds of disposition relating to subsidiaries, investments or assets over their carrying values in the case of transaction 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.

(h) 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 the consolidated statements of income.

(i) Recognition and measurement of financial instruments

Financial assets include RioCan's contractual rents receivable, mortgages and loans receivable, cash and cash equivalents, funds held in trust, marketable securities and derivative contracts. Financial liabilities include RioCan's operating lines of credit, mortgages payable, debentures payable and accounts payable and certain other liabilities.

The Trust determines the classification of its financial assets and financial liabilities at initial recognition. The classification of financial instruments depends on the purpose for which they were acquired or incurred. Financial instruments are initially recorded at fair value and, in the case of financial assets or financial liabilities carried at amortized cost, adjusted for directly attributable transaction costs.

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.

Financial assets and financial liabilities are recognized when the Trust becomes party to the contractual provisions of the instrument. Financial assets are no longer recognized when the rights to receive cash flows from the assets have expired or are assigned and all the risks and rewards of ownership have been transferred to a third party. Financial liabilities are no longer recognized when the related obligation expires, or is discharged or cancelled.

The Trust's derivative instruments are recorded on the consolidated balance sheets at fair value. Changes in fair value of the derivative instruments are recognized in net income, except for derivatives that are designated as effective hedges. Changes in fair value for the effective portion of such hedging relationships is recognized in OCI. See note 3(l) for further discussion regarding hedge accounting policies.

Financial Instruments	Classification
Financial assets	
Cash and cash equivalents	Amortized cost
Marketable securities (i)	FVTPL
Receivables and other assets	Amortized cost
Mortgages and loans receivable	Amortized cost or FVTPL
Interest rate swap assets	FVTPL (ii)
Financial liabilities	
Debentures payable	Amortized cost
Mortgages payable	Amortized cost
Lines of credit and other bank loans	Amortized cost
Interest rate swap liabilities	FVTPL (ii)
Accounts payable and other liabilities	Amortized cost

(i) Included in receivables and other assets on the consolidated balance sheet.
(ii) Interest rate swaps are derivative financial instruments that are recorded at fair value on the consolidated balance sheet. The effective portion of the fair value gains (losses) are recorded in other comprehensive income as they are designated in an effective cash flow hedging relationship.

Financial assets

The Trust's financial assets are classified and measured on the basis of both the business model in which the assets are managed and the contractual cash flow characteristics of the asset. Financial assets subsequent to initial recognition are classified and measured based on three categories: (i) amortized cost, (ii) fair value through other comprehensive income (FVOCI) with fair value gains or losses recycled to net income on derecognition for loans and receivables only, or (iii) fair value through profit or loss (FVTPL).

(i) Financial assets at amortized cost

Financial assets are recorded at amortized cost when financial assets are held with the objective of collecting contractual cash flows and those cash flows represent solely payments of principal and interest (SPPI) and are not designated as FVTPL. These assets are measured at amortized cost subsequent to initial recognition 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. The amortized cost is reduced by impairment losses, if any. Interest income and impairment losses are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

(ii) Financial assets at FVOCI

These financial assets are measured at fair value subsequent to initial recognition.

For debt instruments held with the objective of collecting contractual cash flows and selling financial assets, interest income is calculated using the effective interest method and impairment are recognized in profit or loss. Other net fair value gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

For equity instruments not held for trading and where an election to present changes in the fair value subsequent to initial recognition of such instruments in other comprehensive income is made, dividends are recognized in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment. Other net fair value gains and losses are recognized in OCI and are never reclassified to profit or loss. Regular way transactions are recorded on a trade date basis.

The Trust does not have any financial assets classified as FVOCI.

(iii) Financial assets at FVTPL

These financial assets are neither held at amortized cost nor at FVOCI as they are managed and evaluated on a fair value basis. These financial assets are measured at fair value subsequent to initial recognition. Net gains and losses, including any interest or dividend income, are recognized in profit or loss unless they are derivative instruments designated in an effective hedging relationship.

Financial liabilities

Financial liabilities are initially measured at fair value and subsequent to initial recognition are classified and measured based on two categories: (i) amortized cost or (ii) FVTPL.

(i) Financial liabilities at amortized cost

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense is recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

(ii) Financial liabilities at FVTPL

A financial liability is classified as FVTPL if it is classified as held for trading, it is a derivative or designated as FVTPL on initial recognition. Financial liabilities at FVTPL are subsequently measured at fair value and net gains and losses, including any interest expenses, are recognized in profit or loss unless they are derivative instruments designated in an effective hedging relationship.

(j) Impairment of financial assets

At each reporting date, each financial asset measured at amortized cost is assessed for impairment under an expected credit loss (ECL) model. The Trust applies the simplified approach which uses lifetime ECLs for contractual rents receivable and the general approach for mortgages and loans receivable. Under the general approach, the ECL model requires the recognition of credit losses based on up to 12 months of expected losses for performing loans (Stage 1) and the recognition of lifetime expected losses on performing loans that have experienced a significant increase in credit risk since origination (Stage 2). Stage 3 requires the recognition of lifetime losses for all credit impaired assets. Mortgages and loans receivables are classified as impaired when there is objective evidence that the full carrying amount of the loan or mortgage receivable is not collectible.

The Trust uses an accounts receivable aging provision matrix to measure the ECL for contractual rents receivable and applies loss factors to aging categories greater than 60 days past due.

ECLs for the mortgages and loans receivable are based on the difference in cash flows the Trust expects to receive and the contractual cash flows due in accordance with the contract, discounted at the asset's original effective interest rate, and are calculated using the general approach. Any changes in impairment are recognized in net income. Once a mortgage or loan receivable is identified as impaired, the Trust continues to recognize interest income based on the original effective interest rate on the loan amount net of its related allowance. In the periods following the recognition of impairment, adjustments to the allowance for these loans reflecting the time value of money are recognized and presented as interest income.

Mortgages and loans receivable and contractual rents 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.

(k) 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. 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, this is generally equal to the guarantee fee received, 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 less amortization for the passage of time and (ii) the loss allowance measured using an ECL model.

(l) 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.

(m) Hedges

From time to time, the Trust may enter into interest rate swaps to hedge its interest rate risks. 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 Trust's purposes of hedge accounting, interest rate swap hedges are classified as cash flow hedges.

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, the hedge ratio 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 cash flows and are assessed on an ongoing basis to determine that there is a continuing economic relationship between the hedged item and hedging instrument.

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 relationship, the effective portion of the gain or loss on the hedging instrument is recognized in OCI and accumulated in the cash flow hedge reserve within equity. The ineffective portion is recognized in net income.

For continuing cash flow hedge arrangements, amounts accumulated in the cash flow hedge reserve are reclassified from the cash flow hedge reserve as a reclassification adjustment in the same periods during which the hedged future cash flow affects the consolidated statements of income. Hedge accounting ceases 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. Amounts accumulated in the cash flow hedge reserve at that time remain in equity if the forecasted transaction is still expected to occur and reclassified from OCI and into the consolidated statements of income in the period the forecasted transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in the cash flow hedge reserve is immediately reclassified from OCI to the consolidated statements of income.

(n) Comprehensive income

Comprehensive income comprises net income and OCI, which generally would include changes in the fair value of the effective portion of cash flow hedging instruments, actuarial gains and losses related to RioCan's defined benefit pension plans and other comprehensive income of equity-accounted investments. The Trust reports consolidated statements of comprehensive income comprising net income and OCI for the year. Prior to January 1, 2018, OCI also included unrealized gains and losses on financial assets classified as available for sale; however, upon transition to IFRS 9, the Trust did not have any financial assets designated as FVOCI.

(o) Income taxes

The Trust qualifies as a mutual fund trust and a “real estate investment trust” (“REIT Exemption”) 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. From time to time, RioCan may retain some taxable income and net capital gains in order to utilize the capital gains refund available to mutual fund trusts without incurring any income taxes. The Trust is therefore considered, in substance, tax exempt and does not account for income taxes, except for amounts incurred in its incorporated Canadian taxable subsidiaries that continue to be subject to income taxes. These taxable subsidiaries account for income taxes as follows:

(i) Current income taxes

Using tax rates enacted or substantively enacted at the reporting date, current tax is the expected current income taxes payable or receivable on the taxable income or loss for the year related to the incorporated Canadian taxable subsidiaries.

(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 for the incorporated Canadian taxable subsidiaries.

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 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.

(p) 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

(q) 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 to 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.

(r) Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term investments with original maturities from the date of acquisition for three months or less.

(s) 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 income, 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.

(t) Foreign currency translation

These consolidated financial statements are presented in Canadian dollars, which is the functional and presentation currency of the Trust.

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 income in general and administrative expenses.

(u) 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 income. The comparative consolidated statement of income is presented as if the operation had been discontinued from the start of the comparative year.

(v) 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. 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 non-callable investment grade fixed income securities), 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.

(w) Changes in accounting policy

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

The Trust adopted IFRS 15 on its effective date of January 1, 2018 using the modified retrospective basis. IFRS 15 replaces IAS 18, *Revenue* (IAS 18) and establishes a five-step model to account for 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 standard requires entities to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with customers. The standard also specifies the accounting for the incremental costs obtaining a contract and the costs directly related to fulfilling a contract.

The Trust's assessment included a review of relevant contracts for the following key areas that are in scope of IFRS 15: CAM recoveries, residential inventory sales, property management fees and parking fees.

The Trust has concluded that there are no significant differences in revenue recognition for these revenue streams between the point of transfer of risks and rewards under IAS 18 and the point of transfer of control under IFRS 15. No transitional adjustment has been recorded as at January 1, 2018. Additional disclosure on disaggregation of revenue is included in note 18. There were no differences in the amount of revenue recognized; refer to note 37, *Transition to IFRS 15 and 9* for accounting policies under IAS 18, which were applicable for prior periods.

IFRS 9, Financial Instruments (IFRS 9)

The Trust adopted IFRS 9 on its effective date of January 1, 2018 using the modified retrospective basis with no restatement of comparative periods. IFRS 9 replaces IAS 39, *Financial Instruments: Recognition and Measurement* (IAS 39) and all previous versions of IFRS 9. The standard introduces new requirements for: (i) classification and measurement of financial assets and financial liabilities, (ii) impairment of financial assets and (iii) hedge accounting. The impact to unitholders` equity as at January 1, 2018 was a decrease of $1,293 related to a change in classification of financial asset and remeasurement to fair value. Prior periods have not been restated. Refer to note 37, *Transition to IFRS 15 and 9*, for the impact on the opening consolidated balance sheet as at January 1, 2018 and for accounting policies under IAS 39, which were applicable in prior periods.

IAS 40, Investment Property (IAS 40)

In December 2016, the IASB issued a clarifying amendment to IAS 40. The amendment requires that an asset be transferred to or from investment property only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management’s intentions for the use of a property does not provide evidence of a change in use. These amendments were applied prospectively by RioCan on the effective date of January 1, 2018 as there was no change in classification to any of the Trust`s investment properties upon the adoption of the amendments. This amendment did not impact the Trust's consolidated financial statements upon adoption.

IFRS 2, Share-Based Payments (IFRS 2)

The IASB issued amendments to IFRS 2 that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The Trust's accounting policy for cash-settled share based payments is consistent with the approach clarified in the amendments. Therefore, these amendments do not have any impact on the Trust’s consolidated financial statements.

(x) 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 16, Leases (IFRS 16)

In January 2016, the IASB issued IFRS 16. For lessees, the new standard brings most leases on-balance sheet 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 will be effective for the Trust's annual periods beginning on or after January 1, 2019.

The Trust has investment properties located on land which is leased. Under current IAS 17, *Leases* some of these leases are accounted for as operating lease and the related lease payments are expensed. It is expected that under the new lease standard, a right-of-use (ROU) asset and a lease obligation liability will be recorded along with the corresponding financing charges. The ROU asset will be accounted for as investment property, as these land leases meet the definition of investment property under IAS 40. Given the low dollar value of land leases, the gross-up on the consolidated balance sheet and impact on consolidated net income is not expected to be significant.

The Trust is the lessee of three land and building leases currently accounted for as investment properties under IAS 40 which it has subdivided and subleased to retail tenants (see note 5). Under IFRS 16, these are considered sublease arrangements, which are classified by reference to the ROU asset arising from the head lease, rather than by reference to the underlying asset under IAS 17. This will result in some tenant subleases to be reclassified to a finance lease on January 1, 2019. For tenant subleases classified as a finance lease, the subdivided portion of the investment property will be derecognized and a finance receivable recognized in its place. The lease cash payments will be allocated between interest income and principal reduction of the finance receivable. IFRS 16 is not expected to have a material impact on total assets, net income or total cash flows as prepared under IAS 17, however, there will be a reallocation amongst various respective components.

IASB annual improvements 2015-2017 Cycle (Issued in December 2017)

In December 2017, the IASB issued amendments to four standards IFRS 3, *Business Combinations* (IFRS 3), IFRS 11, *Joint Arrangements* (IFRS 11), IAS 12, *Income Taxes* (IAS 12), and IAS 23, *Borrowing Costs* (IAS 23). These amendments will be effective for annual periods beginning on or after January 1, 2019. The implementation of these standards is not expected to have a significant impact on the Trust.

