DELIVERING VALUE TODAY, BUILDING FOR TOMORROW

RIO CAN

REAL VISION, SOLID GROUND.

ANNUAL REPORT 2019

Corporate PROFILE

Welcome to RioCan, Canada's preeminent, major market real estate investment trust (REIT).

RioCan is one of Canada's largest real estate investment trusts with a total enterprise value of approximately $15.0 billion as of December 31, 2019. RioCan owns, manages and develops retail-focused, increasingly mixed-use properties located in prime, high-density transit-oriented areas where Canadians shop, live and work. Our portfolio is comprised of 220 properties with an aggregate Net Leasable Area (NLA) of approximately 38.4 million square feet (at RioCan's interest) including office, residential rental and 14 development properties. Furthermore, we have zoned density to accommodate 14.6 million square feet of additional mixed-use urban properties.

To learn more about how we deliver real vision on solid ground, visit **www.riocan.com**.

01 **Canada's preeminent** major market, urban mixed-use focused REIT.

02 **90.1% and 52.4%** of total annualized rental revenue from the six major markets and GTA.

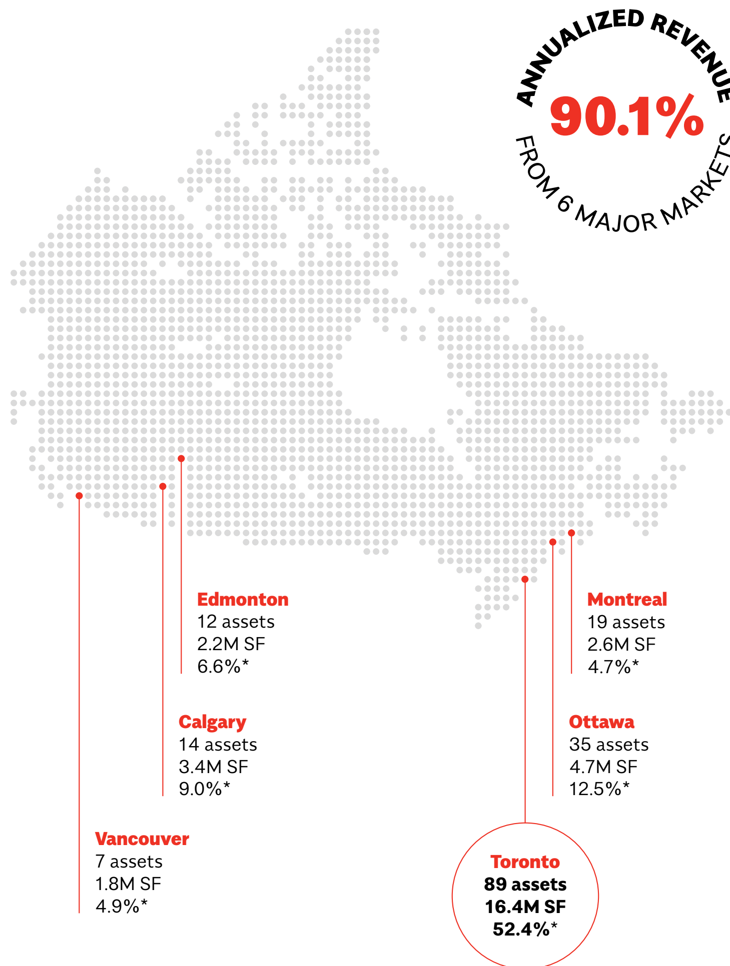
03 **Robust 29M sq. ft. development pipeline** 50.3% of which has zoning approvals.

04 **Consistently strong balance sheet** and disciplined capital allocation.

05 **26 years of driving success** and adding value through a highly experienced, deep executive bench.

Yonge Eglinton Centre

Strategic Canadian
MAJOR MARKET POSITIONING



* Percentage of annualized rental revenue

KEY METRICS
in Canada's Six Major Markets

176
assets[1]

31.1M
SF[1]

2.5%
SPNOI growth[2]

30.6%
increase in avg. population
within 5 km of assets since 2016[3]

14.6M
SF zoned
for mixed-use development

97.7%
committed occupancy[1]

1 Includes commercial income-producing properties only and excludes 14 active properties currently under development
2 If completed properties under development are included, SPNOI increased by 3.7% when compared to 2018
3 Source: *DemoStats – 2019 - Trends*, ©2020 Environics Analytics

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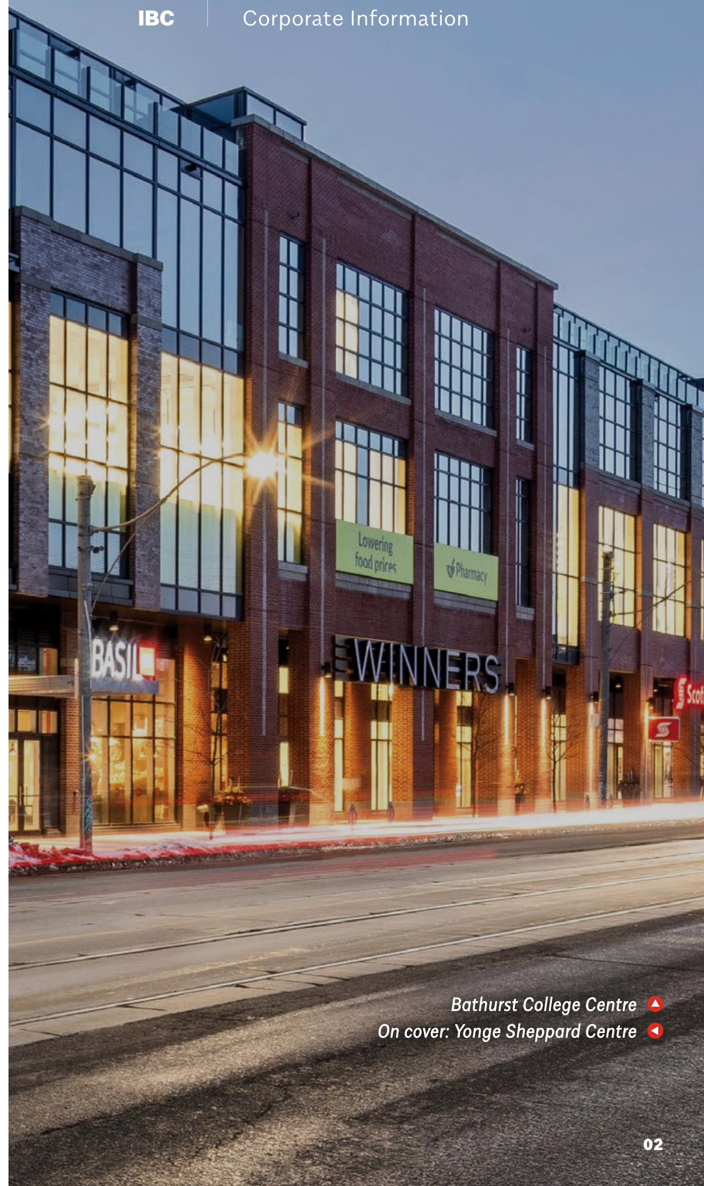


Bathurst College Centre
On cover: Yonge Sheppard Centre

Letter from
THE CEO

Delivering value today, building for tomorrow

Dear Unitholders,

As RioCan completed its 26th year of operation, I am proud to report on our progress to establish RioCan as Canada's preeminent, major market, urban mixed-use focused REIT.

To that end, I am pleased that we have achieved two of our very important milestones: deriving 90.1% of our annualized rental revenue from Canada's six major markets (Greater Toronto Area (GTA), Ottawa, Montreal, Vancouver, Edmonton, and Calgary), and 52.4% of our annualized rental revenue from the GTA.

> **We are now in a position where we have created an almost endless pipeline of value creation opportunities while maintaining and growing a solid revenue stream.**

We have evolved our inherently value-rich portfolio to consist primarily of necessity-based retail and urban mixed-use properties positioned in the transit corridors in some of Canada's most desirable, high-density locations. Our locations, commercial tenant mix, and diversity of revenue sources allow us to consistently produce a high quality of income with sustainable growth, resilient in the face of macroeconomic pressures.

In addition, our balance sheet provides the flexibility, stability and financial strength necessary to execute our growth strategy, access low cost of debt and help insulate RioCan from broader market volatility.

I am also delighted to note that RioCan made significant strides in its ongoing commitment to sustainability by, among other initiatives, publishing our inaugural Sustainability Report and achieving a 77% improvement in the Global Real Estate Sustainability Benchmark (GRESB) Assessment over our 2017 score.

Leveraging dynamic consumer and demographic trends to drive success

RioCan's major market strategy is influenced by evolving consumer and demographic trends that directly impact the commercial real estate landscape. Changing consumer spending habits and the proliferation of technology have resulted in the most dynamic retail environment in history. It is easy to point to the growth of online shopping as an influential catalyst; however, RioCan looks beyond the obvious changes such as where people are transacting. We also analyze what they buy and how they spend their income.

> **Our 26 years of experience provides a powerful competitive edge as it enables RioCan to anticipate patterns before they become trends, to identify influential shifts as they develop, and to adapt our strategy accordingly.**

Since the advent of the iPhone in 2007, average household spending on communications, including connectivity, has increased by more than 60%, leaving close to a thousand dollars less per household per year to spend on apparel and other expenses. Simultaneously, experiences have become more important than physical goods, which is highlighted by the increase in spending on restaurants, gyms and services. In addition, time is now valued at a premium with consumers aiming to save as much of it as possible, in some cases sourcing everything they need in a single location – whether physical or virtual.

At the same time, the Canadian population is urbanizing with more than 70% of the Canadian population living in a census metropolitan area. Among Canada's six major markets, the GTA is the fastest growing, and Toronto is a leading city in population growth among the central cities in all of North America.

> **In response to these consumer and demographic trends, RioCan purposefully concentrated its portfolio in the highest growth regions of Canada, with a focus on the GTA.**

The success of this initiative is evident in the increase in population density in the areas immediately surrounding RioCan's properties; the average population in the five-kilometre trade areas around RioCan's assets is more than 30% higher than it was in 2016.

MAJOR MARKET
Asset Classification

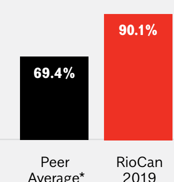
● % of NLA ● Annualized Rental Revenue

	% of NLA	Annualized Rental Revenue
Grocery Anchored Centre*	48.9%	42.6%
Open Air Centre*	27.4%	24.6%
Mixed-Use / Urban*	15.9%	23.7%
Enclosed Centre*	7.8%	9.1%

* Percentage of total major market portfolio

Successfully executed our Major Market strategy

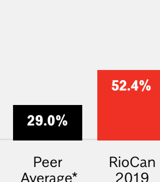
% of Annualized Rental Revenue in Major Markets



Peer Average* | RioCan 2019

* Peers include First Capital Realty, SMART REIT, and CT REIT; based on company reports as of December 31, 2019

% of Annualized Rental Revenue in GTA

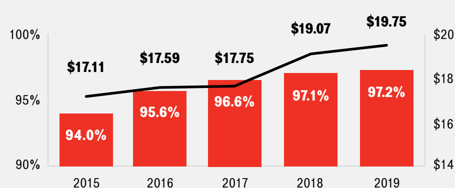


Peer Average* | RioCan 2019

* Peers include First Capital Realty and CT REIT; based on company reports as of December 31, 2019

High occupancy and strong net rent growth consistently delivering high quality income*

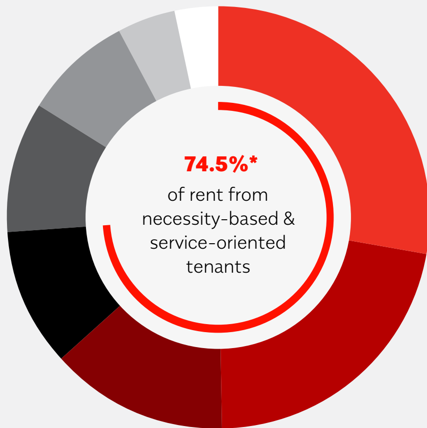
Net rent PSF CAGR since 2015: + 3.7%



● Committed Occupancy ● Average Net Rent PSF

* Canadian commercial properties only

RENT BREAKDOWN
2019



Grocery/Pharmacy/Liquor/Restaurants
28.2% (+4% since 2007)

Personal Services
22.0% (+6% since 2007)

Value Retailers
13.6%

Specialty Retailers
10.7%

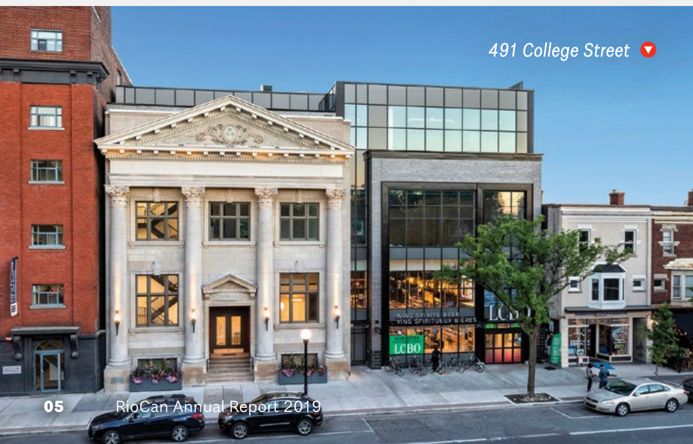
Furniture/Home
9.6%

Department Stores/Apparel
8.4% (-8% since 2007)

Movie Theatres
4.4%

Entertainment/Hobby/Electronics/Books
3.1%

* Annualized net rental revenue



491 College Street

In addition, RioCan strategically tailored its portfolio to serve the growing number of consumers that wish to live, work, shop, and play in high-quality, urban mixed-use properties located in the most compelling major market transportation hubs. As these locations are highly attractive to a growing consumer base, they are by proxy compelling to the strongest tenants allowing RioCan to carefully curate our tenant portfolio to include the most resilient of retailers.

As a result, 74.5% of our annualized net rental revenue is now derived from necessity-based and service-oriented tenants, and just over 50% of tenants are in the grocery, pharmacy, liquor, restaurant, or service sector. In parallel, we have reduced our exposure to more internet-sensitive tenants such as department stores and apparel to 8.4% of our annualized net rental revenue.

> **Taking early action in response to strategic foresight has produced a powerful, stable, and productive retail portfolio designed to meet near- and long-term consumer needs.**

With consistently high occupancy levels and a track record of delivering a high quality of income, RioCan can confidently say it has one of the strongest, best positioned portfolios in Canada.

The future is Urban Mixed-Use

We could have rested satisfied with the knowledge that we have curated a major market retail portfolio capable of delivering stable and continuous high-quality income.

> **However, we knew that by proactively identifying and capitalizing on inherent value-add opportunities, our portfolio could generate stronger Net Asset Value (NAV) growth and deliver even higher returns for our unitholders.**

We understood that the urbanization noted earlier, along with increasing immigration and migration to the major markets and aging residential rental stock would put pressure on the already undersupplied purpose-built residential rental market. We anticipated these factors would drive demand for mixed-use development and a willingness to pay a premium for new, efficiently-designed residential rental units, well-positioned near or on existing and new transit lines, particularly when they are complimented by the strong retail offering that RioCan, one of Canada's largest and most dynamic retail landlords, can provide.

To meet this demand, we initiated the process of obtaining zoning approvals to convert our existing transit-oriented retail properties into vibrant mixed-use communities more than 10 years ago.

To execute our urban mixed-use development strategy, RioCan Living™ tailors residential projects to consumers' shifting requirements, including forward-thinking amenities, shared workspaces, social spaces, modern technology, state-of-the-art life safety systems, security, and access to necessity-based retail and services.

RioCan Living's first two residential rental projects, 466-unit eCentral™ in Toronto and 228-unit Frontier™ in Ottawa, commenced leasing in late 2018 and, as of February 19, 2020, are leased 86% and 97% respectively at very gratifying rents within their first year of opening. The success of these projects further underscores the accuracy of our instincts regarding the demand for quality, well-located residential rental within mixed-use communities.

RioCan Living is actively changing the face of this expanding market by having more purpose-built residential rental units currently under construction than any other public REIT in the Canadian sector and, as a result, we are on track to have Canada's preeminent, newly constructed, major market residential rental portfolio over the next five years.

Delivering long-term value and growth

Looking ahead, our tremendous 29.0 million square feet development pipeline will continue to drive strong and sustainable NAV and cashflow growth; it is urban mixed-use residential in profile and 50.3% of it is already zoned. These attributes are perfectly suited to deliver incremental income and healthy Funds From Operations (FFO) growth as development projects are completed.

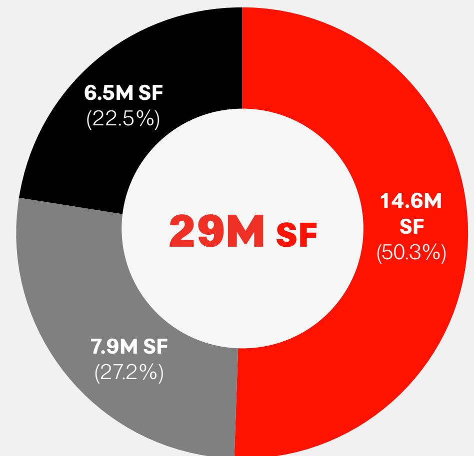
2019 was a transformational year for RioCan as we successfully executed our strategy, achieving both our major market and GTA targets, and delivering the strongest, leading major market portfolio in Canada.

Our best-in-class portfolio, high quality of income, experienced leadership team and robust balance sheet position RioCan to dominate the fast growing, urban mixed-use market, with the goal of delivering strong NAV and unitholder returns.

We appreciate your invaluable trust and thank you for your continued support and confidence in RioCan.

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

TOTAL PIPELINE
by Zoning Status



- **Zoning approved**
- **Future estimated density**
- **Zoning application submitted**
  No significant fair value gains yet recognized for excess density

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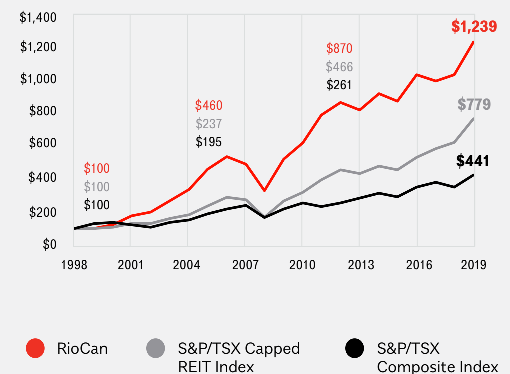
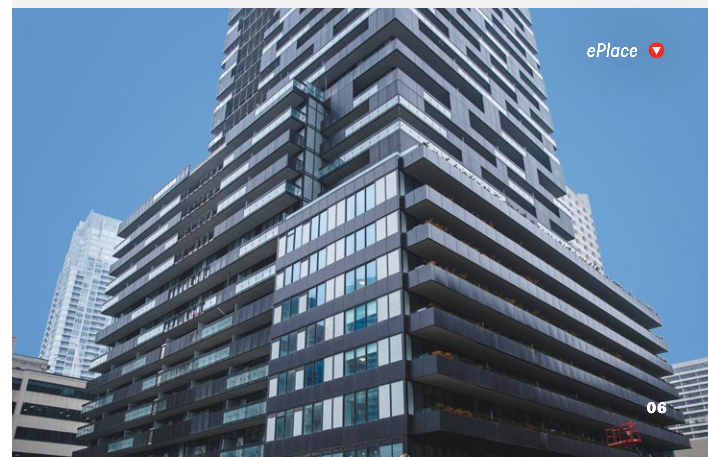
Total Return to Unitholders Assuming Distributions are Re-invested

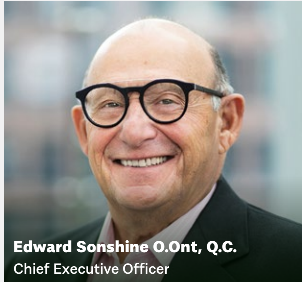




SENIOR Management

Deep executive bench with unparalleled sector expertise

RioCan has a deep, cohesive executive management team with diverse skillsets and an unparalleled understanding of the real estate industry. Twenty-six years of experience provides a powerful competitive edge as it enables our team to anticipate patterns before they become trends, to identify influential shifts as they develop and to adjust strategy accordingly.

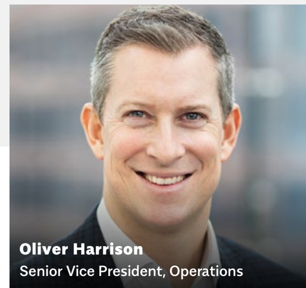

Edward Sonshine O.Ont, Q.C.
Chief Executive Officer

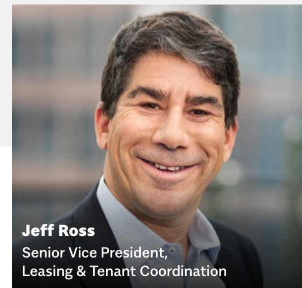
Jonathan Gitlin
President & Chief Operating Officer

Qi Tang
Senior Vice President & Chief Financial Officer

John Ballantyne
Senior Vice President, Asset Management

Andrew Duncan
Senior Vice President, Development


Oliver Harrison
Senior Vice President, Operations


Jeff Ross
Senior Vice President, Leasing & Tenant Coordination

Jennifer Suess
Senior Vice President, General Counsel & Corporate Secretary

Consistently strong balance sheet and disciplined capital allocation

In 2019, RioCan continued to exercise sound capital management and bolster its already robust balance sheet with strong debt to Adjusted EBITDA, leverage and coverage ratios. Our laddered debt maturity profile with mostly fixed-rate debt also enables RioCan to manage interest rate risk effectively.

> **In addition to multiple sources of capital, RioCan benefits from high liquidity and financial flexibility due to ample credit facilities and an $8.9 billion unencumbered assets pool, generating 58.5% of annualized Net Operating Income (NOI)*.**

This financial strength enables RioCan to self-fund its development program through a variety of accessible sources including:

- Net proceeds from dispositions
- Sales proceeds from air rights sales and condominium / townhouse developments
- Strategic alliances
- Excess operating cashflows

227%*
coverage over unsecured debt (27%* above target)

$864.9M*
cash and cash equivalents and undrawn lines of credit

6.4%*
floating interest rate debt exposure (16.4%* FY 2018)

42.1%*
debt to total assets

* On a proportionate share basis

A Yonge Sheppard Centre office space
B Yonge Sheppard Centre retail
C Pivot residential rental

Yonge Sheppard Centre (YSC) is a shining illustration of RioCan's ability to transform an outdated but well-located asset into a dynamic and relevant urban mixed-use community.

Canada's preeminent
MAJOR MARKET, URBAN MIXED-USE FOCUSED REIT

Newly redeveloped, YSC serves as an important hub in this North Toronto neighbourhood, where rapid population growth combined with a lag in residential construction has resulted in historically low vacancy rates and a strong compounded annual market rent rate increase. Along with direct access to the intersecting subway lines of Yonge Street and Sheppard Avenue, YSC's 309,000 square feet of retail and 399,000 square feet of office space allow consumers to shop and work in one well-connected development.

> **An integral component of the RioCan Living residential portfolio, YSC also includes Pivot™, a 36-storey residential rental tower on track to service growing demand with 361 luxury rental units launching in Fall 2020.**

Pivot residents will enjoy the breadth of YSC's retail and food service offering, which features compelling tenants such as Longo's, Winners, Shoppers Drug Mart, LA Fitness and Cactus Club.

Pivot Interior

Dominating a

PRIME TRANSIT INTERSECTION IN TORONTO

The recently renovated Yonge Eglinton Centre (YEC) is a proven success story of RioCan's ability to drive value from our existing transit-oriented major market assets.

Yonge Eglinton Centre is one of midtown Toronto's busiest shopping centres with abundant options for groceries, banking, shopping, dining, and entertainment.

> **Located at the prime intersection of the Yonge subway line and the future Eglinton Crosstown Light Rail Transit, YEC caters to more than five million annual visitors.**

Since acquiring YEC in 2007, RioCan renovated and refurbished the property, and carefully curated its tenant mix to align with the changing demographics and needs of its urban community, delivering approximately $341.9 million in value creation (a 102.7% increase) since acquisition.

$341.9M

+102.7% value creation since 2007

> **Located just across the intersection from YEC, ePlace™, one of RioCan's newest urban mixed-use developments, features three storeys of retail, two storeys of office and three residential towers.**

Completed in 2019 and located in **ePlace**, 36-storey **eCentral** is a striking addition to the midtown Toronto skyline featuring a distinct aluminum exterior and 466 luxury residential rental units. eCentral is 86% leased at very gratifying rents only one year after opening, and we are reaping the benefits of exceptional property management through strong leasing velocity. An additional two condominium buildings, **e8 and e2**, round out the development.

2323 Yonge Street, a boutique office building with retail at its base, is located at the same intersection and further bolsters RioCan's position as the dominant landlord in this provincially designated Urban Growth Centre.

In addition to taking advantage of improved operating efficiencies, cost controls, and economies of scale, our team is exploring a range of revenue growth opportunities resulting from the ownership of multiple closely located properties at a prime intersection in Toronto. With office leases set to expire over the next five years, sizeable rent growth opportunity exists.

Furthermore, the site has significant residential intensification potential, which could further expand our RioCan Living portfolio.

Proving our commitment to sustainability

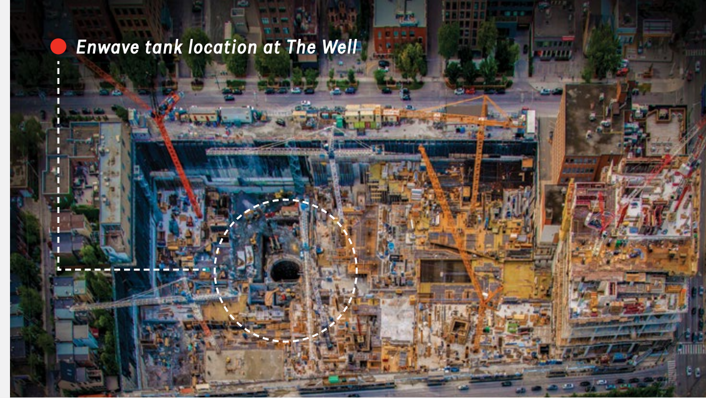
During 2019, RioCan successfully executed key sustainability milestones, which included publishing our first Sustainability Report, formalizing corporate commitments in our Sustainability Policy, and updating our multiyear plan to execute on these commitments and continue improving our sustainability performance year-over-year.

RioCan's participation in the Global Real Estate Sustainability Benchmark (GRESB) Assessment shows that we are indeed improving, with our 2019 score increasing 77% compared to 2017.

> **Notable sustainability innovations include using Enwave's Deep Lake Water Cooling system at The Well in Toronto, which will help to decentralize energy supply and ease load on the electricity grid.**

Meanwhile, Frontier residential rental in Ottawa is using a high efficiency geothermal system that reduces carbon emissions and saves on water and electricity.

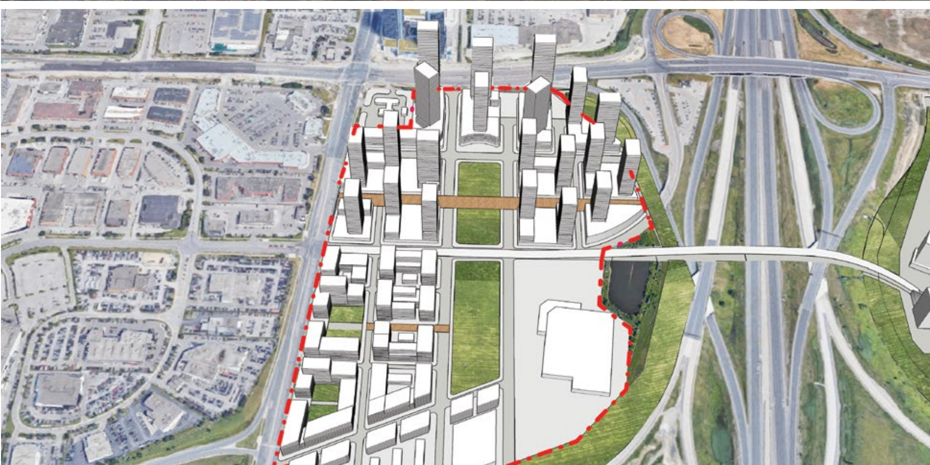
To learn more about RioCan's ongoing commitment to sustainability and to access related documents, please visit: **www.riocan.com/about/sustainability/**



Enwave at The Well

Capitalizing on inherent value and DRIVING NAV GROWTH

RioCan Colossus Centre



> **Originally purchased in 1998, RioCan Colossus Centre in Vaughan, Ontario, is an excellent example of the value inherent in RioCan's portfolio.**

Positioned in one of the fastest growing areas in Canada at the important crossroads of Highway 7 and Weston Road, and close to the newly opened Vaughan Metropolitan Centre transit station, RioCan Colossus Centre is ripe for intensification to service rapidly growing demand for mixed-use properties in the area.

A diverse local community of residents and office workers enjoy access to compelling tenants such as Cineplex Colossus and leading retailers including Sephora, Costco, HomeSense, and PetSmart, as well as a range of personal services and national restaurants. Although presently boasting 98% occupancy in its 66 retail units, and consistently delivering strong SPNOI growth, the vast 60-acre site can deliver much more, through rezoning to permit development of high-quality mixed-use properties.

Future Colossus massing (concept only)

A Frontier

THE OUTLOOK IS URBAN MIXED-USE

Powerful trends such as increased immigration and urbanization drive RioCan's major market strategy with effectively all of our pipeline consisting of core assets located in fast-growing, densely populated cities.

The lack of transit-oriented, urban mixed-use buildings compatible with modern consumer needs has shaped our pipeline, and with 50.3% of it already zoned, RioCan is able to intensify and extract significant value from both existing and newly acquired assets.

~2,700
residential rental units
completed/under construction

+2,100
units expected
to be underway by 2021

Evident success of our early zoning strategy and a trophy in our transit-oriented mixed-use portfolio is Frontier in Ottawa, a 23-storey, 228-unit residential rental tower conveniently located next to the new Blair Light Rail Transit station and RioCan's Silver City Gloucester Shopping Centre.

Home to necessity-based retail and services tenants such as GoodLife Fitness, Cineplex, and Chapters, the Silver City Gloucester development is already delivering strong, sustainable returns. Frontier reached stabilization within a year of launching, with 97% of the units leased at above proforma rents.

Based on the zoning in place, RioCan and its partner Killam Apartment REIT can build a total of four residential towers on the site with up to 840 units.

Given the evident success of Frontier, construction has commenced on the second phase of residential rental development, with occupancy expected in 2021.

Construction at our most ambitious urban mixed-use endeavour to date, The Well in Toronto continues to progress on schedule.

The Well is a new, vibrant mixed-use community in Toronto's downtown West, that achieves what Toronto's Design Review Panel has called 'Enlightened Urbanism.' Spread over seven and a half acres, the neighbourhood borders Wellington, Spadina and Front Street in Toronto, minutes away from Union Station. The development includes over 3.1 million square feet of office, retail, and residential space.

> **Visitors, employees, and residents will be drawn to its robust retail mix, dynamic amenities, premium office space, entertainment, and cultural events.**

36 storeys of office space are already 84% pre-leased to dynamic and high-growth tenants including more than 400,000 square feet that has been leased by Shopify. Residential suites are spread throughout the six buildings in a mix of luxury condominiums and premium purpose-built rentals that enhance RioCan Living's best-in-class residential portfolio. In addition, a year-round open-air covered public promenade in the heart of The Well will create a visually arresting feature and community gathering place, and Wellington Market™ will become Toronto's go-to location for market fresh and artisan food, culinary exploration and experiences.

The Well construction site

The Well (rendering)

King Portland Centre

Completed in Fall 2019,

King Portland Centre unites brick-and-beam style with new construction to compelling effect in Toronto's King West neighbourhood.

One of the first urban intensification projects undertaken by RioCan and its partner Allied Properties REIT, the transit-oriented, luxury mixed-use property includes a newly built 14-storey tower that houses ground level retail and targeted LEED platinum corporate office space fully leased by Shopify and Indigo. On the ground level, 15,000 square feet of retail space is fully leased to restaurant and food services curated to suit a dense, growing and desirable demographic.

The development also includes a 15-storey condominium tower known as Kingly™, which is fully sold and occupied, exceeding initial price expectations. Furthermore, an existing 3-storey commercial building with 55,000 square feet of office space is fully leased with significant rent upside potential. A testament to the complex's superb architecture, UrbanToronto recently recognized King Portland Centre as one of Toronto's 15 most influential buildings of the 2010s.

Commercial Property
PORTFOLIO
(Income producing properties only)

ALBERTA

As at December 31, 2019 Property Name	Ownership Interest	RioCan Interest NLA (Sqft)	Total Site NLA (Sqft)[1]	Major Tenants[2]
17004 & 17008 107th Avenue North West Edmonton, AB	100%	11,963	11,963	
5008 5020 97th Street North West Edmonton, AB	100%	11,943	11,943	
Brentwood Village Calgary, AB	100%	291,927	291,927	Bed Bath & Beyond, Buy Buy Baby, London Drugs, Safeway, Ashley HomeStore
East Hills Calgary, AB	40%	161,826	404,564	Walmart, Cineplex, Sport Chek, Bed Bath & Beyond, Michaels, Marshalls, Costco*
Edmonton Walmart Centre Edmonton, AB	40%	127,856	319,640	Walmart, Golf Town, Totem Building Supplies*
Glenmore Landing Calgary, AB	50%	72,960	145,919	Safeway
Jasper Gates Shopping Centre Edmonton, AB	100%	102,043	102,043	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	100%	414,998	414,998	Winners, Save-on-Foods, JYSK, Value Village
Mill Woods Town Centre Edmonton, AB	100%	454,581	454,581	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%	275,889	275,889	Safeway, Gold's Gym, JYSK, Staples, Home Depot*
RioCan Beacon Hill Calgary, AB	100%	527,815	527,815	Canadian Tire, Winners, The Brick, Best Buy, GoodLife Fitness, Sport Chek, PetSmart, Michaels, Mark's Work Wearhouse, Home Depot*, Costco*
RioCan Meadows Edmonton, AB	100%	323,954	323,954	Home Depot, Staples, Winners, Best Buy, PetSmart, Loblaws*
RioCan Shawnessy Calgary, AB	100%	470,462	470,462	Lowe's, Sport Chek, Winners, Staples, Michaels, Best Buy, Home Depot*, Walmart*, Co-op*, Canadian Tire*
RioCan Signal Hill Centre Calgary, AB	100%	477,154	477,154	Lowe's, Winners, Marshalls, Indigo, Michaels, Staples, Loblaws*
Riverbend Square Shopping Centre Edmonton, AB	100%	138,654	138,654	Safeway
Sage Hill Crossing Calgary, AB	100%	382,165	382,165	Walmart, Loblaws City Market, London Drugs, Liquor Depot
South Edmonton Common Edmonton, AB	100%	430,418	430,418	London Drugs, The Brick, Home Outfitters, Michaels, Old Navy, Home Depot*, Walmart*, Loblaws*, Cineplex*, Staples*, Best Buy*

Commercial Property Portfolio

ALBERTA

As at December 31, 2019 Property Name	Ownership Interest	RioCan Interest NLA (Sqft)	Total Site NLA (Sqft)[1]	Major Tenants[2]
South Trail Crossing Calgary, AB	100%	311,684	311,684	Winners, HomeSense, Marshalls, Staples, Sport Chek
Southbank Centre Calgary, AB	75%	108,910	145,213	Winners, GoodLife Fitness, Michaels, Save-On-Foods*, Home Depot*, Costco*
Southland Crossing Shopping Centre Calgary, AB	100%	132,063	132,063	Value Village
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 Name	Ownership Interest	RioCan Interest NLA (Sqft)	Total Site NLA (Sqft)[1]	Major Tenants[2]
Abbotsford Power Centre Abbotsford, BC	100%	219,892	219,892	Lowe's Winners, PetSmart, Costco*, Rona*
Chahko Mika Mall Nelson, BC	100%	173,107	173,107	Walmart, Save-On-Foods
Clearbrook Town Square Abbottsford, BC	100%	189,552	189,552	Safeway, GoodLife Fitness, Staples
Grandview Corners Surrey, BC	100%	527,572	527,572	Walmart, Best Buy, Indigo, The Brick, Home Depot*
Impact Plaza Surrey, BC	100%	134,599	134,599	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

MANITOBA

Property Name	Ownership Interest	RioCan Interest NLA (Sqft)	Total Site NLA (Sqft)[1]	Major Tenants[2]
Garden City Shopping Centre Winnipeg, MB	100%	366,844	366,844	Canadian Tire, Winners, Seafood City, Michaels, GoodLife Fitness

NEW BRUNSWICK

Property Name	Ownership Interest	RioCan Interest NLA (Sqft)	Total Site NLA (Sqft)[1]	Major Tenants[2]
Corbett Centre Fredericton, NB	100%	237,287	237,287	Winners, Michaels, Bed Bath Beyond, Princess Auto, Home Depot*, Costco*

NEWFOUNDLAND

Property Name	Ownership Interest	RioCan Interest NLA (Sqft)	Total Site NLA (Sqft)[1]	Major Tenants[2]
Trinity Conception Square Carbonear, NFLD	100%	181,635	181,635	Walmart, Dominion, Rossy

Commercial Property Portfolio

ONTARIO

As at December 31, 2019 Property Name	Ownership Interest	RioCan Interest NLA (Sqft)	Total Site NLA (Sqft)[1]	Major Tenants[2]
1650-1660 Carling Avenue Ottawa, ON	100%	142,188	142,188	Canadian Tire
1860 Bayview Avenue Toronto, ON	100%	70,294	70,294	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	
2323 Yonge Street Toronto, ON	50%	33,684	67,367	
2422 Fairview Street Burlington, ON	100%	6,221	6,221	
2453 Yonge Street Toronto, ON	100%	13,723	13,723	
2939-2943 Bloor Street West Toronto, ON	100%	9,468	9,468	
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	
85 Bloor Street West Toronto, ON	100%	13,810	13,810	COS
Ajax Marketplace Ajax, ON	100%	70,724	70,724	Metro, Pharma Plus
Albion Centre Toronto, ON	100%	376,129	376,129	Canadian Tire, No Frills
Bathurst College Centre Toronto, ON	100%	140,654	140,654	Freshco, Winners, UHN, Uber
Belleville Stream 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	

ONTARIO

As at December 31, 2019 Property Name	Ownership Interest	RioCan Interest NLA (Sqft)	Total Site NLA (Sqft)[1]	Major Tenants[2]
BMO-945 Smyth Road Ottawa, ON	100%	8,532	8,532	
Burlington Centre Burlington, ON	50%	298,417	596,833	Canadian Tire, Winners, HomeSense, Indigo, Denninger's, Sport Chek, GoodLife Fitness, Hudson's Bay*
Cambrian Mall Sault Ste. Marie, ON	100%	134,807	134,807	Winners, Shoppers Drug Mart, Canadian Tire*, Loblaws*
Chapman Mills Marketplace Ottawa, ON	100%	451,673	451,673	Walmart, Winners, Staples, Indigo, Galaxy Cinemas (Cineplex), Loblaws*
Cherry Hill Centre Fergus, ON	100%	73,886	73,886	Zehr's
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%	109,279	109,279	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
Eagles Landing Vaughan, ON	100%	175,361	175,361	Yummy Market
Eastcourt Mall Cornwall, ON	50%	71,838	143,676	No Frills
Elmvale Acres Ottawa, ON	100%	141,827	141,827	Loblaws, Pharma Plus
Empress Walk Toronto, ON	100%	179,456	179,456	Cineplex, Shoppers Drug Mart, Loblaws*
Eplace Toronto, ON	100%	19,813	19,813	TD Bank
Fairlawn Plaza Ottawa, ON	100%	8,322	8,322	
Fallingbrook Shopping Centre Orleans, ON	100%	97,232	97,232	Metro, Shoppers Drug Mart
Five Points Shopping Centre Oshawa, ON	100%	188,385	188,385	Metro, 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
Georgian Mall Barrie, ON	50%	244,103	488,205	Hudson's Bay, Sport Chek, HomeSense, H&M, LL Bean
Glendale Marketplace Pickering, ON	100%	53,963	53,963	Loblaws, Pharma Plus

Commercial Property Portfolio

ONTARIO

As at December 31, 2019 Property Name	Ownership Interest	RioCan Interest NLA (Sqft)	Total Site NLA (Sqft)[1]	Major Tenants[2]
Grant Crossing Ottawa, ON	100%	237,405	237,405	Winners, HomeSense, Michaels, Bed Bath & Beyond, Value Village, Lowe's*
Green Lane Centre Newmarket, ON	100%	160,225	160,225	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%	325,289	325,289	Walmart, Winners, Staples, Canadian Tire*
Heart Lake Town Centre Brampton, ON	100%	123,572	123,572	Metro
Herongate Square 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%	63,088	63,088	Metro
Hunt Club Centre II (Lowe's) Ottawa, ON	100%	143,815	143,815	Lowe's
Huron Heights London, ON	100%	87,969	87,969	Talize, Shoppers Drug Mart
Kanata Centrum Shopping Centre Kanata, ON	100%	286,394	286,394	Walmart, Chapters, Loblaws
Kendalwood Park Plaza Whitby, ON	100%	158,688	158,688	FreshCo, Value Village, Shoppers Drug Mart
Kennedy Commons Toronto, ON	50%	195,601	391,202	Metro, The Brick, LA Fitness, Chapters, Michaels, Ashley HomeStore
Keswick Marketplace Keswick, ON	75%	120,363	160,484	Walmart
King Portland Centre Toronto, ON	50%	163,429	326,857	Shopify (office), Indigo (office)
Lawrence Allen Centre Toronto, ON	100%	662,086	662,086	Fortino's, Canadian Tire, Marshalls, HomeSense, PetSmart, Hudson's Bay Company (office)
Lincoln Fields Shopping Centre Ottawa, ON	100%	67,026	67,026	Metro, Pharma Plus
Markington Square Toronto, ON	100%	173,181	173,181	Metro, GoodLife Fitness, City of Toronto
Meadow Ridge Plaza Ajax, ON	100%	111,762	111,762	Sobeys (dark), GoodLife Fitness
Meadowlands Power Centre Ancaster, ON	100%	145,605	145,605	Best Buy, Sport Chek, Michaels, 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%	157,804	315,608	Metro, Movati Fitness, Value Village, Canadian Tire*
Mississauga Plaza Mississauga, ON	100%	175,672	175,672	FreshCo, Talize, LA Fitness

ONTARIO

As at December 31, 2019 Property Name	Ownership Interest	RioCan Interest NLA (Sqft)	Total Site NLA (Sqft)[1]	Major Tenants[2]
Oakville Place Oakville, ON	50%	228,601	457,201	Hudson's Bay, GoodLife Fitness, Buy Buy Baby, H&M, PetSmart, Sport Chek, Shoppers Drug Mart
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	260,615	Food Basics, Movati Fitness, Landmark Cinemas, Toys R Us, Lowe's*
RioCan Centre Burloak Oakville, ON	100%	454,622	454,622	Cineplex, Home Outfitters, Longo's, Home Depot*
RioCan Centre Kingston Kingston, ON	100%	634,655	634,655	Cineplex, Staples, Winners, HomeSense, Michaels, Best Buy, The Brick, Home Outfitters, Bed Bath & Beyond, Old Navy, Home Depot*
RioCan Centre Milton Milton, ON	100%	171,465	171,465	Cineplex, LA Fitness, Home Depot*, Longos*
RioCan Centre Newmarket Newmarket, ON	40%	26,688	66,721	Staples, Mark's Work Wearhouse
RioCan Centre Sudbury Sudbury, ON	100%	403,797	403,797	Cineplex, Staples, Chapters, Michaels, Winners, Costco*, Home Depot*
RioCan Centre Vaughan Vaughan, ON	100%	262,336	262,336	Walmart
RioCan Colossus Centre Vaughan, ON	100%	570,574	570,574	Cineplex, Marshalls, Bed Bath & Beyond, HomeSense, Buy Buy Baby, Staples, Golf Town, Costco*
RioCan Durham Centre Ajax, ON	100%	891,739	891,739	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%	320,348	320,348	Costco, Michaels, PetSmart, Staples, Home Depot*
RioCan Grand Park Mississauga, ON	100%	118,681	118,681	Winners, Shoppers Drug Mart, Staples
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, ON	67%	114,298	171,447	Winners, Loblaws*, Home Depot*
RioCan Merivale Place Nepean, ON	100%	200,177	200,177	Your Independent Grocer, Winners, Value Village
RioCan Niagara Falls Niagara Falls, ON	100%	71,582	71,582	Loblaws, Home Depot*
RioCan Orleans Cumberland, ON	100%	182,251	182,251	Metro, JYSK, Staples, Home Depot*
RioCan Scarborough Centre Toronto, ON	100%	326,880	326,880	Costco, PetSmart, Staples, LA Fitness, Al Premium Food Market
RioCan St. Laurent Ottawa, ON	100%	300,474	300,474	Adonis, Decathlon, Giant Tiger, Winners, Food Basics

Commercial Property Portfolio

ONTARIO

As at December 31, 2019 Property Name	Ownership Interest	RioCan Interest NLA (Sqft)	Total Site NLA (Sqft)[1]	Major Tenants[2]
RioCan Thickson Ridge Whitby, ON	100%	472,982	472,982	Winners, IKEA, JYSK, Bed Bath & Beyond, HomeSense, PetSmart, Best Buy, Michaels, DSW, Golf Town, Buy Buy Baby, Home Depot*
RioCan Warden Toronto, ON	100%	230,974	230,974	Lowe's, Marshalls, Michaels
RioCan West Ridge Orillia, ON	100%	157,035	157,035	Galaxy Cinemas (Cineplex), Sport Chek, Value Village, Home Depot*, Food Basics*
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%	91,701	91,701	Value Village
Shoppers City East Ottawa, ON	100%	41,507	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%	326,323	326,323	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
Silver City Gloucester II (Frontier) Gloucester, ON	50%	2,570	5,140	
South Cambridge Shopping Centre Cambridge, ON	100%	189,739	189,739	Zehr's, 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
Stock Yards Village Toronto, ON	100%	509,839	509,839	Nations, Winners, Marshalls, Sport Chek, HomeSense, Michaels, PetSmart
Sunnybrook Plaza Toronto, ON	50%	15,458	30,916	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%	173,479	346,957	Polo, Old Navy, Nike, Saks Fifth Avenue, Under Armour, Coach, Marshalls

ONTARIO

As at December 31, 2019 Property Name	Ownership Interest	RioCan Interest NLA (Sqft)	Total Site NLA (Sqft)[1]	Major Tenants[2]
The Shops of Summerhill Toronto, ON	75%	23,115	30,820	
Timiskaming Square New Liskeard, ON	50%	44,470	88,940	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%	618,303	618,303	Cineplex, Metro, Winners, Marshalls, HomeSense, Staples, Sport Chek, Michaels, DSW, Canadian Tire*, Home Depot*
Trinity Crossing Ottawa, ON	100%	191,465	191,465	Winners, Michaels, Value Village, Loblaws*
University Plaza Dundas, ON	100%	185,788	185,788	Canadian Tire, Shoppers Drug Mart
Upper James Square Hamilton, ON	100%	114,269	114,269	Winners, Mark's Work Wearhouse
Victoria Crossing Toronto, 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
Westgate Shopping Centre Ottawa, ON	100%	161,362	161,362	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 Eglinton Centre Toronto, ON	100%	1,059,272	1,059,272	Cineplex, Indigo, Metro, Toys R Us, Winners
Yonge Sheppard Centre Toronto, ON	100%	619,085	619,085	Longo's, LA Fitness, Winners, Shoppers Drug Mart, BMO (office)
Yorkville Toronto, ON	50%	4,146	8,291	

PRINCE EDWARD ISLAND

Property Name	Ownership Interest	RioCan Interest NLA (Sqft)	Total Site NLA (Sqft)	Major Tenants
Charlottetown Mall Charlottetown, PEI	50%	192,965	385,930	Cineplex, Loblaws, Sport Chek, Winners, West Royalty Fitness, Urban Planet, H&M

QUEBEC

Property Name	Ownership Interest	RioCan Interest NLA (Sqft)	Total Site NLA (Sqft)	Major 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	

QUEBEC

As at December 31, 2019 Property Name	Ownership Interest	RioCan Interest NLA (Sqft)	Total Site NLA (Sqft)[1]	Major Tenants[2]
Centre Carnaval Lasalle LaSalle, PQ	50%	103,985	207,969	Super C
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%	314,442	314,442	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 St. Sauveur, PQ	50%	56,996	113,992	Tommy Hilfiger, Atmosphere
Les Galeries Lachine Montreal, PQ	50%	83,692	167,383	Maxi, Rossy, Shoppers Drug Mart
Mega Centre Notre Dame / Desserte Ouest Sainte-Dorothée, PQ	100%	508,667	508,667	Winners, L'Aubainerie, Skyzone, Sports Experts, Staples, JYSK, Gold's Gym, Shoppers Drug Mart*, Super C*
Place Carnaval Laval Laval, PQ	100%	112,404	112,404	Adonis
Place La Prairie La Prairie, PQ	50%	35,467	70,934	IGA
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
RioCan La Gappe Gatineau, PQ	100%	372,757	372,757	Walmart, Winners, Michaels
Silver City Hull Hull, PQ	100%	84,590	84,590	Cineplex, Rona*, Walmart*, Maxi*, Super C*, Winners*
Vaudreuil Shopping Centre Vaudreuil-Dorian, PQ	100%	117,773	117,773	Staples, Canadian Tire*, Super C*

Notes:
1. Total site "Net Leasable Area" (NLA) includes RioCan's and partners' ownership interests and excludes NLA of non-owned anchors. Includes NLA which has a rent commencement date on or before December 31, 2019.
2. *Non-owned anchor excluded from total site NLA.

FINANCIAL REVIEW

REAL ESTATE PORTFOLIO KEY FACTS *as at December 31, 2019 (all metrics stated at RioCan's interest unless otherwise noted)*

Net Leasable Area (NLA) (thousands of sq.ft.):	Retail	Office	Total Commercial
Income Producing Properties (i)	**33,460**	**2,260**	**35,720**
Properties Under Development (ii)	**808**	**520**	**1,328**
Total NLA	**34,268**	**2,780**	**37,048**

(i) Includes NLA which has a rent commencement date on or before December 31, 2019.
(ii) Includes the NLA only for active projects with detailed costs estimates, but excludes NLA for air rights sales, condominium/townhouse developments (residential inventory), and residential rental properties. Includes completed commercial Properties Under Development NLA that have a rent commencement date after December 31, 2019.

Average Net Rent (commercial only)

	Retail	Office	Total Commercial
Average Net Rent per Occupied Square Foot	**$ 19.92**	**$ 17.22**	**$ 19.75**

Occupancy (commercial only)

		Retail	Office	Total Commercial
Total Portfolio	Committed Occupancy	**97.2%**	**97.0%**	**97.2%**
	In-Place Occupancy	**96.3%**	**96.3%**	**96.3%**
Six Major Markets (i)	Committed Occupancy	**97.8%**	**96.9%**	**97.7%**
	In-Place Occupancy	**96.9%**	**96.1%**	**96.9%**
	% of total annualized rental revenue	**82.6%**	**7.5%**	**90.1%**
	% of total NLA	**81.3%**	**5.7%**	**87.0%**
Greater Toronto Area (ii)	Committed Occupancy	**98.4%**	**97.5%**	**98.3%**
	In-Place Occupancy	**97.4%**	**96.7%**	**97.3%**
	% of total annualized rental revenue	**45.3%**	**7.1%**	**52.4%**
	% of total NLA	**40.7%**	**5.1%**	**45.8%**

(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.

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	**16,366**	**52.4%**	**89**	**10**	**99**
Ottawa	**4,708**	**12.5%**	**35**	**1**	**36**
Calgary	**3,426**	**9.0%**	**14**	**3**	**17**
Montreal	**2,577**	**4.7%**	**19**	**—**	**19**
Edmonton	**2,227**	**6.6%**	**12**	**—**	**12**
Vancouver	**1,790**	**4.9%**	**7**	**—**	**7**
Total Six Major Markets	**31,094**	**90.1%**	**176**	**14**	**190**
Total Secondary Markets	**4,626**	**9.9%**	**30**	**—**	**30**
Total Portfolio	**35,720**	**100.0%**	**206**	**14**	**220**

(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	Canadian Tire Corporation (i)	**4.8%**	**6.4**
2	Loblaws/Shoppers Drug Mart (i)	**4.4%**	**8.2**
3	The TJX Companies, Inc. (i)	**4.2%**	**6.0**
4	Cineplex (i)	**3.6%**	**7.4**
5	Metro/Jean Coutu (i)	**2.6%**	**8.0**
6	Walmart	**2.6%**	**8.8**
7	Montana's, Harvey's, Swiss Chalet, Kelseys (i)	**1.6%**	**7.0**
8	Sobeys/Safeway	**1.5%**	**9.3**
9	Dollarama	**1.5%**	**6.0**
10	Lowe's	**1.4%**	**9.3**
		28.2%	**7.4**

(i) Includes various operating banners and key brands as indicated in the *Tenant Profile* section of this MD&A.

Property Lease Expiries and Contractual Rent Increases (commercial only)

	Total	2020	2021	2022	2023	2024
NLA (thousands of sq.ft.)	35,720	2,646	4,385	3,636	4,088	4,669
Average expiring rent per square foot	$ 19.75	$ 21.86	$ 19.26	$ 21.22	$ 21.00	$ 21.74
Contractual rent increases (in thousands of dollars) (i)		$ 8,606	$ 6,745	$ 6,004	$ 5,331	$ 4,040

(i) Contractual rent increases are based on existing leases as of December 31, 2019 and are on a year-over-year incremental basis. The contractual rent increases are higher in 2020 as they reflect more market rent changes as a result of new leasing and renewals completed in 2019. 2021 contractual rent increases are additional increases over 2020 rent increases, etc.

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, 2019 (Q4 2019 and 2019, respectively). This MD&A is dated February 19, 2020 and should be read in conjunction with our annual audited consolidated financial statements and related notes for the year ended December 31, 2019 (2019 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 *Business Overview, Outlook, Strategy*, *2019 Financial Highlights*, *Operations, 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; the relative illiquidity of real property; changes to rent control legislation; development risk associated with construction commitments, project costs and related zoning and other permit approvals; risks related to the residential rental business; access to debt and equity capital; interest rate and financing risk; credit ratings; joint ventures and partnerships; 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; environmental matters, including climate change; litigation; uninsured losses; reliance on key personnel; unitholder liability; income, sales and land transfer taxes; and cyber security.

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; 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW, OUTLOOK AND STRATEGY

Business Overview

RioCan is an unincorporated "closed-end" trust governed by the laws of the Province of Ontario constituted pursuant to the Declaration of Trust and is listed on the Toronto Stock Exchange (TSX) under the symbol REI.UN. RioCan is one of Canada's largest real estate investment trusts, with a total enterprise value of approximately $15.0 billion as at December 31, 2019. 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. RioCan's portfolio is comprised of 220 retail and mixed-use properties with an aggregate net leasable area (NLA) of 38,402,000 square feet, including residential rental and 14 properties under development as at December 31, 2019 (at RioCan's interest).

RioCan's property portfolio includes Mixed-Use/Urban, Grocery Anchored centres, Open Air centres and Enclosed centres, comprised of 180 properties which are 100% owned (176 income properties and 4 properties under development) and 40 properties which are co-owned and governed by co-ownership agreements (including 10 properties under development). RioCan's primary co-ownership arrangements are with Allied Properties REIT (Allied); Canada Pension Plan Investment Board (CPPIB); KingSett Capital (KingSett); Boardwalk REIT (Boardwalk); Killam Apartment REIT (Killam); Concert Properties (Concert); Woodbourne Canada Partners (Woodbourne); and Tanger Factory Outlet Centres, Inc. (Tanger). 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 2019 Annual Consolidated Financial Statements.

Operating Results

2019

For the year ended December 31, 2019, RioCan reported net income per unit of $2.52 and FFO per unit of $1.87, an increase of $0.02 FFO per unit over the comparable period in 2018 despite $35.6 million in lower realized marketable securities gains, $5.0 million in lower capitalized interest resulting from substantial development completions and $2.2 million in higher residential inventory project marketing costs, as well as $0.5 billion of dispositions completed in 2019 and the full year effect of nearly $1.0 billion of dispositions completed in 2018. These dilutive factors were offset by strong same property NOI growth, NOI from completed developments, higher residential inventory gains, strong leasing velocity within the residential rental operations, transaction gains from equity accounted investments, lower G&A costs and the impact of 2018 unit buybacks.

Same property NOI for the year ended December 31, 2019 grew by 2.5% for RioCan's six major market commercial properties, and by 2.1% for the overall commercial portfolio when compared to 2018. Same property NOI for secondary market commercial properties decreased by 1.2% when compared to 2018, which lowered overall same property NOI growth. When completed properties under development are included in same property NOI, same property NOI grew by 3.7% for the Trust's major market commercial portfolio and by 3.3% for its overall commercial portfolio.

Committed and in-place occupancy for the overall portfolio improved by 10 and 20 basis points when compared to December 31, 2018, achieving 97.2% and 96.3% respectively, as of December 31, 2019. Committed and in-place occupancy for retail remains strong at 97.2% and 96.3% as well. Major market retail committed and in-place occupancy was strong at 97.8% and 96.9%, while retail committed and in-place occupancy in the GTA was even stronger and increased to 98.4% and 97.4%.

The strong renewal spread of 9.2% coupled with good rental rates on new leasing, pushed the Trust's overall blended leasing spread to 9.4% for the year ended December 31, 2019. The Trust's major market commercial portfolio achieved stronger renewal and blended leasing spreads of 9.9% and 9.7%, respectively, for the year ended December 31, 2019.

Residential rental leasing which commenced late in 2018, continued to make significant progress with strong velocity at the Trust's first two purpose-built RioCan Living™ properties. As of February 19, 2020, 401 units (86.1% of all units) have been leased at the 466-unit eCentral™ property in Toronto, Ontario, at an average monthly rent of $3.90 per square foot for market rent units, and 220 units (96.9% of all units) have been leased at the 228-unit Frontier™ property in Ottawa, Ontario at an average monthly rent of $2.49 per square foot. Frontier achieved stabilization early in 2020 while eCentral is expected to reach stabilization in the spring of 2020. During the year ended December 31, 2019, these two residential buildings have generated net operating income of $2.4 million. Other than a small number of rental replacement units, none of RioCan's residential rental units are rent controlled under the current legislation.

The Trust generated residential inventory gains of $36.3 million during the year from eCondos™ and Kingly™ in Toronto, Ontario and from UC Towns (Windfield Farms Townhouse Phase One) in Oshawa, Ontario. The vast majority of purchasers across the three projects are now in possession of their units.

Q4 2019

For the three months ended December 31, 2019, RioCan reported net income per unit of $0.48 and FFO per unit of $0.46, an increase of $0.01 FFO per unit over the comparable period in 2018. Strong operational results as reflected in same property NOI growth, gains from residential inventory sales, NOI from completed developments, together with lower G&A costs were partially offset by lower realized gains on the sale of marketable securities, lower lease cancellation fees, higher marketing costs for condominium and townhouse projects and lower capitalized interest due to development completions.

For RioCan's commercial operations, same property NOI grew by 2.8% for its major market properties and by 2.3% for the overall commercial portfolio when compared to the same period in 2018. Same property NOI for its secondary market properties decreased by 2.3% when compared to the same period in 2018. When completed properties under development are included in

same property NOI, same property NOI grew by 4.1% for the Trust's major market portfolio and by 3.5% for its overall commercial portfolio.

For the quarter, the renewal leasing spread was 10.2%, significantly improved over the comparable period in 2018, and the blended leasing spread was 8.2%.

During the quarter, the Trust generated residential inventory gains of $11.0 million from the aforementioned condominium and townhouse projects and net operating income of $1.9 million from its first two residential rental towers at eCentral and Frontier.

Canadian Major Market Focus

As of December 31, 2019, the Trust achieved key strategic milestones by generating 90.1% and 52.4% of its total annualized rental revenue from the six major markets and the Greater Toronto Area (GTA), respectively, surpassing its >90% and >50% milestone targets. These two key metrics increased 470 and 560 basis points, respectively, over the past twelve months and 140 basis points and 290 basis points, respectively, in the fourth quarter.

The achievement of these two strategic milestones allows the Trust to further seize opportunities arising from the strong population and economic growth in the six major markets, particularly in the GTA. RioCan expects to continue to improve the quality of its portfolio and income, and to drive higher growth in same property NOI, FFO per unit and net asset value (NAV) per unit.

Pursuant to the Trust's strategic secondary market asset disposition program, as of February 19, 2020, the Trust has closed, firm and conditional deals and letters of intent, for 83 properties for aggregate sales proceeds of $1.6 billion, at a weighted average capitalization rate of 6.88%. As of February 19, 2020, the Trust has closed deals for 81 properties for aggregate sales proceeds of $1.6 billion at a weighted average capitalization rate of 6.78%. Approximately $58.9 million of mortgages were assumed by purchasers on closing.

The capitalization rate of a strategic disposition referred to in this MD&A is calculated based on the in-place twelve-month-trailing NOI of a property or a portfolio of properties when the related sale agreement becomes firm. The aggregate sales prices of these properties are materially in line with the Trust's IFRS valuations.

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

Strong Property Mix and Tenant Base

Mixed-Use / Urban and Grocery Anchored centres combined accounted for 60.6% and 62.9% of total NLA and annualized rental revenues, respectively, as of December 31, 2019. This further highlights the quality of RioCan's portfolio and underlying income. Enclosed centres accounted for less than 10% of the Trust's portfolio, whether measured on a NLA or annualized revenue basis.

The Trust has been reducing its tenant mix in department stores, apparel, entertainment and hobby retailers, while increasing its tenant mix in the sectors that have demonstrated growth and resilience such as grocery, pharmacy, restaurants, personal services, value retailers and specialty retailers. As of the year end, 74.5% of the Trust's total annualized rental revenue was derived from necessity-based and service-oriented tenants, a 40 basis point increase over the prior quarter and a 170 basis point increase over the 2018 year end.

Strategic Acquisitions

During the year ended December 31, 2019, the Trust completed acquisitions of 15 investment properties for an aggregate purchase price of $915.6 million, excluding transaction costs of $25.6 million. The acquisitions are mostly purchases of partners' non-managing interests in existing properties at attractive prices and comprised of income producing properties acquisitions of $801.2 million and properties under development acquisitions of $114.4 million. These acquisitions added 1.8 million square feet of income producing property and 1.4 million square feet of future density to the Trust's NLA.

Included in these acquisitions are the strategic purchases of the remaining non-managing 50% interest in Yonge Sheppard Centre, the remaining non-managing 50% interest in eCentral and the 22,000 square foot retail component of ePlace, and a 50% co-ownership interest in 2323 Yonge Street for an aggregate purchase price of $498.9 million, net of certain working capital adjustments and before transaction costs. The Trust now owns 100% of two of its flagship assets, Yonge Sheppard Centre and eCentral in Toronto, Ontario which adds 657,000 square feet of urban mixed-use NLA to its portfolio. Together with the 2323 Yonge Street acquisition, the Trust strengthened its dominant presence in the high demand Yonge Street corridor, expanded the RioCan Living residential portfolio and accelerated RioCan's major market and GTA presence.

Further details can be found in the *Income Property Acquisitions During 2019* section of this MD&A.

Strategic Partnerships

As part of RioCan's strategy to leverage strategic partnerships to drive growth through its major market presence and development pipeline while mitigating risk and maintaining a strong balance sheet, during the year ended December 31, 2019, RioCan expanded its strong relationship with two existing well-respected residential partners to develop discrete portions of vacant land into mixed-use properties.

In Q3 2019, the Trust sold, in two separate transactions, 50% interests in discrete portions of existing, operating shopping centres for mixed-use development at Sandalwood Square in Mississauga, Ontario and Elmvale Acres Shopping Centre in Ottawa, Ontario at $80.00 and $45.00 per buildable square foot to Boardwalk and Killam, respectively. By selling discrete portions of each respective shopping centre, the operational aspects and net operating income of the shopping centres will not be impacted materially. The Killam transaction is expected to close in mid-2020 once severance of the land is obtained and pertains only to

phase one of the planned five-phase mixed-use project. The Boardwalk transaction closed during the year. Combined, these two projects will transform approximately 3.5 acres of vacant land into two residential towers with 638 residential rental units and 23,000 square feet of retail (at 100%), further demonstrating the Trust's ability to unlock the inherent value in its existing asset base while better serving the communities in which it operates.

Development

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 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.

Development pipeline

As of December 31, 2019, the Trust has identified an estimated 29.0 million square feet of development pipeline (at RioCan's interest), of which 14.6 million square feet or 50.3% have zoning approval and an additional 6.5 million square feet or 22.5% have zoning applications submitted. When compared to December 31, 2018, the net increase in the Trust's development pipeline was 2.8 million square feet, resulting from the identification of additional value creation opportunities among its existing assets and acquisitions of partners' non-managing interests, net of 530,000 square feet of development completions during the year and the sale of one large development project in a secondary market in British Columbia.

Almost all of the mixed-use residential projects are located in the six major markets and are typically located in the vicinity of existing or planned substantive transit infrastructure with 67% of the development pipeline being located in the GTA. Residential components represent 21.2 million square feet (at RioCan's interest) or 72.8% of the Trust's current estimated development pipeline.

As of December 31, 2019, the Trust has recognized $266.0 million of cumulative fair value gains for its 4.2 million square feet of active projects with detailed cost estimates. The Trust anticipates realizing substantial net value creation from its additional 16.7 million square feet of excess density that are either zoned or have zoning applications submitted, and an additional 7.9 million square feet of future density. As of December 31, 2019, nominal fair value gains have been recognized relating to these additional 24.6 million square feet of density.

Development Completions and Progress

For the year ended December 31, 2019, the Trust completed 530,000 square feet of developments including eCentral, Frontier and 91,000 square feet of commercial space at Fifth and Third East Village in Calgary, Alberta. The Trust previously sold the air rights above the commercial component of its mixed-use project at Fifth and Third East Village to a third party developer for the construction of two residential towers. Closing of the first strata parcel of the air rights at this project is expected in early 2020.

Our purpose-built RioCan Living residential rental properties are key components of our mixed-use developments. Approximately 2,700 units, including the 694 units at eCentral and Frontier, are completed or are under construction with another 2,100 rental units expected to be underway by 2021. Furthermore, the Trust has completed and sold over 900 condominium and townhouse units at eCondos, Kingly and UC Towns and currently has another 2,100 condominium and townhouse units under development. Refer to the *Residential Inventory* Section of this MD&A.

Construction at The Well continues to progress. The office component has now reached 14 of 36 storeys and approximately 84% of the office space is pre-leased, an increase of 12% when compared to the prior quarter. Office tenants are expected to commence taking possession in Q1 2021. Construction of the underground structure for the residential component, which RioCan has sold the air rights to Tridel and Woodbourne, is also progressing well. The air rights sales are expected to close in 2020/2021. Construction of The Well Building 6, a 593-unit residential rental building, which is owned 50/50 with Woodbourne is expected to commence in Q3 2020.

Residential Inventory

The Trust's first three condominium or townhouse projects (eCondos, Kingly and UC Towns) were completed as of year end and as a result, most of the inventory gains have been recognized into income. Most recently, King Portland Centre, including the condominium component Kingly, was ranked seventh of the 15 most influential and architecturally significant buildings of the past decade in Toronto, Ontario by UrbanToronto for effectively combining brick and beam style with modern design.

As of the year end, the Trust has four outstanding residential inventory projects, all of which are progressing well in accordance with the plan.

- Sales of condominiums at the prestigious Yorkville project (11 YV) in Toronto, Ontario were launched on September 12, 2019 and are progressing well with 83.0% of the 593 units (at 100%) pre-sold as of February 19, 2020. Average prices are expected to be above $1,700 per square foot, exceeding initial expectations. This project is expected to generate a value creation percentage in the range of 15%-17% (at RioCan's interest) based on estimated IFRS project costs including, but not limited to, land and capitalized interest during the development phase. Construction is expected to start in the Q2 2020 with an anticipated first possession date of Q3 2024. In addition to the Kingly recognition by UrbanToronto, 11 YV recently won several awards from the National Association of Home Builders including the National Sales & Marketing Council's Award of Excellence for Multi-Family Community of the Year.
- Sales for UC Tower (the first phase of the high rise condominium component at Windfield Farms) in Oshawa, Ontario are also progressing well with 73.6% of the 503 units (at 100%) pre-sold as of February 19, 2020. This project, which is selling at

approximately $590 per square foot, is expected to generate a value creation percentage in the range of 17%-20% (at RioCan's interest) based on estimated IFRS project costs including, but not limited to, land and capitalized interest during the development phase. This project has an expected construction start date of Q2 2020 and an anticipated first possession date of Q2 2022. Sales at UC Uptown (Windfield Farms Townhouse Phase Two), 153-unit three storey townhouse development are expected to commence in the first quarter of 2020.

RioCan is also developing the first phase of the Windfield Farms Commercial component and has secured 96,000 square feet of firm and conditional leases with strong national tenants, reflecting the strength of the Oshawa market.

- Two properties, Dufferin Plaza and a vacant land parcel at Shoppers World Brampton were transferred from income producing property to residential inventory in the fourth quarter. Both projects are located in the GTA and are transit oriented. Dufferin Plaza, once redeveloped, will be a 449,000 square foot mixed-use property, consisting of approximately 550 units or 417,000 square feet of residential NLA and 32,000 square feet of commercial NLA. The project has received Official Plan Approval. Phase One at Shoppers World Brampton consists of 450 residential units across two 25-storey towers (one residential rental and one condominium) and a 20,000 square foot retail podium. This Phase One is part of a much larger project with an estimated 4.5 million square feet of total mixed-use density. The City of Brampton has identified the Shoppers World Brampton site as the city's uptown western anchor suitable for large scale mixed-use development.

Additional Capital Recycling

For the three months and year ended December 31, 2019, RioCan sold a portion of its marketable securities and realized a cash gain on units sold of $7.2 million and $23.7 million (three months and year ended December 31, 2018 - $9.2 million and $59.2 million). The decrease in the realized cash gains on units sold was due to a decrease in the number of units sold during the respective periods.

Capital Management

Debt Management

RioCan continues to exercise sound capital management and remains committed to a strong balance sheet. As of December 31, 2019 on a proportionate share basis, RioCan had 60.4% of its total debt as unsecured debt and an unencumbered asset pool of $8.9 billion, which generates 58.5% of RioCan's annualized NOI and provides 227% coverage over its unsecured debt, well above its 200% target. The Trust also had $864.9 million of liquidity in the form of cash and cash equivalents and undrawn lines of credit.

During the year ended December 31, 2019, the Trust reduced its exposure to floating interest rates and extended the weighted average term to maturity of its debt portfolio through various transactions detailed in the *Capital Resources and Liquidity* section of this MD&A. As of December 31, 2019, the Trust's floating interest rate debt exposure was 6.4% as compared to 16.4% in December 31, 2018 on a proportionate share basis.

Debt to Adjusted EBITDA at RioCan's proportionate share was 8.06x as of December 31, 2019. As of December 31, 2019, RioCan's debt to total assets was at 42.1% on a proportionate share basis, unchanged from December 31, 2018.

Subsequent to the year end, the Trust closed its first Canada Mortgage and Housing Corporation ("CMHC") insured mortgage, a $28.6 million loan (at RioCan's interest) for Frontier in Ottawa, which bears interest at an annual rate of 2.63% with a 10-year term. The Trust also anticipates that its existing 11-year term, 2.58% interest, $150.0 million mortgage at eCentral in Toronto will become CMHC insured upon stabilization in the spring of 2020, which will then reduce the contractual interest rate to 2.33%. Maximizing CMHC insured mortgages is a key component of the Trust's debt strategy as it provides access to a new source of financing and lowers overall cost of debt.

RioCan has actively lowered its weighted average effective interest rates to 3.44% as of December 31, 2019 from 3.55% at December 31, 2018, and extended the weighted average term to maturity to 3.69 years from 3.30 years. As a result of its strong balance sheet and the quality of its real estate portfolio, RioCan is able to refinance its properties at favourable terms, as demonstrated by a mortgage refinancing at a property in Vancouver, British Columbia for $106.0 million at 3.02% for a 10 year term, subsequent to year end.

Equity Issue

On October 28, 2019, the Trust issued 8.9 million common trust units on a bought deal basis, at a price of $25.75 per unit for gross proceeds of $230.1 million (inclusive of 1.2 million units issued pursuant to the exercise in full of the underwriters' over-allotment option). The Trust applied the $220.2 million net proceeds from the equity raise to repay certain debt incurred to fund the aforementioned strategic acquisitions, reducing leverage.

In connection with the purchase of Yonge Sheppard Centre, RioCan issued 3.8 million units with $100.0 million gross proceeds to KingSett, with a one-year lock-up agreement commencing August 30, 2019 whereby KingSett has agreed that it will not, without the prior consent of RioCan, sell or enter into an arrangement to sell the units within the one-year lock-up period.

Outlook

Canada's economy demonstrated resiliency for most of 2019 within the context of slowing global growth and ongoing trade disputes. However, most recent economic data was mixed with some softness in consumer confidence, spending and business investment. Despite the signing of modernized trade agreements and improved lending conditions, the geopolitical uncertainty, persistent global trade issues and the most recent coronavirus outbreak have caused business investment to soften. Until these uncertainties subside, business investment is expected to be somewhat subdued in 2020. In its January 2020 interest rate

announcement, the Bank of Canada (Bank) held its overnight rate steady at 1.75%, resisting the global push toward easing monetary policy. However, the Bank's most recent rate statement was more dovish than other recent communications and, along with a set of reduced growth forecasts, set the stage for a rate reduction should economic circumstances warrant it.

RioCan is well-positioned to withstand fluctuations in economic conditions through its 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 regulatory landscape with respect to zoning approvals, particularly in Ontario. Overall, RioCan's large size and dominant position in Canada's six major markets from which 90.1% of its portfolio annualized rental revenues are derived, leaves us well-positioned in the current economic and retail environment. The Trust's major market strategy, which is further discussed in the *Strategy* section below, is expected to further improve the quality and growth profile of its portfolio in the ever changing retail environment. In addition to the competitive advantage provided by RioCan's significant scale and major markets presence, its strengths also include the depth of the management team, a well diversified portfolio, the portfolio's value creation potential through its development program, solid and diversified tenant base, flexible capital structure (evidenced by the ability to raise debt from a variety of sources and a large pool of unencumbered assets) and conservative borrowing practices.

RioCan expects continued NOI organic growth and NAV growth over the short and long term given its continuous improvement in the overall quality and diversification of its portfolio and continued project deliveries from its robust development program. For 2020, the Trust expects to achieve same property NOI growth in excess of 3.0% assuming market conditions prevail, although quarter to quarter results may vary.

Market Trends

Canadian Retail Environment

We expect fundamentals in Canadian retail real estate, particularly necessity-based and service-oriented retail, to remain steady. As the retail landscape evolves, innovative responses to reorienting retail spaces in order to create value are evident in today's marketplace, despite store closure announcements from time to time. Canada enjoys one of the highest rates of population growth profiles among OECD countries. This backdrop, together with the urbanization trend in major markets, creates great opportunities for RioCan, which generates 90.1% and 52.4% of its total annualized rental revenue from the six major markets and GTA, respectively.

More investors are becoming increasingly aware of the key fundamental differences between the Canadian and the U.S. retail market, such as fundamentally lower retail space per capita in Canada, fewer tenants within each category, 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. 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 term as tenants and landlords continue to adapt and innovate to address the changing retail environment.

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, even though such effects cannot be ignored or marginalized.

We have been addressing the impact of e-commerce, in part, by evolving our tenant mix to consist primarily of necessity-based and service-oriented tenants which we believe to be more resilient to the impact of e-commerce. Personal services, food and restaurants, value retailing, as well as lifestyle and fitness offerings represent 74.5% of our annualized net rent revenues as of December 31, 2019. Refer to the *Tenant Profile* section of this MD&A for an overview of our tenant mix. Moreover, over 60% of our portfolio are Mixed-Use/Urban or Grocery Anchored shopping centres. Many of these properties are positioned in the transit corridors of Canada's highly desirable, high-density urban locations, which benefit from high pedestrian traffic flows. These strong locations further mitigate potentially disruptive e-commerce effects given their convenient location adjacent to urban centres with strong population growth.

Our residential strategy further addresses the e-commerce effects by re-purposing the existing retail portfolio and adding density to existing retail sites to build in natural traffic for the retailers and by incorporating e-commerce friendly amenities into our residential rental buildings such as concierge services, sufficient space for the receipt and storage of packages and, in some cases, cold storage.

We believe that shopping centres will continue to provide a social community gathering place and will continue to provide retailers with a cost-effective way of distributing goods and services given Canada's geographic dispersion, the relative high cost of "last-mile" deliveries and high barriers to establishing distribution centres in urban settings. Many retailers effectively execute a combined on-line and brick-and-mortar strategy, commonly referred to as 'omni channeling'. Tenants are increasingly employing this strategy to provide their customers increased flexibility in their shopping choices while also adapting store sizes, layout and product mix to better meet consumer demands in urban, more densely populated settings.

Development Environment

With population growth and a limited supply of 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 at various levels introduced policies, mostly focused on demand and financing, such as foreign buyer taxes and a minimum qualifying rate, or "stress test," for uninsured mortgages, in an attempt to cool demand but did not seem to address the issue of the underlying housing shortfall.

In June 2019, the Ontario government introduced "Bill 108, More Homes, More Choice Act, 2019" which introduced change to the land use planning and appeals process in an attempt to increase affordability and the housing supply. The 2019 Federal budget also introduced measures designed to increase affordability and the supply of housing through various measures. It is encouraging to see both levels of government have acknowledged the various housing supply challenges, but the impact of these legislative changes is yet to be determined. The Trust's 14.6 million square feet of zoned density, therefore, remains a significant competitive advantage to the Trust.

The increasing and persistently high level of development and construction activities over the last few years, as well as the projected sustained 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 labour, which tend to increase development risks.

RioCan is confident in its development program and the 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.

Alberta Economy

In 2019, the Alberta economy grew by a marginal 0.6%, below the national average. Government mandated cuts to oil production in response to bloated inventories and record-high local price discounts a year ago weighed heavily on the energy sector as investment in the sector fell. Legal challenges against the expansion of the Trans Mountain pipeline and more stringent federal environmental assessment regulations enacted this year added to the energy sector's woes. The ripple effect stalled other parts of the economy including manufacturing, exports, housing and retail trade.

Notwithstanding the challenges of the Alberta economy, committed occupancy rates in our Alberta portfolio remain high at 97.5% as of the year end. Nonetheless, the regional economy is sensitive to energy prices, and further volatility in oil prices will have the potential to impact retail and residential markets.

Strategy

Canadian Major Market Focus

The major market strategy is a key initiative of the Trust. The Trust embarked on this strategy over a decade ago and accelerated it over the last two years through its secondary market asset disposition program. As of the year end, the Trust has surpassed its strategic milestones of generating more than 90% and 50% of its annualized rent revenues from the six major markets and GTA by achieving 90.1% and 52.4% for the two metrics, respectively.

This strategy has strengthened and will further enhance the quality, growth profile and resilience of the Trust's portfolio, which is becoming more urban and mixed-use focused, 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, necessity and service-oriented tenant base sets the stage for strong rent growth and NAV growth for our unitholders.

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 income from ancillary revenues, generate fee income from its joint venture arrangements and add NLA through new pads and redevelopments.

Unlocking Intrinsic Value through Development

Over the past 26 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 which we believe will ultimately drive future rent growth and deliver FFO and NAV growth to our unitholders. The development program will also decrease the average age of the portfolio and over time, the Trust will benefit from lower capital expenditure requirements. The Trust will continue to pursue a disciplined approach to our development program in major markets with a heavy focus on the GTA and to meet the evolving needs of the communities we serve.

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 a number of 2019 acquisitions outlined in the *Income Property Acquisitions During 2019* section of this MD&A. In addition, the Trust will evaluate and pursue opportunities to acquire selective sites suitable for development such as property acquisitions completed for the Yorkville condominium project, or to assemble adjacent properties surrounding existing development properties such as our property assembly along the Yonge Street corridor close to our flagship Yonge Eglinton Centre and eCentral.

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. This disciplined approach allows RioCan to maintain the strong liquidity and financial strength needed to drive growth and thrive in the ever changing market place.

SUSTAINABILITY

Embedding Sustainability

RioCan's vision is to be among leaders in embedding sustainability practices in our business model and management approach. Embedding sustainability means we consider sustainability in developments, operations, investment activities, and corporate functions. It also means investing capital and considering costs and returns over the life cycle of every investment. For RioCan, sustainability refers to the environmental, social and governance aspects that can materially affect the long-term value of a company.