IFRIC 23, Uncertainty over Income Tax Treatment (IFRIC 23)

In June 2017, the IASB issued amendments as a clarification to requirements under IAS 12, Income Taxes. IFRIC 23 clarifies the application of various recognition and measurement requirements when there is uncertainty over income tax treatments. This interpretation is effective for annual reporting periods beginning on or after January 1, 2019. The amendments are not expected to have any impact on the Trust’s consolidated financial statements.

4. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Discontinued operations

On May 24, 2016, RioCan completed the sale of its U.S. portfolio of 49 retail properties located in the Northeastern U.S. and Texas at a total sale price of US$1.9 billion.

The results of the Trust's discontinued operations are as follows:

Years ended December 31,	2018	2017
Operating income	**$ —**	$ —
Other income	**2,141**	2,560
Other expenses		
General and administrative expenses (recoveries)	**57**	(1,041)
Transaction costs (recoveries)	**155**	(549)
	212	(1,590)
Income before income taxes	**1,929**	4,150
Income tax expense (recovery)		
Current	**1,188**	(2,871)
Net income from discontinued operations	**$ 741**	$ 7,021

Other income

For the year ended December 31, 2018, other income includes a partial reversal of provisions based on receivable collections related to RioCan's disposed U.S. property portfolio and the reversal of general and administrative expense accruals.

Income taxes

For the year ended December 31, 2018, RioCan's current income tax expense (recovery) includes the impact of foreign exchange translation.

Cash flows associated with discontinued operations

The net cash flows associated with discontinued operations are as follows:

Years ended December 31,	2018	2017
Net income from discontinued operations	**$ 741**	$ 7,021
Adjustments for non-cash items:		
Adjustments for net changes in operating assets and liabilities	**(2,170)**	(6,069)
Net operating cash flow activities	**(1,429)**	952
Net investing cash flow activities	**—**	—
Net financing cash flow activities	**—**	—
Net change in cash	**$ (1,429)**	$ 952

Properties held for sale

Presented below are details of the Trust's properties held for sale from continuing operations:

As at	December 31, 2018	December 31, 2017
Assets		
Income properties	**$ 145,850**	$ 371,299
Properties under development	**48,377**	38,879
Total assets held for sale	**$ 194,227**	$ 410,178
Liabilities		
Mortgages payable	**—**	32,670
Total liabilities held for sale	**$ —**	$ 32,670
Net assets	**$ 194,227**	$ 377,508

As at December 31, 2018, RioCan, pursuant to its plan to accelerate its portfolio focus in Canada’s six major markets through the sale of approximately 100 investment properties located primarily in secondary markets across Canada, has three income properties held for sale, with an aggregate carrying value of $145.9 million.

As at December 31, 2018, RioCan has four development properties held for sale with a carrying value of $48.4 million.

5. INVESTMENT PROPERTIES

As at		**December 31, 2018**		December 31, 2017
Income properties	**$**	**12,021,303**	$	12,075,939
Properties under development		**988,118**		1,084,305
	$	**13,009,421**	$	13,160,244

Year ended December 31, 2018		**Income properties**		**Properties under development**		**Total**
Balance, beginning of year	**$**	**12,447,238**	**$**	**1,123,184**	**$**	**13,570,422**
Acquisitions		**105,223**		**14,846**		**120,069**
Dispositions		**(974,895)**		**(19,448)**		**(994,343)**
Development expenditures		**—**		**410,791**		**410,791**
Capital expenditures:						
Recoverable and non-recoverable expenditures		**24,905**		**—**		**24,905**
Leasing commissions and tenant improvements		**44,173**		**—**		**44,173**
Transfers, net (i)		**484,557**		**(484,557)**		**—**
Transfers to residential inventory (ii)		**—**		**(5,014)**		**(5,014)**
Fair value gains (losses), net		**25,690**		**(7,386)**		**18,304**
Straight-line rent (iii)		**8,563**		**—**		**8,563**
Other changes		**1,699**		**—**		**1,699**
Earn-out consideration		**—**		**4,079**		**4,079**
Balance, end of year	**$**	**12,167,153**	**$**	**1,036,495**	**$**	**13,203,648**
Investment properties	**$**	**12,021,303**	**$**	**988,118**	**$**	**13,009,421**
Properties held for sale		**145,850**		**48,377**		**194,227**
	$	**12,167,153**	**$**	**1,036,495**	**$**	**13,203,648**

(i) During the year ended December 31, 2018, transfers to income properties from properties under development totalled $555.5 million reflecting completed developments. Transfers from income properties to properties under development totalled $70.9 million reflecting the commencement of active development on certain income properties during the period.

(ii) During the year ended December 31, 2018, the current fair market value of certain office units located on the 2nd and 3rd floors of the Yonge-Eglinton Northeast Corner development were transferred from investment property to inventory as they will not be leased to tenants as originally contemplated, but rather, are being marketed and sold as condominium units.

(iii) Included in investment properties is $107.7 million of net rents receivable arising from the recognition of rental revenue on a straight-line basis over the lease term (December 31, 2017 - $108.2 million).

Year ended December 31, 2017		Income properties		Properties under development		Total
Balance, beginning of year	$	12,432,060	$	915,508	$	13,347,568
Acquisitions		16,484		63,933		80,417
Dispositions		(294,820)		(88,127)		(382,947)
Development expenditures		—		324,596		324,596
Addition to properties held under a lease		9,232		—		9,232
Capital expenditures:						
Recoverable and non-recoverable expenditures		26,208		—		26,208
Leasing commissions and tenant improvements		31,446		—		31,446
Transfers, net (i)		107,598		(107,598)		—
Transfers to residential inventory (ii)		—		(16,174)		(16,174)
Fair value gains, net		109,505		27,437		136,942
Straight-line rent (iii)		7,806		—		7,806
Earn-out consideration		1,719		3,609		5,328
Balance, end of year	$	12,447,238	$	1,123,184	$	13,570,422
Investment properties	$	12,075,939	$	1,084,305	$	13,160,244
Properties held for sale		371,299		38,879		410,178
	$	12,447,238	$	1,123,184	$	13,570,422

(i) During the year ended December 31, 2017, transfers to income properties from properties under development totalled $220.1 million reflecting completed developments. Transfers from income properties to properties under development totalled $112.5 million reflecting the commencement of active development on certain income properties during the period.

(ii) During the year ended December 31, 2017, RioCan announced changing the residential rental component of the King Portland Centre to condominium units. In addition, the costs associated with the Windfield Farms residential development were transferred to residential inventory upon formation of the joint venture with Tribute to develop townhomes. As such, a portion of the fair value of these properties have been transferred to residential inventory.

(iii) Included in investment properties is $108.2 million of net rents receivable arising from the recognition of rental revenue on a straight-line basis over the lease term.

Acquisitions

The following table summarizes the Trust's acquisitions of properties:

	Income properties		Properties under development and Residential inventory	
As at December 31,	**2018**	2017	**2018**	2017
Properties acquired during the year:				
Investment properties	**$ 105,223**	$ 16,484	**$ 14,846**	$ 63,933
Residential inventory properties	**—**	—	**26,370**	36,870
Total consideration	**105,223**	16,484	**41,216**	100,803
Loan receivable payment	**—**	—	**—**	(28,467)
Debt assumed	**(36,063)**	(8,631)	**—**	(13,406)
Total consideration, net of related debt and loan receivable	**$ 69,160**	$ 7,853	**$ 41,216**	$ 58,930
Total consideration, net of related debt and loan receivable allocated to:				
Investment properties	**69,160**	7,853	**14,846**	39,280
Residential inventory properties	**—**	—	**26,370**	19,650
Total	**$ 69,160**	$ 7,853	**$ 41,216**	$ 58,930

Income properties acquisitions

During the three months ended September 30, 2018, RioCan acquired the remaining 20% interest in the Silver City property located in Gloucester, Ontario, for $9.6 million, including transaction costs, and assumed $6.9 million of associated debt. RioCan also acquired the remaining 40% interest in the RioCan Centre Belcourt property located in Ottawa, Ontario, for $26.6 million, including transaction costs, and assumed $16.8 million of associated debt.

During the three months ended June 30, 2018, RioCan acquired the remaining 25% interest in Herongate Mall in Ottawa, Ontario, for a purchase price of $13.4 million, including transaction costs. In connection with this acquisition, debt of $5.4 million was assumed. RioCan also acquired a 20% interest in Shoppers City East in Ottawa, Ontario, for a purchase price of $10.9 million including transaction costs, with no debt assumed. The Shoppers City East acquisition included both income property ($5.1 million) and property under development ($5.8 million).

During the three months ended March 31, 2018, RioCan acquired Thickson Centre in Whitby, Ontario, for a purchase price of $31.7 million, including transaction costs at a capitalization rate of 6.16% with no assumption of debt. The Trust also acquired the remaining one-third interest in Green Lane Centre in Newmarket, Ontario, for a purchase price of $18.9 million, including transaction costs at a capitalization rate of 5.65%, and assumed a mortgage with a fair value of $9.4 million, which included a mark-to-market adjustment of $2.5 million.

Properties under development acquisitions

During the three months ended June 30, 2018, RioCan acquired a 20% interest in Shoppers City East in Ottawa, Ontario, which included property under development valued at $5.8 million.

During the three months ended March 31, 2018, the Trust completed four development property acquisitions aggregating $35.5 million, including transaction costs at RioCan's interest. Three of these acquisitions represent land parcels pertaining to RioCan's Yorkville project development site, located in Toronto, Ontario, where the total acquisition price of $31.1 million, including transaction costs (at RioCan's 50% interest) was allocated $26.4 million to residential development inventory and $4.7 million to properties under development. Riocan and its partners are in the early stages of creating plans to redevelop the site, which has the potential for approximately half a million square feet of luxury condominiums, retail uses and up to 82 residential rental replacement units.

Also during the three months ended March 31, 2018, RioCan acquired the remaining 18.75% equity interest in development lands located in Vaughan, Ontario, at a purchase price of $4.4 million.

Purchase obligations

On July 5, 2017, RioCan entered into an agreement to purchase from its partners the remaining 50% interest in the rental residential tower of its landmark mixed-use, transit oriented project at the northeast corner of Yonge Street and Eglinton Avenue, also known as ePlace. The purchase price for the remaining interest in the rental residential tower is estimated to be in the range of $95 to $105 million upon closing, currently expected in the first half of 2019, subject to final costs incurred.

Also, the Trust has an agreement to acquire the remaining 50% interest in the retail component of ePlace, from its partners at a purchase price based on a 7.00% capitalization rate on the stabilized net operating income upon completion estimated in 2019.

The Trust has also agreed to purchase the partners' interest in the retail portion of the Yorkville project upon completion at a 6.00% capitalization rate.

On April 20, 2018, RioCan entered into an agreement to purchase from its partner the remaining one-third interest in RioCan Marketplace in Toronto, Ontario, for a purchase price of $18.3 million, including a $11.5 million assumption of debt. On December 14, 2018, the agreement was amended to extend the closing date, which is estimated to occur in the first quarter of 2020.

Dispositions

The following table summarizes the Trust's dispositions of investment property:

	Income properties		Properties under development	
As at December 31,	**2018**	2017	**2018**	2017
Total consideration	**$ 974,895**	$ 294,820	**$ 19,448**	$ 88,127
Mortgages associated with investment property dispositions	**(58,870)**	—	**—**	(1,024)
Vendor take-back mortgages receivable on dispositions	**(9,525)**	(2,500)	**—**	—
Total consideration, net of related debt	**$ 906,500**	$ 292,320	**$ 19,448**	$ 87,103

Income properties dispositions

For the year ended December 31, 2018, the Trust disposed of the following properties:

Property name and location	Date disposed	RioCan's sales proceeds (thousands of dollars)	Debt assumed by vendor (thousands)	Ownership interest disposed of by RioCan
Churchill Plaza, Sault Ste. Marie, ON	October 4, 2018	$ 15,550	$ —	100%
King Plaza, Oshawa, ON	October 4, 2018	14,050	—	100%
London Plaza, London, ON	November 15, 2018	4,000	—	100%
Aberdeen & Cecile, Hawkesbury, ON	November 19, 2018	1,100	—	100%
Six properties in PQ and ON (i)	November 23, 2018	107,600	—	100%
Bellfront Shopping Centre, Belleville, ON	November 27, 2018	14,735	—	100%
City View Plaza, Ottawa, ON (ii)	November 28, 2018	14,050	—	100%
Quispamsis Town Centre, Quispamsis, NB	December 14, 2018	12,526	—	100%
RioCan Niagara Falls, Niagara Falls, ON	December 19, 2018	11,800	—	100%
4055 Carling, Ottawa, ON	December 20, 2018	6,570	—	100%
West Ridge Place, Orillia, ON	December 20, 2018	15,850	—	100%
Total sales proceeds of dispositions for the three months ended December 31, 2018		**$ 217,831**	**$ —**	
Shoppers Drug Mart, Pembroke, ON Shoppers Drug Mart on Argyle, Caledonia, ON	July 25, 2018	$ 11,340	$ —	100%
506 & 510 Hespeler Rd, Cambridge, ON	July 30, 2018	7,625	—	100%
Mega Centre Rive-Sud, Levis, PQ	July 31, 2018	42,304	26,145	100%
735 Queenston Road, Hamilton, ON	August 2, 2018	3,000	—	100%
Hartsland Market Square, Guelph, ON	August 27, 2018	38,000	—	100%
Four properties in PQ (iii)	August 29, 2018	41,100	—	100%
RioCan Centre Victoria, Whitby, ON	September 20, 2018	7,992	—	50%
RioCan Centre London North, London, ON	September 27, 2018	42,000	—	100%
Five properties in London, ON (iv)	September 28, 2018	100,564	—	100%
Flamborough Power Centre, Hamilton, ON	September 28, 2018	18,468	—	100%
Total sales proceeds of dispositions for the three months ended September 30, 2018		**$ 312,393**	**$ 26,145**	
Four properties in ON and BC (v)	April 3 & 23, 2018	$ 216,214	$ —	100%
Six properties in ON (vi)	April 16, 2018	13,280	—	100%
King George Square, Belleville, ON Centre Carnaval, Trois Rivieres, PQ	May 8, 2018	27,400	—	100%
West Side Place, Port Colborne, ON	May 23, 2018	4,200	—	100%
Northumberland Square, Miramichi, NB	May 31, 2018	5,025	—	50%
Norwest Plaza, Kingston, ON	June 5, 2018	9,300	—	100%
Shoppers Drug Mart, Repentigny, PQ	June 21, 2018	6,250	—	100%
410 King Street North, Waterloo, ON	June 29, 2018	1,100	—	100%
Total sales proceeds of dispositions for the three months ended June 30, 2018		**$ 282,769**	**$ —**	
Collingwood Centre, Collingwood, ON GoodLife Plaza, St. Catharines, ON	February 21, 2018	$ 64,802	$ —	100%
Dilworth SC, Kelowna, BC (vii) Vernon Square, Vernon, BC	February 19, 2018	84,950	32,725	100%
Gates of Fergus, Fergus, ON	March 26, 2018	12,150	—	100%
Total sales proceeds of dispositions for the three months ended March 31, 2018		**$ 161,902**	**$ 32,725**	
Total sales proceeds of dispositions for the year ended December 31,2018		**$ 974,895**	**$ 58,870**	

(i) Includes six Walmart properties located in New Liskeard, ON; Belleville, ON; Trenton, ON; Leamington, ON; Saint-Hyacinthe, PQ; and Lachute, PQ.

(ii) RioCan provided a vendor take-back mortgage of $2.0 million related to this transaction.

(iii) Includes four properties: Centre Carnaval-Montreal, Montreal, PQ; Centre-Granby, Granby, PQ; Galeries Laurentides (retail), St-Antoine, PQ; and Levis Mall, Levis, PQ.

(iv) Includes five properties all located in London, ON: Commissioners Court Plaza; Adelaide Centre; Wharncliffe Centre; Oakridge Centre; and RioCan Centre London South.

(v) Includes four properties: RioCan Fairgrounds I&II in Orangeville, ON; Campus Estates in Guelph, ON; Cowichan Common in Duncan, BC; and Flamborough Walmart in Flamborough, ON.

(vi) Includes six properties in Ontario: 2 King Street West, Bowmanville; 297 King Street East, Kingston; 270 Dundas Street East, London; 81 King Street West, Hamilton; 200 Ouellette Avenue, Windsor; and 79 Durham Street, Sudbury.

(vii) RioCan provided a vendor take-back mortgage of $7.5 million related to this transaction.

Properties under development dispositions

During the three months ended December 31, 2018, the Trust sold one parcel of development land located in Calgary, Alberta, for sales proceeds of $11.6 million.

During the three months ended September 30, 2018, the Trust sold a parcel of excess land in Oshawa, Ontario, for sales proceeds of $7.8 million.

Properties held under a lease

Included in investment properties are four properties that are subject to operating leases with third parties. Two of the leases expire in 2029 and do not include buy-out options, whereas the third lease expires in 2020 and carries a buy-out option. The remaining operating lease expires in 2035 and has renewal terms.

In accordance with IFRS, the Trust has elected to recognize these operating leases as investment properties and record a related finance lease obligation. The carrying amount of these properties is $259.7 million (December 31, 2017 - $273.8 million) and the corresponding finance lease obligation is $20.1 million (December 31, 2017 - $21.5 million) and is included in accounts payable and other liabilities.

Future minimum lease payments under these operating leases are as follows:

	December 31, 2018	December 31, 2017
Within twelve months	**$ 2,532**	$ 2,532
Two to five years	**9,007**	9,342
Over five years	**15,309**	17,506
Total minimum lease payments	**$ 26,848**	$ 29,380
Less: Future interest costs	**6,784**	7,855
Present value of minimum lease payments	**$ 20,064**	$ 21,525

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 25 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

Internal valuations

RioCan measures the vast majority of its investment properties, including co-owned properties, using valuations prepared by its internal valuation team. 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 management. The internal valuation team's processes and results are reviewed and approved by the Valuations Committee on a quarterly basis, in line with the Trust's quarterly reporting dates.

The Trust's Valuations Committee is responsible for approving any fair value changes to the investment properties and consists of senior management of the Trust including the Chief Operating Officer & Senior Vice President, Investments & Residential; the Senior Vice President & Chief Financial Officer; and other executive members.

External valuations

Depending on the property asset type and location, management may opt to obtain independent third party valuations from firms that employ experienced valuation professionals having the required qualifications in property appraisals for purposes of adopting such appraised values in the case of land parcels or assessing the reasonableness of its internal investment property valuations. The internal valuation team also verifies all major inputs used by the external valuator in preparing the valuation report, assesses changes to fair value by comparing the current year fair value against the fair value determined in the prior year valuation report, and holds discussions with the external valuator.

During the year, the Trust obtained a total of 31 external property appraisals (including 7 vacant land parcels), which supported an IFRS fair value of approximately $2.1 billion or 16% of the Trust's investment property portfolio as at December 31, 2018. In 2019, the Trust intends to select approximately six income properties for external appraisal on a quarterly basis.

Valuation techniques

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). The significant unobservable inputs are based on:

- 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 then adjusted for non-recoverable capital expenditures as well as other costs, including leasing costs, inherent in achieving and maintaining SNOI.
- 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 and meet certain thresholds, the direct capitalization method is applied to capitalize the pro forma net operating income (NOI), stabilized with market allowances, from which the costs to complete the development are deducted. The significant unobservable inputs are based on:

- 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 capitalization rate - is based on the location and quality of the properties and takes into account market data at the valuation date.

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.

The table below summarizes the classification, valuation approach and inter-relationship between the Level 3 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, 2018, the weighted average capitalization rate for the Trust's investment properties and properties held for sale is 5.49% (December 31, 2017 - 5.56%).

Sensitivity analysis of changes in capitalization rates

The following table is a sensitivity analysis applied to the portion of the Trust's investment properties and properties held for sale carrying value that is measured using the direct capitalization approach and, therefore, is sensitive to changes in capitalization rates:

Capitalization rate sensitivity increase (decrease)	Weighted average capitalization rate	Fair value of properties	Fair value variance	% change	Ratio of total debt to total assets (net of cash and cash equivalents)
(1.00%)	4.49%	15,574,967	2,836,977	22.27 %	34.6%
(0.75%)	4.74%	14,753,502	2,015,512	15.82 %	36.4%
(0.50%)	4.99%	14,014,349	1,276,359	10.02 %	38.1%
(0.25%)	5.24%	13,345,725	607,735	4.77 %	39.9%
December 31, 2018	**5.49%**	**$ 12,737,990**	**$ —**	**— %**	**41.6%**
0.25%	5.74%	12,183,206	(554,784)	(4.36)%	43.4%
0.50%	5.99%	11,674,725	(1,063,265)	(8.35)%	45.1%
0.75%	6.24%	11,206,987	(1,531,003)	(12.02)%	46.8%
1.00%	6.49%	10,775,285	(1,962,705)	(15.41)%	48.5%

Sensitivity analysis of changes in stabilized net operating income (SNOI) and capitalization rates

In addition, a 1% increase in SNOI would result in a higher portfolio fair value of $127.4 million. A 1% decrease in SNOI would result in a lower portfolio fair value of $127.4 million. A 1% increase in SNOI coupled with a 0.25% decrease in capitalization rates would result in a higher portfolio fair value of $741.2 million. A 1% decrease in SNOI coupled with a 0.25% increase in capitalization rates would result in a lower portfolio fair value of $676.6 million.

6. EQUITY-ACCOUNTED INVESTMENTS

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:

Equity Investee	Principal activity	**December 31, 2018**	December 31, 2017
Dawson-Yonge LP	Owns and operates an income property	**40.0%**	40.0%
RioCan-HBC JV	Owns and operates income properties	**12.5%**	12.0%
WhiteCastle New Urban Fund, LP (WNUF 1)	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%**	20.0%
WhiteCastle New Urban Fund 4, LP (WNUF 4)		**18.4%**	18.4%

The following table shows the changes in the aggregate carrying value of RioCan's investment in associates and joint ventures for the year ended December 31, 2018:

Years ended December 31,	**2018**	2017
Balance, beginning of year	**$ 176,256**	$ 185,278
Contributions	**11,533**	18,475
Share of net income	**11,174**	15,719
Distributions	**(9,180)**	(44,415)
Other	**34**	1,199
Balance, end of year	**$ 189,817**	$ 176,256

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,	2018			2017		
	RioCan-HBC JV	Other	Total	RioCan-HBC JV	Other	Total
Current assets	**$ 4,621**	**$ 221,388**	**$ 226,009**	$ 10,045	$ 215,272	$ 225,317
Non-current assets	**2,028,739**	**23,427**	**2,052,166**	2,003,865	22,530	2,026,395
Current liabilities (i)	**362,726**	**20,163**	**382,889**	12,747	14,434	27,181
Non-current liabilities (ii)	**418,151**	**72,884**	**491,035**	782,892	58,419	841,311
Net assets	**$ 1,252,483**	**$ 151,768**	**$ 1,404,251**	$ 1,218,271	$ 164,949	$ 1,383,220
Equity-accounted investments	**$ 158,629**	**$ 31,188**	**$ 189,817**	$ 147,897	$ 28,359	$ 176,256

Years ended December 31,	2018			2017		
	RioCan-HBC JV	Other	Total	RioCan-HBC JV	Other	Total
Revenue	**$ 142,496**	**$ 3,424**	**$ 145,920**	$ 129,766	$ 47,293	$ 177,059
Operating expenses	**24,333**	**8,033**	**32,366**	11,387	6,906	18,293
Fair value gains (losses)	**5,249**	**1,267**	**6,516**	(3,722)	403	(3,319)
Interest expense	**31,101**	**436**	**31,537**	18,386	459	18,845
Net income (loss)	**$ 92,311**	**$ (3,778)**	**$ 88,533**	$ 96,271	$ 40,331	$ 136,602
Income (loss) from equity-accounted investments	**$ 11,357**	**$ (183)**	**$ 11,174**	$ 11,347	$ 4,372	$ 15,719

(i) As at December 31, 2018, total current liabilities includes $365.6 million of mortgages payable and term loans.
(ii) Includes mortgages payable and lines of credit with maturities beyond twelve months.

7. MORTGAGES AND LOANS RECEIVABLE

As at December 31,	2018	2017
Current	**$ 7,418**	$ 33,214
Non-current	**156,596**	112,659
Mortgages and loans receivable measured at amortized cost	**$ 164,014**	$ 145,873

As at December 31, 2018, mortgages and loans receivable bear interest at a weighted average effective and contractual rate of 6.4% per annum (December 31, 2017 - 5.4%) and mature between 2019 and 2023.

Future repayments of mortgages and loans receivables by year of maturity are as follows:

2019	$ 7,418
2020	45,663
2021	84,559
2022	7,525
2023	18,849
	$ 164,014

8. RESIDENTIAL INVENTORY

Residential inventory consists of assets that are developed by RioCan for sale in the ordinary course of business.

The following table shows the changes in the aggregate carrying value of RioCan's residential inventory:

Years ended December 31,	2018	2017
Balance, beginning of year	**$ 132,003**	$ 48,414
Acquisitions (i)	**26,370**	36,870
Dispositions	**(19,828)**	—
Development expenditures	**62,564**	30,545
Transfers from investment properties (ii)	**5,014**	16,174
Balance, end of year	**$ 206,123**	$ 132,003

(i) Represents the cost of properties acquired and located in the Yorkville area in Toronto, Ontario, with the intention of rezoning and developing a high-rise residential condominium building. Refer to note 5 for further details.

(ii) During the year ended December 31, 2018, the current fair market value of certain office units located on the 2nd and 3rd floors of the Yonge-Eglinton Northeast Corner development were transferred from investment property to inventory as they will not be leased to tenants as originally contemplated, but rather, are being marketed and sold as condominium units.

9. RECEIVABLES AND OTHER ASSETS

The following table details the Trust's receivables and other assets as at December 31, 2018 and December 31, 2017:

As at December 31,	**2018**			2017		
	Current	Non-current	Total	Current	Non-current	Total
Prepaid expenses and other assets	**$ 85,336**	**$ 7,278**	**$ 92,614**	$ 205,835	$ 14,975	$ 220,810
Net contractual rents receivable (i)	**17,043**	**—**	**17,043**	18,569	—	18,569
Amounts due on condominium final closings	**17,863**	**—**	**17,863**	—	—	—
Funds held in trust	**7,642**	**1,660**	**9,302**	—	11,858	11,858
Management information system	**—**	**11,016**	**11,016**	—	13,532	13,532
Interest rate swaps agreements	**—**	**4,288**	**4,288**	—	5,101	5,101
	$ 127,884	**$ 24,242**	**$ 152,126**	$ 224,404	$ 45,466	$ 269,870

(i) Includes common area maintenance, realty tax, and insurance recoveries.

Prepaid expenses and other assets

Prepaid expenses and other assets primarily include marketable securities, prepaid property taxes and 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, 2018, included in other assets are $4.2 million of non-refundable sales commissions the Trust has paid with respect to the sale of these condominium units (December 31, 2017 - $3.8 million), where it is probable that future economic benefits will flow to the Trust. No amount will be amortized and charged to net income until the revenue associated with the sale is recognized.

Selling commissions (Contract Costs)

The following table shows the change in selling commissions:

Years ended December 31,	**2018**
Balance, beginning of year	**$ 3,806**
Additions	**989**
Selling commissions expensed during the year	**(579)**
Balance, end of year	**$ 4,216**

During the year ended December 31, 2018, $1.0 million of additions in selling commissions related to condominium sales and $0.6 million of selling commissions were expensed as buyers took possession of their respective residential inventory units.

Contractual rents receivable

Contractual rents receivable are presented net of an allowance for doubtful accounts of $1.1 million as at December 31, 2018 (December 31, 2017 - $1.7 million). RioCan determines its allowance for doubtful accounts using the simplified lifetime ECL model for contractual rents receivable. The Trust uses an accounts receivable aging provision matrix to assess the ECL and applies loss factors to aging buckets greater than 60 days past due.

Funds held in trust

Funds held in trust include property-specific deposits held by the Trust's solicitors in the name of the Trust. These funds will be released upon funding the construction of the residential inventory projects or upon closing of such projects. Funds held in trust may also relate to certain funds held in escrow pursuant to agreements of purchase and sale, which are to be used for the acquisition of investment properties.

10. INCOME TAXES

The Trust qualifies for the REIT Exemption for Canadian income tax purposes; therefore, it will be entitled to deduct distributions for income tax purposes. The Trust expects to distribute its taxable income to unitholders such that it will not be subject to tax. From time to time, RioCan may retain some taxable income and net capital gains in order to utilize the capital gains refund available to mutual fund trusts without incurring any income taxes. Accordingly, no provision for Canadian current income taxes payable is required, except for amounts incurred in its incorporated Canadian subsidiaries.

Where an entity does not qualify for the REIT Exemption 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 generally 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, 2018, the Trust's Canadian corporate subsidiaries have recognized deferred income tax assets totalling $13.3 million (December 31, 2017 - $11.9 million) on deductible temporary differences related to intangible assets, deferred pension, deferred compensation and loss carryforwards that expire over the next 18 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.

11. LINES OF CREDIT AND OTHER BANK LOANS

The Trust's revolving unsecured operating line of credit and secured construction lines and other bank loans, net of deferred financing costs, are as follows:

As at December 31,		2018		2017
Revolving unsecured operating line of credit	**$**	**350,190**	$	387,093
Non-revolving unsecured credit facilities		**349,459**		299,360
Construction lines and other bank loans		**213,481**		217,976
	$	**913,130**	$	904,429
Current	**$**	**363,394**	$	127,523
Non-current		**549,736**		776,906
	$	**913,130**	$	904,429

Revolving unsecured operating line of credit

As at December 31, 2018, RioCan had cash advances outstanding of $353.0 million and $647.0 million in cash available to be drawn from this revolving operating credit facility. The weighted average contractual interest rate on amounts drawn under this facility was 3.41% (December 31, 2017 - 2.53%).

On May 4, 2018, the Trust exercised its option to extend the maturity date on its operating line of credit to May 31, 2023. All other terms and conditions remained the same.

Non-revolving unsecured credit facilities

The Trust has a $200 million non-revolving unsecured credit facility with two financial institutions (consisting of a Schedule I and a Schedule III bank), with a maturity date of January 31, 2023. The credit facility bears interest at a rate of Bankers' Acceptances plus 110 basis points per annum and is fully drawn as at December 31, 2018.

The Trust has a $150 million non-revolving unsecured credit facility with two financial institutions (consisting of a Schedule I and a Schedule III bank), with a maturity date of December 27, 2019. The credit facility bears interest at a rate of Bankers' Acceptances plus 100 basis points per annum and is fully drawn as at December 31, 2018.

The non-revolving unsecured credit facility agreements require the Trust to maintain certain financial covenants similar to those of RioCan's $1 billion revolving unsecured operating line of credit. Refer to note 27 for additional details.

Construction lines and other bank loans

In addition to the revolving unsecured operating line of credit and non-revolving unsecured credit facilities, the Trust has secured credit facilities and other bank loans, which include variable rate non-revolving secured construction facilities for the funding of certain development properties. As at December 31, 2018, these secured facilities and other bank loans have an aggregate maximum borrowing capacity of $311.4 million and mature in 2019, of which the Trust had drawn $213.5 million (December 31, 2017 - $218.0 million). The weighted average contractual interest rate on amounts outstanding is 3.36% (December 31, 2017 - 2.28%).

12. MORTGAGES PAYABLE

Mortgages payable, net of deferred financing costs, consist of the following:

As at December 31,		2018		2017
Mortgages payable	$	**2,218,270**	$	2,300,247
Mortgages on properties held for sale		**—**		32,670
	$	**2,218,270**	$	2,332,917
Current	$	**310,217**	$	578,851
Non-current		**1,908,053**		1,754,066
	$	**2,218,270**	$	2,332,917

Future repayments of mortgages payable by year of maturity are as follows:

Year	Weighted average contractual interest rate	Scheduled principal amortization	Principal maturities	Total repayments
2019	4.21%	$ 39,635	$ 270,582	$ 310,217
2020	3.67%	26,645	459,087	485,732
2021	4.25%	17,293	390,085	407,378
2022	3.25%	13,971	144,801	158,772
2023	3.48%	11,591	274,037	285,628
Thereafter	3.83%	11,989	552,084	564,073
	3.84%	$ 121,124	$ 2,090,676	$ 2,211,800
Unamortized differential between contractual and market interest rates on liabilities assumed at the acquisition of properties				10,115
Unamortized debt financing costs, net of premiums and discounts				(3,645)
				$ 2,218,270

During the year ended December 31, 2018, RioCan completed new term mortgage borrowings of $496.9 million at a weighted average interest rate of 3.68% and a weighted average term of 7 years. During the year ended December 31, 2018, repayments of mortgage balances and scheduled amortization amounted to $586.5 million.

Pledged properties

As at December 31, 2018, $5.4 billion of the aggregate carrying value of investment properties, properties held for sale, residential inventory and certain other assets serves as security for RioCan's mortgages payable (December 31, 2017 - $6.0 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 payable:

As at December 31,	2018 (i)	2017
Weighted average interest rates:		
Effective	**3.83%**	3.80%
Contractual	**3.84%**	3.81%

(i) Mortgages maturing between 2019 and 2034.

13. DEBENTURES PAYABLE

As at December 31,		**2018**		2017
Current	**$**	**350,000**	$	250,000
Non-current		**2,392,633**		2,444,619
	$	**2,742,633**	$	2,694,619

As at December 31, 2018, total debentures payable bear interest at weighted average contractual rates of 3.31% and weighted average effective rates of 3.40% (December 31, 2017 - 3.28% and 3.34%, respectively).

Issuance and redemption activity

On January 31, 2018, the Trust issued $300 million of Series AA senior unsecured debentures, which mature on September 29, 2023 and carry a coupon rate of 3.209%. The interest on these debentures is payable semi-annually commencing September 29, 2018. The debentures were sold at a price of $999.95 per $1,000 principal amount with an effective yield of 3.209% if held to maturity. Prior to maturity, the Series AA debentures can be redeemed in whole or in part at par on or after August 29, 2023.

On March 5, 2018, RioCan redeemed, in full, its $250 million 2.87% Series S senior unsecured debentures in accordance with its terms.

The Trust has the following series of senior unsecured debentures outstanding as at December 31 :

Series	Maturity date	Coupon rate	Interest payment frequency		**2018**		2017
S	March 5, 2018	2.87%	Semi-annual	**$**	**—**	$	250,000
Q	June 28, 2019	3.85%	Semi-annual		**350,000**		350,000
U	June 1, 2020	3.62%	Semi-annual		**150,000**		150,000
X	August 26, 2020	2.19%	Semi-annual		**250,000**		250,000
Z	April 9, 2021	2.19%	Semi-annual		**300,000**		300,000
R	December 13, 2021	3.72%	Semi-annual		**250,000**		250,000
V	May 30, 2022	3.75%	Semi-annual		**250,000**		250,000
Y	October 3, 2022	2.83%	Semi-annual		**300,000**		300,000
T	April 18, 2023	3.73%	Semi-annual		**200,000**		200,000
AA	September 29, 2023	3.21%	Semi-annual		**300,000**		—
W	February 12, 2024	3.29%	Semi-annual		**300,000**		300,000
I	February 6, 2026	5.95%	Semi-annual		**100,000**		100,000
Contractual obligations				**$**	**2,750,000**	$	2,700,000

Future repayments are as follows:

		Weighted average contractual interest rate		Principal maturities
Years ending December 31:	2019	3.85%	$	350,000
	2020	2.72%		400,000
	2021	2.89%		550,000
	2022	3.25%		550,000
	2023	3.42%		500,000
	Thereafter	3.95%		400,000
Contractual obligations				2,750,000
Unamortized debt financing costs				(7,367)
			$	2,742,633

Covenant compliance

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, 2018, the Trust was in compliance with its covenants pursuant to the Trust's Declaration and debenture indentures.

14. ACCOUNTS PAYABLE AND OTHER LIABILITIES

As at December 31,		**2018**			2017	
	Current	Non-current	Total	Current	Non-current	Total
Property operating costs (i)	**$ 56,171**	**$ 27,054**	**$ 83,225**	$ 54,689	$ 24,239	$ 78,928
Capital expenditures and leasing commissions:						
Properties under development	**144,325**	**—**	**144,325**	85,144	—	85,144
Income properties	**18,400**	**—**	**18,400**	20,625	—	20,625
Deferred revenue	**64,533**	**1,578**	**66,111**	20,527	43,775	64,302
Unitholder distributions payable	**36,612**	**—**	**36,612**	38,039	—	38,039
Interest payable	**23,187**	**—**	**23,187**	27,435	—	27,435
Finance lease obligations	**1,534**	**18,530**	**20,064**	1,461	20,064	21,525
Income taxes payable	**14,532**	**—**	**14,532**	14,396	—	14,396
Unfunded employee future benefits	**—**	**13,879**	**13,879**	—	14,156	14,156
Unit-based plans payable	**4,917**	**6,461**	**11,378**	5,889	5,521	11,410
Contingent consideration	**5,151**	**—**	**5,151**	2,718	—	2,718
Interest rate swap agreements	**25**	**7,779**	**7,804**	765	2,154	2,919
Other trade payables and accruals	**18,674**	**—**	**18,674**	18,330	—	18,330
	$ 388,061	**$ 75,281**	**$ 463,342**	$ 290,018	$ 109,909	$ 399,927

(i) Includes amounts billed in advance for common area maintenance, realty taxes and insurance recoveries.

Deferred revenue

Deferred revenue consists of the following:

As at	**December 31, 2018**
Deposits received from customers on condominium sales (contract liabilities)	**$ 39,780**
Other deferred revenue (i)	**26,331**
	$ 66,111

(i) Includes prepaid rental income from tenants to be recognized over time.

Deposits received from customers on condominium sales (contract liabilities)

The following table shows the change in deposits received from customers (contract liabilities):

Year ended	**December 31, 2018**
Balance, beginning of year	**$ 41,926**
Amounts deferred from new contracts with customers during the year	**3,445**
Recognized as revenue during the year	**(5,591)**
Balance, end of year	**$ 39,780**

During the year ended December 31, 2018, $5.6 million of deposits received from customers on condominium sales (contract liabilities) were recognized in revenue upon the tenants taking possession of condominium units.

Income taxes payable

Income taxes payable relates primarily to the realized gain on sale of the Trust's U.S. income property portfolio during May 2016.

15. 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), and 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:

As at December 31,	**2018**		2017	
	Units	$	Units	$
Balance, beginning of year	**323,734**	**4,757,071**	326,615	4,788,520
Units issued:				
Distribution reinvestment plan	**—**	**—**	1,003	25,273
Unit-based compensation exercises	**268**	**5,105**	10	250
Direct purchase plan	**21**	**515**	36	898
Exchangeable limited partnership units	**31**	**730**	—	—
Common trust units repurchased and cancelled	**(18,957)**	**(278,594)**	(3,930)	(57,870)
Balance, end of year	**305,097**	**4,484,827**	323,734	4,757,071

Included in units outstanding as at December 31, 2018 are exchangeable limited partnership units totalling 0.5 million units (December 31, 2017 - 1.0 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.