Sustainability is important for RioCan as it:

- increases property values, contributing to investor and community satisfaction;
- drives appeal of our assets, helping to attract and retain tenants;
- promotes resource efficiency, saving money and minimizing environmental degradation;
- builds collaborative relationships with our tenants and employees, which accelerates the pace of positive change;
- helps us manage risks and comply with ever-evolving regulations, enhancing our operations management and governance practices; and
- provides our employees with sustainability impact opportunities, which can lead to increased employee job satisfaction and retention.

RioCan's Sustainability Program is focused on three pillars; Environmental Leadership, Community Leadership and People Leadership. These three pillars are supported by sound financial leadership.

For the past three years, we have been working diligently to formalize our sustainability commitments set out in our Sustainability Policy. Our multi-year plan includes strategies to put these commitments into action and focuses on improving our sustainability performance year over year. The Global Real Estate Sustainability Benchmark (GRESB) and standards such as the Sustainability Accounting Standards Board (SASB) not only provide us with a framework to benchmark our organization-wide performance, but also ensure transparency and continuous improvement.

RioCan's culture has always revolved around strategic decision making, fostering mutually beneficial relationships, and shaping the future through good community stewardship. What is relatively new is the formalization of RioCan's commitment to integrate sustainability factors into decision making at every stage and level of our business and to benchmark and report our performance according to industry standards.

Key accomplishments this year include:

Sustainability Initiatives

- Conducted internal environmental inspections at all RioCan managed income producing properties (except for one acquired in late December) with favourable results. RioCan is in material compliance with all applicable environmental laws, regulations and guidelines.
- Recipient of Canada's 2020 Clean50 Top Project Award for Sustainable Commercial Real Estate Development.
- Increased the number of properties achieving Building Owners and Managers Association Building Environmental Standards (BOMA BEST) certifications to over 50 across Canada, representing 37.3% of NLA (at 100%).
- Incorporated a high efficiency geothermal HVAC system in Frontier, our first operational RioCan Living building in Ottawa, Ontario. This HVAC system is now operational which is expected to result in reduced carbon emissions, savings on water and electricity consumption for tenants.
- In partnership with Allied and service provider Enwave, the Trust has integrated a low-carbon, resilient deep lake water cooling and heating system at The Well. It decentralizes energy supply and reduces load on the electricity grid not just for this flagship development but also for surrounding neighbourhoods.
- Completed a nationwide LED retrofit program across our portfolio.
- Documented our Board skill-set matrix on ESG matters.
- Developed a Sustainability in Developments policy, plan and commitments to strategically integrate sustainability features throughout the development cycle, incorporating energy codes, standards such as Leadership in Energy and Environment Design (LEED) and Intentional Well Building Institutes Well Building Standards (WELL), energy and water efficiencies, renewable energy, and community engagement.
- Initiated an employee-driven innovation program to continue to transform the way we do business using technology.

- Completed our first tenant engagement survey of our new residential rental tenant base to better understand drivers of engagement with RioCan rental properties. The survey was third party administered.
- Implemented the RioCan Impact Scorecard program, effective for 2020, to better integrate corporate performance with an individual employee's annual objectives in performance evaluation and bonus program. Each eligible employee is required to include an ESG specific goal.
- Developed an internal ESG performance scorecard to manage annual sustainability priorities, initiatives and goals.

Reporting and Disclosures

- Improved GRESB Survey score from the previous year by 28.8%. Our GRESB score has improved by 76.7% from 2017. A focused plan is in place to achieve continued sustainability performance improvements in key GRESB categories.
- Published our inaugural Sustainability Report which was well received by our various stakeholder groups including investors, tenants, partners, employees and peers.
- Achieved the highest Public Disclosure score by GRESB, an A rating.
- Achieved an ESG rating upgrade by Morgan Stanley Capital International (MSCI) and improved Institutional Shareholder Services (ISS) E&S Score in Environmental and Social.

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 Sustainability.

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 2019 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. Beginning Q1 2019, the Trust ceased reporting discontinued operations from the disposition of its U.S. portfolio and operations in 2016 separately from continuing operations on a prospective basis, due to minimal activity and insignificant remaining assets and liabilities.

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 transaction costs and income taxes) calculated on a basis consistent with IFRS.

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 2018 Annual Report, 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.

In February 2019, REALPAC issued a revision to the February 2018 definition of FFO, effective January 1, 2019, to include adjustments relating to operational revenues and expenses from right-of-use (ROU) assets as a result of certain subleases and leases that were classified as operating leases under IAS 17, *Leases* (IAS 17) and are classified as finance leases under IFRS 16, *Leases* (IFRS 16), such that the entire relevant lease receipt and/or lease payment continues to be reflected in FFO upon the adoption of IFRS 16 on January 1, 2019. RioCan has adopted this additional REALPAC FFO adjustment on the effective date of January 1, 2019.

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 IFRS net income to FFO 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. 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.

In February 2019 REALPAC issued a revision to the February 2018 definition of ACFO, effective January 1, 2019, to include adjustments relating to operational revenues and expenses from ROU assets as a result of certain subleases and leases that were classified as operating leases under IAS 17 and are classified as finance leases under IFRS 16, such that the entire relevant lease receipt and/or lease payment continues to be reflected in ACFO upon the adoption of IFRS 16 on January 1, 2019. RioCan has adopted this additional REALPAC ACFO adjustment on the effective date of January 1, 2019.

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 operational revenues and expenses from ROU assets as a result of 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 IFRS cash flow from operating activities to ACFO is found in the *Results of Operations* section in this MD&A.

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 disclosure 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 expenditures 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 expenditures estimate.

Given the Trust's announcement on October 2, 2017 to sell secondary market properties pursuant to its major market focus, the Trust expects its normalized capital expenditures to decrease as the Trust's remaining properties, predominantly located in Canada's six major markets, tend to have higher tenant retention and lower average age, resulting in lower average leasing and 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 market properties.

As a result, the Trust determined that it was 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 amounted to $45.0 million per annum. The Trust's actual maintenance capital expenditures amounted to $45.6 million for 2018, closely in line with its normalized maintenance capital expenditures estimate of $45.0 million for 2018.

Using a similar approach to 2018, the Trust determined that $40.0 million was a reasonable estimate for its normalized capital expenditures for 2019 as the Trust expected its income producing NLA to further decrease as it sold more of its secondary market assets and the new NLA generated from new developments had limited capital expenditure requirements in the near term. The Trust's 2019 actual maintenance capital expenditures amounted to $51.1 million, $11.1 million higher due to expenditures primarily related to $3.5 million of expenditures on certain properties prior to dispositions, $4.8 million for completion of a nationwide LED lighting retrofit program which is expected to pay back in less than two years, $4.6 million for expenditures related to reconfigurations of large spaces caused by Sears related backfill activities and the timing of expenditures.

Given that certain of these expenditures in 2019 were specific to 2019 only, the Trust determines that $40.0 million remains a reasonable normalized capital expenditures estimate for 2020, although quarterly fluctuations between the $10 million quarterly normalized capital expenditures and actual spend are expected. This normalized capital expenditures estimate for 2020 does not include capital expenditures for mixed-use residential projects given these are newly constructed buildings. IFRS capital expenditures are further discussed and analyzed in the *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 has included 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 released in February 2019. These adjustments relate to operational revenue and expenses from ROU assets as a result of certain subleases and leases that were classified as operating leases under IAS 17 and are classified as finance leases under IFRS 16, such that the entire relevant lease receipt and/or lease payment continues to be reflected in NOI upon the adoption of IFRS 16, on January 1, 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 NOI also excludes NOI from a limited number of properties undergoing significant de-leasing in preparation for redevelopment or intensification. As a result of the above noted adjustments to NOI, same property NOI has included the similar adjustments to NOI for operational revenue and expenses from ROU assets as a result of certain subleases or leases that are classified as finance leases under IFRS 16, effective January 1, 2019. 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.

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 book 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 has also included adjustments for certain subleases or leases that are classified as finance leases under IFRS 16, effective January 1, 2019, consistent with the adjustments in the REALPAC definitions of FFO and ACFO that were recently released in February 2019. The adjustment relates to operational revenue and expenses from ROU assets as a result of certain subleases and leases that were classified as operating leases under IAS 17 and are classified as finance leases under IFRS 16, such that the principal portion of the relevant lease receipt and/or lease payment continues to be reflected in Adjusted EBITDA upon the adoption of IFRS 16, on January 1, 2019.

A reconciliation of IFRS net income to Adjusted EBITDA 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 and is calculated and presented in the *Liquidity* section of this MD&A on both a RioCan's proportionate share basis and using IFRS reported amounts. 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 and is calculated and presented in the *Liquidity* section of this MD&A on both a RioCan's proportionate share basis and using IFRS reported amounts.

RESULTS OF OPERATIONS

Selected Annual Information

(thousands of dollars, except where otherwise noted)	**2019**	2018	2017
Revenue	**1,326,325**	1,147,842	1,155,219
Net income from continuing operations	**775,834**	527,362	708,265
Net income	**775,834**	528,103	715,286
FFO (i)	**575,845**	580,223	584,597
ACFO (i)	**525,339**	527,347	588,462
Weighted average common units outstanding – diluted (in thousands)	**307,779**	314,024	326,929
Per unit basis (diluted)			
Net income from continuing operations	**$ 2.52**	$ 1.68	$ 2.16
Net income	**$ 2.52**	$ 1.68	$ 2.18
FFO (i)	**$ 1.87**	$ 1.85	$ 1.79
Common unitholder distributions	**$ 1.44**	$ 1.44	$ 1.41
Key Ratios			
Same property NOI growth % - six major markets (i)	**2.5%**	2.6%	2.2%
Same property NOI growth % - overall portfolio (i)	**2.1%**	2.2%	2.1%
Payout ratios for the twelve months ended December 31:			
FFO (i) (iv)	**76.9%**	77.9%	78.8%
ACFO (i) (iv)	**84.3%**	85.7%	78.3%

As at	**December 31, 2019**	December 31, 2018	December 31, 2017
Total assets	**15,188,326**	14,003,765	14,376,578
Total debt (ii)	**6,390,818**	5,874,033	5,931,965
Debt to total assets (i) (iii)	**41.7%**	41.6%	41.0%
Debt to total assets (RioCan's proportionate share) (i) (iii)	**42.1%**	42.1%	41.4%
Interest coverage (RioCan's proportionate share) (i) (v)	**3.50**	3.63	3.84
Debt to adjusted EBITDA (RioCan's proportionate share) (i) (v)	**8.06**	7.88	7.57
Weighted average contractual interest rate	**3.34%**	3.51%	3.37%
Unencumbered assets to unsecured debt (RioCan's proportionate share) (i) (vi)	**227%**	231%	226%
% NOI generated from unencumbered assets (RioCan's proportionate share) (i) (vi)	**58.5%**	59.1%	56.7%

(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 *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.

(vi) Information prior to January 1, 2018 was presented at RioCan's interest on an IFRS basis, not at RioCan's proportionate share.

Overall, despite $1.6 billion of secondary market asset dispositions completed by the Trust since October 2017, the Trust has grown its revenues from 2017 to 2019 and grew its FFO per unit by 4.0% over the same period. The FFO payout ratio declined over the same period as a result.

The Trust continued to grow and transform its portfolio as strategic acquisitions, development activities, and fair value growth of its portfolio outpaced secondary market asset dispositions. In the meantime, the Trust continued to maintain a strong balance sheet as reflected in its various debt metrics. Weighted average common units outstanding have declined over the three year period as a result of units purchased and cancelled pursuant to the Trust's Normal Course Issuer Bids (NCIB) program.

Net income from continuing operations changes from 2017 to 2019 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 detail on the Trust's key financial information.

2019 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.

Net Income Attributable to Unitholders

	Three months ended December 31		Year ended December 31	
(thousands of dollars, except per unit amounts)	**2019**	2018	**2019**	2018
Net income attributable to unitholders:				
Continuing operations	**$ 150,786**	$ 149,959	**$ 775,834**	$ 527,362
Discontinued operations	**—**	(794)	**—**	741
Net income attributable to unitholders	**$ 150,786**	$ 149,165	**$ 775,834**	$ 528,103
Net income per unit attributable to unitholders (basic):				
Continuing operations	**$ 0.48**	$ 0.49	**$ 2.52**	$ 1.68
Discontinued operations	**—**	—	**—**	—
Net income per unit attributable to unitholders (basic)	**$ 0.48**	$ 0.49	**$ 2.52**	$ 1.68
Net income per unit attributable to unitholders (diluted):				
Continuing operations	**$ 0.48**	$ 0.49	**$ 2.52**	$ 1.68
Discontinued operations	**—**	—	**—**	—
Net income per unit attributable to unitholders (diluted)	**$ 0.48**	$ 0.49	**$ 2.52**	$ 1.68

Continuing Operations

Beginning Q1 2019, the Trust ceased separately reporting discontinued operations from the sale of its U.S. portfolio in 2016, due to minimal activity and insignificant remaining assets and liabilities.

2019

Net income from continuing operations attributable to unitholders for the year ended December 31, 2019 is $775.8 million compared to $527.4 million in 2018, representing an increase of $248.5 million. Excluding $229.3 million higher net fair value gains on investment properties over the comparable period and a $27.1 million higher 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, 2019 is $543.8 million compared to $551.8 million in 2018, representing a decrease of $8.0 million or 1.4%.

The decrease of $8.0 million is largely the net effect of the following:

- $35.6 million in lower realized gains on marketable securities due to a fewer number of marketable securities sold;
- $14.5 million increase in interest expense primarily due to lower capitalized interest resulting from development completions, higher average debt balances resulting from timing of dispositions and acquisitions and higher average cost of debt;
- $9.0 million in lower operating income from commercial operations primarily due to strategic secondary market property dispositions, net of acquisitions, same property NOI growth, higher fee income and higher income from developments;
- $2.8 million in higher income tax expense primarily deferred income tax expense;
- $2.1 million in lower dividend income earned on marketable securities;
- $1.1 million in lower income from our equity accounted investments primarily from net fair value losses; partially offset by,
- $37.3 million increase in operating income from residential operations primarily due to gains on the sale of residential inventory and lease up income from two new residential rental towers;
- $9.2 million in lower general and administrative expenses primarily due to high severance costs incurred in 2018;
- $5.5 million in higher interest income due to condominium interim occupancy fees attributable to interest, interest income on finance leases upon the adoption of IFRS 16 on January 1, 2019 and higher average mortgages and loans receivable; and
- $5.2 million in lower transaction costs primarily due to lower volume of dispositions in 2019 and approximately $2.2 million higher residential inventory project marketing costs.

Q4 2019

Net income from continuing operations attributable to unitholders for the three months ended December 31, 2019 is $150.8 million compared to $150.0 million during the same period in 2018, representing an increase of $0.8 million. Excluding $6.0 million lower net fair value gains over the comparable period and a $6.6 million higher unrealized fair value increase for marketable securities, net income from continuing operations attributable to unitholders for the three months ended December 31, 2019 is $134.9 million compared to $134.7 million in 2018, representing an increase of $0.2 million or 0.2%.

The increase of $0.2 million is largely the net effect of the following:

- $11.5 million increase in operating income from residential operations primarily due to gains on the sale of residential inventory and lease up income from the two new residential towers;
- $1.6 million in higher interest income primarily due to condominium interim occupancy fees attributable to interest, interest income on finance leases upon the adoption of IFRS 16 on January 1, 2019, and higher average loans receivable; and
- $2.4 million in lower general and administrative expenses primarily due to high severance costs incurred in Q4 2018; partially offset by,
- $8.7 million in lower income from our equity accounted investments primarily from net fair value losses in Q4 2019;
- $2.8 million increase in interest expense primarily due to lower capitalized interest resulting from development completions and higher average debt balances resulting from timing of acquisitions and dispositions, offset by lower average cost of debt and $1.3 million of IFRS debt modification gains from a debt maturity extension;
- $1.9 million in lower realized gains on marketable securities due to fewer number of marketable securities sold;
- $1.6 million in lower operating income from commercial operations primarily due to lower lease cancellation fees and dispositions, net of acquisitions, same property NOI growth, and higher NOI from development completions; and
- $0.3 million in lower dividend income earned on marketable securities.

Operating Income

The IFRS operating income for the three months and year ended December 31, 2019 and 2018 is as follows:

	Three months ended December 31		Year ended December 31	
(thousands of dollars)	**2019**	2018	**2019**	2018
Revenue				
Rental revenue	**$ 279,052**	$ 274,775	**$ 1,093,727**	$ 1,110,160
Residential inventory sales	**38,639**	22,264	**208,965**	22,264
Property management and other service fees	**3,039**	3,967	**23,633**	15,418
	$ 320,730	$ 301,006	**$ 1,326,325**	$ 1,147,842
Operating costs				
Rental operating costs				
Recoverable under tenant leases	**$ 97,789**	$ 95,970	**$ 384,404**	$ 389,285
Non-recoverable costs	**5,750**	4,460	**20,621**	17,384
Residential inventory cost of sales	**27,604**	20,882	**172,688**	20,882
	131,143	121,312	**577,713**	427,551
Operating income	**$ 189,587**	$ 179,694	**$ 748,612**	$ 720,291
Breakdown of operating income:				
Commercial	**$ 176,677**	$ 178,312	**$ 709,908**	$ 718,909
Residential	**12,910**	1,382	**38,704**	1,382
Operating income	**$ 189,587**	$ 179,694	**$ 748,612**	$ 720,291

2019

Operating income from continuing operations for the year ended December 31, 2019 is $748.6 million compared to $720.3 million during the same period in 2018, representing an increase of $28.3 million or 3.9%. This increase consists of a $37.3 million increase in operating income from residential operations partially offset by a $9.0 million decrease in operating income from commercial operations.

The increase of $37.3 million from residential operations is due to the following:

- $34.9 million residential inventory gains from eCondos, UC Towns and Kingly; and
- $2.4 million net operating income during the lease up phase from eCentral and Frontier.

The decrease of $9.0 million from the commercial operations is largely the net effect of the following:

- $32.6 million lower net operating income due to property dispositions, net of acquisitions;
- $3.0 million lower operating income due to exclusion of operational lease revenues from ROU assets under IFRS 16; and
- $1.1 million lower net operating income from properties under de-leasing for development; partially offset by,
- $12.3 million same property net operating income growth;
- $8.2 million higher property management and other service fee revenue;
- $6.9 million higher income from developments completed that are not same property during the comparable periods; and

- $0.3 million higher straight-line rent.

Q4 2019

Operating income from continuing operations for the three months ended December 31, 2019 is $189.6 million compared to $179.7 million during the same period in 2018, representing an increase of $9.9 million or 5.5%. This increase consists of a $1.6 million decrease in operating income from commercial operations and a $11.5 million increase in operating income from residential operations.

The decrease of $1.6 million from the commercial operations is largely the net effect of the following:

- $2.5 million lower lease cancellation fees;
- $1.6 million lower net operating income due to property dispositions, net of acquisitions;
- $1.0 million lower straight-line rent;
- $0.9 million lower property management and other service fee revenue;
- $0.9 million lower operating income due to exclusion of operational lease revenues from ROU assets under IFRS 16; and
- $0.5 million lower net operating income from properties under de-leasing for development; partially offset by,
- $3.5 million same property operating income growth; and
- $2.3 million higher income from development projects completed that are not same property during the comparable periods.

The increase of $11.5 million from residential operations is due to the following:

- $9.7 million residential inventory gains from eCondos, Windfield Farms townhouses and Kingly; and
- $1.9 million net operating income during the lease up phase from eCentral and Frontier.

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, 2019 and 2018 is as follows:

	Three months ended December 31		Year ended December 31	
(thousands of dollars)	**2019**	2018	**2019**	2018
Operating income (i)	**$ 189,587**	$ 179,694	**$ 748,612**	$ 720,291
Adjusted for the following:				
Property management and other service fees	**(3,039)**	(3,967)	**(23,633)**	(15,418)
Residential inventory				
Sales	**(38,639)**	(22,264)	**(208,965)**	(22,264)
Cost of sales	**27,604**	20,882	**172,688**	20,882
Operational lease revenue and (expenses) from ROU assets (iii)	**910**	—	**3,003**	—
NOI	**$ 176,423**	$ 174,345	**$ 691,705**	$ 703,491
NOI as a percentage of rental revenue (excluding the impact of lease cancellation fees)	**62.9%**	63.0%	**62.7%**	63.1%
Add: NOI of proportionate share of equity accounted investments				
RioCan-HBC JV:				
Rental income (excluding straight-line rent)	**3,810**	3,617	**15,295**	14,380
Straight-line rent	**386**	432	**1,649**	1,780
Property operating costs	**(608)**	(676)	**(2,595)**	(2,983)
Operational lease revenue and (expenses) from ROU assets (iii)	**(126)**	—	**(506)**	—
Other (ii)	**128**	(3)	**572**	200
NOI of proportionate share of equity accounted investments	**$ 3,590**	$ 3,370	**$ 14,415**	$ 13,377
NOI - RioCan's proportionate share	**$ 180,013**	$ 177,715	**$ 706,120**	$ 716,868

(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.

(iii) The Trust has included adjustments to NOI and same property NOI for certain subleases or leases that are classified as finance leases under IFRS 16 effective January 1, 2019. Refer to the *Non-GAAP Measures* section of this MD&A for further details.

NOI as a percentage of rental revenue (excluding the impact of lease cancellation fees) was stable for the three months but lower for the year ended December 31, 2019 over the comparable periods. The changes in NOI margin over the comparable periods were primarily due to lease up of residential operations during the year, properties under de-leasing for development and the timing of costs and recoveries for commercial operations. Refer to the *Same Property NOI* section of this MD&A below for a more detailed breakdown and analysis of NOI.

The following table provides a breakdown of NOI by the commercial and residential portfolios.

(thousands of dollars)	Three months ended December 31		Year ended December 31	
	2019	2018	**2019**	2018
NOI				
Commercial	**$ 174,548**	$ 174,345	**$ 689,278**	$ 703,491
Residential (i)	**1,875**	—	**2,427**	—
Total NOI	**$ 176,423**	$ 174,345	**$ 691,705**	$ 703,491

(i) NOI during lease-up period.

2019

Total NOI for the year ended December 31, 2019 decreased $11.8 million, consisting of a $14.2 million decrease in NOI from commercial operations, partially offset by a $2.4 million residential lease-up NOI income from eCentral and Frontier.

The $14.2 million decrease in NOI from commercial operations was primarily because of a $32.6 million decrease as a result of property dispositions (net of acquisitions), and $1.1 million lower NOI from properties under de-leasing for development, partially offset by $12.3 million same property NOI growth, $6.9 million in higher NOI from completed developments, and $0.3 million higher straight-line rent.

Q4 2019

Total NOI for the three months ended December 31, 2019 increased $2.1 million, consisting of a $0.2 million increase in NOI from commercial operations and a $1.9 million increase in residential NOI from eCentral and Frontier, which are both in the lease-up phase as discussed earlier in this MD&A.

The $0.2 million increase in NOI from commercial operations was primarily due to $3.5 million same property NOI growth and $2.3 million in higher NOI from completed developments, partially offset by a $1.6 million decrease as a result of property dispositions (net of acquisitions), $2.5 million in lower lease cancellation fees, $1.0 million lower straight-line rent, and $0.5 million lower NOI from properties under de-leasing for development.

Same Property NOI

Same property NOI for the three months and year ended December 31, 2019 and 2018 is as follows:

(thousands of dollars)	Three months ended December 31		Year ended December 31	
	2019	2018	**2019**	2018
Same property (i) (iii)	**$ 155,557**	$ 152,053	**$ 594,559**	$ 582,252
NOI from income producing properties:				
Acquired (ii)	**7,624**	78	**31,045**	10,723
Disposed (ii)	**2,650**	11,789	**26,104**	79,037
	10,274	11,867	**57,149**	89,760
NOI from completed properties under development	**3,294**	1,022	**9,617**	2,701
Properties under de-leasing for development	**2,570**	3,081	**11,170**	12,283
Lease cancellation fees	**477**	2,983	**7,903**	7,932
Straight-line rent adjustment	**2,376**	3,339	**8,880**	8,563
NOI from residential rental	**1,875**	—	**2,427**	—
NOI (iii)	**$ 176,423**	$ 174,345	**$ 691,705**	$ 703,491
Add: NOI of proportionate share of equity accounted investments				
RioCan-HBC JV:				
Rental income (excluding straight-line rent)	**3,810**	3,617	**15,295**	14,380
Straight-line rent	**386**	432	**1,649**	1,780
Property operating costs	**(608)**	(676)	**(2,595)**	(2,983)
Operational lease revenue and (expenses) from ROU assets (iii)	**(126)**	—	**(506)**	—
Other (iv)	**128**	(3)	**572**	200
NOI of proportionate share of equity accounted investments	**$ 3,590**	$ 3,370	**$ 14,415**	$ 13,377
NOI - RioCan's proportionate share	**$ 180,013**	$ 177,715	**$ 706,120**	$ 716,868
Total straight-line rent - RioCan's proportionate share	**$ 2,762**	$ 3,771	**$ 10,529**	$ 10,343

(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) The Trust has included adjustments to NOI and same property NOI for certain subleases or leases that are classified as finance leases under IFRS 16 effective January 1, 2019. Refer to the *Non-GAAP Measures* section of this MD&A for further details.

(iv) 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.

2019

Same property NOI for the year ended December 31, 2019 increased by 2.1% or $12.3 million compared to the same period in 2018, primarily due to new and renewal leasing rent growth, contractual rent increases, cost efficiency improvement and ancillary revenue growth.

As a component of total same property NOI growth, same property NOI from RioCan's properties in Canada's six major markets increased by 2.5% and same property NOI from its secondary market properties decreased by 1.2% for the year ended December 31, 2019 when compared to the same period in 2018.

Including completed properties under development, same property NOI increased by 3.7% and 3.3% for its major market portfolio and the Trust's overall commercial portfolio, respectively.

Q4 2019

Same property NOI for the three months ended December 31, 2019 increased by 2.3% or $3.5 million compared to the same period in 2018, primarily due to new and renewal leasing rent growth, contractual rent increases, cost efficiency improvement and ancillary revenue growth.

As a component of total same property NOI growth, same property NOI from RioCan's properties in the six major markets increased by 2.8% and same property NOI from its secondary market properties decreased by 2.3% for the three months ended December 31, 2019 when compared to the same period in 2018.

Including completed properties under development, same property NOI increased by 4.1% and 3.5% for its major market portfolio and the Trust's overall commercial portfolio, respectively. The additional increase in same property NOI was mainly a result of rent commencements at King Portland Centre and Bathurst College Centre. Such completed properties under development have been owned by RioCan in both the current and comparative periods and are generating cash rents.

Other Income

The components of other income are as follows:

	Three months ended December 31		Year ended December 31	
(thousands of dollars)	**2019**	2018	**2019**	2018
Interest income	**$ 4,438**	$ 2,861	**$ 16,916**	$ 11,452
Income (loss) from equity-accounted investments	**(2,816)**	5,848	**10,051**	11,174
Fair value gains on investment properties, net	**23,274**	29,230	**247,624**	18,304
Investment and other income (loss)	**(53)**	(3,020)	**7,732**	20,316
Other income	**$ 24,843**	$ 34,919	**$ 282,323**	$ 61,246

Interest income for the year ended December 31, 2019 was $5.5 million higher than the same period in 2018, primarily consisting of a $2.0 million increase due to the adoption of IFRS 16 on January 1, 2019 (previously part of rental revenues prior to IFRS 16) and a $2.7 million increase due to condominium interim occupancy fees related to interest and $0.8 million higher interest income primarily due to higher average mortgages and loans receivable.

Interest income for the three months ended December 31, 2019 was $1.6 million higher than the same period in 2018, consisting of a $0.6 million increase due to the adoption of IFRS 16 on January 1, 2019 (previously part of rental revenues prior to IFRS 16), $0.5 million increase due to condominium interim occupancy fees related to interest, and $0.5 million higher interest income due to higher average mortgages and loans receivable.

Income from equity accounted investments includes our share of the income from the RioCan-HBC joint venture and other equity accounted investments. For the year ended December 31, 2019, RioCan's share of FFO from equity accounted investments was $18.4 million or $8.4 million higher than the comparative period, primarily due to transaction gains recognized in the first quarter of 2019. For the three months ended December 31, 2019, RioCan's share of FFO from equity accounted investments was $2.8 million, or $0.2 million higher than the comparative period in the prior year. RioCan's share of FFO from the RioCan-HBC JV was relatively stable for the three months and year ended December 31, 2019. For further details on the results of operations of the RioCan-HBC joint venture, refer to the *Co-ownerships Arrangements* section of this MD&A.

For the year ended December 31, 2019, we recognized fair value gains on investment properties of $247.6 million, an increase of $229.3 million when compared to the same period last year. This increase resulted primarily from capitalization rate reductions in certain urban markets, higher stabilized net operating income on certain income properties, and updated valuation estimates on specific development properties. During the three months ended December 31, 2019, $23.3 million fair value gains on investment properties were recognized, a decrease of $6.0 million when compared to the same period last year.

Investment and other income primarily includes realized gains on the sale of marketable securities as well as related dividend income, transaction gains (losses) on the sale of investment properties, and changes in unrealized fair value gains (losses) on marketable securities.

During the year ended December 31, 2019, the decrease in investment and other income of $12.6 million over the comparable period in 2018 was primarily due to $35.6 million in lower realized gains on the sale of marketable securities due to a lower number of marketable securities sold, $2.1 million in lower income earned on marketable securities, a $2.0 million decrease in primarily other income, partially offset by $27.1 million increase in unrealized fair value on marketable securities. During the three months ended December 31, 2019, the increase in investment and other income of $3.0 million over the comparable period in 2018 was primarily due to a $6.6 million increase in unrealized fair value on marketable securities, offset by $1.9 million in lower realized gains on the sale of marketable securities from a fewer number of marketable securities sold, $0.3 million in lower income earned on marketable securities, and $1.4 million in lower transaction gains and other income.

Other Expenses

Interest Costs

The components of interest costs are as follows:

	Three months ended December 31		Year ended December 31	
(thousands of dollars, except where otherwise noted)	**2019**	2018	**2019**	2018
Total interest	**$ 54,238**	$ 52,639	**$ 216,249**	$ 206,743
Interest costs capitalized (i)	**(9,023)**	(10,198)	**(33,469)**	(38,444)
Net interest	**$ 45,215**	$ 42,441	**$ 182,780**	$ 168,299
Percentage capitalized	**16.6%**	19.4%	**15.5%**	18.6%

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

Total interest costs increased by $9.5 million for the year ended December 31, 2019 compared to the same period in 2018. Excluding the $0.9 million increase due to adoption of IFRS 16 and $0.3 million net IFRS debt modification gain associated with two debt maturity extensions, total interest expense increased by $8.9 million primarily due to higher average debt balances resulting from the timing of acquisitions and dispositions and higher average cost of debt. Total interest costs increased by $1.6 million for the three months ended December 31, 2019 compared to the same period in 2018. Excluding the $0.2 million increase due to adoption of IFRS 16 and $1.3 million IFRS debt modification gain associated with a debt maturity extension, total interest expense increased by $2.6 million primarily due to higher average debt balances resulting from the timing of acquisitions and dispositions. As at December 31, 2019, the weighted average effective interest rate of our total debt is 3.44% (December 31, 2018 - 3.55%).

Interest capitalized to property under development for the three months and year ended December 31, 2019 decreased $1.2 million and $5.0 million, respectively, from the same periods in 2018 primarily due to development completions resulting in average lower development costs on the consolidated balance sheet. Interest was capitalized to properties under development and residential inventory at weighted average effective interest rates of 3.45% and 3.51% for the three months and year ended December 31, 2019, respectively (three months and year ended December 31, 2018 – 3.52% and 3.46%, respectively).

As a result of the changes in total interest costs and interest costs capitalized, net interest costs increased by $2.8 million and $14.5 million, respectively, for the three months and year ended December 31, 2019 compared to the same periods in 2018.

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, except where otherwise noted)	**2019**	2018	**2019**	2018
Non-recoverable salaries and benefits	**$ 10,570**	$ 12,573	**$ 40,885**	$ 47,766
Capitalized to development and residential inventory (i)	**(2,438)**	(2,081)	**(9,812)**	(9,202)
Internal leasing salaries and benefits	**(2,204)**	(2,255)	**(8,762)**	(9,352)
Non-recoverable salaries and benefits, net	**5,928**	8,237	**22,311**	29,212
Unit-based compensation expense	**1,280**	1,476	**5,358**	7,070
Depreciation and amortization	**1,122**	1,144	**4,381**	4,575
Other general and administrative (ii)	**3,957**	3,826	**14,764**	15,142
Total general and administrative expense	**$ 12,287**	$ 14,683	**$ 46,814**	$ 55,999
Total general and administrative expense as a percentage of rental revenue	**4.4%**	5.3%	**4.3%**	5.0%

(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.

2019

For the year ended December 31, 2019, G&A expenses decreased $9.2 million or 16.4% primarily due to:

- $6.9 million decrease in non-recoverable salaries and benefits primarily as a result of severance costs incurred in 2018;
- $1.7 million decrease in unit-based compensation expense as a result of 2018 severance related charges and from changes in grants outstanding; and
- $0.4 million decrease in other general and administrative expenses mainly as a result of lower audit fees and information technology costs, partially offset by higher mark-to-market adjustment for Trustee compensation costs.

Q4 2019

For the three months ended December 31, 2019, G&A expenses decreased $2.4 million or 16.3% primarily due to higher severance costs in Q4 2018.

The $2.4 million and $9.2 million decrease for the three months and year ended December 31, 2019 led to the decrease in general and administrative expense as a percentage of rental revenue over the comparable respective periods.

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, 2019, internal leasing costs were relatively consistent with the prior year same periods.

Transaction and Other Costs

Transaction and other costs decreased $1.6 million and $7.2 million for the three months and year ended December 31, 2019, respectively, over the comparable period. The decreases in both respective periods are primarily due to lower volume of dispositions in 2019. During the three months and year ended December 31, 2019, the Trust incurred $0.8 million and $3.4 million of marketing costs, respectively (three months and year ended December 31, 2018 - $0.2 million and $0.7 million, respectively), relating mostly to various residential inventory projects such as Yorkville, UC Uptown and UC Tower. Such marketing costs are expensed as incurred before sales revenues are recognized into income.

Funds from Operations (FFO)

RioCan's method of calculating FFO is in compliance with the REALPAC whitepaper issued in February 2019 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 a 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)	**2019**	2018	**2019**	2018
Net income from continuing operations attributable to unitholders	**$ 150,786**	$ 149,959	**$ 775,834**	$ 527,362
Add back/(Deduct):				
Fair value gains, net	**(23,274)**	(29,230)	**(247,624)**	(18,304)
Fair value (gains) losses included in equity accounted investments	**5,605**	(3,258)	**8,330**	(1,222)
Deferred income tax expense (recovery)	**(216)**	(540)	**2,064**	(1,440)
Internal leasing costs	**3,017**	2,862	**11,309**	11,294
Transaction (gains) losses on investment properties, net (i)	**(98)**	54	**1,066**	(78)
Transaction costs on sale of investment properties	**2,595**	4,655	**7,989**	17,760
Change in unrealized fair value on marketable securities	**7,395**	13,965	**15,637**	42,767
Current income tax expense (recovery)	**(273)**	—	**(699)**	—
Operational lease revenue (expenses) from ROU assets (ii)	**570**	—	**1,963**	—
Operational lease revenue (expenses) from ROU assets in equity accounted investments (ii)	**(6)**	—	**(24)**	—
FFO from continuing operations	**$ 146,101**	$ 138,467	**$ 575,845**	$ 578,139
Net income (loss) from discontinued operations attributable to unitholders	**$ —**	$ (794)	**$ —**	$ 741
Add back/(Deduct):				
Transaction costs (recoveries) on sale of U.S. investment properties (iii)	**—**	14	**—**	155
Current income tax expense on U.S. income properties sold	**—**	745	**—**	1,188
FFO from discontinued operations	**$ —**	$ (35)	**$ —**	$ 2,084
FFO	**$ 146,101**	$ 138,432	**$ 575,845**	$ 580,223
FFO per unit - basic	**$ 0.46**	$ 0.45	**$ 1.87**	$ 1.85
FFO per unit - diluted	**$ 0.46**	$ 0.45	**$ 1.87**	$ 1.85
Weighted average number of units - basic (in thousands)	**314,953**	306,225	**307,683**	313,936
Weighted average number of units - diluted (in thousands)	**315,080**	306,295	**307,779**	314,024
FFO payout ratio (iv)			**76.9%**	77.9%

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

(ii) In February 2019, REALPAC issued a revision to the February 2018 definition of FFO, effective January 1, 2019, to include adjustments relating to operational revenue and expenses from ROU assets as a result of certain subleases and leases that were classified as operating leases under IAS 17 and are classified as finance leases under IFRS 16, such that the entire relevant lease receipt and/or lease payment continues to be reflected in FFO upon the adoption of IFRS 16 on January 1, 2019.

(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

2019

FFO of $575.8 million for the year ended December 31, 2019 decreased approximately $4.4 million or 0.8% when compared to $580.2 million in the same period in 2018. On a diluted per unit basis, FFO of $1.87 increased $0.02 per unit or 1.3% when compared to $1.85 in the same period in 2018.

Continuing Operations

FFO from continuing operations for the year ended December 31, 2019 decreased to $575.8 million from $578.1 million during the same period in 2018, representing a decrease of $2.3 million or 0.4%. This decrease was primarily due to the net effect of the following:

- $35.6 million in lower realized gains on marketable securities due to a fewer number of marketable securities sold;
- $13.6 million increase in interest expense excluding IFRS 16 impact, primarily due to lower capitalized interest resulting from development completions, higher average debt balances resulting from timing of dispositions and acquisitions and higher average cost of debt;
- $6.0 million in lower operating income from commercial operations excluding IFRS 16 impact, primarily due to strategic secondary market property dispositions, net of acquisitions, same property NOI growth, higher fee income and higher income from developments;
- $2.6 million higher other costs primarily due to marketing costs on new residential inventory projects;
- $2.1 million in lower dividend income on marketable securities; and
- $0.9 million in lower other income**;** partially offset by,
- $37.3 million increase in operating income from residential operations primarily due to gains on the sale of residential inventory and lease up income from two new residential rental towers;
- $9.2 million in lower general and administrative expenses primarily due to higher severance costs incurred in 2018;
- $8.4 million in higher income from equity-accounted investments, excluding fair value gains (losses), primarily due to a transaction gain in Q1 2019; and
- $3.5 million increase in interest revenue excluding IFRS 16 impact, primarily due to condominium interim occupancy fees attributable to interest and higher average loans receivable.

Q4 2019

FFO of $146.1 million for the three months ended December 31, 2019 increased approximately $7.7 million or 5.5% when compared to $138.4 million in the same period in 2018. On a diluted per unit basis, FFO of $0.46 increased $0.01 per unit or 2.59% when compared to $0.45 in the same period in 2018.

FFO from continuing operations for the three months ended December 31, 2019 increased to $146.1 million from $138.5 million during the same period in 2018, representing an increase of $7.6 million or 5.5%. The $7.6 million increase in FFO from continuing operations for the quarter was primarily due to the net effect of the following:

- $11.5 million increase in operating income from residential operations primarily due to gains on the sale of residential inventory and lease-up income from the two new residential towers;
- $2.4 million in lower general and administrative expenses primarily due to higher severance costs incurred in Q4 2018; and
- $1.0 million in higher interest income excluding IFRS 16 impact, primarily due to condominium interim occupancy fees attributable to interest, and higher average loans receivable; partially offset by,
- $2.5 million in higher interest expense excluding IFRS 16 impact, primarily due to lower capitalized interest resulting from development completions and higher average debt balances resulting from timing of acquisitions and dispositions, offset by lower average cost of debt and $1.3 million of IFRS debt modification gains from a debt maturity extension;
- $1.9 million in lower realized gains on marketable securities due to a fewer number of marketable securities sold;
- $1.5 million in lower other income;
- $0.7 million in lower operating income from commercial operations excluding IFRS 16 impact, primarily due to strategic secondary market property dispositions, net of acquisitions and same property NOI growth, higher NOI from development completions and higher fee income;
- $0.5 million in higher other costs primarily due to marketing costs on new residential inventory projects; and
- $0.3 million in lower dividend income on marketable securities.

FFO Payout Ratio

RioCan continued to achieve its FFO payout ratio target of less than 80% and improved it by 1.0% from 77.9% for the year ended December 31, 2018 to 76.9% for the year ended December 31, 2019.

Adjusted Cashflow from Operations (ACFO)

RioCan's method of calculating ACFO is in accordance with the REALPAC whitepaper issued in February 2019. 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)	**2019**	2018	**2019**	2018
Cash provided by operating activities	**$ 170,235**	$ 128,325	**$ 568,728**	$ 404,005
Add back/(Deduct):				
Adjustments to working capital changes for ACFO (i)	**(40,058)**	1,065	**(54,778)**	78,736
Distributions received from equity accounted investments	**2,712**	1,846	**16,382**	9,180
Transaction costs on sale of investment properties	**2,595**	4,669	**7,989**	17,915
Normalized capital expenditures (ii):				
Leasing commissions and tenant improvements	**(4,000)**	(6,000)	**(16,000)**	(24,000)
Maintenance capital expenditures recoverable from tenants	**(4,500)**	(3,250)	**(18,000)**	(13,000)
Maintenance capital expenditures not recoverable from tenants	**(1,500)**	(2,000)	**(6,000)**	(8,000)
Realized gain on disposition of marketable securities	**7,215**	9,161	**23,667**	59,239
Internal leasing costs related to development properties	**557**	528	**2,087**	2,084
Taxes related to non-operating activities (iii)	**(273)**	745	**(699)**	1,188
Operational lease revenue and expenses from ROU assets (iv)	**570**	—	**1,963**	—
ACFO	**$ 133,553**	$ 135,089	**$ 525,339**	$ 527,347

(i) Includes working capital changes that, in management's view and based on the REALPAC February 2019 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 *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 2019 whitepaper.

(iv) In February 2019, REALPAC issued a revision to the February 2018 definition of ACFO, effective January 1, 2019, to include adjustments relating to operational revenue and expenses from ROU assets from certain subleases and leases that were classified as operating leases under IAS 17, and are classified as finance leases under IFRS 16, such that the entire relevant lease receipt and/or lease payment continues to be reflected in ACFO upon the adoption of IFRS 16 on January 1, 2019.

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 2019 whitepaper, are not indicative of sustainable cash flow available for distribution:

	Three months ended December 31		Year ended December 31	
(thousands of dollars)	**2019**	2018	**2019**	2018
Working capital changes related to:				
Taxes relating to the U.S. portfolio (i)	**$ 251**	$ (857)	**$ 694**	$ (136)
Transaction related costs (ii)	**3,739**	(1,694)	**6,069**	(11,367)
Realty taxes and insurance	**(36,273)**	(31,422)	**(5,965)**	86
Residential inventory	**(13,557)**	17,910	**(68,085)**	77,637
Other (iii)	**5,782**	17,128	**12,509**	12,516
Adjustments to working capital changes for ACFO	**$ (40,058)**	$ 1,065	**$ (54,778)**	$ 78,736

(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)	**2019**	2018	**2019**	2018
Adjustments for other changes in working capital items as reported on the consolidated statements of cash flows	**$ 39,871**	$ 10,655	**$ 53,769**	$ (79,468)
Add: Adjustments to working capital changes for ACFO	**(40,058)**	1,065	**(54,778)**	78,736
Net working capital increase (decrease) included in ACFO	**$ (187)**	$ 11,720	**$ (1,009)**	$ (732)

ACFO Highlights

2019

ACFO for the year ended December 31, 2019 is $525.3 million compared to $527.3 million for 2018, representing a decrease of $2.0 million or approximately 0.4% primarily due to the following:

- $35.6 million lower realized gains on marketable securities due to a fewer number of marketable securities sold;
- $13.6 million higher interest expense excluding IFRS 16 impact, primarily due to lower capitalized interest resulting from development completions, higher average debt balances resulting from timing of dispositions and acquisitions and higher average cost of debt;
- $6.3 million in lower operating income from commercial operations (net of straight-line rent and IFRS 16 effect) primarily due to strategic secondary market property dispositions, net of acquisitions, same property NOI growth, higher fee income and higher income from developments;
- $3.4 million higher other costs and lower other income, including higher marketing costs on residential inventory projects;
- $2.1 million lower income from discontinued operations;
- $2.1 million in lower dividend income on marketable securities; and
- $0.3 million in higher net working capital decrease relating to property operations; partially offset by,
- $37.3 million increase in operating income from residential operations primarily due to gains on the sale of residential inventory and lease up income from two new residential rental towers;
- $8.6 million in lower general and administrative expenses (excluding non-cash depreciation and amortization, and non-cash compensation costs) primarily from higher severance costs incurred in 2018;
- $7.2 million increase in cash distributions received from equity accounted investments primarily due to a transaction gain in Q1 2019;
- $3.5 million higher interest revenue excluding IFRS 16 impact, primarily due to condominium interim occupancy fees attributable to interest and higher average loans receivable; and
- $5.0 million in lower normalized capital expenditures.

Q4 2019

ACFO for the three months ended December 31, 2019 is $133.6 million compared to $135.1 million in the same period in 2018, representing a decrease of $1.5 million or approximately 1.1% primarily due to the following:

- $11.9 million lower net working capital increase relating to property operations;
- $2.5 million higher interest expense excluding IFRS 16 impact, primarily due to lower capitalized interest resulting from development completions and higher average debt balances resulting from timing of acquisitions and dispositions, offset by lower average cost of debt and $1.3 million of IFRS debt modification gains from a debt maturity extension;
- $1.9 million lower realized gains on marketable securities due to a fewer number of marketable securities sold;
- $2.0 million in higher other costs and lower other income, including higher marketing costs on residential inventory projects; and
- $0.3 million in lower dividend income on marketable securities; partially offset by,
- $11.5 million increase in operating income from residential operations primarily due to gains on the sale of residential inventory and lease up income from two new residential rental towers;
- $2.6 million in lower general and administrative expenses primarily due to higher severance costs incurred in Q4 2018;
- $1.3 million in lower normalized capital expenditures;
- $1.0 million in higher interest income excluding IFRS 16 impact, primarily due to condominium interim occupancy fees attributable to interest and higher average loans receivable; and
- $0.9 million increase in cash distributions received from equity accounted investments.

The following tables present RioCan's ACFO payout ratio for the twelve months ended December 31, 2019 and 2018:

(thousands of dollars)		Twelve months ended December 31, 2019	Q4 2019	Q3 2019	Q2 2019	Q1 2019
ACFO	**$**	**525,338**	$ 133,553	$ 144,864	$ 139,446	$ 107,475
Distributions paid		**442,953**	113,285	110,224	109,598	109,846
ACFO payout ratio		**84.3%**				
Net working capital increase (decrease) included in ACFO	**$**	**(1,009)**	$ (187)	$ 14,584	$ 6,808	$ (22,214)

(thousands of dollars)		Twelve months ended December 31, 2018	Q4 2018	Q3 2018	Q2 2018	Q1 2018
ACFO	$	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)

The ACFO payout ratio for the year ended December 31, 2019 is 84.3%, 1.4% lower than a year ago.

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

Property Mix

The Trust operates a variety of income producing property formats or classes to best serve the communities in which they operates. The Trust has identified the following four major categories of property classes:

Category	Description
Mixed-Use / Urban	Assets with more than one type of use (retail, office, residential i.e. mixed-use assets) located in major markets and non mixed-use assets located in high density urban areas. Examples of these properties include: Yonge Eglinton Centre and Yonge Sheppard Centre.
Grocery Anchored Centre	Assets with a grocery anchor tenant or sites adjacent to shadow grocery anchors (i). Examples of these properties include: Sage Hill Crossing and RioCan Scarborough Centre.
Open Air Centre	Assets with little or no enclosed component and do not have a grocery store anchor. Examples of these properties include: Grandview Corners and RioCan Colossus Centre.
Enclosed	Assets with large enclosed shopping and common areas. Examples of these properties include: Burlington Centre and Oakville Place.

(i) A shadow anchor is a retail store that generates a great deal of traffic and attracts business to a property of the Trust but the underlying property / land for this retail store is not owned by the Trust.

RioCan's portfolio of properties as at December 31, 2019 consisted of the following:

At RioCan's Interest *(thousands of sq. ft., except where otherwise noted)*	**Number of income producing properties**	**Income producing properties NLA**	**% of NLA**	**% of annualized rental revenue**
Mixed-Use / Urban (i)	30	5,153	14.2%	22.0%
Grocery Anchored Centre	95	16,783	46.4%	40.9%
Open Air Centre	70	10,935	30.2%	27.2%
Enclosed	11	3,314	9.2%	9.9%
Total Portfolio (i)	206	36,185	100.0%	100.0%

(i) Mixed-Use / Urban includes approximately 0.5 million square feet of residential rental NLA and the corresponding annualized residential rental revenue.

Mixed-Use / Urban and Grocery Anchored centres combined accounted for 60.6% and 62.9% of total NLA and annualized rental revenue, respectively, as of December 31, 2019. This further highlights the quality of RioCan's portfolio and underlying income. Both of these formats are attractive from a tenanting perspective, more resilient to changes in economic cycles and evolving retail trends, and form a solid foundation for organic growth. Enclosed centres accounted for less than 10% of the Trust's portfolio, whether measured on NLA or annualized rental revenue basis.

Commercial (Retail and Office)

Annualized Rental Revenue from Six Major Markets and GTA

As at	**December 31, 2019**	December 31, 2018
Six Major Markets (i)		
% of total annualized rental revenue	**90.1%**	85.4%
% of total NLA	**87.0%**	81.7%
GTA (ii)		
% of total annualized rental revenue	**52.4%**	46.8%
% of total NLA	**45.8%**	41.9%

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

(ii) The GTA extends north to Barrie, ON; west to Hamilton, ON; and east to Oshawa, ON.

The Trust has surpassed its strategic milestones of generating greater than 90% and 50% of total annualized rental revenue from the six major markets and the GTA, having reached 90.1% and 52.4% respectively as of December 31, 2019. When compared to the prior quarter, the percentage of total annualized rental revenue generated from the six major markets and the GTA increased by 140 and 290 basis points, respectively. The increases resulted from same property NOI growth, continuing dispositions of its secondary market assets, and strategic acquisitions and development completions in the major markets.

The percentage of annualized rental revenue from the six major markets and the GTA increased 470 and 560 basis points, respectively, as of December 31, 2019 when compared to December 31, 2018. Similarly, these increases were primarily due to 2.5% same property NOI growth achieved for the Trust's six major market portfolio, $0.5 billion of secondary market asset dispositions, 530,000 square feet of development completions, and $822.7 million of strategic acquisitions of income producing properties.

NLA and Occupancy by Markets

The NLA for income producing properties, committed (tenants that have signed leases) and in-place (tenants that are in possession of their space) occupancy rates for our commercial property portfolio at RioCan's interest are as follows:

At RioCan's Interest	NLA for Income Producing Properties (thousands of sq.ft.)		Committed Occupancy		In-Place Occupancy	
As at December 31	**2019**	2018	**2019**	2018	**2019**	2018
Commercial Six Major Markets:						
Greater Toronto Area (i)	**16,366**	15,295	**98.3%**	98.0%	**97.3%**	96.9%
Ottawa (ii)	**4,708**	4,820	**98.2%**	98.8%	**98.0%**	96.7%
Calgary	**3,426**	3,220	**97.5%**	98.8%	**95.4%**	98.3%
Montreal	**2,577**	2,951	**92.6%**	92.6%	**92.4%**	92.4%
Edmonton	**2,227**	1,738	**97.5%**	98.0%	**97.1%**	97.0%
Vancouver (iii)	**1,790**	1,791	**99.6%**	99.3%	**99.4%**	98.9%
Total Commercial Six Major Markets	**31,094**	29,815	**97.7%**	97.7%	**96.9%**	96.7%
Total Commercial Secondary Markets	**4,626**	6,666	**93.6%**	94.1%	**92.4%**	93.2%
Total Commercial	**35,720**	36,481	**97.2%**	97.1%	**96.3%**	96.1%

(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, 2019, NLA at RioCan's interest was 35,720,000 square feet compared to 36,481,000 square feet as at December 31, 2018. This decrease of 761,000 square feet of NLA from the prior year was primarily due to dispositions over the comparable period pursuant to the acceleration of the major markets focus strategy, partially offset by strategic acquisitions and development completions.

As at December 31, 2019, the gap between committed and in-place occupancies narrowed to 90 basis points from 100 basis points as at December 31, 2018.

Committed and in-place occupancy for the overall portfolio improved by 10 and 20 basis points when compared to December 31, 2018, achieving 97.2% and 96.3% respectively, as of December 31, 2019. The Trust made steady progress on disposing secondary market assets which had lower than average occupancy levels and this had a positive effect on the overall portfolio occupancy. Major market committed occupancy was unchanged from last year and major market in-place occupancy increased by 20 basis points when compared to December 31, 2018 despite the impact of Bombay/Bowring, Payless Shoe and Bouclair disclaiming their leases during 2019. Refer to the *Store Closures* section of this MD&A for leasing updates for disclaimed leases.

When compared to the previous quarter, committed occupancy was unchanged at 97.2% and in-place occupancy for the overall portfolio decreased 20 basis points. The decrease is largely attributable to the leases recently disclaimed by Bouclair in late December 2019. Similarly, refer to the *Store Closures* section of this MD&A for leasing updates for disclaimed leases.

Future Lease Commencements (Commercial Only)

Subsequent to Q4 2019, we expect to generate approximately $10.6 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, 2019. 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, 2019 is as follows:

(in thousands, except percentage amounts)

At RioCan's Interest	Annualized	Total	Q1 2020	Q2 2020	Q3 2020	Q4 2020+
Square feet:						
NLA commencing (i)		314	257	44	8	5
Cumulative NLA commencing (i)		314	257	301	309	314
% of NLA commencing			81.8%	14.1%	2.5%	1.6%
Cumulative % total			81.8%	95.9%	98.4%	100.0%
Average net incremental IFRS rent:						
Monthly net incremental IFRS rent commencing (ii)	$ 10,596	$ 883	$ 746	$ 95	$ 19	$ 23
Cumulative monthly net incremental IFRS rent commencing	$ 10,596	$ 883	$ 746	$ 841	$ 860	$ 883
% of net incremental IFRS rent for NLA commencing			84.5%	10.7%	2.2%	2.6%
Cumulative % total net incremental IFRS rent commencing			84.5%	95.2%	97.4%	100.0%

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

Average Net Rent (Commercial Only)

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

As at December 31	**2019**	2018
Average net rent per occupied square foot (i)	**$ 19.75**	$ 19.07

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

The 3.6% increase in average net rent per occupied square foot from $19.07 as of December 31, 2018 to $19.75 as of December 31, 2019 reflects the significant improvement in the quality of the Trust's portfolio as it disposes secondary market assets, develops new assets and drives stronger same property NOI growth.

New Leasing Activity (Commercial Only)

	Three months ended December 31		Year ended December 31	
(in thousands, except per sqft amounts)	**2019**	2018	**2019**	2018
New Leasing NLA at 100%	**485**	359	**1,614**	2,243
Average net rent per square foot (i)	**$ 29.03**	$ 25.61	**$ 25.56**	$ 24.51

(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 over a period is impacted by the types, sizes and locations of the spaces available for new leasing over the comparable periods. The increase in average net rent per square foot for the three months and year ended December 31, 2019 was primarily due to increasing our major market focus and completing new leases on our development projects including new office leases signed on The Well in Q4 2019. Almost all of our development projects are located in major markets.

Renewal Leasing Activity (Commercial Only)

A summary of our 2019 and 2018 commercial renewal leasing activity is as follows:

	Three months ended December 31		Year ended December 31	
(in thousands, except percentage and per sqft amounts)	**2019**	2018	**2019**	2018
Square feet renewed at market rental rates (at 100%)	**614**	684	**2,761**	3,210
Square feet renewed at fixed rental rates (at 100%)	**175**	387	**1,246**	2,256
Total square feet renewed (at 100%)	**789**	1,071	**4,007**	5,466
Average net rent per square foot (i)	**$ 22.89**	$ 20.66	**$ 20.98**	$ 18.27
Renewal leasing spread in average net rent (ii)	**$ 2.12**	$ 0.98	**$ 1.77**	$ 0.47
Renewal leasing spread percentage (iii)	**10.2%**	5.0%	**9.2%**	2.6%
Retention ratio	**89.9%**	91.2%	**89.4%**	91.2%

(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.

During the year ended December 31, 2019, the renewal leasing spread was $1.77 or 9.2% mainly driven by a higher proportion of leases renewed at market rental rates in major markets. The renewal spread in 2018 was negatively impacted by 18 lease renewals with an anchor tenant located primarily in secondary markets. The renewal leasing spread of $2.12 or 10.2% for the three months ended December 31, 2019 was also driven by strong growth in major markets and higher proportion of leases renewed at market rents.

For major market properties, the Trust achieved a renewal leasing spread percentage of 10.6% and 9.9% for the three months and year ended December 31, 2019, respectively.

Blended Leasing Spread (Commercial Only)

	Three months ended December 31		Year ended December 31	
	2019	2018	**2019**	2018
Blended leasing spread for both new and renewal leasing (i)	**8.2%**	10.7%	**9.4%**	5.0%

(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 the 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. The new leasing spread used in the calculation of the blended renewal and new leasing spread for the 2018 comparable periods are calculated only for properties that the Trust owned as of December 31, 2018. Given that nearly $1.0 billion of secondary market assets were disposed during 2018, it is not meaningful to calculate the new leasing spread for properties the Trust no longer owns as of December 31, 2018. For 2019 and onward, the quarterly new leasing spread is and 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.

For the year ended December 31, 2019, the increase in the blended renewal and new leasing spread over 2018 was driven by stronger renewal leasing spread as discussed earlier. For the three months ended December 31, 2019, the decrease in the blended leasing spread over the 2018 comparative period was because the 2018 comparative period reported a stronger new leasing spread as a result of the leasing of the former Sears space as well as timing and location of new leases completed.

For major market properties, the blended leasing spread for new and renewal leasing was 8.4% and 9.7% for the three months and year ended December 31, 2019, respectively.

Store Closures

RioCan has re-leased or is in the final stages of negotiating the re-leasing of the former Sears premises, which will generate approximately 137% of the lost annual rental revenue on 266,000 square feet (at RioCan's interest) or 81% of the vacated Sears space. Replacement rent on the entire space is expected to exceed previous rent from Sears by $5.60 per square foot (a 65% increase). We anticipate that the last of the replacement tenants will be in possession of their spaces by mid-2020.

Bombay/Bowring disclaimed all of its leases with RioCan in late 2018/early 2019 following its parent company's filing of notice of intent under the *Bankruptcy and Insolvency Act*. Payless Shoe Source Canada Inc. filed for CCAA protection in February 2019 and disclaimed its leases but had continued to pay rent up to March 31, 2019. On a combined basis, these disclaimed leases represent 174,413 square feet at RioCan's interest or 0.5% of total commercial NLA as of December 31, 2019. RioCan has re-leased 84% of the lost annual rental revenue on 119,208 square feet or 68% of the vacated Bombay/Bowring/Payless space. The Trust expects to continue to lease the remaining space in the normal course. Therefore, the transitory impact of these closures is expected to continue, albeit at a diminishing rate, for 2020. Same property NOI for the Trust's six major market and overall commercial portfolio were each negatively impacted by approximately 80 basis points for the year ended December 31, 2019 due to those store closures in 2019.

Bouclair disclaimed 7 of its 13 leases with RioCan in late 2019. These disclaimed leases represent 65,073 square feet at RioCan's interest or 0.2% of total commercial NLA as of December 31, 2019.

In February 2020, Pier 1 announced that it is closing all of its stores in Canada. There are a total of 12 Pier 1 locations in RioCan's portfolio representing 114,786 square feet at RioCan's interest or 0.3% of total commercial NLA as of December 31, 2019. The Trust expects to re-lease this space in the normal course of business.

Lease Expiries (Commercial Only)

Lease expiries for the next five years are as follows:

(in thousands, except per sqft and percentage amounts)		For the years ending				
At RioCan's interest	Total IPP NLA	2020	2021	2022	2023	2024
Square feet	35,720	2,646	4,385	3,636	4,088	4,669
Square feet expiring/Portfolio NLA		7.4%	12.3%	10.2%	11.4%	13.1%
Average net rent per occupied square foot		$ 21.86	$ 19.26	$ 21.22	$ 21.00	$ 21.74

Contractual Rent Increases (Commercial Only)

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:

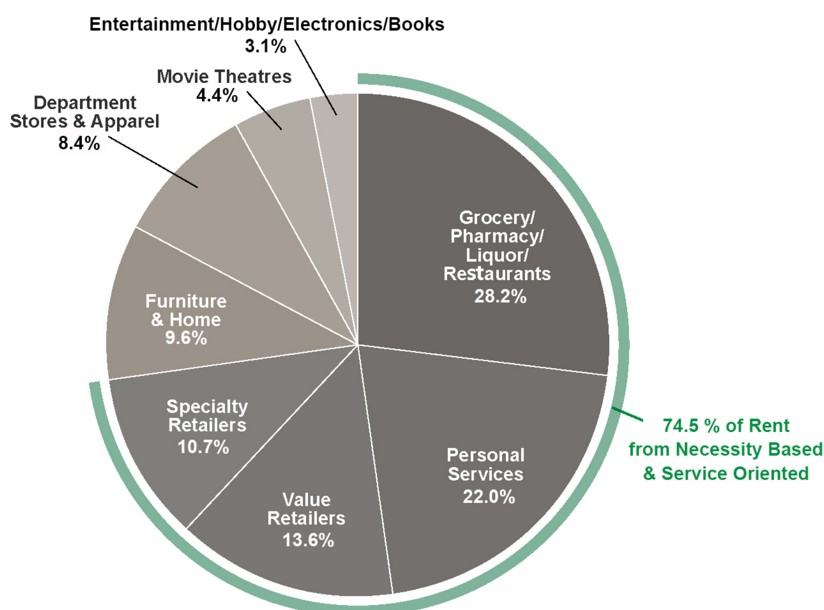
(thousands of dollars)	For the years ending				
At RioCan's interest	2020	2021	2022	2023	2024
Contractual rent increases	$ 8,606	$ 6,745	$ 6,004	$ 5,331	$ 4,040

Above contractual rent increases are based on existing leases as of December 31, 2019 and are on a year-over-year incremental increase basis. The contractual rent increases are higher in 2020 as they reflect more market rent changes as a result of new leasing and renewals completed in 2019. Contractual rent increases in 2021 as shown above are increases on a year-over-year incremental basis over 2020 contractual rent increases, which tend to be lower than in 2020 as they reflect 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 (Retail Only)

As discussed under the *Outlook* section of this MD&A, RioCan is well aware that the Canadian retail environment has been evolving, 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 operations. 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, pharmacy, restaurants, personal services, specialty retailers and value retailers.

As of December 31, 2019, RioCan's commercial tenant profile based on annualized net rental revenue, of which 74.5% is derived from necessity-based and service-oriented tenants, is illustrated in the chart below. This represents a 40 basis point increase over the prior quarter and a 170 basis point increase over the 2018 year end.



Retailer Category	% of Rent	Key Brands (i)
Grocery/ Pharmacy Liquor/Restaurants	28.2%	Loblaws, metro, Sobeys, Shoppers Drug Mart, Rexall, LCBO
Personal Services	22.0%	TD Canada Trust, RBC Royal Bank, BMO, LA Fitness, GoodLife Fitness
Value Retailers	13.6%	Walmart, Costco Wholesale, Dollarama, Winners, Marshalls
Specialty Retailers	10.7%	Canadian Tire, Sport Chek, PetSmart, Michaels, Staples
Furniture and Home	9.6%	Lowe's, The Home Depot, HomeSense, Bed Bath & Beyond, JYSK
Department Stores and Apparel	8.4%	Hudson's Bay, H&M, carter's, OshKosh B'gosh, GAP, Old Navy, Reitmans
Movie Theatres	4.4%	Cineplex, Landmark Theatres
Entertainment/ Hobby/ Electronics/Books	3.1%	Indigo, 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 Commercial 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 our major market portfolio, diversifying 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, 2019, 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 (thousands of sq. ft.)	Percentage of total IPP NLA	Weighted average remaining lease term (years) (i)
1	Canadian Tire Corporation (ii)	**4.8%**	**77**	**2,085**	**5.8%**	**6.4**
2	Loblaws/Shoppers Drug Mart (iii)	**4.4%**	**65**	**1,710**	**4.8%**	**8.2**
3	The TJX Companies, Inc.(iv)	**4.2%**	**68**	**1,945**	**5.4%**	**6.0**
4	Cineplex (v)	**3.6%**	**23**	**1,265**	**3.5%**	**7.4**
5	Metro/Jean Coutu (vi)	**2.6%**	**38**	**1,431**	**4.0%**	**8.0**
6	Walmart	**2.6%**	**16**	**2,069**	**5.8%**	**8.8**
7	Montana's, Harvey's, Swiss Chalet, Kelseys (vii)	**1.6%**	**85**	**393**	**1.1%**	**7.0**
8	Sobeys/Safeway	**1.5%**	**20**	**727**	**2.0%**	**9.3**
9	Dollarama	**1.5%**	**65**	**608**	**1.7%**	**6.0**
10	Lowe's	**1.4%**	**9**	**1,154**	**3.2%**	**9.3**
11	Bank of Montreal	**1.4%**	**34**	**341**	**1.0%**	**4.8**
12	Michaels	**1.4%**	**24**	**518**	**1.5%**	**6.2**
13	Staples/Business Depot	**1.3%**	**27**	**596**	**1.7%**	**5.9**
14	GoodLife Fitness	**1.3%**	**24**	**526**	**1.5%**	**9.8**
15	TD Bank	**1.2%**	**46**	**256**	**0.7%**	**9.4**
16	PetSmart	**1.1%**	**26**	**409**	**1.1%**	**5.7**
17	Chapters Indigo	**0.9%**	**18**	**291**	**0.8%**	**9.2**
18	Reitmans (viii)	**0.8%**	**44**	**235**	**0.7%**	**3.7**
19	Best Buy	**0.7%**	**12**	**262**	**0.7%**	**3.6**
20	LA Fitness	**0.7%**	**8**	**318**	**0.9%**	**12.0**
21	DSW/The Shoe Company	**0.7%**	**30**	**231**	**0.6%**	**5.6**
22	Leon's/The Brick	**0.6%**	**10**	**259**	**0.7%**	**4.3**
23	Bed Bath & Beyond	**0.6%**	**11**	**265**	**0.7%**	**6.5**
24	The Bank Of Nova Scotia	**0.6%**	**26**	**132**	**0.4%**	**4.6**
25	The Bay/Home Outfitters (ix)	**0.6%**	**8**	**441**	**1.2%**	**11.7**
26	Value Village	**0.6%**	**12**	**287**	**0.8%**	**7.7**
27	Tim Hortons/Burger King/Popeyes	**0.6%**	**56**	**140**	**0.4%**	**6.8**
28	Liquor Control Board of Ontario (LCBO)	**0.6%**	**18**	**167**	**0.5%**	**9.9**
29	Old Navy	**0.6%**	**20**	**190**	**0.5%**	**4.6**
30	Canadian Imperial Bank of Commerce	**0.5%**	**19**	**108**	**0.3%**	**5.6**
		45.0%	**939**	**19,359**	**54.0%**	**7.2**

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

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

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

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

(v) Cineplex includes Galaxy Cinemas.

(vi) Metro/Jean Coutu includes Super C, Loeb, and Food Basics.

(vii) Recipe Unlimited (formerly Cara Operations Limited) includes Montana's, Harvey's, Swiss Chalet, Kelseys, The Keg, Milestones, East Side Mario's among others.

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

(ix) 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.

Residential Rental

RioCan Living is RioCan's residential brand which includes purpose-built residential rental buildings developed by RioCan near or on Canada's prominent transit corridors. The locations, designs, amenities, community-focused event programming and professional management and access to strong retail offerings, all unique to RioCan Living, as well as the population growth in Canada's major markets, are expected to further support demand for our residential rental projects, particularly as housing affordability becomes a more predominant issue in the major markets.

The Trust currently has two completed projects and eight projects under active development, which will deliver a total of 2,700 rental units (at 100%). None of the Trust's residential units (other than the rental replacement units, which are rented at prescribed rents) are subject to rent controls under the current rent control legislation. As of December 31, 2019, the Trust's first two purpose-built residential rental projects are substantially complete and significant leasing progress has been made. For the three months and year ended December 31, 2019, total residential rental portfolio generated $1.9 million and $2.4 million in net operating income during the lease up phase, a significant increase in one quarter due to occupancy increases.

- **eCentral (Yonge Eglinton Northeast Corner, Toronto)** - As of February 19, 2020, 401 units (86.1%) at the 466-unit eCentral have been leased, including 351 market rent units and 50 rental replacement units, averaging $3.90 rent per square foot per month for the market rent units. The Trust expects to achieve stabilization at eCentral by the spring of 2020. As of December 31, 2019, 376 units (80.7%) are occupied including 337 market rent units leased at an average monthly rent of $3.90 per square foot and 39 rental replacement units leased at an average monthly rent of $1.79 per square foot. The project includes a total of 65 rental replacement units.
- **Frontier (Gloucester, Ottawa)** - As of February 19, 2020, 220 units (96.9%) at the 228-unit Phase One of Frontier have been leased at an average monthly rent of $2.49 per square foot. As of December 31, 2019, 204 units (89.9%) are occupied at an average monthly rent of $2.50 per square foot. This project has reached stabilization and we anticipate to lease all of the units in the near term. Total units at this Phase One building includes one guest suite which is excluded in the occupancy percentage calculation for the property.

Average monthly rent per square foot is calculated as monthly gross rents (excluding utilities which are paid by tenants) from leased residential units divided by the total number of net leasable square feet for these leased residential units. It does not include revenue from parking or other sources.

ASSET PROFILE

Investment Property

Refer to Note 4 of the 2019 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 President & 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 2019, the Trust obtained a total of 32 external property appraisals (including appraisals for 8 vacant land parcels), which supported an IFRS fair value of approximately $2.1 billion or 15% of the Trust's investment property portfolio as of December 31, 2019. Our mandate is to conduct an average of six external appraisals on investment properties on a quarterly basis or 24 investment properties a year, plus a selection of external land valuations, which is done every fourth quarter on our excess land and greenfield sites.

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 (ii)	
As at	**December 31, 2019**	December 31, 2018
Major markets (i)	**5.09%**	5.21%
Secondary markets	**7.23%**	7.27%
Total average portfolio capitalization rate (iii)	**5.28%**	5.49%

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

(ii) Weighted average capitalization rates as of December 31, 2018 do not include residential rental property capitalization rates.

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

The net fair value increase for the Trust's investment properties for the year ended December 31, 2019 was $247.6 million based on the weighted average capitalization rate of the Trust's investment portfolio at 5.28%, which compressed by 21 basis points from 5.49% at December 31, 2018. The fair value gains for Q4 2019 were primarily driven by higher stabilized net operating income on certain income properties, updated valuation estimates on specific development properties and capitalization rate reductions in certain urban market assets.

The 4 basis point decrease in the weighted average capitalization rate of secondary market assets when compared to December 31, 2018 and 17 basis point decrease when compared to September 30, 2019 resulted primarily from changes in composition of the secondary market assets, dispositions and the adjustment to capitalization rates of certain properties based on market conditions.

Income Property Acquisitions During 2019

During the year ended December 31, 2019, the Trust acquired interests in a total of 15 income properties for an aggregate purchase price of $822.7 million comprised of approximately 1.8 million square feet of income producing NLA. The acquisition amount or square footage does not include the properties under development portion of the transactions, if any. These acquisitions were mostly of our partners' non-managing interests in these properties at attractive prices. In connection with these acquisitions, RioCan assumed debt financing of $194.2 million at a weighted average interest rate of 3.40% and other liabilities of $13.7 million.

Property name and location	Interest acquired by RioCan	Capitalization rate		Gross Purchase price incl. Transaction Costs (i) (thousands of dollars)		Debt and other liabilities assumed (thousands of dollars)	NLA acquired (thousands of sq. ft.)	RioCan's ending interest
Q4 2019								
2939 Bloor Street West, Toronto, ON	100.0%	2.34%	$	6,728	$	—	6	100.0%
Charlottetown Mall Pad, Charlottetown, PEI	50.0%	5.38%		1,210		—	6	50.0%
Mayfield Common Shopping Centre, Edmonton, AB	50.0%	7.00%		56,038		—	207	100.0%
Total Q4 2019 Acquisitions			$	63,976	$	—	219	
Q3 2019								
Jasper Gates, Edmonton, AB (ii)	100.0%	n/a	$	8,911	$	—	11	100.0%
Yonge Sheppard Centre, Toronto, ON (iii)	50.0%	n/a		279,311		81,226	314	100.0%
2323 Yonge Street, Toronto, ON (iv)	50.0%	n/a		28,322		—	34	50.0%
ePlace, Toronto, ON (v)	50.0%	n/a		118,588		—	155	100.0%
Erskine, Toronto, ON	50.0%	5.74%		3,144		—	7	100.0%
Total Q3 2019 Acquisitions			$	438,276	$	81,226	521	
Q2 2019								
Stock Yards Village, Toronto, ON	50.0%	6.06%	$	92,071	$	—	255	100.0%
2969 Bloor Street West, Toronto, ON	100.0%	3.40%		2,129		—	3	100.0%
Mill Woods Town Centre, Edmonton, AB (vi)	59.7%	6.85%		66,894		33,410	272	100.0%
Garden City Shopping Centre, Winnipeg, MB (vii)	70.0%	7.00%		49,044		33,929	254	100.0%
Shoppers City East, Gloucester, ON	17.2%	5.90%		3,794		—	7	100.0%
Total Q2 2019 Acquisitions			$	213,932	$	67,339	791	
Q1 2019								
Upper James Square, Hamilton, ON	100.0%	6.21%	$	36,010	$	14,193	114	100.0%
Sage Hill Crossing, Calgary, AB	50.0%	5.83%		70,477		45,120	188	100.0%
Total Q1 2019 Acquisitions			$	106,487	$	59,313	302	
Total 2019 Acquisitions			**$**	**822,671**	**$**	**207,878**	**1,833**	

(i) Purchase price includes transaction costs of $21.5 million in aggregate.

(ii) This property is adjacent to an existing owned site and was acquired for redevelopment purposes. No capitalization rate is thus provided.

(iii) The Trust acquired the remaining 50.0% interest in Yonge Sheppard Centre for net purchase price of $357.7 million before $14.4 million transaction costs. The net purchase price is net of working capital adjustment of $19.2 million. Gross purchase price including transaction costs and working capital adjustments was $391.3 million. The acquisition included both an income producing property and property under development and was allocated as $279.3 million and $112.0 million, respectively. As the purchase price includes both the income producing and properties under development portions, a capitalization rate was not provided for this transaction.

In connection with the transaction, RioCan issued $100.0 million of equity with a one-year lock-up agreement commencing August 30, 2019 and assumed KingSett's share of property debt of $132.8 million, consisting of $67.5 million of mortgages relating to the income producing portion of the property and a $65.3 million construction loan relating to the properties under development portion of the property. Subsequent to the transaction closing, RioCan used a portion of the net proceeds from its $500.0 million Series AB senior unsecured debenture issuance completed on August 12, 2019 to repay, without prepayment penalty, the entire $265.6 million of property debt for 100% of Yonge Sheppard Centre, including both the mortgage and construction loan outstanding at the time of repayment.

(iv) 2323 Yonge Street is a 100% leased office building with market rent upside, street front retail, and significant residential intensification potential in the block immediately north of the intersection of Yonge Street and Eglinton Avenue, adjacent to ePlace and RioCan's Yonge Eglinton Centre. As the purchase price reflects the redevelopment potential, no capitalization rate is provided.

(v) RioCan acquired the remaining 50% co-ownership interest in the residential rental component, eCentral, the retail component and 70 commercial parking stalls of the ePlace mixed-use development. The purchase price before transaction costs of $4.5 million was $114.1 million, determined based on cost plus $10.0 million for eCentral and a pre-agreed 7.0% capitalization rate on stabilized Net Operating Income (NOI) for the retail component. Upon closing, RioCan now owns 100% of these respective components. Pursuant to a purchase and sale agreement for eCentral, the Trust has been entitled to 100% of eCentral's operating results since January 1, 2019. As the residential rental component of this project is in lease up, the capitalization rate was not provided for this transaction.

(vi) The Trust acquired the remaining 59.7% interest in Mill Woods Town Centre for an aggregate purchase price of $71.7 million including transaction costs and assumed a mortgage of $33.4 million. The acquisition included both income producing property and property under development related assets and was allocated as $66.9 million and $4.8 million, respectively.

(vii) The Trust acquired the remaining 70.0% interest in Garden City Shopping Centre for an aggregate purchase price of $50.5 million including transaction costs and assumed a mortgage of $33.9 million. The acquisition included both income producing property and property under development related assets and was allocated as $49.0 million and $1.5 million, respectively.

Income Property Dispositions During 2019

During the year ended December 31, 2019, the Trust disposed interests in 19 properties for sales proceeds aggregating $451.2 million. Details are provided in the table below. From October 2017 to December 31, 2019, as part of its acceleration of major markets focus strategy, the Trust disposed interest in 81 properties for sales proceeds aggregating $1.6 billion.

Property name and location	Ownership interest disposed of by RioCan	Capitalization rate (i)	Sales proceeds (thousands of dollars)	Debt assumed by purchaser(s) (thousands of dollars) (ii)	GLA disposed of at RioCan's interest (thousands of sq. ft.)
Q4 2019					
Place Newman, LaSalle, QC	100.0%	5.84%	$ 24,550	$ —	181
Stratford Centre, Stratford, ON	100.0%	7.45%	16,717	—	134
RioCan Centre Grande Prairie, Grande Prairie, AB	100.0%	8.49%	54,745	—	280
Two property portfolio, Montreal, QC (iii)	50.0%	9.23%	18,248	—	188
Sherwood Forest Mall, London, ON	100.0%	8.44%	33,450	—	219
Niagara Falls Plaza, Niagara Falls, ON	100.0%	7.03%	17,000	—	80
Total Q4 2019 Dispositions			**$ 164,710**	**$ —**	**1,082**
Q3 2019					
Innes Road Plaza, Ottawa, ON	100.0%	6.57%	$ 13,900	$ —	48
Windsor Portfolio, Windsor, ON (iv)	100.0%	10.47%	29,894	—	279
Kildonan Crossing, Winnipeg, MB	100.0%	6.90%	43,500	—	179
Goderich Walmart Centre, Goderich, ON	100.0%	7.04%	12,000	—	94
RioCan Renfrew Centre, Renfrew, ON	100.0%	6.68%	6,261	—	58
Niagara Square, Niagara Falls, ON (v)	30.0%	10.19%	7,500	—	60
Total Q3 2019 Dispositions			**$ 113,055**	**$ —**	**718**
Q2 2019					
Charlottetown Mall, Charlottetown, PEI	50.0%	7.04%	$ 23,750	$ —	178
Tanger Outlets Bromont, Montreal, QC	50.0%	13.47%	4,450	—	81
Total Q2 2019 Dispositions			**$ 28,200**	**$ —**	**259**
Q1 2019					
Shoppers on Topsail, St. John's, NL	100.0%	7.65%	$ 5,850	$ —	30
Tillicum Centre, Victoria, BC	100.0%	6.41%	109,975	—	476
RioCan Gravenhurst, Gravenhurst, ON	100.0%	6.89%	29,400	—	150
Total Q1 2019 Dispositions			**$ 145,225**	**$ —**	**656**
Total 2019 Dispositions		**7.51%**	**$ 451,190**	**$ —**	**2,715**

(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) Includes two properties: Centre Carnaval LaSalle, LaSalle, QC and Les Galeries Lachine, Lachine, QC.

(iv) Windsor Portfolio includes two properties: RioCan Centre Windsor, Windsor, ON and Walker Town Centre, Windsor, ON. Capitalization rate excludes NOI related to tenant rent commencing in November 2019.

(v) This disposition included both income producing property and property under development related assets. RioCan provided a vendor take-back mortgage of $5.2 million related to this transaction.

Refer to the *Business Overview* section of this MD&A for information including firm, conditional dispositions and LOI's under contract as of February 19, 2020.

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 $106.6 million as at December 31, 2019 on behalf of co-owners (December 31, 2018 - $251.2 million).