Effective November 1, 2017, RioCan suspended its DRIP and unitholders that were enrolled in the DRIP receive cash distributions commencing with any distribution declared in November 2017. If RioCan elects to reinstate the DRIP in the future, unitholders that were enrolled in the DRIP at the time of its suspension and remain enrolled at the time of its reinstatement will automatically resume participation in the DRIP.

Normal course issuer bid

On October 10, 2017, RioCan announced the TSX approval of its notice of intention to make a normal course issuer bid (NCIB) for a portion of its units. RioCan’s NCIB was made in accordance with the requirements of the TSX. Under the NCIB, RioCan could acquire up to a maximum of 32,520,207 of its units, or approximately 10% of its 325,202,070 outstanding units as of October 6, 2017, for cancellation over 12 months effective October 20, 2017.

The number of units that could be purchased pursuant to the bid was subject to a current daily maximum of 127,617 units (which is equal to 25% of 510,471, being the average daily trading volume from April 1, 2017 through to September 30, 2017), subject to RioCan’s ability to make one block purchase of units per calendar week that exceeds such limits. RioCan funded the purchases out of its available cash and undrawn credit facilities.

On October 16, 2018, RioCan received TSX approval of its notice of intention to renew its NCIB, to acquire up to a maximum of 30,579,868 of its units, or approximately 10% of its outstanding units as at September 30, 2018, for cancellation over the next 12 months, effective October 22, 2018.

The number of units that can be purchased pursuant to the renewed NCIB is subject to a current daily maximum of 178,116 units (which is equal to 25% of 712,465, being the average daily trading volume from April 1, 2018 to September 30, 2018, excluding RioCan's purchases on the TSX under its former NCIB), 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 primarily out of net proceeds from its asset dispositions, available cash and undrawn credit facilities.

During the year ended December 31, 2018, the Trust acquired and cancelled 19.0 million units at a weighted average purchase price of $24.35 per unit, for a total cost of $461.8 million. The excess of the purchase price over the carrying amount of the units purchased, representing the unit price increases over the weighted average historical unit issuance price, was recorded as a reduction to retained earnings amounting to $183.2 million.

Preferred trust units

Series C

On June 30, 2017, the Trust exercised its option to redeem all 5.98 million outstanding Series C preferred trust units at the cash redemption price of $25.00 per Series C unit, for a total redemption price of $149.5 million paid on June 30, 2017. Unit issue costs totalling $4.7 million were recorded as a charge to retained earnings upon redemption.

Contributed surplus

RioCan and its consolidated subsidiaries introduced restricted equity plans (REU Plans) and performance equity plan (PEU Plan) in 2017 as described in note 16. The awards issued under this new plan are settled by the delivery of common trust units purchased on the secondary market, net of applicable withholdings. The fair values of these equity-settled awards are

recognized as an expense over the vesting period with a corresponding increase to contributed surplus, which is presented as a separate component of total unitholders' equity.

For the year ended December 31, 2018, RioCan recorded $6.8 million in unit-based compensation costs (December 31, 2017 - $4.8 million).

Accumulated other comprehensive income (loss)

Accumulated other comprehensive income (loss) as at and for the year ended December 31, 2018 consists of the following amounts:

	Available-for-sale investments	Actuarial loss on pension plan (i)	Interest rate swap agreements (hedge reserve)	Total
As at December 31, 2017	$ 68,664	$ (1,981)	$ 2,694	$ 69,377
Adjustment on adoption of IFRS 9	**(68,664)**	**—**	**—**	**(68,664)**
As at January 1, 2018	**—**	**(1,981)**	**2,694**	**713**
Other comprehensive income	**—**	**864**	**(5,846)**	**(4,982)**
As at December 31, 2018	**$ —**	**$ (1,117)**	**$ (3,152)**	**$ (4,269)**

(i) Amounts presented are net of deferred taxes of $0.4 million (December 31, 2017- $0.4 million).

Upon adoption of IFRS 9 on January 1, 2018, equity instruments previously classified as AFS financial assets with unrealized gains and losses recorded in OCI are now measured at FVTPL. The cumulative unrealized gain of $68.7 million has been reclassified to retained earnings upon adoption of IFRS 9. Refer to note 37 for further details.

16. UNIT-BASED COMPENSATION PLANS

REU Plans

Senior Executive REU Plan

As at December 31, 2018, 121,352 Senior Executive REUs are unvested and outstanding (December 31, 2017 - 78,258). The Senior Executive REU Plan was introduced in 2017 and provides for the allotment of REUs to the Chief Executive Officer (CEO), Chief Operating Officer & Senior Vice President Investments & Residential, and Senior Vice President & Chief Financial Officer of the Trust, and such other officers or executive employees of the Trust that are determined by the CEO and approved by RioCan's Human Resources and Compensation Committee. Each REU notionally represents the value of one unit of the Trust on the date of grant. Unit distributions paid during the period from grant date until settlement date will be credited to each REU participant in the form of additional REUs.

The number of REUs granted shall vest one-third on each of the first, second and third anniversary of the grant date, provided however that all vested REUs are only eligible for settlement upon the third anniversary of the grant date (the Settlement Date). Settlement of vested REUs is generally made within 30 days after the Settlement Date by the delivery of an equivalent number of common trust units purchased on the secondary market, net of applicable withholding taxes.

On February 26, 2018, the Trust granted 50,694 REUs under its Senior Executive REU Plan. The grant date price was $24.00 per unit based on the five-day volume weighted average market price of RioCan's common trust units traded on the TSX prior to the grant date, resulting in an aggregate fair value of $1.2 million.

Employee REU Plan

As at December 31, 2018, 189,618 Employee REUs are unvested and outstanding (December 31, 2017 - 141,472). The Employee REU Plan was introduced in 2017 and provides for the allotment of REUs to certain senior level employees of the Trust that do not participate in the Senior Executive REU Plan. Each REU notionally represents the value of one unit of the Trust on the date of grant. Unit distributions paid during the period from grant date until settlement date will be credited to each REU participant in the form of additional REUs.

The number of REUs granted shall vest fully on the third anniversary of the grant date (the Settlement Date), including distribution equivalents that have accumulated during the vesting period. Settlement of vested REUs is generally made within 30 days after the Settlement Date.

On February 26, 2018, the Trust granted 86,131 REUs under its Employee REU Plan. The grant date price was $24.00 per unit based on the five-day volume weighted average market price of RioCan's common trust units traded on the TSX prior the grant date, resulting in an aggregate fair value of $2.0 million.

Performance Equity Unit Plan (PEU Plan)

As at December 31, 2018, 443,821 PEUs are unvested and outstanding (December 31, 2017 - 404,676). PEUs issued contain a multiplier factor and the final number of PEUs that will vest will range from 0% to 200% of the initial number awarded based on certain performance targets of each grant year. The PEUs outstanding will be paid out based on achievement of specific performance conditions in 2018, 2019 and 2020. Unit distributions paid during the period from grant date until settlement date will be credited to each PEU participant in the form of additional PEUs.

Effective January 1, 2017, the Trust, after receiving unitholder feedback, implemented several changes to its executive pay program including a modification made to the comparator group for compensation benchmarking to include only peers that are domiciled in Canada, and stipulated that settlement on the vesting date will be effected via the delivery of an equivalent number of common trust units purchased on the secondary market, net of applicable withholding taxes. For 2017, RioCan adopted a single performance metric for its PEU Plan, which was relative total unitholder return (TUR) against a peer group of S&P/TSX Capped REIT companies with a market capitalization above $1.0 billion (excluding RioCan), plus First Capital Realty Inc. For 2018, RioCan adopted two performance metrics for its PEU Plan, being FFO per unit achievement and relative TUR against its peer group, a modification made upon further assessment by the Trust of its PEU Plan and taking into account further unitholder feedback.

During February 2018, the Trust granted 175,347 PEUs under its PEU Plan at a fair value of $4.0 million. The grant date fair value assumptions using the Monte-Carlo valuation model are as follows:

For the years ended		**December 31, 2018**		December 31, 2017
Fair value of PEUs granted	**$**	**3,969**	$	4,299
PEUs granted (in thousands)		**175**		158
Grant date fair value per unit	**$**	**22.68**	$	27.21
Expected risk-free interest rate (i)		**1.9 %**		0.8%
Expected unit price volatility (ii)		**14.8 %**		15.0%
Initial total unitholder return (iii)		**(4.4)%**		1.1%

(i) Derived using the yield on Government of Canada benchmark bonds with an average term similar to the PEU vesting period.

(ii) Expected unit price volatility is calculated based on the average of the actual daily closing price of RioCan's trust units measured over a three-year historical period up to the grant date.

(iii) PEUs are subject to certain internal and external measures of performance. The PEUs will vest based on the following performance metrics: half are subjected to an internal cumulative FFO growth performance hurdle and half are subjected to a relative TUR performance hurdle where vesting is dependent upon RioCan's TUR performance relative to a comparative group of peer companies. The initial TUR performance has incorporated actual historical TUR performance for RioCan and each entity in the comparator group over the period from January 1, 2018 to February 26, 2018.

Incentive unit option plan

The Trust provides long-term incentives to certain employees by granting options through the incentive unit option plan (Plan). RioCan is authorized to issue up to a maximum of 22 million common unit options under the Plan. As at December 31, 2018, 11.8 million common unit options remain available to be granted under the Plan.

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 10 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.

As part of comprehensive changes to its executive compensation program, the Trust enhanced the design of its long-term incentive program through its commitment to reduce the frequency of option grants, with no option grants made in 2017 and replacing that portion of the overall long-term incentive compensation in 2017 with grants of REU Plans and the PEU Plan as described above. The unit option program was not cancelled altogether to permit the Board to grant options at some future date as it determines in the best interest of the Trust. During February 2018, the Trust granted 0.7 million unit options to certain members of senior management (December 31, 2017 - nil).

The weighted average assumptions used in the calculation of the units granted for the years ended December 31, 2018 and 2017 using the Black-Scholes option valuation model are as follows:

Years ended December 31,		2018		2017 (v)
Fair value of unit options granted	$	657	$	—
Unit options granted (in thousands)		650		—
Unit option exercise price	$	24.00	$	—
Expected risk-free interest rate (i)		2.1%		—%
Expected distribution yield (ii)		6.1%		—%
Expected unit price volatility (iii)		14.6%		—%
Expected option life (years) (iv)		5.6		—

(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 for a period consistent with the expected option life.
(iv) Represents the expected option life based on the actual holding period of all transacted option awards between grant date and the date of activity.
(v) No units were granted during the year ended December 31, 2017.

Unvested unit options granted prior to January 1, 2018, which remain outstanding under the existing plan, will continue to be expensed over the vesting period over which all specified vesting conditions are satisfied. The following summarizes the changes in unit options outstanding during the period:

	2018			2017		
Options	Units (in thousands)		Weighted average exercise price	Units (in thousands)		Weighted average exercise price
Outstanding, beginning of year	7,775	$	26.47	8,408	$	26.52
Granted	650		24.00	—		—
Exercised	(238)		17.94	(10)		25.78
Expired	—		—	(410)		27.44
Forfeited	(277)		26.27	(213)		26.71
Outstanding, end of year	7,910	$	26.53	7,775	$	26.47
Options exercisable at end of year	6,251	$	26.75	5,553	$	26.31
Average fair value per unit of options granted during the year		$	1.01		$	—

The following table summarizes our outstanding options and related exercise price ranges of units granted under the plan:

			Outstanding Options				Vested Options			
Exercise Price Range ($/unit)	Number of Common Units Issuable (in thousands)		Weighted Average Exercise Price per Common Unit		Weighted Average Remaining Life (years)		Number of Common Units Issuable (in thousands)		Weighted Average Exercise Price per Common Unit	
As at December 31,	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
12.15 to 24.93	945	582	$23.07	$20.02	6.5	2.3	345	582	$21.46	$20.02
24.94 to 26.53	2,136	2,248	25.58	25.59	5.3	7.1	1,361	948	25.47	25.33
26.54	1,140	1,150	26.54	26.54	3.8	5.1	1,140	1,031	26.54	26.54
26.55 to 27.50	1,339	1,393	27.28	27.28	3.7	5.1	1,316	1,341	27.28	27.28
27.51 to 27.69	1,304	1,329	27.58	27.57	4.5	6.0	1,304	1,114	27.58	27.59
27.70 to 30.00	1,046	1,073	29.31	29.31	5.1	7.2	785	537	29.31	29.31
	7,910	7,775	$26.53	$26.47	4.8	5.9	6,251	5,553	$26.75	$26.31

Trustee Unit Plans

Deferred Unit Plan

The Deferred Unit Plan was introduced in 2014 for non-employee Trustees of the Trust (Trustees). Trustees 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. Trustees 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. The maximum number of units reserved for issuance under the Deferred Unit Plan at any time is 750,000.

As at December 31, 2018, there are 272,269 deferred units issued and outstanding (December 31, 2017 - 226,714). During the year ended December 31, 2018, 30,384 units were exercised.

17. DISTRIBUTIONS TO UNITHOLDERS

Total distributions declared to unitholders are as follows:

Years ended December 31,	**2018**		2017	
	Total distributions	Distributions per unit	Total distributions	Distributions per unit
Common Unitholders	**$ 450,743**	**$ 1.4400**	$ 460,627	$ 1.4100
Preferred Unitholders – Series C	**—**	**—**	3,514	0.5876
	$ 450,743		$ 464,141	

On January 15, 2019, RioCan declared a distribution payable of 12.00 cents per unit for the month of January 2019, which was paid on February 7, 2019 to common trust unitholders of record as at January 31, 2019.

On June 30, 2017, the Trust exercised its option to redeem all 5.98 million outstanding Series C preferred trust units at the cash redemption price of $25.00 per Series C unit, for a total redemption price of $149.5 million paid on June 30, 2017.

18. REVENUE

Rental revenue

Years ended December 31,	**2018**	2017 (i)
Base rent	**$ 695,187**	$ 729,723
Realty tax and insurance recoveries	**227,772**	226,939
Common area maintenance recoveries	**158,361**	159,486
Percentage rent	**8,853**	10,486
Straight-line rent	**8,563**	7,806
Lease cancellation fees	**7,932**	6,225
Parking revenue	**3,492**	—
Rental revenue	**$ 1,110,160**	$ 1,140,665

(i) 2017 is not restated for IFRS 15 changes in presentation.

As result of adopting IFRS 15, Revenue from contracts with customers, the following tables provide additional disclosure of the Trust`s various revenue streams.

Revenue from contracts with customers

Revenue from contracts with customers include common area maintenance recoveries and parking revenue that are included in rental revenue:

Year ended December 31,	**2018**
Residential inventory sales	**$ 22,264**
Common area maintenance recoveries	**158,361**
Property management and other service fees	**15,418**
Parking revenue	**3,492**
Revenue from contracts with customers	**$ 199,535**

Property management and other service fees

Property management and other service fees include the following fees which are recognized either at a point in time or over time as indicated in the following table:

		Timing of recognition	
Year ended December 31, 2018	Total	At a point in time	Over time
Property management fees	$ 4,383	$ —	$ 4,383
Construction and development fees	5,392	—	5,392
Leasing fees	1,007	1,007	—
Financing arrangement fees	1,195	1,195	—
Other	3,441	2,753	688
Property management and other service fees	$ 15,418	$ 4,955	$ 10,463

Residential inventory sales

The following table identifies estimated revenue from residential inventory sales to be recognized in future periods at the point in time when purchasers take possession of their respective residential units based on condominium and townhouse pre-sold as of December 31, 2018:

As at		December 31, 2018
Within one year	$	**199,894**
More than one year		**5,226**
Total	$	**205,120**

19. INVESTMENT AND OTHER INCOME

Years ended December 31,		2018		2017
Income earned on marketable securities	$	**2,998**	$	8,574
Fair value gains on marketable securities		**16,472**		—
Transaction gains and other income		**846**		48,440
	$	**20,316**	$	57,014

Under IFRS 9, which was adopted on January 1, 2018 without restatement of prior periods, marketable securities that were previously categorized as AFS are now classified and measured at FVTPL.

Effective January 1, 2018, cumulative unrealized fair value gains of $68.7 million as of December 31, 2017 that were previously recognized in other comprehensive income (loss) were reclassified to opening retained earnings. During the year ended December 31, 2018, the Trust realized $59.2 million of cumulative unrealized gains on the sale of marketable securities.

During the year ended December 31, 2018, the Trust had fair value gain on its marketable securities portfolio of $16.5 million. The following table breaks down the fair value gains on marketable securities for the year ended December 31, 2018:

Year ended December 31,		2018
Realized gains on sale of marketable securities during the year	$	**59,239**
Change in unrealized fair value on marketable securities during the year		**(42,767)**
Fair value gains on marketable securities during the year	$	**16,472**

For the year ended December 31, 2017, $46.0 million of realized gain on the sale of marketable securities was included in transaction gains and other income.

20. INTEREST INCOME

Years ended December 31,		2018		2017
Interest income measured at amortized cost	$	**9,624**	$	6,786
Interest income measured at fair value through profit or loss (i)		**1,315**		—
Other interest income		**513**		800
	$	**11,452**	$	7,586

(i) During the year ended December 31, 2018, includes $0.6 million of fair value gains on mortgages and loans receivable measured at fair value through profit or loss.

21. INTEREST COSTS

Years ended December 31,		2018		2017
Total interest	$	**206,743**	$	199,817
Less: Interest capitalized		**38,444**		28,399
	$	**168,299**	$	171,418

For the year ended December 31, 2018, interest was capitalized to properties under development and residential inventory at a weighted average effective interest rate of 3.46% (December 31, 2017 - 3.54%).

22. GENERAL AND ADMINISTRATIVE

Years ended December 31,		**2018**		2017
Salaries and benefits	**$**	**29,212**	$	23,267
Unit-based compensation expense		**7,070**		3,911
Depreciation and amortization		**4,575**		9,865
Other general and administrative		**15,142**		15,517
	$	**55,999**	$	52,560

Other general and administrative costs include information technology costs, public company costs, professional fees, travel expenses, occupancy costs, donations, advertising, promotion and marketing costs.

23. TRANSACTION AND OTHER COSTS

For the year ended December 31, 2018, transaction and other costs primarily include property acquisition and disposition costs totalling $20.0 million (December 31, 2017 - $11.8 million).

24. NET INCOME PER UNIT

Net income per basic and diluted unit is calculated based on net income available to common unitholders divided by the weighted average number of common trust units outstanding taking into account the dilution effect of unit options.

Years ended December 31,		**2018**		2017
Net income attributable to unitholders	**$**	**528,103**	$	715,286
Less: Net income from discontinued operations		**741**		7,021
Net income attributable to unitholders from continuing operations	**$**	**527,362**	$	708,265
Less: Distributions to preferred unitholders		**—**		3,514
Net income attributable to common unitholders from continuing operations	**$**	**527,362**	$	704,751
Weighted average common units outstanding (in thousands):				
Basic		**313,936**		326,805
Dilutive effect of common unit options (i)		**88**		124
Diluted		**314,024**		326,929
Net income per unit (basic):				
Continuing operations	**$**	**1.68**	$	2.16
Discontinued operations		**—**		0.02
	$	**1.68**	$	2.18
Net income per unit (diluted):				
Continuing operations	**$**	**1.68**	$	2.16
Discontinued operations		**—**		0.02
	$	**1.68**	$	2.18

(i) The calculation of diluted weighted average units outstanding excludes 7.6 million unit options for the year ended December 31, 2018 (December 31, 2017 - 6.7 million units), as the exercise price of these unit options was greater than the average market price of RioCan's common trust units.

25. FAIR VALUE MEASUREMENT

The fair value hierarchy of assets and liabilities measured at fair value on a recurring basis in the consolidated balance sheets is as follows:

	December 31, 2018			December 31, 2017		
As at	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets measured at fair value:						
Marketable securities	**$ 54,092**	**$ 5,555**	**$ 1,835**	$ 180,432	$ 5,541	$ 1,516
Investment properties:						
Income properties	**—**	**—**	**12,021,303**	—	—	12,075,939
Properties under development	**—**	**—**	**988,118**	—	—	1,084,305
Properties held for sale	**—**	**—**	**194,227**	—	—	410,178
Interest rate swaps	**—**	**4,288**	**—**	—	5,101	—
Total assets measured at fair value	**$ 54,092**	**$ 9,843**	**$ 13,205,483**	$ 180,432	$ 10,642	$ 13,571,938
Liabilities measured at fair value:						
Interest rate swaps	**—**	**7,804**	**—**	—	2,919	—
Total liabilities measured at fair value	**$ —**	**$ 7,804**	**$ —**	$ —	$ 2,919	$ —

For assets and liabilities measured at fair value as at December 31, 2018, there were no transfers between Level 1, Level 2 and Level 3 during the period. For changes in fair value measurements of investment properties and properties held for sale included in Level 3 of the fair value hierarchy, refer to note 5 for details on the changes in beginning and ending balances.

Fair value of financial instruments

The Trust's financial instruments` carrying values and fair values on the consolidated balance sheets are as follows:

	December 31, 2018		December 31, 2017	
As at	Carrying value	Fair value	Carrying value	Fair value
Financial assets:				
Cash and cash equivalents	**$ 74,698**	**$ 74,698**	$ 70,225	$ 70,225
Marketable securities	**61,482**	**61,482**	187,489	187,489
Receivables and other assets (i)	**44,208**	**44,208**	30,427	30,427
Mortgages and loans receivable	**164,014**	**163,488**	145,873	144,855
Interest rate swap assets	**4,288**	**4,288**	5,101	5,101
Financial liabilities:				
Mortgages payable (ii)	**2,218,270**	**2,241,987**	2,332,917	2,365,243
Debentures payable	**2,742,633**	**2,744,140**	2,694,619	2,738,790
Lines of credit and other bank loans	**913,130**	**913,130**	904,429	904,429
Interest rate swap liabilities	**7,804**	**7,804**	2,919	2,919
Accounts payable and other liabilities (iii)	**344,488**	**344,488**	292,943	292,943

(i) Includes net contractual rents receivable and funds held in trust.
(ii) Includes liabilities held for sale.
(iii) Excludes other liabilities that are not financial liabilities (deferred revenue, income taxes payable, employee future benefits, unit-based plans payable, interest rate swap liabilities and contingent consideration).

The fair values of the Trust's financial instruments were determined as follows:

Cash and cash equivalents, receivables and other assets, and accounts payable and other liabilities

These instruments' carrying amounts approximate fair values due to their short-term nature.

Mortgages and loans receivable

The fair value of mortgages and loans receivable is determined by the discounted cash flow method using applicable inputs such as prevailing interest rates, contractual rates and discounts and considers the fair value of the underlying collateral. Fair value measurements of these instruments were estimated using Level 3 inputs. The carrying values of short-term and variable rate loans generally approximate their fair values.

Mortgages payable, lines of credit and other bank loans, mortgages on properties held for sale and debentures payable

The fair values 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. The carrying values of short-term and variable rate debt generally approximate their fair values.

Interest rate swaps

The fair values of the interest rate swaps reported in other receivables and 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.

26. RISK MANAGEMENT

The main risks arising from the Trust's financial instruments are interest rate risk, liquidity risk, credit risk and foreign exchange risk. 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, 2018, approximately 15.8% of the Trust's debt is financed at variable rates (including mortgage debt related to properties held for sale), exposing the Trust to interest rate risk (December 31, 2017 - 16.5%).

From time to time, the Trust may enter into floating-for-fixed interest rate swaps as part of its strategy for managing interest rate risk. Hedge effectiveness is determined at the inception of the hedge relationship, and through quarterly effectiveness assessments to ensure that an economic relationship exists between hedged item and hedging instrument. The hedge ratio is set at a ratio of 1:1 for the specific portions of floating rate debt that have been designated as the hedged item.The Trust enters into hedge relationships where the critical terms of the hedging instrument match with the terms of the hedged item, as a result the Trust does not expect any sources of hedge ineffectiveness, except from changes in credit risk of the Trust and the counterparty. The Trust has applied hedge accounting and recorded the changes in fair value for the effective portion of these derivatives in OCI accumulated in the cash flow hedge reserve in equity from the date of hedge designation. Accumulated amounts are reclassified from OCI to net income in the periods where the forecasted cash flows impact net income. For any interest rate swaps for which the Trust does not apply hedge accounting, the change in fair value of the swap contracts is recognized in net income.

As at December 31, 2018, the outstanding notional amount of the floating-for-fixed interest rate swaps is $764.4 million (December 31, 2017 - $662.1 million) and the term to maturity of these agreements ranges from April 2020 to November 2028.

The outstanding interest rate swaps by year of maturity are as follows:

Maturity	Notional original principal amount	Weighted average effective fixed interest rate
2019	$ 72,528	2.50%
2020	123,272	2.81%
2021	112,178	3.06%
2022	60,305	2.89%
2023	271,139	3.18%
Thereafter	125,004	3.76%
	$ 764,426	

The Trust assessed the effectiveness of its hedging relationships and determined all such designated hedging relationships were effective as at December 31, 2018. As at December 31, 2018, the fair value of the interest rate swaps is, in aggregate, a net financial liability of approximately $3.5 million (December 31, 2017 - net financial asset of approximately $2.2 million).

As at December 31, 2018, the carrying value of the Trust's floating rate debt that is not subject to a hedging strategy is $0.9 billion and a 50 basis point increase in market interest rates would result in an annualized decrease of $4.6 million in the Trust's net income.