Selected Financial Information of Joint Operations (at RioCan's interest)

(thousands of dollars) As at December 31, 2019	RioCan's ownership interest	Number of investment properties (i)	Assets (ii)	Liabilities (ii)	Three months ended December 31, 2019 NOI (iii)	Year ended December 31, 2019 NOI (iii)
Allied	**50%**	**4**	**$ 235,273**	**$ 26,009**	**$ 1,978**	**$ 7,249**
Allied/Diamond (The Well) (iv)	**50%**	**1**	**432,607**	**28,980**	**—**	**—**
Boardwalk	**50%**	**2**	**53,007**	**17,583**	**—**	**—**
CMHC Pension Fund	**50%**	**1**	**54,828**	**28,328**	**764**	**3,082**
CPPIB	**40%**	**1**	**107,171**	**12,001**	**794**	**6,309**
First Gulf	**50%**	**1**	**84,228**	**44,186**	**1,127**	**4,349**
Killam	**50%**	**2**	**106,788**	**26,114**	**855**	**1,816**
KingSett	**50%**	**1**	**135,514**	**79,769**	**1,158**	**9,353**
Metropia/CD (v)	**50%**	**1**	**102,039**	**18,240**	**103**	**424**
Sun Life	**40%**	**1**	**27,621**	**14,088**	**1,306**	**5,636**
Tanger	**50%**	**3**	**162,384**	**11,436**	**2,205**	**9,350**
Trinity (vi)	**67% - 75%**	**2**	**67,279**	**36,196**	**855**	**3,657**
Woodbourne	**50%**	**2**	**62,782**	**7,146**	**—**	**32**
Other	**30% - 75%**	**18**	**325,253**	**98,104**	**5,180**	**18,504**
		40	**$1,956,774**	**$ 448,180**	**$ 16,325**	**$ 69,761**

(i) Includes both income properties and properties under development and is based on the number of proportionately owned properties as of December 31, 2019.

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

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

(iv) The Trust has a 50% interest in the commercial component (RioCan/Allied) and a 40% interest in the residential component (RioCan/Allied/ Diamond) of The Well project. The Well Residential Building 6 which the Trust owns 50/50 with another partner, Woodbourne, is included in the Woodbourne category in the table above.

(v) RioCan also has a 15.6% interest in e2 Condos, a development adjacent to ePlace (northeast corner of Yonge Street and Eglinton Avenue) together with Metropia and four others partners, which is carried at fair value and included in Other Assets and is therefore excluded from the table above.

(vi) Subsequent to December 31, 2019, the Trust acquired the remaining one-third interest in RioCan Marketplace in Toronto, Ontario. Upon closing of this transaction, there is one property remaining with Trinity.

Selected Financial Information of Joint Operations and Joint Ventures

Total Assets

(thousands of dollars) As at December 31, 2019	Income properties	PUD (i)	Residential inventory (ii)	Other (iii)	Total assets	Total assets as at December 31, 2018
Total assets of proportionately consolidated joint operations	**$ 1,055,824**	**$ 689,433**	**$ 76,654**	**$ 134,863**	**$ 1,956,774**	$ 2,559,432
Equity accounted joint ventures (iv):						
HBC (RioCan-HBC JV)	**$ 240,570**	**$ —**	**$ —**	**$ 19,685**	**$ 260,255**	$ 256,113
Marketvest Corporation/Dale-Vest Corporation (Dawson-Yonge LP)	**9,578**	**—**	**—**	**201**	**9,779**	9,540
Total assets of equity accounted joint ventures	**250,148**	**—**	**—**	**19,886**	**270,034**	265,653
Total joint arrangements	**$ 1,305,972**	**$ 689,433**	**$ 76,654**	**$ 154,749**	**$ 2,226,808**	$ 2,825,085

(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) Residential inventory is mainly comprised of the Yorkville development in a prestigious area of Toronto, Ontario with Metropia and CD.

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

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

Total NOI

(thousands of dollars)	Three months ended December 31 2019	2018	Year ended December 31 2019	2018
Total NOI of proportionately consolidated joint operations	**$ 16,325**	$ 19,498	**$ 69,761**	$ 75,694
Equity accounted joint ventures (i):				
HBC (RioCan-HBC JV)	**$ 3,462**	$ 3,373	**$ 13,843**	$ 13,177
Marketvest Corporation/Dale-Vest Corporation (Dawson-Yonge LP)	**124**	122	**514**	503
Total NOI of equity accounted joint ventures	**3,586**	3,495	**14,357**	13,680
Total joint arrangements	**$ 19,911**	$ 22,993	**$ 84,118**	$ 89,374

(i) 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, 2019, the Trust's ownership interest in RioCan-HBC JV was 12.6% (December 31, 2018 - 12.5%). 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,	2019	2018
Current assets	**$ 4,679**	$ 4,621
Non-current assets	**2,037,539**	2,028,739
Current liabilities	**10,006**	362,726
Non-current liabilities (i)	**812,093**	418,151
Net assets	**$ 1,220,119**	$ 1,252,483
RioCan's share of net assets in RioCan-HBC JV (ii)	**$ 156,554**	$ 158,629

(i) Includes mortgages payable and lines of credit with maturities beyond twelve months.

(ii) 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 2019	2018	Year ended December 31 2019	2018
Rental revenue	**$ 35,985**	$ 35,111	**$ 145,255**	$ 142,496
Operating expenses	**4,864**	5,491	**20,767**	24,333
Fair value gains (losses)	**(45,739)**	25,086	**(67,772)**	5,249
Interest expense	**9,845**	8,478	**39,042**	31,101
Net income (loss)	**$ (24,463)**	$ 46,228	**$ 17,674**	$ 92,311
RioCan's share of net income (loss) in RioCan-HBC JV	**$ (3,087)**	$ 5,772	**$ 2,208**	$ 11,357
RioCan's share of FFO in RioCan-HBC JV	**$ 2,677**	$ 2,640	**$ 10,733**	$ 10,642

The changes in RioCan's share of net income in this JV over the comparable periods were primarily due to fair value changes and increased interest expense.

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, 2019, the estimated weighted average age of our income property portfolio is approximately 25 years (December 31, 2018 - 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 major market strategy announcement 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)	**2019**	2018	**2019**	2018	**2019**	2020
Maintenance capital expenditures:						
Tenant improvements and external leasing commissions	**$ 9,956**	$ 8,060	**$ 33,005**	$ 30,469	**$ 16,000**	$ 16,000
Recoverable from tenants	**4,822**	6,762	**12,263**	10,195	**18,000**	18,000
Non-recoverable	**2,700**	2,312	**5,847**	4,934	**6,000**	6,000
	$ 17,478	$ 17,134	**$ 51,115**	$ 45,598	**$ 40,000**	$ 40,000
Revenue enhancing capital expenditures	**6,861**	5,655	**22,205**	13,975		
	$ 24,339	$ 22,789	**$ 73,320**	$ 59,573		

(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, 2019, our total capital expenditures on income properties were $24.3 million compared to $22.8 million for the same period in 2018. The $1.6 million increase was primarily due to $1.9 million in higher tenant improvements and $1.2 million in higher revenue enhancing capital expenditures, partially offset by $1.6 million in lower recoverable and non-recoverable capital expenditures. Quarterly variations were primarily due to timing of expenditures.

For the year ended December 31, 2019, our total capital expenditures on income properties were $73.3 million compared to $59.6 million for the same period in 2018. The $13.7 million increase was primarily due to $8.2 million in higher revenue enhancing expenditures, $3.0 million in higher non-recoverable capital expenditures and $2.5 million in higher tenant improvements.

RioCan's total maintenance capital expenditures for the year ended December 31, 2019 were $51.1 million, $11.1 million higher than our normalized capital expenditures of $40.0 million for the year. This was primarily related to $3.5 million of expenditures on certain properties prior to dispositions, $4.8 million for completion of a nationwide LED lighting retrofit program which is expected to pay back in less than two years, $4.6 million for expenditures related to reconfigurations of large spaces caused by Sears related backfill activities and the timing of expenditures. For 2020, we maintain our $40.0 million normalized maintenance capital expenditure guidance given that some of the expenditures in 2019 were specific to 2019 only. Refer to the *Non-GAAP Measures* section of this MD&A for details on how estimates of normalized capital expenditures are determined for 2019 and 2020.

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 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 co-ownerships 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 required, these assets can continue to generate income until the appropriate time to commence development is reached.
- 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 and structuring construction management contracts such that the contracts are converted to fixed price contracts as soon as all of the scope is defined thus limiting cost escalations.
- The Trust's mixed-use residential development allows the Trust to access CMHC insured mortgages, which diversifies the Trust's funding sources and provides lower cost of debt.
- RioCan's developments are across numerous geographic markets, thus permitting diversification of market dynamics.

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 tenant 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 development expenditures 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 to be 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, 2019, RioCan's investments in greenfield development and residential inventory as a percentage of consolidated unitholders' equity is 4.4% 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, 2019, the Trust is in compliance with all financial covenants pursuant to the operating line of credit and credit facilities agreements including the one relating to the Trust's development activities. Refer to Note 27 of the 2019 Annual Consolidated Financial Statements for further details.

Development Pipeline

RioCan's development pipeline as at December 31, 2019 is estimated as follows:

		Estimated Density (NLA) at RioCan's interest (i)					
					Components of PUD		
(thousands of sq. ft.)	Number of Projects (ii)	Total	PUD (iii)	Residential Inventory (iv)	Commercial	Residential Rental	Air Rights Sale (x)
A. Active projects with detailed cost estimates							
Greenfield Development (v)	2	440	440	—	440	—	—
Urban Intensification (vi)	13	3,818	3,575	243	1,191	1,354	1,030
	15	**4,258**	**4,015**	**243**	**1,631**	**1,354**	**1,030**
Expansion & Redevelopment (vii)	12	161	161	—	161	—	—
Subtotal	**27**	**4,419**	**4,176**	**243**	**1,792**	**1,354**	**1,030**
B. Active projects with cost estimates in progress(viii)	**22**	**16,716**	**15,532**	**1,184**	**4,120**	**11,412**	**—**
Total Active Projects	**49**	**21,135**	**19,708**	**1,427**	**5,912**	**12,766**	**1,030**
C. Future estimated density(ix)	**12**	**7,913**	**7,733**	**180**	**1,982**	**5,751**	**—**
Total development pipeline	**61**	**29,048**	**27,441**	**1,607**	**7,894**	**18,517**	**1,030**

(i) Estimated density across the various components of the development pipeline is expressed as 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) Greenfield Development projects include approximately 0.2 million square feet that are currently IPP.

(vi) Urban Intensification projects include approximately 0.3 million square feet that are currently IPP.

(vii) Expansion and Redevelopment projects include approximately 0.1 million square feet of vacant NLA which was primarily former Sears space prior to its redevelopment.

(viii) Active projects with cost estimates in progress include approximately 2.5 million square feet that are currently IPP.

(ix) Future estimated density includes approximately 1.2 million square feet that are currently IPP.

(x) 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 4.3 million square feet of NLA out of the total estimated 29.0 million square feet development pipeline as of December 31, 2019 is existing NLA which is currently income producing, resulting in net incremental density estimated at 24.7 million square feet as of December 31, 2019. When compared to the Trust's development pipeline as of December 31, 2018, the change in the development pipeline square footage has increased by 2.8 million square feet despite development completions during the comparable periods and sale of one large development project in a secondary market in British Columbia. The increase resulted from addition of four new projects within its existing portfolio, as well as acquisitions of the remaining non-managing interests in Mill Woods Town Centre, ePlace, and Yonge Sheppard Centre.

A key milestone of the development process is obtaining zoning approval. The following table details 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 50.3% have zoning approvals and an additional 22.5% have zoning applications submitted.

			Estimated Density (NLA) at RioCan's interest (i)					
						Components of PUD		
(thousands of sq. ft., unless otherwise noted)	Number of Projects	% of square footage zoned	Total	PUD (ii)	Residential Inventory (iii)	Commercial	Residential Rental	Air Rights Sale
Zoning approved	43	50.3%	14,594	13,167	1,427	4,619	7,518	1,030
Zoning applications submitted	6	22.5%	6,541	6,541	—	1,293	5,248	—
Future estimated density	12	27.2%	7,913	7,733	180	1,982	5,751	—
Total development pipeline	**61**	**100.0%**	**29,048**	**27,441**	**1,607**	**7,894**	**18,517**	**1,030**

(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 increased by 3.4 million square feet when compared to December 31, 2018 primarily due to the three aforementioned acquisitions and new zoning approvals obtained in 2019 on Jasper Gates in Edmonton, Alberta, Strawberry Hill in Surrey, British Columbia, three GTA projects including Yorkville, Queensway and Dufferin Plaza and the addition of a portion of RioCan Durham Centre in Ajax, Ontario to the development pipeline. These were partially offset by development completions during the year. Zoned NLA increased by 1.2 million square feet when compared to Q3 2019 primarily due to the addition of Jasper Gates, Strawberry Hill and a portion of RioCan Durham Centre.

Almost all of the mixed-use residential projects are located in the six major markets and are typically located in the vicinity of existing or planned substantive transit infrastructure with 67% of the development pipeline being located in the GTA.

	Estimated Density (NLA) at RioCan's Interest		
(thousands of sq. ft., unless otherwise noted)	Number of projects	NLA	% of total NLA
Six Major Markets			
Greater Toronto Area	38	19,321	66.5%
Ottawa	10	2,678	9.2%
Calgary	5	3,039	10.5%
Montreal (i)	1	2	—%
Edmonton	2	3,038	10.5%
Vancouver	2	903	3.1%
Total Six Major Markets	58	28,981	99.8%
Other (i)	3	67	0.2%
Total development pipeline	**61**	**29,048**	**100.0%**

(i) Relates to other smaller redevelopment projects.

Annual Development Spending

Annual development expenditures, net of costs recovery and proceeds from air rights sales, are estimated in the $400 million to $500 million range over the next two years. This annual development expenditure estimate includes costs applicable to both active PUD projects with detailed cost estimates and residential inventory projects. This represents management's estimates as of December 31, 2019 and is 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, 2019, this metric was 9.0%. Refer to Note 27 of the 2019 Annual Consolidated Financial Statements for additional details.

The Trust has been funding and will continue to fund its development pipeline primarily through proceeds from asset pruning (strategic dispositions), 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.

Estimated PUD Project Costs

RioCan's share of estimated PUD project costs as of December 31, 2019 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 and townhouse developments are excluded in the following table as they are included in *Residential Inventory* in the consolidated financial statements and in this MD&A.

		At RioCan's Interest					
				Costs Incurred to Date			
(thousands of dollars or thousands of sq. ft.)	Number of Projects	Total PUD NLA (i)	Total Estimated Costs	Completed (IPP)	PUD	Total	Estimated PUD Costs to Complete
Greenfield Development	2	440	$ 188,675	$ 53,328	$ 65,774	$ 119,102	$ 69,573
Urban Intensification	13	3,575	2,101,932	418,937	752,346	1,171,283	930,649
	15	4,015	2,290,607	472,265	818,120	1,290,385	1,000,222
Expansion & Redevelopment (iv)	12	161	96,658	—	66,326	66,326	30,332
Active projects with detailed cost estimates	**27**	**4,176**	**$ 2,387,265**	**$ 472,265**	**$ 884,446**	**$ 1,356,711**	**$ 1,030,554**
Development Lands and Other (ii)		—	265,367	—	265,367	265,367	—
Projected proceeds from dispositions (iii)		—	(127,253)	—	—	—	(127,253)
Total			**$ 2,525,379**	**$ 472,265**	**$ 1,149,813**	**$ 1,622,078**	**$ 903,301**
Fair Value to Date				**$ 627,062**	**$ 1,260,382**	**$ 1,887,444**	

(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.

Total estimated costs for active projects with detailed cost estimates as of December 31, 2019 increased by $499.9 million when compared to December 31, 2018. This increase was primarily due to the addition of new active projects net of project completions. During 2019, four projects were added to active projects with detailed cost estimates including Gloucester Phase Two, Elmvale Acres and Westgate, all located in Ottawa, Ontario and Windfield Farms Commercial Phase One in Oshawa, Ontario, in addition to acquisitions of the remaining 50% co-ownership interests in eCentral and Yonge Sheppard Centre.

The above total estimated development costs as at December 31, 2019 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)	$ 2,260,012	$ 472,265	$ 884,446	$ 1,356,711	$ 903,301
Non-committed	265,367	—	265,367	265,367	—
Total	**$ 2,525,379**	**$ 472,265**	**$ 1,149,813**	**$ 1,622,078**	**$ 903,301**

(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.

Mixed-Use Residential Development

RioCan is committed to its residential development program. There is currently an acute rental housing shortage due to increased demand from immigration and mortgage stress tests which to some extent limit home ownership. In addition, new supply of rental housing has been slow to the market as the regulatory approval process is onerous and development time is lengthy.

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 that are considered to be strong possible intensification opportunities. 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 sq. ft.)	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)	144	72	72	—	5	67	—
	Dupont Street (Litho) (iv)	Toronto, ON	50% (Woodbourne)	185	93	93	—	16	77	—
	Fifth and Third East Village (iv)	Calgary, AB	100%	754	754	754	—	157	—	597
	Gloucester (Frontier) Phase One (iv)	Gloucester, ON	50% (Killam)	185	93	93	—	3	90	—
	King Portland Centre (iv)	Toronto, ON	50% (Allied)	433	217	170	47	170	—	—
	Yonge Eglinton Northeast Corner (ePlace) (iv) (v)	Toronto, ON	50% residential inventory (Metropia / Bazis), 100% commercial & residential rental	705	509	313	196	22	291	—
	The Well (iv)	Toronto, ON	50% commercial (Allied), 40% residential (Allied/ Diamond)	2,601	1,192	1,192	—	759	—	433
	Yonge Sheppard Centre Residential (Pivot) (iv) (v)	Toronto, ON	100%	258	258	258	—	—	258	—
	College & Manning (Strada) (iv)	Toronto, ON	50% (Allied)	108	54	54	—	30	24	—
	Gloucester - Phase Two (Latitude) (iv)	Gloucester, ON	50% (Killam)	160	80	80	—	—	80	—
	Elmvale Acres - Phase One (Luma) (iv) (x)	Ottawa, ON	100%	137	137	137	—	11	126	—
	Westgate - Phase One (Rhythm) (iv)	Ottawa, ON	100%	165	165	165	—	20	145	—
	The Well - (FourFifty The Well) (iv)	Toronto, ON	50% (Woodbourne)	393	196	196	—	—	196	—
	Total active mixed-use residential projects with detailed cost estimates - 13 projects (vi)			**6,228**	**3,820**	**3,577**	**243**	**1,193**	**1,354**	**1,030**
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 Future Phases (iv)	Gloucester, ON	50% (Killam)	482	241	241	—	10	231	—
	Brentwood Village - Phase Two (iv)	Calgary, AB	100%	955	955	955	—	435	520	—
	Millwoods Town Centre (iv)	Edmonton, AB	100%	2,010	2,010	2,010	—	750	1,260	—
	Elmvale Acres Future Phases (iv)	Ottawa, ON	100%	423	423	423	—	113	310	—
	Westgate Future Phases (iv)	Ottawa, ON	100%	538	538	538	—	67	471	—
	Southland Crossing (iv)	Calgary, AB	100%	968	968	968	—	187	781	—
	Windfield Farms (iv) (ix)	Oshawa, ON	100% of commercial, 50% of residential (Tribute)	1,781	1,226	670	556	670	—	—
	Markington Square (iv)	Toronto, ON	100%	977	977	977	—	163	814	—
	RioCan Durham Centre (iv)	Ajax, ON	100%	161	161	161	—	8	153	—
	Queensway (iv)	Toronto, ON	50% (Talisker)	559	280	280	—	70	210	—
	Dufferin Plaza (iv)	Toronto, ON	100%	449	449	32	417	32	—	—
	Yorkville (11 YV) (iv)	Toronto, ON	50% (CD Capital / Metropia)	508	254	43	211	22	21	—
	Strawberry Hill Shopping Centre (iv)	Surrey, BC	100%	90	90	90	—	—	90	—
	Jasper Gates Shopping Centre (iv)	Edmonton, AB	100%	1,027	1,027	1,027	—	243	784	—
				11,662	**10,175**	**8,991**	**1,184**	**2,827**	**6,164**	**—**
	Zoning applications submitted									
	RioCan Grand Park	Mississauga, ON	100%	262	262	262	—	18	244	—
	RioCan Scarborough Centre	Toronto, ON	100%	2,969	2,969	2,969	—	624	2,345	—
	RioCan Leaside Centre	Toronto, ON	100%	1,515	1,515	1,515	—	199	1,316	—
	RioCan Hall	Toronto, ON	100%	799	799	799	—	331	468	—
	Sandalwood Square	Mississauga, ON	50% (Boardwalk)	366	183	183	—	6	177	—
	Impact Plaza	Surrey, BC	100%	813	813	813	—	115	698	—
				6,724	**6,541**	**6,541**	**—**	**1,293**	**5,248**	**—**
	Total active mixed-use residential projects with cost estimates in progress - 22 projects (vii)			**18,386**	**16,716**	**15,532**	**1,184**	**4,120**	**11,412**	**—**
	Total active mixed-use residential projects - 35 projects			**24,614**	**20,536**	**19,109**	**1,427**	**5,313**	**12,766**	**1,030**
C	**Future estimated density - 12 projects (viii)**			**8,472**	**7,913**	**7,733**	**180**	**1,982**	**5,751**	**—**
	Total mixed-use residential developments - 47 projects			**33,086**	**28,449**	**26,842**	**1,607**	**7,295**	**18,517**	**1,030**
	Mixed-use residential developments as a percentage of total development pipeline				**97.9%**	**97.8%**	**100.0%**	**92.4%**	**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) During the three months ended September 30, 2019, RioCan acquired the remaining non-managing 50% interest in Pivot, the remaining 50% co-ownership interest in eCentral, and the retail component and 70 commercial parking stalls of the ePlace mixed-use development. 100% of the project costs in this table include the purchase price of the remaining 50% co-ownership interest. For further details of these transactions, refer to the *Income Property Acquisitions During 2019* section of this MD&A..

(vi) Active mixed-use residential projects with detailed cost estimates include approximately 0.3 million square feet that are currently IPP.

(vii) Active mixed-use projects with cost estimates in progress include approximately 2.5 million square feet that are currently IPP.

(viii) Future estimated density includes approximately 1.2 million square feet that is currently IPP.

(ix) Excludes Phase One of Windfield Farms Commercial which includes 0.1 million square feet of commercial space. Refer to the *Greenfield Development* section of this MD&A for further details.

(x) During Q3 2019, RioCan entered into a firm agreement to sell to Killam Apartment Real Estate Investment Trust a 50% interest in an approximately 1.45 acre discrete portion of Elmvale Acres which is expected to close mid-2020 once severance of the land is obtained.

Mixed-use residential projects account for approximately 97.9% or 28.4 million square feet of NLA of the Trust's total estimated development pipeline, of which 14.0 million square feet currently have zoning approvals, 6.5 million square feet currently have zoning applications submitted and 7.9 million square feet represents sites with future density. In comparison to Q3 2019 mixed-use residential projects increased 1.7 million square feet primarily due to the addition of four GTA projects during the period, namely RioCan Durham Centre, RioCan Centre Newmarket, Victoria Crossing and White Shield Plaza. When compared to December 31, 2018, mixed-use residential projects increased by 3.0 million square feet primarily due to the addition of the above-noted projects, as well as the acquisitions of the remaining non-managing interests in eCentral and Yonge Sheppard Centre in Toronto, and Mill Woods Town Centre in Edmonton.

Residential developments including rental, air rights sales, and residential inventory account for 72.8% or 21.2 million square feet of the Trust's current development pipeline.

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)	**2019**	2018	**2019**	2018
Balance, beginning of period	**$ 1,229,477**	$ 1,177,978	**$ 1,036,495**	$ 1,123,184
Acquisitions	**—**	—	**118,541**	14,846
Dispositions	**—**	(11,600)	**(38,141)**	(19,448)
Development expenditures	**139,313**	131,006	**438,820**	410,791
Transfers PUD to IPP - cost	**(92,302)**	(263,014)	**(347,575)**	(550,925)
Transfers PUD to IPP - fair value (gains) losses	**(2,574)**	(17,037)	**(10,830)**	(4,567)
Transfers IPP to PUD	**32,715**	14,900	**37,615**	70,935
Transfers to residential inventory	**(32,301)**	—	**(32,301)**	(5,014)
Fair value gains (losses), net	**(14,627)**	183	**57,077**	(7,386)
Earn-out consideration	**681**	4,079	**681**	4,079
Balance, end of period	**$ 1,260,382**	$ 1,036,495	**$ 1,260,382**	$ 1,036,495

Development Property Acquisitions

As previously discussed in the *Income Property Acquisitions During 2019* section of this MD&A, on August 30, 2019, RioCan acquired the remaining 50.0% ownership in Yonge Sheppard Centre in Toronto, Ontario, which included property under development valued at $112.0 million and assumed debt of $65.3 million and other liabilities of $5.5 million related to properties under development.

On June 6, 2019, the Trust acquired the remaining 70.0% ownership in Garden City Shopping Centre in Winnipeg, Manitoba, for an aggregate purchase price of $50.5 million including transaction costs, $49.0 million of which was allocated to income producing properties and $1.5 million to properties under development.

On May 23, 2019 the Trust acquired the remaining 59.7% interest in Mill Woods Town Centre in Edmonton, Alberta, for an aggregate purchase price of $71.7 million, including transaction costs, $66.9 million of which was allocated to income producing properties and $4.8 million to properties under development.

On March 29, 2019, RioCan acquired a 30.0% interest in excess lands in Niagara Falls, Ontario, for a purchase price, including transaction costs of $0.3 million.

Development Property Dispositions

On September 26, 2019, the Trust sold a 30% interest in excess lands in Niagara Falls, Ontario for sales proceeds of $0.3 million.

On July 24, 2019, the Trust sold a 50% interest in one parcel of development land located in Mississauga, Ontario for sales proceeds of $14.9 million.

On February 19, 2019, the Trust sold one parcel of development land located in Ottawa, Ontario for sales proceeds of $23.0 million.

Completed Developments in 2019

During the year ended December 31, 2019, RioCan transferred $347.6 million in costs to income producing properties pertaining to 530,000 square feet of completed development projects. A summary of RioCan's NLA completed during the period is as follows:

		NLA at RioCan's Interest					
(thousands of sq. ft.)		2019					
Property location	RioCan's % ownership	Total NLA	Q4	Q3	Q2	Q1	Tenants
Greenfield Development							
East Hills	40 %	11	9	2	—	—	McDonald's, BSW Liquor, Willowbrae Daycare
Total Greenfield Development		**11**	**9**	**2**	**—**	**—**	
Urban Intensification							
Bathurst College Centre	100 %	13	—	—	—	13	Winners
Yonge Eglinton Northeast Corner (eCentral) (i)	100 %	76	—	—	38	38	eCentral Residential Rental Tower (Floors 14-36), The Burger's Priest
Gloucester (Frontier) Phase One	50 %	90	—	—	90	—	Gloucester Phase One - 228 residential units
Fifth and Third East Village	100 %	91	91	—	—	—	Loblaws, TD Bank, Bank of Nova Scotia
Total Urban Intensification		**270**	**91**	**—**	**128**	**51**	
Expansion and Redevelopment							
Garden City Shopping Centre (i)	100 %	18	—	5	—	13	Seafood City Supermarket, Bulk Barn
RioCan West Ridge Place	100 %	18	—	—	—	18	HomeSense
Sage Hill Crossing	100 %	4	—	—	—	4	Mucho Burrito, Jugo Juice, Vietnamese Restaurant
RioCan Thickson Ridge	100 %	6	—	—	—	6	Urban Barn
Yonge Sheppard Centre Commercial (ii)	100 %	19	18	—	1	—	Fuzz Wax Bar, Reitmans, Dollarama
RioCan St. Laurent	100 %	105	—	—	105	—	Adonis, Decathlon
Oakville Place	50 %	51	—	44	7	—	L.L. Bean, GoodLife, Buy Buy Baby, PetSmart
Stock Yards Village (i)	100 %	4	—	—	4	—	Pad D
RioCan Centre Windsor	100 %	23	—	—	23	—	Giant Tiger
Tanger Ottawa	50 %	1	—	—	1	—	Starbucks
Total Expansion and Redevelopment		**249**	**18**	**49**	**141**	**41**	
Total Development Completion		**530**	**118**	**51**	**269**	**92**	

(i) RioCan's % ownership as of December 31, 2019. The NLA transfered to IPP noted above reflects the NLA prior to the acquisitions of the remaining 50.0% interest in Yonge Eglinton Northeast Corner, the remaining 70.0% interest in Garden City Shopping Centre and the remaining 50.0% interest in Stock Yards Village.

(ii) RioCan's % ownership as of December 31, 2019. During Q3 2019, RioCan acquired the remaining 50% interest in Yonge Sheppard Centre. The transfer in Q2 reflects our 50% interest in the NLA and the transfer in Q4 represents our 100% interest in the property.

For 2020, the Trust estimates to complete 518,056 square feet of developments, which will lead to $375.0 million cost transfers from PUD to IPP and $17.3 million incremental NOI upon project stabilization.

For 2021, the Trust estimates to complete 705,492 square feet of developments, which will lead to $517.7 million cost transfers from PUD to IPP and $21.6 million incremental NOI upon project stabilization.

The cost transfers estimated above reflect gross IFRS costs net of air rights proceeds. They are not net of applicable interim or fee income during the development period to arrive at net project costs, which RioCan uses in estimating a project's development yield.

Greenfield Development

As at December 31, 2019, RioCan currently has two active commercial greenfield development projects with detailed cost estimates as follows:

		At RioCan's Interest									
		Total NLA Upon Project Completion				Costs incurred to date					
(thousands of dollars or thousands of sq. ft.)	RioCan's % Ownership	Completed	PUD	Total	Total Estimated Costs	Completed	PUD	Total	Estimated PUD Costs to Complete	% Commercial Leased (i)	Anticipated Date of Development Completion
East Hills, Calgary, AB	40%	163	127	290	$ 111,434	$ 53,328	$ 36,440	$ 89,768	$ 21,666	59%	2022
Windfield Farms Commercial Phase One, Oshawa, ON	100%	—	150	150	77,241	—	29,334	29,334	47,907	64%	2021
Total Estimated PUD Costs		**163**	**277**	**440**	**$ 188,675**	**$ 53,328**	**$ 65,774**	**$119,102**	**$ 69,573**		
Fair Value to date						**$ 56,379**	**$ 46,671**	**$103,050**			

(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 19, 2020.

Phase One of Windfield Farms Commercial was added to the greenfield development table in Q2 2019. Windfield Farms is a multi-phase, mixed-use project that includes commercial and residential uses. Phase One of the commercial component of the project has detailed cost estimates approved and is therefore included in the above table. Further details of the remaining components of the Windfield Farms project are included in the *Mixed-Use Residential Development* and *Residential Inventory* sections of this MD&A.

During Q4 2019, the Trust allocated fair value of the Windfield Farms commercial project between the above Phase One and future phases. Therefore, when comparing the fair value as of December 31, 2019 in the above table to the same table as of the previous quarter end, fair value of the Phase One project declined. However, on an aggregate basis, including the value of future phases, which were valued by an independent appraiser, the fair value of the Windfield Farms commercial project was largely stable quarter to quarter. The progress made on the site in 2019 has made the future phases more valuable.

As of the release date of this MD&A, approximately 266,000 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 rental rate of approximately $21.36 per square foot.

Urban Intensification

A focus within our development growth strategy is urban intensification, which is the category for our residential mixed-use and commercial development program. The Trust currently has 13 active urban intensification projects with detailed cost estimates that will generate approximately 3.6 million square feet of NLA at RioCan's interest of space upon completion over the next five years, including air rights that have been or are expected to be sold. Excluding such air rights, these 13 active urban intensification projects are expected to generate approximately 2.5 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, 2019 is as follows:

		At RioCan's Interest									
		Total PUD NLA Upon Project Completion				Costs incurred to date					
(thousands of dollars or thousands of sq. ft.)	RioCan's % Ownership	Completed	PUD	Total	Total Estimated Costs	Completed	PUD	Total	Estimated PUD Costs to Complete	% Commercial Leased (i)	Anticipated Date of Development Completion
Brentwood Village (Brio), Calgary, AB (v)	50 %	—	72	72	$ 39,266	$ —	$ 33,216	$ 33,216	$ 6,050	66%	2020
Dupont Street (Litho), Toronto, ON (v)	50 %	—	93	93	76,718	—	35,807	35,807	40,911	73%	2021
Fifth and Third East Village, Calgary, AB (v)	100 %	91	663	754	126,613	58,302	58,600	116,902	9,711	88%	2020
Gloucester (Frontier) Phase One, Ottawa, ON (v)	50 %	93	—	93	36,050	35,706	—	35,706	344	100%	2019
Gloucester - Phase Two (Latitude), Ottawa, ON (iii) (v)	50 %	—	80	80	46,841	—	11,154	11,154	35,687	n/a	2021
King Portland Centre, Toronto, ON (v)	50 %	170	—	170	91,014	90,405	—	90,405	609	100%	2019
College & Manning (Strada),Toronto, ON (v)	50 %	27	27	54	40,634	9,123	15,791	24,914	15,720	91%	2021
The Well, Toronto, ON (iv) (v) (vii)	50% of commercial 40% of residential air rights	—	1,192	1,192	868,626	—	373,554	373,554	495,072	84%	2023
The Well - (FourFifty The Well), Toronto, ON (v)	50 %	—	196	196	134,515	—	9,158	9,158	125,357	n/a	2023+
Yonge Eglinton Northeast Corner (ePlace), Toronto, ON (v) (vi)	100 %	312	—	312	225,401	225,401	—	225,401	—	96%	2019
Yonge Sheppard Centre Residential (Pivot), Toronto, ON (v) (vi)	100 %	—	258	258	237,522	—	186,660	186,660	50,862	n/a	2020
Elmvale Acres - Phase One (Luma), Ottawa, ON (v) (viii)	100 %	—	136	136	84,299	—	18,239	18,239	66,060	n/a	2021
Westgate - Phase One (Rhythm), Ottawa, ON (v)	100 %	—	165	165	94,433	—	10,167	10,167	84,266	n/a	2022
Total Estimated Costs (ii)		**693**	**2,882**	**3,575**	**$ 2,101,932**	**$ 418,937**	**$752,346**	**$1,171,283**	**$ 930,649**		
Fair Value to date						**$ 570,683**	**$859,547**	**$1,430,230**			

(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 typically no pre-leasing for residential rental square footage. The percentage of commercial leasing activity is as at February 19, 2020.

(ii) Total Estimated Costs exclude fair value gains of $107.2 million for properties under development.

(iii) The estimated cost for Phase Two of the Gloucester project is higher than the Phase One (Frontier) mainly because of more underground parking spaces at Phase Two and construction cost escalation as Phase One project costs were largely secured two to three years ago. As Phase Two is expected to be completed by 2021, the rent from Phase Two is also expected to exceed the current market rent.

(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 an 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 $793.0 million. As of February 19, 2020, over 94% of the hard costs have been tendered and 90% awarded.

(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) During the three months ended September 30, 2019, RioCan acquired the remaining non-managing 50% interest in Pivot, the remaining 50% co-ownership interest in eCentral, and the retail component and 70 commercial parking stalls of the ePlace mixed-use development. 100% of the project costs in this table include the purchase price of the remaining 50% co-ownership interest. For further details of these transactions, refer to the *Income Property Acquisitions During 2019* section of this MD&A.

(vii) The 84% leased at The Well is based on committed leases, including extension rights, for office space only.

(viii) During the three months ended September 30, 2019, RioCan entered into a firm agreement to sell to Killam a 50% interest in an approximately 1.45 acre discrete portion of Elmvale Acres which is expected to close mid-2020 once severance of the land is obtained.

As of the release date of this MD&A, approximately 788,000 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 $34.79 per square foot.

Expansion & Redevelopment

A summary of RioCan's expansion and redevelopment projects as at December 31, 2019 is as follows:

		At RioCan's Interest					
				Costs Incurred to Date			
(thousands of dollars or thousands of sq. ft.)	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	$ 2,441	$ 1,079	$ 126	$ 1,205	$ 1,236
Burlington Centre, Burlington, ON	50%	4	1,726	1,606	—	1,606	120
Five Points Mall, Oshawa, ON	100%	10	6,969	—	2,680	2,680	4,289
RioCan West Ridge Place, Orillia, ON	100%	7	2,636	1,494	—	1,494	1,142
Place St Jean, Saint-Jean-sur-Richelieu, QC	100%	2	1,457	127	—	127	1,330
Tanger Outlets - Kanata, Kanata, ON	50%	18	10,304	4,023	3,627	7,650	2,654
Yonge Sheppard Centre Commercial, Toronto, ON (iv)	100%	33	42,080	33,326	—	33,326	8,754
1208 1216 Dundas Street East, Whitby ON	100%	8	6,991	1,867	1,551	3,418	3,573
Properties with former Sears units (ii) - 4 projects		77	22,054	8,572	6,248	14,820	7,234
Total Estimated PUD Costs (i)		**161**	**$ 96,658**	**$ 52,094**	**$ 14,232**	**$ 66,326**	**$ 30,332**
PUD Fair Value to date						**$ 42,796**	

(i) Total estimated PUD costs include carrying amounts transferred from IPP for redevelopment and exclude historical fair value losses of $23.5 million.

(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 centres.

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

(iv) During the three months ended September 30, 2019, RioCan acquired the remaining 50% co-ownership interest from KingSett. Further details of this transaction can be found in the *Income Property Acquisitions During 2019* section of this MD&A. Prior to the second quarter of 2019, both the residential rental and commercial portions of the project were included in the table above. The residential rental component, Yonge Sheppard Centre Residential (Pivot) has been reclassified as an Urban Intensification project and included in that table effective second quarter of 2019.

The 331,000 square foot decrease in NLA during the year ended December 31, 2019 from the prior year end was primarily due to the transfer of certain projects from PUD to IPP upon project completions.

Residential Inventory

Residential inventory is comprised of properties acquired or developed which RioCan intends to dispose all or part of in the ordinary course of business, rather than 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 interim occupancy period, which will be included in net income, and (ii) sales proceeds.

For the three months and year ended December 31, 2019, the Trust recognized residential inventory gains of $11.0 million and $36.3 million, respectively, from purchasers taking possession of units at eCondos™ in Toronto, Ontario and townhouses at UC Towns at Windfield Farms in Oshawa, Ontario, which commenced in the second quarter of 2019 and units at Kingly™ in Toronto, Ontario which commenced in the third quarter of 2019.

Substantially all inventory gains for the three projects have been recognized into net income as of the year end, with a few townhouse units at UC Towns to be taken possession of in 2020.

As at December 31, 2019, the costs of residential inventory include the costs incurred on the following four condominium or townhouse projects:

- **Yorkville (11 YV)** - This is a 50/25/25 joint venture project amongst RioCan, Metropia and Capital Development in the prestigious Toronto neighborhood of Yorkville, which consists of 593 luxury condominium units, retail uses and up to 81 residential rental replacement units. The project recently won several awards from the National Association of Home Builders including the National Sales and Marketing Council's Award of Excellence for Multi-Family Community of the Year. Sales of the condominiums units were launched on September 12, 2019 and are progressing well with 83.0% of the 593 units sold as of February 19, 2020 (at 100%). Average prices are expected to be above $1,700 per square foot, exceeding initial expectations. This project is expected to generate a value creation percentage in the range of 15%-17% (at RioCan's interest), including profit on the condominium sales and value creation from the retail and rental replacement unit portions of the project. The estimated value creation percentage is based on estimated IFRS project costs including, but not limited to, land and capitalized interest during the development phase. The project has obtained final zoning approval in Q4 2019 and construction is expected to commence in Q2 2020 with an anticipated first possession date in Q3 2024.

- **Windfield Farms** - 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, which includes 513 townhouses to be constructed in four phases and two phases of high rise condominiums. Possessions of the 166 pre-sold townhouses for UC Towns commenced in Q2 2019. As of December 31, 2019, purchasers of 159 units have taken possession with inventory gains of $11.9 million recorded during the year, out of total estimated gains of $12.5 million for the project, at RioCan's interest.

  Sales at UC Uptown, a 153-unit three storey townhouse development, are expected to commence in the first quarter of 2020.

  UC Tower is a condominium project consisting of a 503-unit high rise condominium tower. Sales for UC Tower began in Q4 2018 and are progressing well with 73.6% units pre-sold as of February 19, 2020 (at 100%). This project, which is selling at approximately $590 per square foot, is expected to generate a value creation percentage in the range of 17%-20% (at RioCan's interest) based on estimated IFRS project costs including, but not limited to, land and capitalized interest during the development phase. This project has an expected construction start date of Q2 2020 and an anticipated first possession date of Q2 2022.
- **Dufferin Plaza** - The current retail property is situated on 3.8 acres of land at the intersection of Dufferin St. and Apex Rd. in Toronto, Ontario in close proximity to Yorkdale Shopping Centre as well as major arterial roads, highways and public transit. The Trust plans to redevelop the property as a mixed-use property with approximately 550 units or a 417,000 square feet condominium tower and 32,000 square feet of retail. As a result, $30.6 million of this property was transferred to residential inventory from investment property during the three months ended December 31, 2019. The project already has Official Plan approval.
- **Shoppers World Brampton Phase One** - Shoppers World Brampton is a large shopping centre on a 53-acre site located in Brampton, Ontario. It is located on Brampton's regional intensification corridor just outside of downtown Brampton. It currently has a large bus terminal and is designated as the end terminal for the new LRT line. The City of Brampton has identified it as the city's uptown western anchor suitable for large scale mixed-used development. RioCan has estimated the property to have 4.5 million square feet of future excess density, which will be developed through multiple phases.

  Phase One of the development is located on two acres of vacant land at the southwest corner of the property, consisting of an estimated 450 residential units across two 25-storey towers (one residential rental and one condominium) and a 20,000 square foot retail podium. During the three months ended December 31, 2019, $1.7 million was transferred from investment property to residential inventory for Phase One.

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	
(thousands of dollars)	**2019**	2018	**2019**	2018
Balance, beginning of period	**$ 98,829**	$ 205,675	**$ 206,123**	$ 132,003
Acquisitions	**—**	—	**—**	26,370
Dispositions	**(26,366)**	(19,828)	**(164,378)**	(19,828)
Development expenditures	**4,192**	20,276	**34,910**	62,564
Transfers from investment properties	**32,301**	—	**32,301**	5,014
Balance, end of period (i)	**$ 108,956**	$ 206,123	**$ 108,956**	$ 206,123

(i) Comprised of $73.8 million (December 31, 2018 - $69.3 million) for Yorkville, $30.6 million (December 31, 2018 - nil) for Dufferin Plaza, $2.8 million (December 31, 2018 - $21.7 million) for Windfield Farms, $1.7 million (December 31, 2018 - nil) for Shoppers World Brampton Phase One, nil (December 31, 2018 - $28.3 million) for Kingly and nil (December 31, 2018 - $86.8 million) for eCondos. All purchasers at Kingly and eCondos were in possession of their respective units as of December 31, 2019.

Development Yield and Incremental Value Creation

The Trust estimates incremental value creation upon project stabilization. This incremental value creation is estimated by using the estimated future stabilized value (estimated annual 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. Net project costs are defined as total estimated project costs net of estimated proceeds from dispositions including land and air rights sales and net of applicable interim or fee income during the development period.

As previously disclosed in the Trust's MD&A for the three months ended September 30, 2019, the Trust expects to achieve a blended development yield of 5.6% for the five urban intensification and greenfield projects namely, ePlace, King Portland Centre, and Bathurst College Centre in Toronto, Ontario, Frontier in Ottawa, Ontario and Sage Hill Crossing in Calgary, Alberta.

The Trust estimates $204.2 million or 35.5% of incremental value creation for these projects' commercial and/or residential rental components, and an additional $26.2 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 $230.4 million. Of the $204.2 million estimated incremental value creation for these projects' commercial and/or residential rental components, $203.2 million of value creation has been

recognized as of December 31, 2019, given that these projects have been complete and stabilized except for eCentral stabilization which is expected in the spring of 2020. Of the $26.2 million estimated residential inventory gains, $25.8 million has been recognized into income to date since Q4 2018.

As of December 31, 2019, the Trust has recognized $266.0 million of cumulative fair value gains for its 4.2 million square feet of active projects with detailed cost estimates (refer to the *Estimated PUD Project Costs* section of this MD&A), excluding the value reclassification between Windfield Farms Commercial Phase One and future phases. The $266.0 million of cumulative fair value gains includes $163.9 million relating to ePlace, King Portland Centre and Frontier. Fair value gains relating to Bathurst College Centre and Sage Hill are not included in the $266.0 million of cumulative fair value gains as the projects have been completely transferred to income producing properties and their square footages are not included in the 4.2 million square feet of active projects with detailed cost estimates.

The Trust anticipates realizing substantial net value creation from its additional 16.7 million square feet of excess density that are either zoned or with zoning application submitted as well as 7.9 million square feet of future density. As of December 31, 2019, nominal fair value gains or inventory gains have been recognized relating to these 24.6 million square feet of densities.

Mortgages and Loans Receivable

Contractual mortgages and loans receivable as at December 31, 2019 and December 31, 2018 are comprised of the following:

	Contractual interest rates		Weighted		
(thousands of dollars)	Low	High	average interest rate	**December 31, 2019**	December 31, 2018
Mezzanine financing to co-owners	4.95%	7.00%	6.39%	**$ 155,399**	$ 146,680
Vendor-take-back and other	5.00%	6.40%	5.36%	**20,552**	17,334
Total	4.95%	7.00%	6.27%	**$ 175,951**	$ 164,014

All of the $176.0 million of mortgages and loans receivable as at December 31, 2019 are carried at amortized cost.

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, 2019, 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 on 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 2019 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 the 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, 2019:

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, 2019**	December 31, 2018	**December 31, 2019**	December 31, 2018
Capital:				
Debentures payable	**$ 2,891,648**	$ 2,742,633	**$ 2,891,648**	$ 2,742,633
Mortgages payable	**2,412,451**	2,218,270	**2,514,178**	2,286,836
Lines of credit and other bank loans	**1,086,719**	913,130	**1,106,105**	958,187
Total debt	**$ 6,390,818**	$ 5,874,033	**$ 6,511,931**	$ 5,987,656
Common unit equity	**8,305,211**	7,666,390	**8,305,211**	7,666,390
Total capital	**$ 14,696,029**	$ 13,540,423	**$ 14,817,142**	$ 13,654,046
Total assets	**$ 15,188,326**	$ 14,003,765	**$ 15,317,298**	$ 14,117,865
Cash and cash equivalents	**$ 93,516**	$ 74,698	**$ 96,564**	$ 77,188
Ratio of total debt to total assets (net of cash and cash equivalents)	**41.7%**	41.6%	**42.1%**	42.1%
Ratio of floating rate debt to total debt	**6.1%**	15.8%	**6.4%**	16.4%

The Trust's leverage ratio at RioCan's proportionate share remained consistent from December 31, 2018 at 42.1%, as management continued to manage the issuance of debt and equity with the timing of acquisitions and dispositions.

The Trust reduced its floating interest rate debt exposure to 6.4% as at December 31, 2019 (December 31, 2018 - 16.4%), mainly through the issuance of a $500.0 million unsecured senior debenture at a fixed rate in August 2019 and used a significant portion of the net proceeds to pay down floating rate debt. Refer to the *Debentures Payable* section of this MD&A for details. During the fourth quarter, the Trust used the net proceeds of $220.2 million from the public offering of common trust units on October 28, 2019 to repay certain floating rate debt incurred to fund the aforementioned strategic acquisitions. In addition, throughout the year, various floating rate mortgages and construction lines of completed developments, were also converted to fixed rate mortgages or hedged to fixed rates, as management actively reduced the Trust's floating rate 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, 2019**	December 31, 2018	**December 31, 2019**	December 31, 2018
Debt to Adjusted EBITDA (i)	<8.0x	**8.05**	7.76	**8.06**	7.88
Interest coverage (i)	>3.00x	**3.52**	3.68	**3.50**	3.63
Debt service coverage (i)	>2.25x	**2.98**	3.09	**2.96**	3.05
Fixed charge coverage (i)	>1.10x	**1.15**	1.16	**1.16**	1.15
Unencumbered assets		**$ 8,895,777**	$ 7,966,491	**$ 8,936,721**	$ 7,970,296
Unencumbered assets to unsecured debt	>200%	**226%**	231%	**227%**	231%
NOI generated from unencumbered assets (ii)	>50.0%	**58.2%**	59.1%	**58.5%**	59.1%
Unsecured debt to total debt	60.0%	**61.6%**	58.7%	**60.4%**	57.6%

(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.

The Trust's Debt to Adjusted EBITDA at RioCan's proportionate share increased from 7.88x for the rolling twelve months ended December 31, 2018 to 8.06x for the rolling twelve months ended December 31, 2019. The increase was primarily due to timing of acquisitions and dispositions, while Adjusted EBITDA has not yet fully reflected the benefit of the acquisitions and development completions.

As previously noted, the net proceeds from the equity offering completed on October 28, 2019 were used to repay indebtedness incurred in funding the aforementioned strategic acquisitions completed in Q3 2019.

Adjusted EBITDA increased by $10.7 million at RioCan's proportionate share over the rolling twelve months ended December 31, 2019 when compared to the rolling twelve months ended December 31, 2018, as the loss of Adjusted EBITDA from substantial secondary market property dispositions and lower marketable securities gains was more than offset by same property NOI growth, operating income from development completions including residential inventory gains, higher fee revenue, income from acquisitions, higher Adjusted EBITDA from equity accounted investments and lower G&A expenses.

The interest coverage ratio at RioCan's proportionate share for the rolling twelve months ended December 31, 2019 remained well above the RioCan target of 3.0x but declined modestly compared to December 31, 2018, mainly due to higher interest costs from higher debt balances and higher effective interest rates over the comparable periods.

For similar reasons, debt service coverage at RioCan's proportionate share for the rolling twelve months ended December 31, 2019 declined modestly but remained well above the RioCan target of 2.25x when compared to December 31, 2018.

The fixed charge coverage ratio at RioCan's proportionate share for the rolling twelve months ended December 31, 2019 is marginally higher compared to December 31, 2018, mainly due to higher Adjusted EBITDA, partially offset by higher interest costs, net of lower distributions as a result of unit buybacks.

The Trust continued to grow its unencumbered asset pool at RioCan's proportionate share, increasing it from $8.0 billion as at December 31, 2018 to $8.9 billion as at December 31, 2019, primarily due to the repayment of property level debt at Yonge Sheppard Centre, one of RioCan's flagship properties in Toronto, Ontario. The percentage of NOI at RioCan's proportionate share generated from unencumbered assets was 58.5% as of December 31, 2019, above the Trust's 50% target. The unencumbered assets to unsecured debt ratio at RioCan's proportionate share was 227% as at December 31, 2019, above the Trust's 200% target.

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

	IFRS					
Twelve months ended	**December 31, 2019**			December 31, 2018		
(thousands of dollars)	Continuing Operations	Discontinued Operations	Total	Continuing Operations	Discontinued Operations	Total
Net income attributable to unitholders	**$ 775,834**	**$ —**	**$ 775,834**	$ 527,362	$ 741	$ 528,103
Add (deduct) the following items:						
Income tax expenses (recovery):						
Current	**(699)**	**—**	**(699)**	—	1,188	1,188
Deferred	**2,064**	**—**	**2,064**	(1,440)	—	(1,440)
Fair value (gains) on investment properties, net	**(247,624)**	**—**	**(247,624)**	(18,304)	—	(18,304)
Change in unrealized fair value on marketable securities (i)	**15,637**	**—**	**15,637**	42,767	—	42,767
Internal leasing costs	**11,309**	**—**	**11,309**	11,294	—	11,294
Non-cash unit based compensation expense	**6,478**	**—**	**6,478**	6,826	—	6,826
Interest costs	**182,780**	**—**	**182,780**	168,299	—	168,299
Depreciation and amortization	**4,381**	**—**	**4,381**	4,575	—	4,575
Transaction (gains) losses on the sale of investment properties, net (ii)	**1,066**	**—**	**1,066**	(78)	—	(78)
Transaction costs on investment properties	**7,989**	**—**	**7,989**	17,761	153	17,914
Operational lease revenue and expenses from ROU assets (iii)	**1,963**	**—**	**1,963**	—	—	—
Adjusted EBITDA	**$ 761,178**	**$ —**	**$ 761,178**	$ 759,062	$ 2,082	$ 761,144
Debt, net of cash and cash equivalents is calculated as follows:						
Average debt outstanding			**$ 6,206,562**			$ 5,988,106
Less: average cash and cash equivalents			**(75,705)**			(80,999)
Debt, net of cash and cash equivalents			**$ 6,130,857**			$ 5,907,107
Debt to Adjusted EBITDA			**8.05**			7.76

(i) Adjustment is a result of adopting IFRS 9 on January 1, 2018 without prior period restatement. The fair value gains on marketable securities under IFRS 9 include both the change in unrealized fair value and realized gains on sale of marketable securities. 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.

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

(iii) The Trust has also included adjustments for certain subleases or leases that are classified as finance leases under IFRS 16 effective January 1, 2019, consistent with the adjustments in the REALPAC definitions of FFO and ACFO that were recently released in February 2019. The adjustment relates to operational revenue and expenses from ROU assets as a result of certain subleases and leases that were classified as operating leases under IAS 17 and are classified as finance leases under IFRS 16, such that the principal portion of the relevant lease receipt and/or lease payment continues to be reflected in Adjusted EBITDA upon the adoption of IFRS 16 on January 1, 2019.

	RioCan's proportionate share					
Twelve months ended	**December 31, 2019**			December 31, 2018		
(thousands of dollars)	Continuing Operations	Discontinued Operations	Total	Continuing Operations	Discontinued Operations	Total
Net income attributable to unitholders	**$ 775,834**	**$ —**	**$ 775,834**	$ 527,362	$ 741	$ 528,103
Add (deduct) the following items:						
Income tax expense (recovery):						
Current	**(699)**	**—**	**(699)**	—	1,188	1,188
Deferred	**2,064**	**—**	**2,064**	(1,440)	—	(1,440)
Fair value (gains) on investment property, net	**(239,294)**	**—**	**(239,294)**	(19,526)	—	(19,526)
Change in unrealized fair value on marketable securities (i)	**15,637**	**—**	**15,637**	42,767	—	42,767
Internal leasing costs	**11,309**	**—**	**11,309**	11,294	—	11,294
Non-cash unit based compensation expense	**6,478**	**—**	**6,478**	6,826	—	6,826
Interest costs	**187,871**	**—**	**187,871**	172,279	—	172,279
Depreciation and amortization	**4,381**	**—**	**4,381**	4,575	—	4,575
Transaction (gains) losses on the sale of investment properties, net (ii)	**1,066**	**—**	**1,066**	(78)	—	(78)
Transaction costs on investment properties	**7,989**	**—**	**7,989**	17,762	153	17,915
Operational lease revenue and expenses from ROU assets (iii)	**1,939**	**—**	**1,939**	—	—	—
Adjusted EBITDA	**$ 774,575**	**$ —**	**$ 774,575**	$ 761,821	$ 2,082	$ 763,903
Debt, net of cash and cash equivalents is calculated as follows:						
Average debt outstanding			**$ 6,324,391**			$ 6,099,892
Less: average cash and cash equivalents			**(78,599)**			(84,034)
Debt, net of cash and cash equivalents			**$ 6,245,792**			$ 6,015,858
Debt to Adjusted EBITDA			**8.06**			7.88

(i) Adjustment is a result of adopting IFRS 9 on January 1, 2018 without prior period restatement. The fair value gains on marketable securities under IFRS 9 include both the change in unrealized fair value and realized gains on sale of marketable securities. 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.

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

(iii) The Trust has also included adjustments for certain subleases or leases that are classified as finance leases under IFRS 16 effective January 1, 2019, consistent with the adjustments in the REALPAC definitions of FFO and ACFO that were recently released in February 2019. The adjustment relates to operational revenue and expenses from ROU assets as a result of certain subleases and leases that were classified as operating leases under IAS 17 and are classified as finance leases under IFRS 16, such that the principal portion of the relevant lease receipt and/or lease payment continues to be reflected in Adjusted EBITDA upon the adoption of IFRS 16 on January 1, 2019.

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Total Debt Profile

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

(thousands of dollars) As at December 31, 2019		Total debt	Percentage of total RioCan's aggregate debt	Weighted average term to maturity in years	Weighted average contractual interest rate	Weighted average effective interest rate
Total debt at:						
Fixed rate	$	6,003,200	93.9%	3.67	3.35%	3.46%
Floating rate		387,618	6.1%	3.95	3.14%	3.16%
Total debt	**$**	**6,390,818**	**100.0%**	**3.69**	**3.34%**	**3.44%**

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

The following table summarizes the activity in total debt for the year ended December 31, 2019:

(thousands of dollars) Year ended December 31, 2019		Debentures		Mortgages Payable		Lines of Credit and Other Bank Loans		Total
Contractual obligations, beginning of year	$	2,750,000	$	2,211,800	$	916,481	$	**5,878,281**
Borrowings		500,000		452,000		886,799		**1,838,799**
Scheduled amortization		—		(39,369)		—		**(39,369)**
Repayments		(350,000)		(408,266)		(778,396)		**(1,536,662)**
Assumed on the acquisition of properties (i)		—		193,752		65,288		**259,040**
Contractual obligations, end of year	**$**	**2,900,000**	**$**	**2,409,917**	**$**	**1,090,172**	**$**	**6,400,089**
Unamortized differential between contractual and market interest rates on liabilities assumed at the acquisition of properties and unamortized debt modification losses		—		6,338		614		**6,952**
Unamortized debt financing costs, net of premiums and discounts		(8,352)		(3,804)		(4,067)		**(16,223)**
Balance, end of year	**$**	**2,891,648**	**$**	**2,412,451**	**$**	**1,086,719**	**$**	**6,390,818**

(i) Contractual balance of debt assumed excludes a mark-to-market adjustment of $0.4 million on debt relating to one acquisition, which is included in the unamortized differential between contractual and market interest rates on liabilities assumed at the acquisition of properties and unamortized debt modification losses line item.

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

	Contractual principal maturities and interest rates							
(thousands of dollars)	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								
2020	$ 400,000	2.72%	$ 503,891	3.64%	$ 30,120	2.63%	$ 934,011	3.21%
2021	550,000	2.89%	349,893	4.38%	18,052	3.07%	917,945	3.46%
2022	550,000	3.25%	178,205	3.34%	—	—%	728,205	3.27%
2023	500,000	3.42%	293,072	3.48%	200,000	3.28%	993,072	3.41%
2024	300,000	3.29%	241,776	3.45%	842,000	3.29%	1,383,776	3.32%
Thereafter	600,000	3.14%	843,080	3.49%	—	—%	1,443,080	3.35%
	$ 2,900,000	3.12%	$ 2,409,917	3.63%	$ 1,090,172	3.28%	$ 6,400,089	3.34%
Unamortized differential between contractual and market interest rates on liabilities assumed at the acquisition of properties and unamortized debt modification losses	—		6,338		614		6,952	
Unamortized debt financing costs, net of premiums and discounts	(8,352)		(3,804)		(4,067)		(16,223)	
Balance, end of year	$ 2,891,648		$ 2,412,451		$ 1,086,719		$ 6,390,818	

Debentures Payable

The following series of senior unsecured debentures were outstanding as at December 31, 2019 and 2018:

(thousands of dollars)

Series	Maturity date	Coupon rate	Interest payment frequency	**2019**	2018
Q	June 28, 2019	3.85%	Semi-annual	**$ —**	$ 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**	300,000
W	February 12, 2024	3.29%	Semi-annual	**300,000**	300,000
AB	February 12, 2025	2.58%	Semi-annual	**500,000**	—
I	February 6, 2026	5.95%	Semi-annual	**100,000**	100,000
Contractual obligations				**$ 2,900,000**	$ 2,750,000
Unamortized debt financing costs				**(8,352)**	(7,367)
Balance, end of year				**$ 2,891,648**	$ 2,742,633

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.

Issuance

On August 12, 2019, RioCan issued $500.0 million of Series AB senior unsecured debentures. The debentures were issued at par, carry a coupon rate of 2.576% per annum and will mature on February 12, 2025.

Redemption

On June 28, 2019, RioCan redeemed, in full, its $350.0 million 3.85% Series Q senior unsecured debentures in accordance with their terms.

Mortgages Payable

Mortgages payable consist of the following:

(thousands of dollars)

As at	**December 31, 2019**	December 31, 2018
Fixed rate mortgages (i) (ii)	**$ 2,412,451**	$ 2,128,255
Floating rate mortgages (ii)	**—**	90,015
	$ 2,412,451	$ 2,218,270

(i) Includes hedged floating rate mortgages.

(ii) Amount outstanding includes total of $2.5 million in unamortized differential between contractual and market interest rates on liabilities assumed at the acquisition of properties and unamortized debt modification losses, net of unamortized financing costs.

At the outset of 2019, RioCan had $310.2 million of mortgage principal maturing in 2019 at a weighted average contractual interest rate of 4.21%. For the year ended December 31, 2019, RioCan completed new term mortgage borrowings of $452.0 million at a weighted average interest rate of 3.14% and a weighted average term of 10 years, repaid $447.6 million of mortgage balances and scheduled amortization and assumed $194.2 million of mortgage financing pursuant to the completion of acquisitions at a weighted average interest rate of 3.40%.

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.

Upon closing of the acquisition of the remaining 50% interest in eCentral and retail component of ePlace in Toronto, Ontario in September 2019, RioCan obtained $150.0 million of financing for the property at a fixed contractual interest rate of 2.58% for an 11-year term. Upon stabilization which is expected to occur in the spring of 2020, it is anticipated that the loan will become CMHC insured at which time the contractual interest rate of such advance will be reduced to 2.33%. In addition, upon stabilization, a second tranche of funding estimated to be approximately $40.0 million will be advanced at an interest rate to be determined at such time.

Subsequent to year end, the Trust closed on its first CMHC insured mortgage, a $28.6 million loan (at RioCan's interest) at its Frontier property in Ottawa, bearing interest at an annual rate of 2.63%, with a 10-year term.

Lines of Credit and Other Bank Loans

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

(thousands of dollars)

As at	December 31, 2019	December 31, 2018
Revolving unsecured operating line of credit (i)	**$ 339,446**	$ 350,190
Non-revolving unsecured credit facilities (i)	**699,101**	349,459
Construction lines and other bank loans	**48,172**	213,481
	$ 1,086,719	$ 913,130

(i) Amount outstanding is net of a total of $3.5 million in unamortized financing costs and unamortized differential between contractual and market interest rates on liabilities assumed at the acquisition of properties and unamortized debt modification losses.

Revolving Unsecured Operating Line of Credit

RioCan had a drawn balance of $342.0 million and $658.0 million of credit availability to be drawn from this revolving unsecured operating line of credit at December 31, 2019. The weighted average contractual interest rate on amounts drawn under this facility was 3.19% (December 31, 2018 - 3.41%).

During the second quarter, the Trust exercised its option to extend the maturity date on its operating line of credit to May 31, 2024. 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 bearing interest at a rate of Bankers' Acceptances plus 110 basis points per annum. On January 7, 2019, 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), with an initial maturity date of December 27, 2019 and initial interest at a rate of Bankers' Acceptances plus 100 basis points per annum. On February 7, 2019, 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. The Trust recorded a one-time IFRS debt modification cost of $0.9 million as a result of this debt maturity extension.

On February 7, 2019, 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). 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%.

As of December 31, 2019, all of the Trust's non-revolving unsecured credit facilities are fully drawn.

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, 2019, these secured facilities and other bank loans have an aggregate maximum borrowing capacity of $106.5 million (December 31, 2018 - $311.4 million) and mature in 2020 and 2021, of which the Trust had drawn $48.2 million (December 31, 2018 - $213.5 million). The weighted average contractual interest rate on the aggregate amounts outstanding is 2.93% (December 31, 2018 - 3.36%).

On August 30, 2019, upon acquiring KingSett's 50% co-ownership interest in Yonge Sheppard Centre, the Trust repaid $130.6 million (at 100% ownership) of construction financing, using a portion of the proceeds from the issuance of the Series AB senior unsecured debentures.

On September 26, 2019, approximately $145.7 million of construction financing for ePlace (at RioCan's interest prior to the closing of this transaction) at prevailing market rates of 3.19% was repaid. RioCan secured $150.0 million of financing for 100% of eCentral and the retail component of ePlace at a fixed contractual interest rate of 2.58% for an 11-year term, which was advanced upon the closing of ePlace as more fully described under the *Mortgages Payable* section of this MD&A.

Letter of Credit Facilities

The Trust has aggregate letter of credit facilities with certain Schedule I banks totaling $76.4 million (December 31, 2018 - $77.9 million). As at December 31, 2019, the Trust's outstanding letters of credit under these facilities was $54.8 million (December 31, 2018 - $47.5 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, 2019, RioCan had the following sources of liquidity available:

- $93.5 million of cash and cash equivalents;
- $658.0 million of cash available under its undrawn revolving unsecured operating line of credit;
- $58.3 million of cash available under undrawn construction facilities to fund future construction commitments; and
- 151 unencumbered investment properties with a fair value of $8.9 billion.

RioCan’s liquidity profile is as follows:

(thousands of dollars, except where otherwise noted)	IFRS		RioCan's proportionate share	
As at	**December 31, 2019**	December 31, 2018	**December 31, 2019**	December 31, 2018
Cash and cash equivalents	**$ 93,516**	$ 74,698	**$ 96,564**	$ 77,188
Undrawn revolving unsecured operating line of credit	**658,000**	647,000	**658,000**	647,000
Undrawn construction lines of credit and other bank loans	**58,327**	97,923	**110,339**	97,923
Liquidity	**$ 809,843**	$ 819,621	**$ 864,903**	$ 822,111
Contractual debt:				
Debentures payable	**$ 2,900,000**	$ 2,750,000	**$ 2,900,000**	$ 2,750,000
Mortgages payable	**2,409,917**	2,211,800	**2,511,930**	2,280,391
Lines of credit and other bank loans	**1,090,172**	916,481	**1,109,600**	961,548
Total contractual debt	**$ 6,400,089**	$ 5,878,281	**$ 6,521,530**	$ 5,991,939
Percentage of total contractual debt:				
Liquidity	**12.7%**	13.9%	**13.3%**	13.7%
Unsecured debt	**61.6%**	58.7%	**60.4%**	57.6%
Secured debt	**38.4%**	41.3%	**39.6%**	42.4%

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)	2020	2021	2022	2023	2024	Thereafter	Total
Contractual obligations:							
Lines of credit and other bank loans	$ 30,120	$ 18,052	$ —	$ 200,000	$ 842,000	$ —	$ 1,090,172
Mortgages payable	503,891	349,893	178,205	293,072	241,776	843,080	2,409,917
Unsecured debentures	400,000	550,000	550,000	500,000	300,000	600,000	2,900,000
Lease liabilities (ii)	1,740	1,363	1,428	1,467	1,520	27,862	35,380
Other lease obligations	682	304	206	74	21	—	1,287
Total	$ 936,433	$ 919,612	$ 729,839	$ 994,613	$ 1,385,317	$ 1,470,942	$ 6,436,756
Active committed developments (i)	442,920	327,378	105,074	27,929	—	—	903,301
Total	$ 1,379,353	$ 1,246,990	$ 834,913	$ 1,022,542	$ 1,385,317	$ 1,470,942	$ 7,340,057

(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.

(ii) Represents the discounted minimum lease payments of lease liabilities under IFRS 16.

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 $8.9 billion as at December 31, 2019 can also allow us to support additional financing, if needed.

RioCan has also entered into purchase obligations to acquire certain interests from its partners as further described in Note 4 in the consolidated financial statements.

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.

Unencumbered Assets

The fair value of the unencumbered investment property assets as at December 31, 2019 is estimated at approximately $8.9 billion for 151 properties or 61.9% of the total fair value of investment properties as compared to 153 properties with a fair value of $8.0 billion as at December 31, 2018. This has resulted in approximately 58.2% of the Trust's annualized NOI being generated by unencumbered assets (December 31, 2018 - 59.1%), providing RioCan with access to a pool of assets for obtaining additional secured debt.

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

	IFRS		RioCan's proportionate share	
(thousands of dollars, except where otherwise noted) As at	**December 31, 2019**	December 31, 2018	**December 31, 2019**	December 31, 2018
Unencumbered assets	**$ 8,895,777**	$ 7,966,491	**$ 8,936,721**	$ 7,970,296
Unsecured debt:				
Debentures	**$ 2,900,000**	$ 2,750,000	**$ 2,900,000**	$ 2,750,000
Amounts drawn on revolving unsecured operating line of credit	**342,000**	353,000	**342,000**	353,000
Amounts drawn on non-revolving unsecured credit facilities	**700,000**	350,000	**700,000**	350,000
Total unsecured debt outstanding	**$ 3,942,000**	$ 3,453,000	**$ 3,942,000**	$ 3,453,000
Unsecured debt to total debt	**61.6%**	58.7%	**60.4%**	57.6%
Unencumbered assets to unsecured debt	**226%**	231%	**227%**	231%
NOI generated from unencumbered assets (i)	**58.2%**	59.1%	**58.5%**	59.1%

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

Guarantees

As at December 31, 2019, the maximum exposure to loss resulting from the Trust's debt guarantees, on behalf of certain of our co-owners' interests and mortgages assumed by purchasers on property dispositions, is $163.2 million (December 31, 2018 - $309.2 million), with expiries between 2020 and 2025. 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.

On September 27, 2019, Metropia and Bazis repaid their proportionate share of project level construction loans relating to the ePlace development in Toronto, Ontario upon the sale of their combined 50% interest in the residential and retail components of the project to RioCan based on a pre-agreement. The Trust no longer provides a guarantee on behalf of the former co-owners' interest in the project and this was the primary reason for the $146.0 million decrease in guarantees as of December 31, 2019 when compared to the prior year end.

As at and for the year ended December 31, 2019, 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 2019 Annual Consolidated Financial Statements.

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

(thousands of dollars) As at	**December 31, 2019**	December 31, 2018
Partners and co-owners		
HBC (RioCan-HBC JV)	**$ 42,349**	$ 43,523
Bayfield	**26,709**	63,230
Metropia and Bazis	**—**	119,454
Other	**37,497**	24,984
	$ 106,555	$ 251,191
Assumption of mortgages by purchasers on property dispositions	**56,644**	58,029
	$ 163,199	$ 309,220

Hedging Activities

Interest Rate Risk

As at December 31, 2019, the outstanding notional amount of floating-to-fixed interest rate swaps was $1.3 billion (December 31, 2018 – $764.4 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, 2019. Refer to Note 26 of the 2019 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, 2019, the Trust has no cross currency interest rate swaps outstanding.

Trust Units

As at December 31, 2019, there are 317.7 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 three months and year ended December 31, 2019 and 2018, we issued common units as follows:

	Three months ended December 31		Year ended December 31	
(in thousands)	**2019**	2018	**2019**	2018
Units outstanding, beginning of period (i)	**308,723**	307,314	**305,097**	323,734
Units issued:				
Private placement issued pursuant to an investment property acquisition	**—**	—	**3,810**	—
Public offering	**8,935**	—	**8,935**	—
Unit-based compensation exercises, net of units repurchased for settlement of unit exercises	**49**	178	**833**	268
Direct purchase plan	**3**	6	**15**	21
Exchangeable limited partnership units	**—**	—	**—**	31
Common trust units repurchased and cancelled	**—**	(2,401)	**(980)**	(18,957)
Units outstanding, end of period (i)	**317,710**	305,097	**317,710**	305,097

(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, 2019 – 481,769 LP units, December 31, 2018 – 481,769 LP units).

As of February 19, 2020, there are 317.7 million common units issued and 6.4 million unit options issued and outstanding under the Trust's incentive unit option plan.

As described previously, on August 30, 2019 in connection with the purchase of Yonge Sheppard Centre, RioCan issued 3.8 million units with $100.0 million gross proceeds to KingSett, with a one-year lock-up agreement commencing August 30, 2019 whereby KingSett has agreed that it will not, without the prior consent of RioCan, sell or enter into an arrangement to sell the units within the one-year lock-up period.

Public Offering

On October 28, 2019, RioCan issued an aggregate of 8.9 million common trust units at a price of $25.75 per unit for aggregate gross proceeds of $230.1 million (inclusive of 1.2 million units issued pursuant to the exercise in full of the underwriters' over-allotment option). Unit issue costs associated with the offering, including commissions and other expenses, were approximately $9.9 million. The Trust used the net proceeds of $220.2 million from the public offering of common trust units to repay certain floating rate debt incurred to fund the aforementioned strategic acquisitions.

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.

Senior Executive Restricted Equity Plan (Senior Executive REU Plan)

As at December 31, 2019, 178,800 Senior Executive REUs are outstanding (December 31, 2018 - 121,352), of which 56,833 are vested (December 31, 2018 - 41,155).

On February 22, 2019, the Trust granted 70,224 REUs under its Senior Executive REU Plan. The grant date price was $25.28 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 $1.8 million.

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 (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.

Employee Restricted Equity Plan (Employee REU Plan)

As at December 31, 2019, 232,926 Employee REUs are unvested and outstanding (December 31, 2018 - 189,618).

On February 22, 2019, the Trust granted 93,829 REUs under its Employee REU Plan. The grant date price was $25.28 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 $2.4 million.

The number of REUs granted shall vest fully on 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 of the delivery of an equivalent number of common trust units purchased on the secondary market, net of applicable withholding taxes.

Performance Equity Unit Plan (PEU Plan)

As at December 31, 2019, 416,737 PEUs are unvested and outstanding (December 31, 2018 - 443,821).

During February 2019, the Trust granted 142,576 PEUs under its PEU Plan at a fair value of $22.84 per unit resulting in an aggregate fair value of $3.3 million on grant date. These PEUs will fully vest in February 2022.

PEUs issued contain a multiplier factor and the final payout will vary based on certain performance targets over a three-year period from the year of the award. For 2019, RioCan adopted two performance metrics for its PEU Plan, being a FFO per unit target over the 2019 to 2021 three-year period and a relative total unitholder return (TUR) over the three-year period against its peer group with a 75% and 25% weighting for its retail peers and other peers, respectively. Its peer group includes S&P/TSX Capped REIT companies with a market capitalization above $1.0 billion (excluding RioCan) plus First Capital Realty Inc.

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. Effective January 1, 2017, subject to the Board's discretion, the Trust reduced the frequency of unit option grants to a maximum of every other year. The unit option program was not cancelled altogether to permit the Board to grant options as it determines in the best interest of the Trust. During March 2019, the Trust granted 0.4 million unit options at an exercise price of $26.49 per unit to senior management (December 31, 2018 - 0.7 million). 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.

As at December 31, 2019, 12.5 million unit options remain available for grant under the Plan (December 31, 2018 – 11.8 million unit options).

Trustee Deferred Unit Plan (DU Plan)

As at December 31, 2019, there are 319,506 deferred units vested and outstanding (December 31, 2018 - 272,269). During the year ended December 31, 2019, 57,936 units were granted and 26,892 units were exercised (December 31, 2018 - 61,347 units granted and 30,384 units exercised).

Normal Course Issuer Bid

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 the public float of 305,798,689 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, subject to RioCan’s ability to make one block purchase of units per calendar week that exceeds such limits.

On October 15, 2019, RioCan received TSX approval of its notice of intention to renew its NCIB, to acquire up to a maximum of 30,724,496 of its units, or approximately 10% of its outstanding units as at September 30, 2019, for cancellation over the next 12 months, effective October 22, 2019.

The number of units that can be purchased pursuant to the 2019/2020 NCIB is subject to a current daily maximum of 145,737 units (which is equal to 25% of 582,948, being the average daily trading volume from April 1, 2019 to September 30, 2019, 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 three months ended December 31, 2019, the Trust did not purchase and cancel any units.

During the year ended December 31, 2019, the Trust purchased and cancelled 1.0 million units at a weighted average price of $25.51 per unit, for a total cost of $25.0 million. See Note 15 of the 2019 Annual Consolidated Financial Statements for further details.

Since October 2017, RioCan has purchased and cancelled 23,866,516 units at a weighted average purchase price of $24.55 per unit at a total cost of $586.2 million since the renewal.

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 2019 was $0.12 per unit.

Distributions declared to unitholders are as follows:

	Three months ended December 31		Year ended December 31	
(thousands of dollars)	**2019**	2018	**2019**	2018
Distributions declared to unitholders	**$ 114,364**	$ 110,100	**$ 444,462**	$ 450,743

RioCan suspended its DRIP effective November 1, 2017. If RioCan elects to reinstate the DRIP in the future, unitholders who 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. Distributions declared to unitholders increased for the three months ended December 31, 2019 when compared to the same period last year as RioCan issued 3.8 million common trust units on a private placement basis on August 31, 2019 and 8.9 million common trust units in a public offering on October 28, 2019. For the year ended December 31, 2019, distributions declared declined when compared to the same period last year due to a lower number of units outstanding in the first half of 2019 resulting from the repurchases and cancellation of units in 2018 and 2019 pursuant to the NCIB.

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)	**2019**	2018	**2019**	2018
Cash flows provided by operating activities	**$ 170,235**	$ 128,325	**$ 568,728**	$ 404,005
Add / (deduct) the (increase) / decrease in non-cash working capital items	**(39,871)**	(10,655)	**(53,769)**	79,468
Cash flows provided by operating activities, excluding non-cash working capital items	**130,364**	117,670	**514,959**	483,473
Less: Distributions declared to unitholders	**(114,364)**	(110,100)	**(444,462)**	(450,743)
Excess	**16,000**	7,570	**70,497**	32,730
Add: Distributions reinvested through the distribution reinvestment plan	**—**	—	**—**	—
Excess, net of distribution reinvestment plan	**$ 16,000**	$ 7,570	**$ 70,497**	$ 32,730

For the year ended December 31, 2019, cash flows provided by operating activities, excluding non-cash working capital items, were higher than distributions declared to unitholders during the year by $70.5 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)	**2019**				2018			
As at and for the quarter ended (i)	**Q4**	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	**$ 321**	$ 354	$ 328	$ 324	$ 301	$ 279	$ 278	$ 290
Net income attributable to unitholders	**$ 151**	$ 178	$ 253	$ 195	$ 149	$ 130	$ 111	$ 137
Net income from continuing operations attributable to unitholders	**$ 151**	$ 178	$ 253	$ 195	$ 150	$ 129	$ 111	$ 137
NOI (v)	**$ 176**	$ 173	$ 175	$ 167	$ 174	$ 177	$ 174	$ 179
FFO (v)	**$ 146**	$ 143	$ 145	$ 142	$ 138	$ 147	$ 145	$ 149
ACFO (v)	**$ 134**	$ 145	$ 139	$ 107	$ 135	$ 128	$ 140	$ 124
Total assets	**$ 15,188**	$ 15,169	$ 14,580	$ 14,119	$ 14,004	$ 14,146	$ 14,250	$ 14,433
Total debt (ii)	**$ 6,391**	$ 6,613	$ 6,224	$ 5,932	$ 5,874	$ 6,019	$ 6,019	$ 6,097
Common unitholder distributions	**$ 114**	$ 111	$ 110	$ 110	$ 110	$ 112	$ 113	$ 115
DRIP participation rate	**—%**	—%	—%	—%	—%	—%	—%	—%
Weighted average common units outstanding – diluted (in thousands)	**315,080**	306,280	304,636	305,046	306,295	311,687	316,329	321,988
Per unit basis (diluted)								
Net income attributable to unitholders from continuing operations	**$ 0.48**	$ 0.58	$ 0.83	$ 0.64	$ 0.49	$ 0.41	$ 0.35	$ 0.43
Net income attributable to unitholders	**$ 0.48**	$ 0.58	$ 0.83	$ 0.64	$ 0.49	$ 0.41	$ 0.35	$ 0.43
FFO (v)	**$ 0.46**	$ 0.47	$ 0.48	$ 0.47	$ 0.45	$ 0.47	$ 0.46	$ 0.46
Common unitholder distributions	**$ 0.36**	$ 0.36	$ 0.36	$ 0.36	$ 0.36	$ 0.36	$ 0.36	$ 0.36
Net book value per unit (iii)	**$ 26.14**	$ 26.01	$ 25.78	$ 25.34	$ 25.13	$ 25.02	$ 24.96	$ 24.94
Closing market price per common unit	**$ 26.76**	$ 26.38	$ 25.99	$ 26.47	$ 23.80	$ 24.68	$ 24.15	$ 23.64
Key Performance Indicator Ratios								
Same Property NOI growth % (v)	**2.3%**	2.1%	2.2%	1.4%	2.1%	1.6%	2.1%	2.6%
FFO payout ratio (v)	**76.9%**	77.4%	77.2%	77.9%	77.9%	78.0%	78.0%	78.0%
ACFO payout ratio (v)	**84.3%**	83.5%	86.7%	87.5%	85.7%	79.0%	76.7%	77.5%
Debt to total assets (v)	**41.7%**	43.2%	42.5%	41.8%	41.6%	42.0%	42.0%	42.0%
Debt to total assets (RioCan's proportionate share) (v)	**42.1%**	43.6%	42.9%	42.2%	42.1%	42.4%	42.4%	42.4%
Interest coverage (RioCan's proportionate share) (v)	**3.50**	3.48	3.52	3.55	3.63	3.72	3.78	3.85
Debt to Adjusted EBITDA (RioCan's proportionate share) (v)	**8.06**	8.07	7.92	7.94	7.88	7.79	7.74	7.63
Weighted average contractual interest rate	**3.34%**	3.36%	3.44%	3.50%	3.51%	3.46%	3.42%	3.39%
Unencumbered assets to unsecured debt (RioCan's proportionate share) (v)	**227%**	216%	225%	229%	231%	218%	222%	221%
% NOI generated from unencumbered assets (RioCan's proportionate share) (v)	**58.5%**	58.9%	58.5%	59.6%	59.1%	56.9%	58.7%	58.7%
Other								
Number of employees	**605**	605	597	585	597	627	637	645
Residency of unitholders (iv)								
– Canadian	**67.6%**	66.3%	75.6%	70.6%	67.1%	65.7%	64.7%	68.6%
– Non-resident	**32.4%**	33.7%	24.4%	29.4%	32.9%	34.3%	35.3%	31.4%

(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 *Non-GAAP Measures* section of this MD&A. 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.