The amounts relating to items designated as hedging instruments and hedge ineffectiveness were as follows:

	2018							
	Nominal amount of hedging instrument	Carry amount of the hedging instrument		Line item in the statement of financial position	Changes in value recognized in OCI	Hedge ineffectiveness recognized in profit or loss	Amounts reclassified from the hedge reserve to profit or loss	Line item in profit or loss affected by reclassification
		Assets	Liabilities					
Interest rate risk	$764,426	$4,288	$7,804	Receivables and other assets (assets), Accounts payable and other liabilities (liabilities)	$(7,796)	—	$2,099	Interest costs

The amounts at the reporting date relating to items designated as hedged items were as follows:

	2018		
	Changes in fair value used for calculating hedge ineffectiveness	Balance in cash flow hedge reserve for continuing hedges	Balances in cash flow hedge reserve for discontinued hedges
Interest rate risk			
Variable rate mortgages and lines of credit and the bank loans	$ (7,796)	$ (3,152)	$ —

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 operating lines of credit and issuing equity when considered appropriate.

- For the schedule of future repayments of mortgages, floating rate debt and funds drawn against the Trust's operating line of credit, refer to notes 11 and 12 for details.
- For current repayments of debentures, refer to note 13 for details.

The Trust expects to continue financing future acquisitions, development and debt obligations through existing cash balances, internally generated cash flows, mortgages, credit facilities, issuance of unsecured debentures, the sale of non-core assets and the issuance of equity.

Credit risk

Credit risk arises from the possibility that:

- Tenants experience financial difficulty and are unable to fulfil their lease commitments or tenants fail to occupy and pay rent in accordance with existing lease agreements, some of which are conditional.
- Borrowers, typically through co-ownership arrangements, default on the repayment of their mortgages to the Trust.
- Third-party defaults on the repayment of debt whereby RioCan has provided guarantees, including guarantees by RioCan on behalf of its co-owners and on behalf of purchasers who assumed mortgages on property dispositions.

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, ensuring a considerable portion of the Trust’s revenue is earned from national and anchor tenants and conducting credit assessments for new tenants.

Credit risk relating to mortgages receivable and third-party guarantees is mitigated through recourse against such parties and/or the underlying real estate. These financial instruments are considered to have low credit risk. The Trust monitors the debt service ability of the properties underlying the mortgage receivables and third-party guarantees to assess for changes in credit risk.

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 and loans receivable.

The maximum exposure to credit risk on financial assets on the consolidated balance sheet are the carrying values in note 25. For the maximum exposure to credit risk on third-party guarantees refer to note 35.

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. As a result of the Trust’s disposal of its U.S. property portfolio in 2016 and the associated repayment of U.S. denominated debt, RioCan has significantly reduced its foreign exchange risk. Refer to note 4 for details on RioCan's discontinued U.S. operations.

27. 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, 2018. 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 December 31,	Note		**2018**		2017
Debentures payable	*13*	**$**	**2,742,633**	$	2,694,619
Mortgages payable	*12*		**2,218,270**		2,300,247
Lines of credit and other bank loans	*11*		**913,130**		904,429
Liabilities associated with assets held for sale	*4*		**—**		32,670
Total debt			**5,874,033**		5,931,965
Unitholders' equity			**7,666,390**		8,044,686
Total capital		**$**	**13,540,423**	$	13,976,651
Ratio of debt, net of cash, to total assets, net of cash			**41.6%**		41.0%
Basket Ratio			**5.3%**		3.3%

Year ended December 31,	**2018**	2017
Interest coverage ratio	**3.68**	3.87

Revolving unsecured operating line of credit and non-revolving unsecured credit facilities

The Trust is subject to certain key financial covenants pursuant to the agreement governing its unsecured operating credit facilities, which are calculated on a rolling twelve-month basis. As at and for the year ended December 31, 2018, the Trust is in compliance with all applicable financial covenants.

The following table summarizes the Trust's performance relative to these key financial covenants:

	Key covenant	**December 31, 2018**
Total indebtedness (i) (vi)	< 60%	44.8%
Secured indebtedness (ii) (vi)	< 40%	18.1%
Debt service coverage (iii) (vi)	> 1.5x	2.8x
Minimum unitholders' equity (in millions)	> $5,000	$7,666
Ratio of unencumbered property assets to unsecured indebtedness (iv) (v) (vi)	> 1.5x	2.0x
Properties held for development as a percentage of consolidated gross book value of assets	< 15%	8.5%

(i) Total indebtedness consists of the contractual amounts outstanding on mortgages payable, lines of credit and other bank loans, debentures payable, capital lease obligations, contingent liabilities and the maximum exposure to loss for all third-party debt where RioCan has provided a financial guarantee.

(ii) Secured indebtedness includes mortgages payable, secured construction lines and other bank loans and capital lease obligations, which are secured against investment properties.

(iii) Debt service coverage includes regular mortgage principal and interest payments, including interest capitalized on properties under development.

(iv) Unsecured indebtedness includes the contractual amounts outstanding of the revolving unsecured operating line of credit, non-revolving unsecured credit facilities, debentures, contingent liabilities and any third-party debt amounts guaranteed by RioCan.

(v) Unencumbered property assets consist of properties that have not been pledged as security for debt. The unencumbered property assets to unsecured indebtedness ratio is calculated as unencumbered assets divided by unsecured indebtedness.

(vi) These ratios include inputs from proportionately consolidated equity accounted investments.

28. 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,		**2018**
Within twelve months	**$**	**667,554**
Two to five years		**1,926,223**
Over five years		**1,390,139**
Total	**$**	**3,983,916**

Contingent rent recognized in the consolidated statements of income for the year ended December 31, 2018 is $9.5 million (December 31, 2017 - $12.0 million).

29. 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 Realty Investments Partnership Eleven LP	Canada
RioCan Realty Investments Partnership Twelve LP	Canada
RioCan Realty Investments Partnership Thirteen LP	Canada
RioCan Realty Investments Partnership Fourteen LP	Canada
RioCan Realty Investments Partnership Fifteen LP	Canada
RioCan Realty Investments Partnership Sixteen 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
RioCan Realty Investments Partnership Seventeen LP	Canada
RioCan Realty Investments Partnership Eighteen LP	Canada
RioCan Realty Investments Partnership Twenty LP	Canada
RioCan Realty Investments Partnership Twenty-One LP	Canada
RioCan Realty Investments Partnership Twenty-Two LP	Canada
RC Preferred Interest Trust	Canada
RC NA Property 4 LP	Canada
RC NA Property 5 LP	Canada

The Trust has investments in certain joint ventures that are structured using entities that separate the investor and the investee. As a result, the Trust only has rights to and is liable for the net assets of the investee for these joint ventures.

Refer to note 6 for the financial information of RioCan-HBC JV, Dawson-Yonge LP, WhiteCastle New Urban Fund, LP (WNUF 1), WhiteCastle New Urban Fund 2, LP (WNUF 2), WhiteCastle New Urban Fund 3, LP (WNUF 3), WhiteCastle New Urban Fund 4, LP (WNUF 4), which are the Trust's six associates and joint ventures that are accounted for using the equity method as at December 31, 2018.

30. SUPPLEMENTAL CASH FLOW INFORMATION

Years ended December 31,		2018		2017
Interest received	**$**	**3,096**	$	5,724
Interest paid		**210,991**		199,224
Distributions paid:				
Distributions declared during the year	**$**	**(450,743)**	$	(460,627)
Distributions declared in the prior year paid in the current year		**(38,039)**		(38,356)
Distributions declared in current year paid in the next year		**36,612**		38,039
Distributions paid before the undernoted	**$**	**(452,170)**	$	(460,944)
Proceeds from units issued under the distribution reinvestment plan		**—**		25,273
Distributions paid, including proceeds reinvested under distribution reinvestment plan	**$**	**(452,170)**	$	(435,671)

The following provides a reconciliation of liabilities arising from financing activities:

Year ended December 31, 2018		Mortgages payable		Lines of credit and other bank loans		Debentures
Balance, beginning of year	$	2,332,917	$	904,429	$	2,694,619
Cash flows		(89,651)		8,510		48,323
Non-cash changes:						
Deferred financing costs		(2,189)		191		(309)
Assumed (disposed) on acquisition/disposition, net		(22,807)		—		—
Balance, end of year	**$**	**2,218,270**	**$**	**913,130**	**$**	**2,742,633**

31. CHANGES IN OTHER WORKING CAPITAL ITEMS

Years ended December 31,		2018		2017
Receivable and other assets	**$**	**(15,491)**	$	(304)
Mortgage receivable interest		**(6,894)**		(4,199)
Residential inventory		**(69,106)**		(50,195)
Accounts payable and other liabilities		**14,399**		(109,510)
Other		**(2,376)**		(6,483)
Net change in other working capital items	**$**	**(79,468)**	$	(170,691)

32. RELATED PARTY TRANSACTIONS

RioCan's related parties include the following persons and/or entities:

(a) associates, joint ventures, or entities which are controlled or significantly influenced by the Trust; and

(b) key management personnel including the Trustees and those persons having the authority and responsibility for planning, directing and controlling the activities of RioCan.

Activity and transactions with associates and joint ventures are disclosed in note 6.

Key management personnel are defined by the Trust as 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 each of the Trustees and the following individuals: Chief Executive Officer, Edward Sonshine; Chief Operating Officer and Senior Vice President Investments & Residential, Jonathan Gitlin; and Senior Vice President and Chief Financial Officer, Qi Tang (collectively, the Key Executives).

Remuneration of the Trust's Trustees and Key Executives during the years ended December 31, 2018 and 2017 is as follows:

		Trustees				Key Executives		
Years ended December 31,		2018		2017		2018		2017
Compensation and benefits	**$**	**280**	$	261	**$**	**8,188**	$	5,226
Unit-based payments		**1,663**		1,537		**4,551**		2,214
Post-employment benefit costs		**—**		—		**41**		36
	$	**1,943**	$	1,798	**$**	**12,780**	$	7,476

On June 18, 2018, the Trust announced the resignation of Raghunath Davloor, President and Chief Operating Officer, effective July 31, 2018. Effective August 1, 2018, Jonathan Gitlin assumed the role of Chief Operating Officer & Senior Vice President, Investments and Residential.

33. EMPLOYEE BENEFITS

Plan characteristics

RioCan sponsors a defined contribution plan and three defined benefit plans that provide 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, 2018, RioCan's contributions to the defined contribution plan was $2.7 million (December 31, 2017 - $2.6 million).

Defined benefit plans

RioCan's defined benefit pension plans, one of which is a registered plan and two of which 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 was completed as at January 1, 2016, and the next valuation is scheduled for January 1, 2019.

The fair value of the registered plan assets as at December 31, 2018 is $3.4 million (December 31, 2017 - $3.4 million). The recognized pension obligation (net of plan assets) as at December 31, 2018 is $13.9 million (December 31, 2017 - $14.2 million). Pension costs, net of recoveries, of $0.5 million were recorded in net income for the year ended December 31, 2018 (pension costs for the year ended December 31, 2017 - $0.4 million).

The discount rate used was 3.6% (December 31, 2017 - 3.4%), the compensation growth rate was 4.0% (December 31, 2017 - 4.0%) and the expected long-term rate of return on assets was 3.6% (December 31, 2017 - 3.4%).

Actuarial gains and losses for the defined benefit plans are recognized in full in the period in which they occur in OCI. Such actuarial gains and losses are also immediately recognized in retained earnings and are not reclassified to income in subsequent periods.

34. SEGMENTED INFORMATION

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.

35. CONTINGENCIES AND OTHER COMMITMENTS

Third-party guarantees

The maximum exposure to credit risk relating to a guarantee is the maximum risk of loss if there was a total default by the co-owner, without consideration of recoveries under recourse provisions against such co-owner's equity in the property or other assets of the co-owner.

As at December 31, 2018, the maximum exposure to credit loss as a result of debt guaranteed by RioCan is $309.2 million, which expires between 2019 and 2023, which includes guarantees of $251.2 million on behalf of co-owners (December 31, 2017 - $348.9 million). $58.0 million of debt guaranteed by RioCan relates to the assumption of mortgages on property dispositions (December 31, 2017 - $36.1 million). There have been no defaults by the primary obligors for debts on which the Trust has provided its guarantees and no provision for expected losses on these guarantees has been recognized in the Consolidated Financial Statements.

Expiry of guarantees by year are as follows:

2019	$	133,594
2020		59,913
2021		69,387
2022		43,616
2023		2,710
Total	$	309,220

Letters of credit

The Trust has aggregate letter of credit facilities with certain Schedule I banks totalling $77.9 million (December 31, 2017 - $79.0 million). As at December 31, 2018, the Trust's outstanding letters of credit under these facilities were $47.5 million (December 31, 2017 - $37.2 million).

Lease commitments - Trust as lessee

The Trust as lessee is committed under long-term operating leases with various expiry dates to 2088. Future minimum lease payments are as follows:

	December 31, 2018		
	Land Leases	Operating Leases	Total Commitments
Within twelve months	$ 1,044	$ 265	$ 1,309
Two to five years	3,452	663	4,115
Over five years	5,966	13	5,979
Total	$ 10,462	$ 941	$ 11,403

Investment commitments

RioCan-HBC Joint Venture

As at December 31, 2018, RioCan has approximately $142.7 million of remaining unfunded investment commitments related to the RioCan-HBC JV (December 31, 2017 - $150.0 million). The remaining contribution commitments are expected be completed by November 25, 2020.