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.

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 Other Comprehensive Income (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.

RioCan accelerated its portfolio focus in Canada's six major markets over the past two years through the sale of properties located primarily in secondary markets across Canada. The sales proceeds were 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. Refer to the *Strategy* section of this MD&A for further details.

In addition to the impact of IFRS 9 and property dispositions pursuant to its major market strategy, overall quarterly fluctuations in our revenue and operating results are also attributable to occupancy and same property NOI growth, acquisitions and other dispositions, the sale of marketable securities, Target backfill progress, and so on.

Revenue declined 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 Q1 2019 increased from Q4 2018 and Q3 2018 primarily due to increasing residential inventory sales revenue. Revenue in Q2 2019 increased from Q1 2019 primarily from higher base rent and fee revenue, offset by lower common area maintenance recoveries due to timing and lower residential inventory sales revenue. Revenue in Q3 2019 increased from Q2 2019 primarily from higher residential inventory sales revenue and higher base rent and common area maintenance recoveries, offset by lower lease termination fees. Revenue in Q4 2019 decreased from Q3 2019 primarily from lower residential inventory sales revenue and lower property management and other service fees, partially offset by higher base rent and common area maintenance recoveries. The above factors for quarterly revenue variations also affect the quarterly variations in net income, FFO, ACFO, and also NOI except for the effect of residential inventory sales revenue and property management and other service fees.

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. Net income increased from Q4 2018 to Q1 2019 mainly as a result of higher fair market adjustments on investment properties. Net income increased from Q1 2019 to Q2 2019 mainly from higher fee revenue, gains from residential inventory sales and higher fair market adjustments on investment properties, partially offset by lower income from equity accounted investments. Net income decreased from Q2 2019 to Q3 2019 mainly from lower fair market value gains on investment properties, partially offset by higher gains from residential inventory sales and higher fair value gains on marketable securities. Net income decreased from Q3 2019 to Q4 2019 mainly from lower fair market value gains on investment properties, lower gains from residential inventory sales, lower property management and service fees, and lower fair value gains on marketable securities, partially offset by higher NOI.

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 was primarily due to lower realized gains on the sale of marketable securities, higher severance costs, and lower NOI from continued dispositions of assets. The increase in Q1 2019 FFO from Q4 2018 was primarily due to higher residential inventory gains, higher income from our equity accounted investments and same property NOI growth, partially offset by lower operating income from continued dispositions of assets. The increase in Q2 2019 FFO from Q1 2019 was primarily due to higher fee revenue and gains from residential inventory sales, partially offset by lower income from equity accounted investments and lower realized gains from the sale of marketable securities. The decrease in Q3 2019 FFO from Q2 2019 was primarily due to lower realized gains from the sale of marketable securities and lower lease cancellation fees, partially offset by higher gains from residential inventory sales. The increase in Q4 2019 FFO from Q3 2019 was primarily due to higher realized gains from the sale of marketable securities, partially offset by lower property management and other fee income and lower gains from residential inventory sales.

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 in Q2 2018 from Q1 2018 was primarily due to the inclusion of $6.3 million net working capital increase, as opposed to a working capital decrease of $13.3 million in Q1 2018. 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 2018 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. Q1 2019 ACFO decreased when compared to Q4 2018 mainly due to net working capital decrease of $22.2 million in the quarter while Q4 2018 had a net working capital increase of $11.7 million. Q2 2019 ACFO increased when compared to Q1 2019 mainly due to higher operating income and net working capital increase of $6.8 million in the quarter, offset by lower distributions from equity accounted investments. Q3 2019 ACFO increased when compared to Q2 2019 mainly due to a higher net working capital

increase in the quarter. Q4 2019 ACFO decreased when compared to Q3 2019 mainly due to lower net working capital increase in the quarter.

The increase in Debt to Adjusted EBITDA from Q2 2018 to Q1 2019 was a result of the combination of a decline in Adjusted EBITDA primarily due to dispositions (net of acquisitions) and the growth in average debt due to NCIB and dispositions timing. The decrease in Debt to Adjusted EBITDA from Q1 2019 to Q2 2019 was primarily due to higher Adjusted EBITDA. The increase in Debt to Adjusted EBITDA from Q2 2019 to Q3 2019 was primarily due to lower Adjusted EBITDA and higher average debt. The decrease in Debt to Adjusted EBITDA from Q3 2019 to Q4 2019 was primarily due to higher Adjusted EBITDA, partially offset by higher average debt. Interest coverage declined in Q2 2018 to Q1 2019, primarily from lower Adjusted EBITDA as the Trust continued to execute on its strategic disposition program despite strong same property NOI growth. Interest coverage declined from Q1 2019 to Q2 2019, primarily from higher gross interest costs, partially offset by higher Adjusted EBITDA from higher fees and gains from residential inventory sales. Interest coverage declined from Q2 2019 to Q3 2019, primarily from higher gross interest costs. Interest coverage increased from Q3 2019 to Q4 2019, primarily from higher Adjusted EBITDA, partially offset by higher gross interest costs.

Unencumbered assets to unsecured debt is presented at RioCan's proportionate share effective January 1, 2018. Unencumbered assets to unsecured debt ratio declined modestly during Q1 2018 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 above the Q1 2018 level as the Trust increased its unencumbered asset pool without increasing its unsecured debt during the quarter. The ratio declined slightly in Q1 2019 from Q4 2018 as the increase in unencumbered assets was offset by an increase in unsecured debt during the quarter. The ratio declined in Q2 2019 from Q1 2019, as the increase in unencumbered assets were offset by a larger increase in unsecured debt. The ratio decreased in Q3 2019 from Q2 2019, as the rate of the increase in unsecured debt exceeded the rate of the increase in unencumbered assets. The ratio increased in Q4 2019 from Q3 2019, as unencumbered assets increased and unsecured debt decreased.

The FFO payout ratio has decreased since Q1 2018 due to growth in FFO 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 increase in the ACFO payout ratio from Q3 2018 to Q4 2018 was mainly because 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 a 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. The 1.8% increase in the ACFO payout ratio from Q4 2018 to Q1 2019 was primarily due to $8.9 million net working capital decrease over the comparable period. The 0.8% decrease in the ACFO payout ratio from Q1 2019 to Q2 2019 was primarily due to $0.5 million net working capital increase and $4.5 million lower distributions over the comparable period as a result of the Trust's NCIB program. The 3.2% decrease in the ACFO payout ratio from Q2 2019 to Q3 2019 was primarily due to $20.0 million net working capital increase and $2.1 million lower distributions over the comparable period as a result of the Trust's NCIB program. The 0.8% increase in the ACFO payout ratio from Q3 2019 to Q4 2019 was primarily due to lower ACFO in Q4 2019 as a result of a lower net working capital increase.

Unaudited Consolidated Statements of Income

(thousands of dollars, except per unit amounts)

Three months ended December 31	**2019**	2018
Revenue		
Rental revenue	**$ 279,052**	$ 274,775
Residential inventory sales	**38,639**	22,264
Property management and other service fees	**3,039**	3,967
	320,730	301,006
Operating costs		
Rental operating costs		
Recoverable under tenant leases	**97,789**	95,970
Non-recoverable costs	**5,750**	4,460
Residential inventory cost of sales	**27,604**	20,882
	131,143	121,312
Operating income	**189,587**	179,694
Other income		
Interest income	**4,438**	2,861
Income (loss) from equity-accounted investments	**(2,816)**	5,848
Fair value gain on investment properties, net	**23,274**	29,230
Investment and other income (loss)	**(53)**	(3,020)
	24,843	34,919
Other expenses		
Interest costs	**45,215**	42,441
General and administrative	**12,287**	14,683
Internal leasing costs	**3,017**	2,862
Transaction and other costs	**3,614**	5,208
	64,133	65,194
Income before income taxes	**150,297**	149,419
Current income tax recovery	**(273)**	—
Deferred income tax recovery	**(216)**	(540)
Net income from continuing operations	**$ 150,786**	$ 149,959
Net loss from discontinued operations	**—**	(794)
Net income	**$ 150,786**	$ 149,165
Net income attributable to:		
Unitholders	**$ 150,786**	$ 149,165
	$ 150,786	$ 149,165
Net income per unit:		
Basic	**$ 0.48**	$ 0.49
Diluted	**$ 0.48**	$ 0.49
Weighted average number of units (in thousands):		
Basic	**314,953**	306,225
Diluted	**315,080**	306,295

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

Our significant accounting policies are described in Note 3 of RioCan's 2019 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, 2019, the Trust adopted IFRS 16, *Leases* (IFRS 16), IASB Annual Improvements 2015-2017 Cycle (issued in December 2017) 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 Notes 3 and 36 of the 2019 Annual Consolidated Financial Statements and further described below.

IFRS 16

The Trust adopted IFRS 16 on its effective date of January 1, 2019, retrospectively without restatement of prior period comparatives. IFRS 16 replaces IAS 17, *Leases* (IAS 17). 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.

The Trust has investment properties located on land which is leased. Under IAS 17 some of these leases are accounted for as operating leases and the related lease payments are expensed. Under IFRS 16, a ROU asset and a lease obligation liability was recorded along with the corresponding financing charges. The ROU asset is accounted for as investment property, as these land leases meet the definition of investment property under IAS 40, *Investment Property* (IAS 40).

The Trust is also the lessee of three land and building leases, which it has subdivided and subleased to retail tenants, that were accounted for as investment properties under an IAS 40 election. 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 as is the case under IAS 17. This resulted in the reclassification of certain subleases to finance leases on January 1, 2019. For tenant subleases classified as a finance leases, the subdivided portion of the investment property was de-recognized and a finance lease receivable recognized in its place. The lease cash receipts will be allocated between interest income and principal reduction of the finance lease receivable.

On initial transition, RioCan as a lessee recorded additional lease liabilities of $17.0 million, increased the value of investment properties by $17.0 million and reduced prepaid rent in receivables and other assets by $0.1 million. As a lessor, RioCan recorded $32.7 million of finance lease receivables from sublease arrangements in receivables and other assets, de-recognized $32.7 million from investment properties and reduced straight-line rent within investment properties by $0.8 million. The net impact to opening retained earnings was a reduction of $0.8 million. Prior periods have not been restated. Refer to Note 36, *Transition to IFRS 16* of the 2019 Annual Consolidated Financial Statements for the impact on the opening consolidated balance sheet as at January 1, 2019 and for accounting policies under IAS 17, which were applicable in prior periods.

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 became effective on January 1, 2019. The implementation of these standards did not have a significant impact on the Trust.

IAS 19, Employee Benefits (IAS 19) - Amendments

In February 2018, the IASB issued amendments to IAS 19, *Employee Benefits.* The amendments address the accounting when a defined benefit plan amendment, curtailment or settlement occurs during the reporting period. The amendments became effective on January 1, 2019, and are applied prospectively. The implementation of these amendments did not 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. The amendments became effective on January 1, 2019. The amendments did not have a significant 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 net realizable value of residential inventory, the capitalization of costs to investment property, the determination of lease term and the type of lease where we are the lessor, the recognition and valuation of deferred tax assets and liabilities, classification of disposal groups and the determination of significant influence over equity investees. 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 stabilized NOI to yield a fair value. The Trust uses an internal valuation process to estimate the fair value of certain 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 meets certain thresholds, the direct capitalization method is applied to capitalize the pro forma net operating income, stabilized with market allowances, from which the costs to complete the development are deducted. RioCan has involved third party appraisers in its valuation process. For the year ended December 31, 2019, RioCan had 32 properties including 8 land parcels (year ended December 31, 2018 - 31 properties including 7 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.
- IFRS 9, *Financial Instruments* (IFRS 9) 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 payable 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, 2019 is $5.3 billion. The Trust reported a $5.4 billion fair value relating to these mortgages and debentures payable in Note 25 to the 2019 Annual Consolidated Financial Statements.

Net Realizable Value of Residential Inventory

Residential inventory is stated at the lower of cost and net realizable value. In calculating the net realizable value of residential inventory and assessing for impairment of condominium sales receivables, the Trust estimates the selling prices based on prevailing market prices, estimated cost to complete and selling costs.

Capitalization of Costs to Investment Property

RioCan's accounting policies relating to investment properties are described in Note 3(c) to the 2019 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 2019 Annual Consolidated Financial Statements. Initial capitalization of costs requires management's judgment in determining when the project commences 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 - Determination of Lease Term

The Trust determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised, including purchase options. At commencement date, the Trust determines as lessee or as lessor whether there is reasonable certainty that options to extend or cancel a lease will be exercised. To make this analysis, the Trust takes into account the extension terms of the contract including whether the extension is likely to be below market rent, the cost to cancel a lease and significant investments made on the property.

Leases - Classification, RioCan as 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. When RioCan has determined, based on an evaluation of terms and conditions of the lease arrangements, that the Trust retains all of 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 income tax rules and regulations and to determine 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

Classification of assets or a disposal group as held for sale 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.

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, 2019, 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.

Interbank Offered Rate (IBOR) Reform

The IASB published Phase 1 of its amendments to IFRS 9, *Financial Instruments* and IAS 39, *Financial Instruments: Recognition and Measurement*, as well as IFRS 7, *Financial Instruments: Disclosures* in September 2019, to provide relief from the potential effects of the uncertainty arising from Interbank Offered Rate (IBOR) reform, focusing in particular on the period prior to replacement of interbank offered rates. These amendments modify hedge accounting requirements, allowing the Trust to assume that the interest rate benchmark on which the cash flows of the hedged item and the hedging instrument are based are not altered as a result of IBOR reform, thereby allowing hedge accounting to continue. Mandatory application of the amendments ends at the earlier of when the uncertainty regarding the timing and amount of interest rate benchmark-based cash flows is no longer present and the discontinuation of the hedging relationship. Phase 2 of the IASB's project on IBOR is underway and will address transition to IBOR. The Phase 1 amendments are effective for the Trust's fiscal year beginning January 1, 2020, with early adoption permitted. Phase 1 amendments are not expected to impact the Trust's consolidated financial statements upon adoption. Disclosure of current hedging relationships is provided in Note 26 to the 2019 Annual Consolidated Financial Statements.

Amendments to IFRS 3, Business Combinations (IFRS 3) - Definition of a Business

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 to help entities determine whether an acquired set of activities and assets is a business or not. The amendments clarify the minimum requirements for a business, removed the assessment of whether market participants are capable of replacing any missing elements, added guidance to help entities assess whether an acquired process is substantive, narrowed the definitions of a business and of outputs, and introduced an optional fair value concentration test. The amendments are effective January 1, 2020, with early adoption permitted. The amendments are applied prospectively to transactions or other events that occur on or after the date of first application, and are not expected to have a significant impact on the Trust's consolidated financial statements.

Amendments to IAS 1, Presentation of Financial Statements (IAS 1) and IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors (IAS 8) - Definition of Material

In October 2018, the IASB issued amendments to IAS 1 and IAS 8 to align the definition of "material" across the standards and to clarify certain aspects of the definition. The new definition states that, "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." These amendments are effective January 1, 2020. The amendments to the definition of material are not expected to have a significant impact on the Trust's consolidated financial statements.

Amendment to IAS 1, Presentation of Financial Statements - Classification of Liabilities as Current or Non-Current

In January 2020, the IASB issued amendments to paragraphs 69-76 of IAS 1 to clarify the requirements for classifying liabilities as current or non-current. The amendments specify that the conditions which exist at the end of a reporting period are those which will be used to determine if a right to defer settlement of a liability exists. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective January 1, 2022, with early adoption permitted. The amendments are to be applied retrospectively. Management is currently assessing the impact of this amendment.

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, 2019, that 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, 2019 based 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, 2019, 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, 2019 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 18, 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.

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; President and Chief Operating Officer, 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 for the three months and years ended December 31, 2019 and December 31, 2018 is as follows:

	Three months ended December 31				Year ended December 31			
	Trustees		Key Executives		Trustees		Key Executives	
(thousands of dollars)	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
Compensation and benefits	**$ 43**	$ 74	**$ 1,315**	$ 1,164	**$ 203**	$ 280	**$ 5,388**	$ 8,188
Unit-based payments	**388**	(9)	**765**	800	**2,813**	1,663	**3,460**	4,551
Post-employment benefit costs	**—**	—	**26**	10	**—**	—	**108**	41
	$ 431	$ 65	**$ 2,106**	$ 1,974	**$ 3,016**	$ 1,943	**$ 8,956**	$ 12,780

On March 25, 2019, the Trust announced that Edward Sonshine has agreed to remain Chief Executive Officer of the Trust until his retirement on March 31, 2021, subject to a potential one-year extension. On March 22, 2019, the Trust promoted Jonathan Gitlin to President and Chief Operating Officer of RioCan effective immediately. He was previously promoted from Senior Vice President, Investments & Residential to Chief Operating Officer on August 1, 2018.

For further details on related party transactions, refer to Note 31 of the 2019 Annual Consolidated Financial Statements.

RISKS AND UNCERTAINTIES

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

On June 17, 2015, 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. As of December 31, 2019, 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, 2019, RioCan had NLA, at its interest, of 35,720,000 square feet of income producing properties and a portfolio economic in-place occupancy rate of 96.3%. Based on our current annualized portfolio weighted average rental revenue of approximately $31 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 $10.9 million annually.

RioCan's aggregate net rental revenue from leases expiring over the next five years is $407 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 rental rate differential of 100 basis points, our net income would be impacted by approximately $4.1 million annually.

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

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 and shortage of experienced labour in certain construction related trades. 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 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, 2019, RioCan’s total indebtedness had a 3.69 year weighted average term to maturity bearing interest at a weighted average contractual interest rate of 3.34% 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, 2019, 6.4% 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, 2019, the carrying value of our floating rate debt, not subject to a hedging strategy, is $0.4 billion. A 50 basis point increase in market interest rates would result in a $1.9 million decrease in our net income.

Credit Ratings

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

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.

Other Risks

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 our Chief Executive Officer, Edward Sonshine, our President and 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 Tax Act 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, cyber extortion, social engineering fraud, 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 Risk

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.

Responding to climate change involves reducing emissions of greenhouse gases in the atmosphere and adapting to the impacts of extreme weather events. To reduce our overall energy use, we have invested in an LED retrofit program and select smart technologies such as sensors. As part of adaptation plans, RioCan’s Crisis Management Program enables us to respond, resolve and communicate climate related events. The program includes plans to provide first responders with guidelines to react and respond to these events in a way that keeps tenants and customers safe.

Audited Annual Consolidated Financial Statements for the Years Ended December 31, 2019 and 2018

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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, 2019, 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 2019 and 2018 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 19, 2020

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, 2019 and 2018, 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, 2019 and 2018, 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 in this auditor's report. 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 Mark Vrooman, CPA, CA.

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
February 19, 2020

RIOCAN REAL ESTATE INVESTMENT TRUST
CONSOLIDATED BALANCE SHEETS

(In thousands of Canadian dollars)

As at	Note		**December 31, 2019**		December 31, 2018
Assets					
Investment properties	*4, 9*	**$**	**14,359,127**	$	13,009,421
Deferred tax assets	*10*		**12,045**		13,339
Equity-accounted investments	*5*		**190,508**		189,817
Mortgages and loans receivable	*6*		**175,951**		164,014
Residential inventory	*7*		**108,956**		206,123
Assets held for sale	*4*		**21,800**		194,227
Receivables and other assets	*8, 9*		**226,423**		152,126
Cash and cash equivalents			**93,516**		74,698
Total assets		**$**	**15,188,326**	$	14,003,765
Liabilities					
Debentures payable	*13*	**$**	**2,891,648**	$	2,742,633
Mortgages payable	*12*		**2,412,451**		2,218,270
Lines of credit and other bank loans	*11*		**1,086,719**		913,130
Accounts payable and other liabilities	*9, 14*		**492,297**		463,342
Total liabilities		**$**	**6,883,115**	$	6,337,375
Equity					
Unitholders' equity:					
Common			**8,305,211**		7,666,390
Total equity			**8,305,211**		7,666,390
Total liabilities and equity		**$**	**15,188,326**	$	14,003,765

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		2019		2018
Revenue					
Rental revenue	*18*	$	**1,093,727**	$	1,110,160
Residential inventory sales	*18*		**208,965**		22,264
Property management and other service fees	*18*		**23,633**		15,418
			1,326,325		1,147,842
Operating costs					
Rental operating costs					
Recoverable under tenant leases			**384,404**		389,285
Non-recoverable costs			**20,621**		17,384
Residential inventory cost of sales			**172,688**		20,882
			577,713		427,551
Operating income			**748,612**		720,291
Other income					
Interest income	*20*		**16,916**		11,452
Income from equity-accounted investments	*5*		**10,051**		11,174
Fair value gains on investment properties, net	*4*		**247,624**		18,304
Investment and other income, net	*19*		**7,732**		20,316
			282,323		61,246
Other expenses					
Interest costs	*21*		**182,780**		168,299
General and administrative	*22*		**46,814**		55,999
Internal leasing costs			**11,309**		11,294
Transaction and other costs	*23*		**12,833**		20,023
			253,736		255,615
Income before income taxes			**777,199**		525,922
Current income tax recovery			**(699)**		—
Deferred income tax expense (recovery)			**2,064**		(1,440)
Net income from continuing operations		$	**775,834**	$	527,362
Net income from discontinued operations			**—**		741
Net income		$	**775,834**	$	528,103
Net income attributable to:					
Unitholders		$	**775,834**	$	528,103
		$	**775,834**	$	528,103
Net income per unit:					
Basic	*24*	$	**2.52**	$	1.68
Diluted	*24*	$	**2.52**	$	1.68
Weighted average number of units (in thousands):					
Basic	*24*		**307,683**		313,936
Diluted	*24*		**307,779**		314,024

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	2019	2018
Net income		**$ 775,834**	$ 528,103
Other comprehensive loss:			
Items that may be reclassified subsequently to income, net of tax:			
Interest rate swap agreements:			
Unrealized loss during the year	*15*	**(14,807)**	(7,796)
Reclassified during the year to income	*15*	**2,821**	2,099
Other comprehensive loss from equity-accounted investments	*15*	**(51)**	(149)
Item that is not to be reclassified to income, net of tax:			
Actuarial gain (loss) on pension plan	*15*	**(972)**	864
Other comprehensive loss, net of tax		**(13,009)**	(4,982)
Comprehensive income, net of tax		**$ 762,825**	$ 523,121
Comprehensive income, net of tax attributable to:			
Unitholders		**$ 762,825**	$ 523,121

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

RIOCAN REAL ESTATE INVESTMENT TRUST
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In thousands of Canadian dollars)

	Note	Common trust units	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss)	Total equity
Balance, December 31, 2017		$ 4,757,071	$ 27,366	$ 3,190,872	$ 69,377	$ 8,044,686
Adjustment on adoption of IFRS 9		—	—	67,371	(68,664)	(1,293)
Balance, January 1, 2018		$ 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, net of units repurchased for settlement of unit exercises	*15*	5,105	(743)	—	—	4,362
Units issued, net of issuance costs	*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

	Note	Common trust units	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss)	Total equity
Balance, December 31, 2018	*2*	$ 4,484,827	$ 33,449	$ 3,152,383	$ (4,269)	$ 7,666,390
Adjustment on adoption of IFRS 16	*2, 36*	—	—	(835)	—	(835)
Balance, January 1, 2019	*2, 36*	$ 4,484,827	$ 33,449	$ 3,151,548	$ (4,269)	$ 7,665,555
Changes during the year:						
Net income		**—**	**—**	**775,834**	**—**	**775,834**
Other comprehensive loss	*15*	**—**	**—**	**—**	**(13,009)**	**(13,009)**
Unit-based compensation exercises, net of units repurchased for settlement of unit exercises	*15*	**23,085**	**(4,259)**	**—**	**—**	**18,826**
Units issued, net of issuance costs	*15*	**320,585**	**—**	**—**	**—**	**320,585**
Units purchased and cancelled	*15*	**(14,400)**	**—**	**(10,596)**	**—**	**(24,996)**
Unit-based compensation awards	*15*	**—**	**6,878**	**—**	**—**	**6,878**
Distributions to unitholders	*17*	**—**	**—**	**(444,462)**	**—**	**(444,462)**
Balance, December 31, 2019		**$ 4,814,097**	**$ 36,068**	**$ 3,472,324**	**$ (17,278)**	**$ 8,305,211**

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	2019	2018
Operating activities			
Net income from:			
Continuing operations		**$ 775,834**	$ 527,362
Discontinued operations		**—**	741
Net income		**775,834**	528,103
Items not affecting cash:			
Depreciation and amortization	*22*	**4,381**	4,575
Amortization of straight-line rent	*18*	**(8,880)**	(8,563)
Unit-based compensation expense	*15*	**6,478**	6,826
Income from equity-accounted investments	*5*	**(10,051)**	(11,174)
Fair value gains on investment properties, net	*4*	**(247,624)**	(18,304)
Deferred income tax expense (recovery)		**1,694**	(1,440)
Fair value gains on marketable securities	*19*	**(8,030)**	(16,472)
Transaction losses (gains), net on disposition of investment properties	*19*	**1,157**	(78)
Adjustments for changes in other working capital items	*30*	**53,769**	(79,468)
Cash provided by operating activities		**568,728**	404,005
Investing activities			
Acquisitions of investment properties		**(563,063)**	(63,181)
Construction expenditures on properties under development		**(463,766)**	(362,359)
Capital expenditures on income properties:			
Recoverable and non-recoverable costs		**(30,884)**	(25,541)
Tenant improvements and external leasing commissions		**(42,436)**	(34,032)
Proceeds from sale of investment properties		**480,296**	917,573
Earn-outs on investment properties		**(1,311)**	(930)
Contributions to equity-accounted investments	*5*	**(6,975)**	(11,533)
Distributions received from equity-accounted investments	*5*	**16,382**	9,180
Advances of mortgages and loans receivable		**(45,587)**	(45,964)
Repayments of mortgages and loans receivable		**31,374**	20,091
Investment in bonds, net of maturities		**158**	(2,880)
Proceeds from sale of marketable securities, net of selling costs	*19*	**44,000**	142,812
Lease payments received from finance lease		**2,088**	—
Cash provided by (used in) investing activities		**(579,724)**	543,236
Financing activities			
Proceeds from mortgage financing, net of issue costs		**452,000**	496,860
Repayments of mortgage principal		**(447,637)**	(586,511)
Advances from bank credit lines, net of issue costs		**886,799**	371,650
Repayment of bank credit lines		**(778,396)**	(363,140)
Proceeds from issuance of debentures, net of issue costs	*13*	**497,595**	298,323
Repayment of unsecured debentures	*13*	**(350,000)**	(250,000)
Distributions to common trust unitholders, net of distributions reinvested	*29*	**(442,953)**	(452,170)
Units repurchased under normal course issuer bid		**(24,996)**	(461,814)
Proceeds received from issuance of common units, net of issue costs and units repurchased for settlement of unit compensation exercises		**239,251**	4,034
Repayment of finance lease liabilities		**(1,849)**	—
Cash provided by (used in) financing activities		**29,814**	(942,768)
Net change in cash and cash equivalents		**18,818**	4,473
Cash and cash equivalents, beginning of year		**74,698**	70,225
Cash and cash equivalents, end of year		**$ 93,516**	$ 74,698
Supplemental cash flow information	*29*		

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

Audited - Canadian dollars, tabular amounts in millions, except per unit amounts or unless otherwise noted

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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 and 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 (Declaration) 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, 2019 and 2018 were authorized for issue by the Board of Trustees on February 19, 2020.

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 16, *Leases*, which has 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 for 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 during active development in accordance with the accounting policy in Note 3(c). Management's judgment is required in determining when a property is in active development, which generally begins when a development commences and ceases when a development is substantially completed.

Leases - Determination of lease term

The Trust determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised, including purchase options. At commencement date, the Trust determines as lessee or as lessor whether there is reasonable certainty that options to extend or cancel a lease will be exercised. To make this analysis, the Trust takes into account the extension terms of the contract including whether the extension is likely to be below market rent, the cost to cancel a lease and significant investments made on the property.

Leases - Classification, RioCan as 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. When RioCan has determined, based on an evaluation of terms and conditions of the lease arrangements, that the Trust retains all of 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 income tax rules and regulations and to determine 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

Classification of assets or a disposal group as held for sale 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 (including vacancy allowances, management fee and structural reserves) 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.

Net realizable value of residential inventory

Residential inventory is stated at the lower of cost and net realizable value. In calculating the net realizable value of residential inventory and assessing for impairment of condominium sales receivables, the Trust estimates the selling prices based on prevailing market prices, estimated cost to complete and selling costs.

Financial instruments

The Trust uses estimates and assumptions that affect the carrying amounts of certain financial instruments, these are described in Note 3(j). In addition, the Trust uses estimates and assumptions for determining the fair values of financial instruments for disclosure purposes (Note 25).

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 16, *Leases* (IFRS 16), which has been applied on a modified retrospective basis without restatement of comparatives. Refer to Note 36 for the transitional impacts and significant accounting polices which apply to comparative information for 2018. Any IFRS standards issued but not yet effective for the current accounting year are described in Note 3(y).

(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 a lease is classified as investment property, if it meets the definition of investment property. At the inception of these leases, investment property is recognized at 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, common area maintenance costs, property taxes and borrowing costs on both specific and general debt (Development Carrying Costs). Development Carrying Costs 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. Development Carrying Costs are 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 consists of 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 between residential inventory and investment property occur 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 based on management's intentions and there is observable evidence of a change in use.

(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) Leases

A. As a lessee

(i) Right-of-use (ROU) assets

The Trust recognizes ROU assets at the commencement date of the lease (i.e., the date the underlying asset is available to the Trust for use). As lessee, the Trust has used the practical expedient to combine lease and non-lease components for gross leases. ROU assets for property leases are accounted for under IAS 40 and are carried at fair value.

(ii) Lease liabilities

At the commencement date of the lease, the Trust recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments), variable lease payments that depend on an index or a rate and amounts expected to be paid under residual value guarantees, less any lease incentives receivable. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Trust and payments of penalties for terminating a lease, if the lease term reflects the Trust exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Trust uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

(iii) Short-term leases and leases of low-value assets

The Trust applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as an expense on a straight-line basis over the lease term.

B. As a lessor

When the Trust acts as a lessor, it determines and classifies each lease as a finance lease or operating lease at the lease commencement date.

When a lease transfers to the lessee substantially all the risk and rewards of ownership incidental to the ownership of the underlying asset, the lease is classified as a finance lease; otherwise, the lease is classified as an operating lease. To make this assessment, the Trust considers certain indicators including whether the lease is for the major part of the economic life of the asset or the present value of lease payments is substantially all the fair value of the underlying asset.

When the Trust is an intermediate lessor, it accounts for its interests in the head lease and sublease separately. The Trust assesses the sublease with reference to the ROU asset arising from the head lease.

If a lease arrangement contains lease and non-lease components, the Trust applies IFRS 15, *Revenue from Contracts with Customers* to allocate the consideration to the various components of the contract.

(i) Finance lease receivables

At the commencement date of a finance lease, the Trust recognizes a finance lease receivable at the amount of its net investment in the lease, which is measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments), variable lease payments that depend on an index or a rate and amounts expected to be paid under residual value guarantees, less any lease incentives payable. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the lessee and payments of penalties for terminating a lease, if the lease term reflects the lessee exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as rental revenue in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Trust uses the interest rate implicit in the lease, or in the case of a sublease if the rate is not readily determinable, the discount rate used for the head lease. After the commencement date, the amount of finance lease receivables is increased to reflect the accretion of interest and reduced for the lease payments received. In addition, the finance lease receivable is derecognized and impairment is measured in accordance with the expected credit loss model pursuant to IFRS 9, *Financial Instruments* (IFRS 9).

(g) 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 risks and rewards 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. Certain lease contracts or lease modifications may also include lease termination options and payments. RioCan records the total rental income on a straight-line basis, inclusive of lease termination payments if it is reasonably certain the tenant will exercise the lease termination option, over the full term of the lease contract or modified 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.

Straight-line rent is recalculated and adjusted for modifications to existing tenant operating leases.

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 in 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 date the tenant ceases to have the right to use the asset, if the lease termination payment was not included in the straight-line rent noted above.

Parking revenue

Parking revenue consists of 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.

(h) 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.

(i) 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.

(j) 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, derivative contracts and other accounts receivable. Financial liabilities include RioCan's operating lines of credit, mortgages payable, debentures payable, accounts payable, customer deposit liabilities, 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.

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(n) for further discussion regarding hedge accounting policies.

Financial Instruments	IFRS 9 Classification
Financial assets	
Cash and cash equivalents (i)	Amortized cost
Marketable securities (ii)	FVTPL
Other investments (ii)	FVTPL
Receivables and other assets (iii)	Amortized cost
Mortgages and loans receivable	Amortized cost or FVTPL
Interest rate swap assets (iv)	FVTPL
Financial liabilities	
Debentures payable	Amortized cost
Mortgages payable	Amortized cost
Lines of credit and other bank loans	Amortized cost
Interest rate swap liabilities (iv)	FVTPL
Accounts payable and other liabilities (v)	Amortized cost

(i) As at December 31, 2019, comprised of cash.

(ii) Included in receivables and other assets on the consolidated balance sheet.

(iii) Financial instruments in receivables and other assets that are classified as at amortized cost include net contractual rent receivable, amounts due on condominium final closings and funds held in trust.

(iv) Interest rate swaps are derivative financial instruments that are recorded at fair value on the consolidated balance sheet as interest rate swap assets or interest rate swap liabilities. The effective portion of the fair value gains (losses) is recorded in other comprehensive income as they are designated in an effective cash flow hedging relationship.

(v) Financial instruments in accounts payable and other liabilities that are classified as at amortized cost include accounts payable related to property operating costs, capital expenditures, leasing commissions, trade payables and accruals, and deposits received from customers on residential inventory.

The amortized cost method referenced in the table above uses an effective interest rate that discounts estimated future cash receipts or payments through the expected life of the financial asset or liability to the net carrying amount of the financial asset or liability.

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. 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 is 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

Financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense is recognized in profit or loss. Any modification that results in the substantially different terms or in a 10% change in carrying value is accounted for as an extinguishment or derecognition of the original financial liability and the recognition of a new financial liability. 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.

(k) 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, amounts due on condominium final closings and finance lease receivables. Under the general approach, the ECL model uses a staged methodology that 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, amounts due on condominium final closings and finance lease receivables are classified as impaired when there is objective evidence that the full carrying amount of the loans and receivables is not collectible.

ECLs for the mortgages and loans receivable, amounts due on condominium final closings, and finance lease receivables 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. Any changes in impairment are recognized in net income. Once these financial assets are 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 financial assets reflecting the time value of money are recognized and presented as interest income.

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, including assessing the viability of retail tenants.

Mortgages and loans receivable, amounts due on condominium closings, finance lease receivables and contractual rents receivable, 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.

(l) 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.

(m) 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.

(n) 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.

(o) 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.

(p) 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.

(q) 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

(r) 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.

(s) 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.

(t) 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.

(u) 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.

(v) 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.

(w) 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.

(x) Changes in accounting policies

IFRS 16, Leases (IFRS 16)

The Trust adopted IFRS 16 on its effective date of January 1, 2019, retrospectively with no restatement of comparative periods. IFRS 16 replaces IAS 17, *Leases* (IAS 17). On initial transition, RioCan as a lessee recorded additional lease liabilities of $17.0 million, increased the value of investment properties by $17.0 million and reduced prepaid rent in receivables and other assets by $0.1 million. As a lessor, RioCan recorded $32.7 million of finance lease receivables from sublease arrangements in receivables and other assets, derecognized $32.7 million from investment properties and reduced straight-line rent within investment properties by $0.8 million. The net impact to opening retained earnings was a reduction of $0.8 million. Prior periods have not been restated. Refer to Note 36, *Transition to IFRS 16,* for the impact on the opening consolidated balance sheet as at January 1, 2019 and for accounting policies under IAS 17, which were applicable in prior periods.

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 became effective on January 1, 2019. The implementation of these standards did not have a significant impact on the Trust.

IAS 19, Employee Benefits (IAS 19) - Amendments

In February 2018, the IASB issued amendments to IAS 19, *Employee Benefits.* The amendments address the accounting when a defined benefit plan amendment, curtailment or settlement occurs during the reporting period. The amendments became effective on January 1, 2019, and are applied prospectively. The implementation of these amendments did not 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. The amendments became effective on January 1, 2019. The amendments did not have a significant impact on the Trust's consolidated financial statements.

(y) 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 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.

Interbank Offered Rate (IBOR) Reform

The IASB published Phase 1 of its amendments to IFRS 9, *Financial Instruments* and IAS 39, *Financial Instruments: Recognition and Measurement*, as well as IFRS 7, *Financial Instruments: Disclosures* in September 2019, to provide relief from the potential effects of the uncertainty arising from Interbank Offered Rate (IBOR) reform, focusing in particular on the period prior to replacement of interbank offered rates. These amendments modify hedge accounting requirements, allowing the Trust to assume that the interest rate benchmark on which the cash flows of the hedged item and the hedging instrument are based are not altered as a result of IBOR reform, thereby allowing hedge accounting to continue. Mandatory application of the amendments ends at the earlier of when the uncertainty regarding the timing and amount of interest rate benchmark-based cash flows is no longer present and the discontinuation of the hedging relationship. Phase 2 of the IASB's project on IBOR is underway and will address transition to IBOR. The Phase 1 amendments are effective for the Trust's fiscal year beginning January 1, 2020, with early adoption permitted. Phase 1 amendments are not expected to impact the Trust's consolidated financial statements upon adoption. Disclosure of current hedging relationships is in Note 26.

Amendments to IFRS 3, Business Combinations (IFRS 3) - Definition of a Business

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 to help entities determine whether an acquired set of activities and assets is a business or not. The amendments clarify the minimum requirements for a business, removed the assessment of whether market participants are capable of replacing any missing elements, added guidance to help entities assess whether an acquired process is substantive, narrowed the definitions of a business and of outputs, and introduced an optional fair value concentration test. The amendments are effective January 1, 2020, with early adoption permitted. The amendments are applied prospectively to transactions or other events that occur on or after the date of first application, and are not expected to have a significant impact on the Trust's consolidated financial statements.

Amendments to IAS 1, Presentation of Financial Statements (IAS 1) and IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors (IAS 8) - Definition of Material

In October 2018, the IASB issued amendments to IAS 1 and IAS 8 to align the definition of "material" across the standards and to clarify certain aspects of the definition. The new definition states that, "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." These amendments are effective January 1, 2020. The amendments to the definition of material are not expected to have a significant impact on the Trust's consolidated financial statements.

Amendment to IAS 1, Presentation of Financial Statements - Classification of Liabilities as Current or Non-Current

In January 2020, the IASB issued amendments to paragraphs 69-76 of IAS 1 to clarify the requirements for classifying liabilities as current or non-current. The amendments specify that the conditions which exist at the end of a reporting period are those which will be used to determine if a right to defer settlement of a liability exists. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective January 1, 2022, with early adoption permitted. The amendments are to be applied retrospectively. Management is currently assessing the impact of this amendment.