WhiteCastle New Urban Funds (WNUF)

As at December 31, 2018, the Trust has total unfunded investment commitments of $79.6 million relating to WNUF 1, WNUF 2, WNUF 3 and WNUF 4 (December 31, 2017 - $83.9 million). Amounts to be funded are callable by the general partner at any point prior to the expiration of the limited partnership agreements, subject to certain extension term provisions, which are June 17, 2019 for WNUF 1; February 28, 2022 for WNUF 2; May 1, 2025 for WNUF 3; and September 15, 2027 for WNUF 4.

Litigation

The Trust is involved with litigation and claims that 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.

36. EVENTS AFTER THE BALANCE SHEET DATE

Acquisitions and Dispositions

On January 10, 2019, the Trust sold one property located in St. John's, Newfoundland, for sales proceeds of $5.8 million.

On January 29, 2019, the Trust acquired one property located in Hamilton, Ontario, for a purchase price of $35.2 million at a weighted average capitalization rate of 6.21% and assumed a mortgage payable with a fair value of $14.2 million, which included a mark-to-market adjustment of $0.4 million.

On January 31, 2019, the Trust sold one property located in Victoria, British Columbia, for sales proceeds of $110.0 million.

On January 31, 2019, the Trust sold one property located in Ottawa, Ontario, for sales proceeds of $23.0 million.

On February 5, 2019, the Trust acquired the remaining 50% interest in one property located in Calgary, Alberta for a purchase price of $70.4 million at a weighted average capitalization rate of 5.83% and assumed a mortgage payable for $45.0 million.

Financing Activities

Subsequent to the year end, the Trust extended the maturity date of its $150.0 million non-revolving unsecured credit facility from December 27, 2019 to June 27, 2024 and fixed the all-in annual interest rate at 3.43% through an interest rate swap. The Trust also fixed the annual all-in interest rate for $125.0 million of its other non-revolving unsecured credit facility maturing on January 31, 2023 at 3.38% through an interest rate swap.

Subsequent to the year end, the Trust also entered into a $350.0 million five-year non-revolving unsecured credit facility with three financial institutions (consisting of two Schedule I banks and one Schedule III bank) and has fully drawn on the credit facility to repay certain debt and for general Trust purposes. This credit facility matures on February 7, 2024 and, through an interest rate swap, bears an annual all-in fixed interest rate of 3.34%. This credit facility requires the Trust to maintain certain financial covenants similar to those of the Trust's revolving unsecured operating line of credit and other non-revolving unsecured credit facilities.

37. TRANSITION TO IFRS 15 AND 9

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

Upon adoption of IFRS 15, the Trust has concluded that there are no significant differences in revenue recognition for these revenue streams between the point of transfer of risks and rewards under IAS 18 and the point of transfer of control under IFRS 15. No transitional adjustment has been recorded as at January 1, 2018.

Accounting Policies for Revenue under IAS 18, Revenue Recognition

The following accounting policies apply to comparative information for 2017 in our consolidated financial statements as we did not restate prior periods on adoption of IFRS 15.

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.

IFRS 9, Financial Instruments (IFRS 9)

Effective January 1, 2018, the Trust adopted IFRS 9 using the modified retrospective basis with no restatement of comparative periods. IFRS 9 replaces IAS 39, *Financial Instruments: Recognition and Measurement* (IAS 39) and all previous versions of IFRS 9. The standard introduces new requirements for: (i) classification and measurement of financial assets and financial liabilities, (ii) impairment of financial assets and (iii) hedge accounting.

Classification and measurement

Under IFRS 9, financial assets are classified and measured on the basis of both the business model in which the assets are managed and the contractual cash flow characteristics of the asset. Financial assets after initial recognition are classified and measured based on three categories: (i) amortized cost, (ii) fair value through other comprehensive income (FVOCI) with fair value gains or losses recycled to net income on de-recognition for loans and receivables only, or (iii) fair value through profit and loss (FVTPL). Financial liabilities are classified and measured on two categories: (i) amortized cost or (ii) FVTPL.

The following table shows the pre-transition IAS 39 and corresponding IFRS 9 classification and measurement categories, and reconciles the IAS 39 and IFRS 9 carrying amounts for loans, securities and other financial assets as at January 1, 2018 as a result of adopting IFRS 9. There were no changes to the measurement basis of other financial asset categories or any financial liabilities.

	Classification Category		Changes due to:			
	IAS 39 (iii)	**IFRS 9**	**IAS 39**	Reclassification	Remeasurement	**IFRS 9**
Financial assets						
Cash and cash equivalents	Held for Trading	Amortized cost	$ 70,225	$ —	$ —	$ 70,225
Marketable securities (i)	Available For Sale	—	187,489	(187,489)	—	—
	—	FVTPL	—	187,489	—	187,489
Receivables and other assets	Loans and receivables	Amortized cost	30,427	—	—	30,427
Mortgages and loans receivable	Loans and receivables	Amortized cost	145,873	(23,445)	—	122,428
	—	FVTPL	—	23,445	(1,293)	22,152
Interest rate swap assets	Held for Trading	FVTPL (ii)	5,101	—	—	5,101
Financial liabilities						
Debentures payable	Other liabilities	Amortized cost	$ 2,694,619	$ —	$ —	$ 2,694,619
Mortgages payable	Other liabilities	Amortized cost	2,300,247	—	—	2,300,247
Lines of credit and other bank loans	Other liabilities	Amortized cost	904,429	—	—	904,429
Interest rate swap liabilities	Held for Trading	FVTPL (ii)	2,919	—	—	2,919
Accounts payable and other liabilities	Other liabilities	Amortized cost	292,943	—	—	292,943

(i) Included in receivables and other assets on the consolidated balance sheet.
(ii) Interest rate swaps are derivative financial instruments that are recorded at fair value on the consolidated balance sheet. The effective portion of the fair value gains (losses) are recorded in other comprehensive income as they are designated in an effective cash flow hedging relationship.
(iii) For the measurement basis that corresponds to the classification basis under IAS 39, refer to this note (see below).

On transition, the Trust's marketable securities, which were previously classified as available-for-sale (AFS) under IAS 39, were classified as FVTPL under IFRS 9 as the cash flows do not meet the SPPI test. As a result, cumulative unrealized fair value gains of $68.7 million previously recorded in accumulated other comprehensive income were reclassified to opening retained earnings as of December 31, 2017. Effective January 1, 2018 all realized and unrealized fair value gains (losses) on these marketable securities are recorded in investment and other income within net income whereas under IAS 39, unrealized fair value gains (losses) were recorded in other comprehensive income until the asset was derecognized or impaired, at which time the cumulative unrealized gains (losses) were recognized in investment and other income within net income.

In addition, on transition the Trust's mortgages and loans receivable were assessed by reference to the underlying cash flows of the loans. Certain mortgages and loans receivable previously classified and measured at amortized cost were reclassified to FVTPL as the underlying cash flows did not represent SPPI and an accumulative fair value loss of $1.3 million was recognized in opening retained earnings as of January 1, 2018. Interest income and fair value gains (losses) on these mortgages and loans receivable recorded at FVTPL are included in interest income within net income.

The accounting for financial liabilities remained largely the same as under IAS 39.

Impairment of financial assets measured at amortized cost

IFRS 9 introduces a new single expected credit loss (ECL) impairment model for the Trust's financial assets measured at amortized cost. The ECL model results in an allowance for credit losses being recorded on financial assets regardless of whether there has been an actual loss event. ECLs are based on the difference in cash flows the Trust expects to receive and the contractual cash flows due in accordance with the contract, discounted at the asset's original effective interest rate, and are calculated using either a simplified or a general approach.

The adoption of the ECL model did not have a material impact on the Trust's financial assets carried at amortized cost.

Hedging

IFRS 9 introduces a new hedge accounting model that expands the scope of hedged items and risks eligible for hedge accounting and aligns hedge accounting more closely with risk management. The new model no longer specifies quantitative measures for effectiveness testing and does not permit hedge de-designation.

The Trust applied hedge accounting under IFRS 9 prospectively. The Trust uses floating-for-fixed interest rate swaps to manage interest rate risk. At the date of the initial application, these existing hedging relationships were eligible to be treated as continuing

hedging relationships. As such, the adoption of the hedge accounting requirements of IFRS 9 had no significant impact to the Trust's Consolidated Financial Statements.

Accounting Policies for Financial Instruments under IAS 39, Financial Instruments: Recognition and Measurement

The following accounting policies apply to comparative information for 2017 in our consolidated financial statements as we did not restate prior periods on adoption of IFRS 9.

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 income. 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 income, 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 OCI.

(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 income 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 income.

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.

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 income. 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 income.

(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 income. 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 income, the impairment loss is reversed through net income.

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.

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.

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 relationship, the effective portion of the gain or loss on the hedging instrument is recognized in OCI. The ineffective portion is recognized in net income.

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 income. 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 income.

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 income. The amounts, or a portion thereof, previously recorded in OCI within equity are recognized in net income on the disposal or partial disposal of the foreign operation.

CORPORATE INFORMATION

SENIOR MANAGEMENT

Edward Sonshine, O.Ont., Q.C.
Chief Executive Officer

Jonathan Gitlin *
President & Chief Operating Officer

Qi Tang
Senior Vice President & Chief Financial Officer

John Ballantyne
Senior Vice President, Asset Management

Andrew Duncan
Senior Vice President, Developments

Jeff Ross
Senior Vice President,
Leasing & Tenant Coordination

Jennifer Suess
Senior Vice President,
General Counsel & Corporate Secretary

Oliver Harrison
Vice President, National Operations

Terri Andrianopoulos
Vice President, Marketing & Communications

David Bain
Vice President, Tenant Construction

Moshe Batalion
Vice President, Leasing

Stuart Craig
Vice President, Developments

Roberto DeBarros
Vice President, Construction

Ryan Donkers
Vice President, Investments

Anushka Grant
Vice President, Sustainability and Asset Efficiency

Sandra Levy
Vice President, Human Resources

Pradeepa Nadarajah
Vice President, Property Accounting

Paran Namasivayam
Vice President, Recovery Accounting

Stephen Roberts
Vice President, Analytics

Tim Roos
Vice President, Operations - Eastern Canada

Renee Simms
Vice President, Insurance

Franca Smith
Vice President, Finance

Jonathan Sonshine
Vice President, Asset Management

Jeffrey Stephenson
Vice President, Operations - GTA & Central Canada

Naftali Sturm
Vice President, Real Estate Finance

Kimberly Valliere
Vice President, Development Construction

Renato Vanin
Vice President, Information Technology

Kim Wingerak
Vice President, Operations - Western Canada

Jason Wong
Vice President, Corporate Tax

* Mr. Gitlin was promoted to President & Chief Operating Officer on March 22, 2019.

BOARD OF TRUSTEES

Paul Godfrey, C.M., O.Ont. [1,2,3,4]
(Chairman of Board of Trustees)
Executive Chairman
Postmedia Network Canada Corp.

Bonnie R. Brooks, C.M. [3,4]
Corporate Director

Richard Dansereau [1,2]
Corporate Director, Stonehenge Partners

Dale H. Lastman, C.M.
Chair and Partner, Goodmans LLP

Jane Marshall [2,3,4*]
President and CEO of Goodleaf Farms Limited,
Former COO Choice Properties REIT

Sharon Sallows [1,2*,4]
Trustee, Chartwell Retirement Residences REIT
Director, Home Capital Group Inc.

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

Charles M. Winograd [3*,4]
President, Winograd Capital Inc.

Siim A. Vanaselja [1*,2]
Chair of the Audit Committee,
RioCan Real Estate Investment Trust
Director and Chair of the Board
of TransCanada Corporation
Director, Great-West Lifeco Inc.
Board Member, Power Financial Corporation

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
* Committee Chair

UNITHOLDER INFORMATION

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STOCK EXCHANGE LISTING

The Toronto Stock Exchange
Trading Symbols:
Common Units – REI.UN

ANNUAL MEETING

The 2019 Annual Meeting of RioCan REIT will be held on May 28, 2019 at 10:00 a.m. at Cineplex Cinemas Yonge-Eglinton and VIP 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.

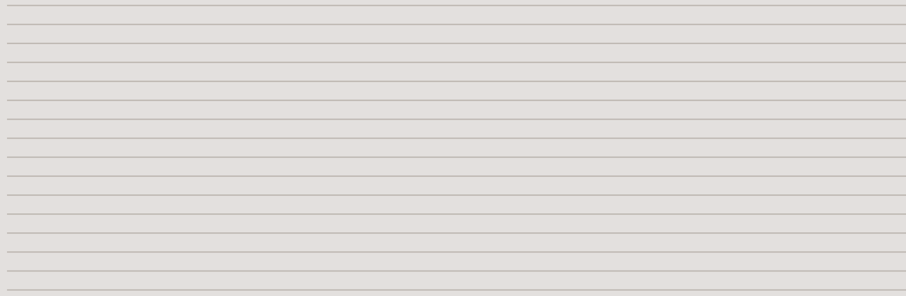
A French language version of this annual report is available on RioCan's website: www.riocan.com

RIOCAN'S 25TH ANNIVERSARY

RIOCAN

REAL VISION, SOLID GROUND.

ANNUAL REPORT 2018



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