4. INVESTMENT PROPERTIES

As at	**December 31, 2019**	December 31, 2018
Income properties	**$ 13,120,545**	$ 12,021,303
Properties under development	**1,238,582**	988,118
	$ 14,359,127	$ 13,009,421

Year ended December 31, 2019	**Income properties**	**Properties under development**	**Total** (v)
Balance, beginning of year	**$ 12,167,153**	**$ 1,036,495**	**$ 13,203,648**
Impact of change in accounting policy (iv)	**(16,465)**	**—**	**(16,465)**
Restated balance, beginning of year	**12,150,688**	**1,036,495**	**13,187,183**
Acquisitions	**822,671**	**118,541**	**941,212**
Dispositions	**(451,190)**	**(38,141)**	**(489,331)**
Development expenditures	**—**	**438,820**	**438,820**
Capital expenditures:			
Recoverable and non-recoverable expenditures	**39,460**	**—**	**39,460**
Leasing commissions and tenant improvements	**50,691**	**—**	**50,691**
Transfers, net (i)	**320,790**	**(320,790)**	**—**
Transfers to residential inventory (ii)	**—**	**(32,301)**	**(32,301)**
Fair value gains, net	**190,547**	**57,077**	**247,624**
Straight-line rent (iii)	**8,880**	**—**	**8,880**
Transfers to finance lease receivables	**(8,481)**	**—**	**(8,481)**
Other changes	**(3,511)**	**—**	**(3,511)**
Earn-out consideration	**—**	**681**	**681**
Balance, end of year	**$ 13,120,545**	**$ 1,260,382**	**$ 14,380,927**
Investment properties	**$ 13,120,545**	**$ 1,238,582**	**$ 14,359,127**
Properties held for sale	**—**	**21,800**	**21,800**
	$ 13,120,545	**$ 1,260,382**	**$ 14,380,927**

(i) During the year ended December 31, 2019, transfers to income properties from properties under development totalled $358.4 million reflecting completed developments. Transfers from income properties to properties under development totalled $37.6 million reflecting the commencement of active development on certain income properties during the year.

(ii) During the year ended December 31, 2019, a portion of Dufferin Plaza and Shopper's World Brampton were transferred to residential inventory from investment property as appropriate evidence of a change in use was established.

(iii) Included in investment properties is $111.1 million of net rents receivable arising from the recognition of rental revenue on a straight-line basis over the lease term (December 31, 2018 - $107.7 million).

(iv) Upon adoption of IFRS 16, certain tenant subleases were reclassified as finance lease receivables effective January 1, 2019. A portion of the investment properties was derecognized and finance lease receivables were recognized in its place for $32.7 million. In addition, $17.0 million of ROU assets were recognized as part of investment properties. Refer to Note 36.

(v) Included in investment properties are eleven properties held as ROU assets, effective January 1, 2019 upon the adoption of IFRS 16, including four leased properties that were previously recognized as investment property under an IAS 40 election and IAS 17. Refer to Note 9.

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 year.

(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 was 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).

Acquisitions

The following table summarizes the Trust's acquisitions of properties:

	Income properties		Properties under development and Residential inventory	
As at December 31,	**2019**	2018	**2019**	2018
Properties acquired during the year:				
Investment properties	**$ 822,671**	$ 105,223	**$ 118,541**	$ 14,846
Residential inventory properties	**—**	—	**—**	26,370
Total consideration	**822,671**	105,223	**118,541**	41,216
Debt assumed	**(194,152)**	(36,063)	**(65,288)**	—
Other liabilities assumed	**(13,726)**	—	**(5,506)**	—
Total consideration, net of liabilities assumed	**$ 614,793**	$ 69,160	**$ 47,747**	$ 41,216
Total consideration, net of liabilities assumed allocated to:				
Investment properties (i)	**614,793**	69,160	**47,747**	14,846
Residential inventory properties	**—**	—	**—**	26,370
Total	**$ 614,793**	$ 69,160	**$ 47,747**	$ 41,216

(i) Includes $100.0 million of equity issued to KingSett in connection with the acquisition of Yonge Sheppard Centre on August 30, 2019.

Investment properties acquisitions

Property name and location	Date acquired	Interest acquired	IPP Purchase price (i)	PUD Purchase price (i)	Debt and other liabilities assumed
2939 Bloor Street West, Toronto, ON	October 2, 2019	100.0%	$ 6,728	$ —	$ —
Charlottetown Mall Pad, Charlottetown, PEI	October 15, 2019	50.0%	1,210	—	—
Mayfield Common Shopping Centre, Edmonton, AB	December 17, 2019	50.0%	56,038	—	—
Total acquisitions for the three months ended December 31, 2019			$ 63,976	$ —	$ —
Jasper Gates, Edmonton, AB	August 19, 2019	100.0%	$ 8,911	$ —	$ —
Yonge Sheppard Centre, Toronto, ON (ii)	August 30, 2019	50.0%	279,311	112,009	152,020
2323 Yonge Street, Toronto, ON	September 26, 2019	50.0%	28,322	—	—
ePlace, Toronto, ON (iii)	September 26, 2019	50.0%	118,588	—	—
Erskine, Toronto, ON	September 26, 2019	50.0%	3,144	—	—
Total acquisitions for the three months ended September 30, 2019			$ 438,276	$ 112,009	$ 152,020
Stock Yards Village, Toronto, ON	April 12, 2019	50.0%	$ 92,071	$ —	$ —
2969 Bloor Street West, Toronto, ON	April 30, 2019	100.0%	2,129	—	—
Mill Woods Town Centre, Edmonton, AB	May 23, 2019	59.7%	66,894	4,773	33,410
Garden City Shopping Centre, Winnipeg, MB	June 6, 2019	70.0%	49,044	1,466	33,929
Shoppers City East, Gloucester, ON	June 26, 2019	17.2%	3,794	—	—
Total acquisitions for the three months ended June 30, 2019			$ 213,932	$ 6,239	$ 67,339
Upper James Square, Hamilton, ON	January 22, 2019	100.0%	$ 36,010	$ —	$ 14,193
Sage Hill Crossing, Calgary, AB	February 5, 2019	50.0%	70,477	—	45,120
Excess lands, Niagara, ON	March 29, 2019	30.0%	—	293	—
Total acquisitions for the three months ended March 31, 2019			$ 106,487	$ 293	$ 59,313
Total acquisitions for the year ended December 31, 2019			**$ 822,671**	**$ 118,541**	**$ 278,672**

(i) Purchase price includes transaction costs.

(ii) The Trust acquired the remaining 50.0% interest in Yonge Sheppard Centre for net purchase price of $357.7 million before $14.4 million transaction costs. The net purchase price is net of working capital adjustment of $19.2 million. Gross purchase price including transaction costs and working capital adjustments was $391.3 million.

In connection with the transaction, RioCan issued $100.0 million of equity with a one-year lock-up agreement commencing August 30, 2019 and assumed KingSett's share of property debt of $132.8 million, consisting of $67.5 million mortgages relating to the income-producing portion of the property and $65.3 million construction loan relating to the properties under development portion of the property. Subsequent to the transaction closing, RioCan used a portion of the net proceeds from its $500.0 million Series AB senior unsecured debenture issuance completed on August 12, 2019 to repay, without prepayment penalty, the entire $265.6 million of property debt for 100% of Yonge Sheppard Centre, including both the mortgage and construction loan outstanding at the time of repayment.

(iii) RioCan acquired the remaining 50% co-ownership interest in the residential rental component, eCentral, the retail component and 70 commercial parking stalls of the ePlace™ mixed-use development. The purchase price before transaction costs of $4.5 million was $114.1 million, determined based on cost plus $10.0 million for eCentral and a pre-agreed 7.0% capitalization rate on stabilized net operating Income (SNOI) for the retail component. Upon closing, RioCan now owns 100% of these respective components.

Purchase obligations

The Trust has agreed to purchase its partners' interest in the retail portion of the Yorkville project upon completion, currently estimated to be during 2024, at a 6.0% 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 to the first quarter of 2020. On January 9, 2020, the Trust acquired the remaining one-third interest in RioCan Marketplace as further discussed in Note 35.

RioCan has entered into an agreement to purchase a 50% co-ownership interest in a property in mid-town Toronto, for a purchase price of $35.0 million excluding transaction costs. The closing date is expected 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,	**2019**	2018	**2019**	2018
Total consideration	**$ 451,190**	$ 974,895	**$ 38,141**	$ 19,448
Mortgages associated with investment property dispositions	**—**	(58,870)	**—**	—
Vendor take-back mortgages receivable on dispositions	**(5,200)**	(9,525)	**—**	—
Total consideration, net of related debt	**$ 445,990**	$ 906,500	**$ 38,141**	$ 19,448

Income properties dispositions

For the year ended December 31, 2019, the Trust disposed of the following properties:

Property name and location	Date disposed	Ownership interest disposed of by RioCan	RioCan's sales proceeds
Place Newman, LaSalle, QC	October 9, 2019	100%	$ 24,550
Stratford Centre, Stratford, ON	November 7, 2019	100%	16,717
RioCan Centre Grande Prairie, Grande Prairie, AB	November 12, 2019	100%	54,745
Two property portfolio, Montreal, QC (i)	December 2, 2019	50%	18,248
Sherwood Forest Mall, London, ON	December 11, 2019	100%	33,450
Niagara Falls Plaza, Niagara Falls, ON	December 18, 2019	100%	17,000
Total sales proceeds of dispositions for the three months ended December 31, 2019			**$ 164,710**
Innes Road Plaza, Ottawa, ON	July 4, 2019	100%	$ 13,900
Windsor Portfolio, Windsor, ON (ii)	July 9, 2019	100%	29,894
Kildonan Crossing, Winnipeg, MB	July 19, 2019	100%	43,500
Goderich Walmart Centre, Goderich, ON	September 17, 2019	100%	12,000
RioCan Renfrew Centre, Renfrew, ON	September 20, 2019	100%	6,261
Niagara Square, Niagara Falls, ON (iii)	September 26, 2019	30%	7,500
Total sales proceeds of dispositions for the three months ended September 30, 2019			**$ 113,055**
Charlottetown Mall, Charlottetown, PEI	May 17, 2019	50.0%	$ 23,750
Tanger Outlets Bromont, Montreal, QC	May 31, 2019	50.0%	4,450
Total sales proceeds of dispositions for the three months ended June 30, 2019			**$ 28,200**
Shoppers on Topsail, St. John's, NL	January 10, 2019	100.0%	$ 5,850
Tillicum Centre, Victoria, BC	January 31, 2019	100.0%	109,975
RioCan Gravenhurst, Gravenhurst, ON	February 20, 2019	100.0%	29,400
Total sales proceeds of dispositions for the three months ended March 31, 2019			**$ 145,225**
Total sales proceeds of dispositions for the year ended December 31, 2019			**$ 451,190**

(i) Includes two properties: Centre Carnaval LaSalle, LaSalle, QC and Les Galeries Lachine, Lachine, QC.

(ii) Windsor Portfolio includes two properties: RioCan Centre Windsor, Windsor, ON and Walker Town Centre, Windsor, ON.

(iii) This disposition included both income-producing property and property under development related assets. RioCan provided a vendor take-back mortgage of $5.2 million related to this transaction.

For the year ended December 31, 2019, no debt was assumed by purchaser on disposition transactions.

Properties under development dispositions

During the three months ended September 30, 2019, the Trust sold a 50% interest one parcel of development land located in Mississauga, Ontario for total estimated sales proceeds of $14.9 million, of which $3.7 million is receivable upon final approved density for the development. Also, the Trust sold a 30% interest in excess lands in Niagara, Ontario, for sales proceeds of $0.3 million.

During the three months ended March 31, 2019, the Trust sold one parcel of development land located in Ottawa, Ontario for sales proceeds of $23.0 million.

Properties held for sale

Presented below are details of the Trust's properties held for sale:

As at	December 31, 2019	December 31, 2018
Assets		
Income properties	**$ —**	$ 145,850
Properties under development	**21,800**	48,377
Total assets held for sale	**$ 21,800**	$ 194,227

As at December 31, 2019, RioCan has two development properties held for sale with a carrying value of $21.8 million.

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

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 President & Chief Operating Officer, the Senior Vice President & Chief Financial Officer, and other executive members.

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.

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 32 external property appraisals (including 8 vacant land parcels), which supported an IFRS fair value of approximately $2.1 billion, or 15% of the Trust's investment property portfolio (at 100% interest), as at December 31, 2019. In 2020, 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 the following:

- 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 meets 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 the following:

- 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.
		Costs to complete	There is an inverse relationship between costs to complete and fair value; in other words, the higher the costs to complete, the lower the estimated value.
Properties under development - undeveloped land	Comparable sales approach	Market comparison	Land value is in line with market trends.

As at December 31, 2019, the weighted average capitalization rate for the Trust's investment properties and properties held for sale is 5.28% (December 31, 2018 - 5.49%).

Sensitivity analysis of changes in stabilized net operating income (SNOI), capitalization rates and costs to complete

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 variance
(1.00%)	4.28%	$ 3,451,827
(0.75%)	4.53%	2,430,398
(0.50%)	4.78%	1,526,680
(0.25%)	5.03%	722,560
December 31, 2019	**5.28%**	**—**
0.25%	5.53%	(650,555)
0.50%	5.78%	(1,242,500)
0.75%	6.03%	(1,782,743)
1.00%	6.28%	(2,275,276)

In addition, a 1% increase in SNOI would result in a higher portfolio fair value of $137.6 million. A 1% decrease in SNOI would result in a lower portfolio fair value of $136.6 million. A 1% increase in SNOI coupled with a 0.25% decrease in capitalization rates would result in a higher portfolio fair value of $867.1 million. A 1% decrease in SNOI coupled with a 0.25% increase in

capitalization rates would result in a lower portfolio fair value of $781.7 million. A 1% increase in costs to complete would result in a lower portfolio fair value of $3.9 million, and a 1% decrease in costs to complete would result in a higher portfolio fair value of $3.9 million.

5. EQUITY-ACCOUNTED INVESTMENTS AND JOINT ARRANGEMENTS

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, 2019**	December 31, 2018
Dawson-Yonge LP	Owns and operates an income property	**40.0%**	40.0%
RioCan-HBC JV	Owns and operates income properties	**12.6%**	12.5%
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, 2019:

Years ended December 31,	**2019**	2018
Balance, beginning of year	**$ 189,817**	$ 176,256
Contributions	**6,975**	11,533
Share of net income	**10,051**	11,174
Distributions	**(16,382)**	(9,180)
Other	**47**	34
Balance, end of year	**$ 190,508**	$ 189,817

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, 2019**			December 31, 2018		
	RioCan-HBC JV	Other	Total	RioCan-HBC JV	Other	Total
Current assets	**$ 4,679**	**$ 279,822**	**$ 284,501**	$ 4,621	$ 221,388	$ 226,009
Non-current assets (i)	**2,037,539**	**23,944**	**2,061,483**	2,028,739	23,427	2,052,166
Current liabilities (ii)	**10,006**	**88,225**	**98,231**	362,726	20,163	382,889
Non-current liabilities (iii)	**812,093**	**43,278**	**855,371**	418,151	72,884	491,035
Net assets	**$ 1,220,119**	**$ 172,263**	**$ 1,392,382**	$ 1,252,483	$ 151,768	$ 1,404,251
Equity-accounted investments	**$ 156,554**	**$ 33,954**	**$ 190,508**	$ 158,629	$ 31,188	$ 189,817

Year ended December 31,	**2019**			2018		
	RioCan-HBC JV	Other	Total	RioCan-HBC JV	Other	Total
Revenue	**$ 145,255**	**$ 56,989**	**$ 202,244**	$ 142,496	$ 3,424	$ 145,920
Operating expenses	**20,767**	**9,157**	**29,924**	24,333	8,033	32,366
Fair value gains (losses)	**(67,772)**	**547**	**(67,225)**	5,249	1,267	6,516
Interest expense	**39,042**	**425**	**39,467**	31,101	436	31,537
Net income (loss)	**$ 17,674**	**$ 47,954**	**$ 65,628**	$ 92,311	$ (3,778)	$ 88,533
Income (loss) from equity-accounted investments	**$ 2,208**	**$ 7,843**	**$ 10,051**	$ 11,357	$ (183)	$ 11,174

(i) Non-current assets include 10 investment properties and two finance lease receivables. During the year, RioCan-HBC JV obtained total of eight external valuations for investment properties, which supported an IFRS fair value of $1.6 billion, or 76.3% of the JV's investment property portfolio.

(ii) As at December 31, 2019, total current liabilities includes $77.0 million of mortgages payable and other loans.

(iii) Includes mortgages payable and lines of credit with maturities beyond twelve months.

Joint operations

RioCan has co-ownership interests in investment properties, where it has joint control and owns an undivided interest in the assets and liabilities with the co-owners, representing joint operations under IFRS 11. As at December 31, 2019, the Trust had 40 such joint operations, of which one is considered individually significant: The Well, located in Toronto, Canada, 50% ownership interest.

6. MORTGAGES AND LOANS RECEIVABLE

As at December 31,		2019		2018
Current	**$**	**9,818**	$	7,418
Non-current		**166,133**		156,596
Mortgages and loans receivable measured at amortized cost	**$**	**175,951**	$	164,014

As at December 31, 2019, mortgages and loans receivable bear interest at a weighted average effective and contractual rate of 6.3% per annum (December 31, 2018 - 6.4%) and mature between 2020 and 2028.

Future repayments of mortgages and loans receivables by year of maturity are as follows:

2020	$	9,818
2021		57,001
2022		7,525
2023		24,449
2024		—
Thereafter		77,158
	$	**175,951**

7. 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,		2019		2018
Balance, beginning of year	**$**	**206,123**	$	132,003
Acquisitions (i)		**—**		26,370
Dispositions		**(164,378)**		(19,828)
Development expenditures		**34,910**		62,564
Transfers from investment properties (ii)		**32,301**		5,014
Balance, end of year	**$**	**108,956**	$	206,123

(i) For the year ended December 31, 2018, 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.

(ii) During the year ended December 31, 2019, a portion of Dufferin Plaza and Shopper's World Brampton were transferred to residential inventory from investment property as appropriate evidence of a change in use was established.

During the year ended December 31, 2018, the 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 were marketed and sold as condominium units.

8. RECEIVABLES AND OTHER ASSETS

The following table details the Trust's receivables and other assets as at December 31, 2019 and December 31, 2018:

As at December 31,		**2019**						2018				
		Current		Non-current		Total		Current		Non-current		Total
Prepaid expenses and other assets	**$**	**51,006**	**$**	**25,218**	**$**	**76,224**	$	85,336	$	18,294	$	103,630
Net contractual rents receivable		**33,048**		**—**		**33,048**		17,043		—		17,043
Finance lease receivable (i)		**2,717**		**36,402**		**39,119**		—		—		—
Amounts due on condominium final closings		**45,405**		**—**		**45,405**		17,863		—		17,863
Funds held in trust		**8,816**		**20,872**		**29,688**		7,642		1,660		9,302
Interest rate swaps agreements		**328**		**2,611**		**2,939**		—		4,288		4,288
	$	**141,320**	**$**	**85,103**	**$**	**226,423**	$	127,884	$	24,242	$	152,126

(i) Refer to Note 2 and Note 9 for further details.

Prepaid expenses and other assets

Prepaid expenses and other assets primarily include marketable securities, other investments, prepaid property taxes, office furniture and equipment, and management information system.

RioCan pays certain upfront non-refundable selling commissions with respect to the sale of residential inventory. As at December 31, 2019, included in other assets are $0.5 million of non-refundable sales commissions the Trust has paid with

respect to the sale of condominium units and townhouses (December 31, 2018 - $4.2 million), where it is probable that future economic benefits will flow to the Trust. No amortization prior to the recognition of revenue is recognized but, rather, a charge to net income occurs when 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,		2019		2018
Balance, beginning of year	**$**	**4,216**	$	3,806
Additions		**3,902**		989
Selling commissions expensed during the year		**(7,596)**		(579)
Balance, end of year	**$**	**522**	$	4,216

During the year ended December 31, 2019, $3.9 million of additions in selling commissions related to condominium and townhouse sales and $7.6 million of selling commissions were expensed as buyers took possession of their respective residential inventory units.

Contractual rents receivable

Contractual rents receivable, including common area maintenance, realty tax, and insurance recoveries, are presented net of an allowance for doubtful accounts of $1.4 million as at December 31, 2019 (December 31, 2018 - $1.1 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.

9. LEASES

A. As lessee

Real estate leases

Included in investment properties are eleven properties held as ROU assets, effective January 1, 2019 upon the adoption of IFRS 16, including four leased properties that were previously recognized as investment property under an IAS 40 election and IAS 17. These ROU assets are initially measured at an amount equal to the lease liability and subsequently measured at fair value.

In accordance with IFRS, the Trust has recognized ROU assets in investment properties arising from leases of land and/or buildings as lessee, and recorded a related lease liability.

The real estate lease may be a lease for a portion of a property (including access roads and parking lots) or the entire property (including land and building). The carrying value of total investment properties related to these leases, including the portions relating to RioCan's leasehold building interests, other property or related property interests, and excluding sublease finance lease receivables (see below RioCan as lessor - finance lease receivable) is $500.4 million. The corresponding lease liability in accounts payable and other liabilities is $35.4 million.

At December 31, 2018, the Trust had elected under IAS 40 and IAS 17 to recognize four leased properties as investment properties and finance leases. The carrying value of the investment property inclusive of related leasehold building interests and other property or related property interests was $259.7 million and the corresponding lease liability was $20.1 million.

Future lease payments under these leases are as follows:

		December 31, 2019
Within twelve months	**$**	**3,577**
Two to five years		**12,374**
Over five years		**66,141**
Total future lease payments (inclusive of renewal options) (i)	**$**	**82,092**
Less: Future interest costs		**46,712**
Present value of lease payments (inclusive of renewal options)	**$**	**35,380**

(i) Includes all renewal options at current fixed payment amounts, excludes variable rent payments (percentage rent) on two properties.

The following are the amounts recognized in net income:

		December 31, 2019
Interest expense on lease liabilities	$	**(2,003)**
Income from subleasing ROU assets (i)		**22,180**
Office equipment lease payments		**(1,308)**

(i) Includes variable lease payments and excludes finance lease interest income, disclosed below as lessor.

During the year ended December 31, 2019, the Trust had total cash outflows for leases, including office equipment lease payments and variable lease payments, of $6.1 million.

B. As lessor

Finance lease receivable

RioCan has real estate subleases that are classified as finance leases upon the adoption of IFRS 16 effective January 1, 2019, and that are included in receivables and other assets on the consolidated balance sheet.

The following table shows the change in finance lease receivables during the year:

Years ended December 31,		2019
Balance, beginning of year	$	**—**
Adjustment on adoption of IFRS 16		**32,726**
Balance as at Jan 1, 2019	$	**32,726**
New sublease arrangements classified as finance leases		**8,481**
Repayments of finance lease receivables		**(2,088)**
Balance, end of year	$	**39,119**

Future minimum lease payments under these finance leases for the first five years and remaining thereafter are as follows:

As at December 31,		2019
2020	$	**4,895**
2021		**4,922**
2022		**5,025**
2023		**5,100**
2024		**5,251**
Thereafter		**26,564**
Total minimum lease payments	$	**51,757**
Less: Future interest income		**12,638**
Present value of minimum lease payments	$	**39,119**

Lease commitments

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,		2019
2020	$	**679,192**
2021		**608,167**
2022		**538,365**
2023		**459,587**
2024		**374,461**
Thereafter		**1,418,830**
Total	$	**4,078,602**

Supplemental lease disclosures in addition to Note 18 regarding income from lease contracts in which the Trust is a lessor is as follows:

		December 31, 2019
Variable lease payments (i)	$	**6,536**
Interest income from finance subleases		**1,954**

(i) Variable lease payments include percentage rent and contractual rent credits, for tenant operating and finance leases, and subleases.

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, 2019, the Trust's Canadian corporate subsidiaries have recognized deferred income tax assets totalling $12.0 million (December 31, 2018 - $13.3 million) on deductible temporary differences related to intangible assets, deferred pension, deferred compensation and loss carryforwards that expire over the next 17 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,		2019		2018
Revolving unsecured operating line of credit	$	**339,446**	$	350,190
Non-revolving unsecured credit facilities		**699,101**		349,459
Construction lines and other bank loans		**48,172**		213,481
	$	**1,086,719**	$	913,130
Current	$	**30,120**	$	363,394
Non-current		**1,056,599**		549,736
	$	**1,086,719**	$	913,130

Revolving unsecured operating line of credit

RioCan had a drawn balance of $342.0 million and $658.0 million of credit availability to be drawn from this revolving unsecured operating line of credit at December 31, 2019. The weighted average contractual interest rate on amounts drawn under this facility was 3.19% (December 31, 2018 - 3.41%).

During the year ended December 31, 2019 the Trust exercised its option to extend the maturity date on its operating line of credit to May 31, 2024. 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, and bearing interest at a rate of Bankers' Acceptances plus 110 basis points per annum. On January 7, 2019, 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), with an initial maturity date of December 27, 2019 and an initial interest rate of Bankers' Acceptances plus 100 basis points per annum. On February 7, 2019, 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.

On February 7, 2019, 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). 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%.

As of December 31, 2019, all of the Trust's non-revolving unsecured credit facilities are fully drawn.

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 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. As at December 31, 2019, these secured facilities and other bank loans have an aggregate maximum borrowing capacity of $106.5 million (December 31, 2018 - $311.4 million) and mature in 2020 and 2021, of which the Trust had drawn $48.2 million (December 31, 2018 - $213.5 million). The weighted average contractual interest rate on amounts outstanding is 2.93% (December 31, 2018 - 3.36%).

On August 30, 2019, upon acquiring KingSett's 50% co-ownership interest in Yonge Sheppard Centre, the Trust repaid $130.6 million (at 100% ownership) of construction financing.

On September 26, 2019, approximately$145.7 million of construction financing for ePlace (at RioCan’s interest in the co-owned project) was repaid.

12. MORTGAGES PAYABLE

Mortgages payable, net of deferred financing costs, consist of the following:

As at December 31,	**2019**	2018
Current	**$ 503,891**	$ 310,217
Non-current	**1,908,560**	1,908,053
	$ 2,412,451	$ 2,218,270

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
2020	3.64%	$ 34,053	$ 469,838	$ 503,891
2021	4.38%	24,808	325,085	349,893
2022	3.34%	21,215	156,990	178,205
2023	3.48%	19,183	273,889	293,072
2024	3.45%	13,415	228,361	241,776
Thereafter	3.49%	34,268	808,812	843,080
	3.63%	$ 146,942	$ 2,262,975	$ 2,409,917
Unamortized differential between contractual and market interest rates on liabilities assumed at the acquisition of properties				6,338
Unamortized debt financing costs, net of premiums and discounts				(3,804)
				$ 2,412,451

As at December 31, 2019, total mortgages payable bear interest at weighted average contractual rate of 3.63% and a weighted average effective rate of 3.67% (December 31, 2018 - 3.84% and 3.83%, respectively), which are maturing between 2019 and 2034.

During the year ended December 31, 2019, RioCan completed new term mortgage borrowings of $452.0 million at a weighted average interest rate of 3.14% and a weighted average term of 10 years. During the year ended December 31, 2019, repayments of mortgage balances and scheduled amortization amounted to $447.6 million, and $194.2 million of mortgage financing was assumed pursuant to completed acquisitions at a weighted average interest rate of 3.40%.

Pledged properties

As at December 31, 2019, $5.6 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, 2018 - $5.4 billion).

13. DEBENTURES PAYABLE

As at December 31,		**2019**		2018
Current	**$**	**400,000**	$	350,000
Non-current		**2,491,648**		2,392,633
	$	**2,891,648**	$	2,742,633

As at December 31, 2019, total debentures payable bear interest at weighted average contractual rates of 3.12% and a weighted average effective rate of 3.31% (December 31, 2018 - 3.31% and 3.40%, respectively).

Issuance and redemption activity

On August 12, 2019, RioCan issued $500.0 million of Series AB senior unsecured debentures. The debentures were issued at par, carry a coupon rate of 2.576% per annum and will mature on February 12, 2025.

On June 28, 2019, RioCan redeemed, in full, its $350.0 million 3.85% Series Q senior unsecured debentures in accordance with their terms.

The Trust has the following series of senior unsecured debentures outstanding as at December 31 :

Series	Maturity date	Coupon rate	Interest payment frequency		**2019**		2018
Q	June 28, 2019	3.85%	Semi-annual	**$**	**—**	$	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**		300,000
W	February 12, 2024	3.29%	Semi-annual		**300,000**		300,000
AB	February 12, 2025	2.58%	Semi-annual		**500,000**		—
I	February 6, 2026	5.95%	Semi-annual		**100,000**		100,000
Contractual obligations				**$**	**2,900,000**	$	2,750,000

Future repayments are as follows:

		Weighted average contractual interest rate		Principal maturities
Years ending December 31:	2020	2.72%	$	400,000
	2021	2.89%		550,000
	2022	3.25%		550,000
	2023	3.42%		500,000
	2024	3.29%		300,000
	Thereafter	3.14%		600,000
Contractual obligations				2,900,000
Unamortized debt financing costs				(8,352)
			$	2,891,648

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, 2019, 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, 2019**			December 31, 2018		
	Current	Non-current	Total	Current	Non-current	Total
Property operating costs (i)	**$ 57,754**	**$ 30,734**	**$ 88,488**	$ 56,171	$ 27,054	$ 83,225
Capital expenditures and leasing commissions:						
Properties under development	**132,876**	**—**	**132,876**	144,325	—	144,325
Income properties	**36,160**	**—**	**36,160**	18,400	—	18,400
Deferred revenue	**30,609**	**21,897**	**52,506**	64,533	1,578	66,111
Unitholder distributions payable	**38,121**	**—**	**38,121**	36,612	—	36,612
Interest payable	**28,902**	**—**	**28,902**	23,187	—	23,187
Lease liability (ii)	**1,740**	**33,640**	**35,380**	1,534	18,530	20,064
Income taxes payable	**13,838**	**—**	**13,838**	14,532	—	14,532
Unfunded employee future benefits	**—**	**14,969**	**14,969**	—	13,879	13,879
Unit-based plans payable	**—**	**8,560**	**8,560**	4,917	6,461	11,378
Contingent consideration	**4,521**	**—**	**4,521**	5,151	—	5,151
Interest rate swap agreements	**285**	**18,134**	**18,419**	25	7,779	7,804
Other trade payables and accruals	**19,557**	**—**	**19,557**	18,674	—	18,674
	$ 364,363	**$ 127,934**	**$ 492,297**	$ 388,061	$ 75,281	$ 463,342

(i) Includes amounts billed in advance for common area maintenance, realty taxes and insurance recoveries.

(ii) Includes additional lease liabilities on transition of IFRS 16, effective January 1, 2019. Refer to Note 2, Note 9 and Note 36 for further details.

Deferred revenue

Deferred revenue consists of the following:

As at	**December 31, 2019**	December 31, 2018
Deposits received on residential inventory sales (contract liabilities)	**$ 21,897**	$ 39,780
Other deferred revenue (i)	**30,609**	26,331
	$ 52,506	$ 66,111

(i) Includes prepaid rental income from tenants to be recognized over time.

Deposits received from customers on residential inventory sales (contract liabilities)

The following table shows the change in deposits received from customers (contract liabilities):

As at	**December 31, 2019**	December 31, 2018
Balance, beginning of year	**$ 39,780**	$ 41,926
Amounts deferred from new contracts with customers during the year	**25,414**	3,445
Recognized as revenue during the year	**(43,297)**	(5,591)
Balance, end of year	**$ 21,897**	$ 39,780

During the year ended December 31, 2019, $43.3 million of deposits received from customers on condominium and townhouse sales (contract liabilities) were recognized in revenue upon the purchasers taking possession of units (December 31, 2018 - $5.6 million).

Income taxes payable

Income taxes payable relates primarily to the realized gain on sale of the Trust's 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:

Year ended December 31	**2019**		2018	
	Units	$	Units	$
Balance, beginning of year	**305,097**	**4,484,827**	323,734	4,757,071
Units issued:				
Private placement issued pursuant to an investment property acquisition (i)	**3,810**	**100,000**	—	—
Public offering, net of issuance costs	**8,935**	**220,188**	—	—
Unit-based compensation exercises, net of units repurchased for settlement of unit exercises	**833**	**23,085**	268	5,105
Direct purchase plan	**15**	**397**	21	515
Exchangeable limited partnership units	**—**	**—**	31	730
Common trust units repurchased and cancelled	**(980)**	**(14,400)**	(18,957)	(278,594)
Balance, end of year	**317,710**	**4,814,097**	305,097	4,484,827

(i) On August 30, 2019, in connection with the purchase of Yonge Sheppard Centre, RioCan issued 3,809,523 units with $100.0 million gross proceeds to KingSett, with a one-year lock-up agreement commencing August 30, 2019 whereby KingSett has agreed that it will not, without the prior consent of RioCan, sell or enter into an arrangement to sell the units within the one-year lock-up period. Refer to Note 4 for further details.

Included in units outstanding as at December 31, 2019 are exchangeable limited partnership units totalling 0.5 million units (December 31, 2018 - 0.5 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.

Public offering

On October 28, 2019, RioCan issued an aggregate of 8.9 million common trust units at a price of $25.75 per unit for aggregate gross proceeds of $230.1 million (inclusive of 1.2 million units issued pursuant to the exercise in full of the underwriters' over-allotment option). Unit issue costs associated with the offering were approximately $9.9 million.

Normal course issuer bid (NCIB)

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 the public float of 305,798,689 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, subject to RioCan’s ability to make one block purchase of units per calendar week that exceeds such limits.

On October 15, 2019, RioCan received TSX approval of its notice of intention to renew its NCIB (the "2019/2020 NCIB"), to acquire up to a maximum of 30,724,496 of its units, or approximately 10% of its outstanding units as at September 30, 2019, for cancellation over the next 12 months, effective October 22, 2019.

The number of units that can be purchased pursuant to the 2019/2020 NCIB is subject to a current daily maximum of 145,737 units (which is equal to 25% of 582,948, being the average daily trading volume from April 1, 2019 to September 30, 2019, 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, 2019, the Trust acquired and cancelled 979,638 units at a weighted average purchase price of $25.51 per unit, for a total cost of $25.0 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 $10.6 million.

Contributed surplus

RioCan and its consolidated subsidiaries introduced restricted equity plans (REU Plans) and a performance equity plan (PEU Plan) in 2017 as described in Note 16. The awards issued under these plans 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, 2019, RioCan recorded $6.5 million in unit-based compensation costs and $0.4 million of deferred tax recovery, respectively (December 31, 2018 - $6.8 million and nil, respectively).

Accumulated other comprehensive income (loss)

Accumulated other comprehensive income (loss) as at and for the year ended December 31, 2019 consists of the following amounts:

	Actuarial loss on pension plan (i)	Interest rate swap agreements (hedge reserve)	Equity accounted Investments	Total
As at January 1, 2019	**$ (1,117)**	**$ (3,003)**	**$ (149)**	**$ (4,269)**
Other comprehensive loss	**(972)**	**(11,986)**	**(51)**	**(13,009)**
As at December 31, 2019	**$ (2,089)**	**$ (14,989)**	**$ (200)**	**$ (17,278)**

(i) Amounts presented are net of deferred taxes of $0.7 million (December 31, 2018 - $0.4 million).

16. UNIT-BASED COMPENSATION PLANS

Restricted Equity Unit Plans (REU Plans)

Senior Executive REU Plan

As at December 31, 2019, 178,800 Senior Executive REUs are outstanding (December 31, 2018 - 121,352), of which 56,833 are vested (December 31, 2018 - 41,155). The Senior Executive REU Plan provides for the allotment of REUs to the Chief Executive Officer (CEO), President and Chief Operating Officer, 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 withholdings.

On February 22, 2019, the Trust granted 70,224 REUs under its Senior Executive REU Plan. The grant date price was $25.28 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 $1.8 million.

Employee REU Plan

As at December 31, 2019, 232,926 Employee REUs are unvested and outstanding (December 31, 2018 - 189,618). The Employee REU Plan 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 the delivery of an equivalent number of common trust units purchased on the secondary market, net of applicable withholdings.

On February 22, 2019, the Trust granted 93,829 REUs under its Employee REU Plan. The grant date price was $25.28 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 $2.4 million.

Performance Equity Unit Plan (PEU Plan)

As at December 31, 2019, 416,737 PEUs are unvested and outstanding (December 31, 2018 - 443,821). PEUs are awarded to certain officers and senior management of the Trust, subject to Board approval. Each PEU notionally represents the value of one unit of the Trust on the date of grant. PEUs issued contain a multiplier factor and the final number of PEUs that will vest may range from 0% to 200% of the initial number awarded based on certain three year performance targets of each grant year. 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.

The PEUs vest on the Financial Statement Approval Date immediately following the last year in the three-year performance period and are generally settled within 30 days after the vesting date by the delivery of an equivalent number of common trust units to be acquired on the secondary market, net of applicable withholdings.

During February 2019, the Trust granted 142,576 PEUs under its PEU Plan at a fair value of $3.3 million. The grant date fair value assumptions using the Monte-Carlo valuation model are as follows:

As at		December 31, 2019
Fair value of PEUs granted	$	**3,266**
PEUs granted (in thousands)		**143**
Grant date fair value per unit	$	**22.84**
Expected risk-free interest rate (i)		**1.8%**
Expected unit price volatility (ii)		**12.4%**
Initial total unitholder return (iii)		**6.1%**

(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 subject to an internal cumulative funds from operations (FFO) growth performance hurdle and half are subject to a relative TUR performance hurdle where vesting is dependent upon RioCan's total unitholder return (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, 2019 to February 22, 2019.

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, 2019, 12.5 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. 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. Effective January 1, 2017, subject to the Board's discretion, the Trust reduced the frequency of unit option grants to a maximum of every other year. The unit option program was not cancelled altogether to permit the Board to grant options as it determines in the best interest of the Trust. During March 2019, the Trust granted 0.4 million unit options at an exercise price of $26.49 per unit to senior management (December 31, 2018 - 0.7 million).

The weighted average assumptions used in the calculation of the units granted for the years ended December 31, 2019 and 2018 using the Black-Scholes option valuation model are as follows:

Years ended December 31,		2019		2018
Fair value of unit options granted	$	**404**	$	657
Unit options granted (in thousands)		**400**		650
Unit option exercise price	$	**26.49**	$	24.00
Expected risk-free interest rate (i)		**1.5%**		2.1%
Expected distribution yield (ii)		**5.5%**		6.1%
Expected unit price volatility (iii)		**13.9%**		14.6%
Expected option life (years) (iv)		**5.6**		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 historical 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.

Unvested unit options granted prior to January 1, 2019, 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:

	2019		2018	
Options	**Units (in thousands)**	**Weighted average exercise price**	Units (in thousands)	Weighted average exercise price
Outstanding, beginning of year	**7,910**	**$ 26.53**	7,775	$ 26.47
Granted	**400**	**26.49**	650	24.00
Exercised	**(833)**	**23.92**	(238)	17.94
Expired	**(568)**	**27.89**	—	—
Forfeited and/or cancelled	**(542)**	**26.98**	(277)	26.27
Outstanding, end of year	**6,367**	**$ 26.71**	7,910	$ 26.53
Options exercisable at end of year	**5,221**	**$ 27.00**	6,251	$ 26.75
Average fair value per unit of options granted during the year		**$ 1.01**		$ 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,	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
12.15 to 24.93	**606**	945	**$23.98**	$23.07	**7.5**	6.5	**193**	345	**$23.94**	$21.46
24.94 to 26.53	**1,959**	2,136	**25.82**	25.58	**6.2**	5.3	**1,231**	1,361	**25.62**	25.47
26.54	**905**	1,140	**26.54**	26.54	**3.3**	3.8	**905**	1,140	**26.54**	26.54
26.55 to 27.50	**1,078**	1,339	**27.24**	27.28	**3.0**	3.7	**1,073**	1,316	**27.24**	27.28
27.51 to 27.69	**1,033**	1,304	**27.59**	27.58	**3.8**	4.5	**1,033**	1,304	**27.59**	27.58
27.70 to 30.00	**786**	1,046	**29.31**	29.31	**5.2**	5.1	**786**	785	**29.31**	29.31
	6,367	7,910	**$26.71**	$26.53	**4.9**	4.8	**5,221**	6,251	**$27.00**	$26.75

Trustee Unit Plan

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 is 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 that 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. Trustees have up to two years after ceasing to be a Trustee to redeem units. The maximum number of units reserved for issuance under the Deferred Unit Plan at any time is 750,000.

As at December 31, 2019, there are 319,506 deferred units vested and outstanding (December 31, 2018 - 272,269). During the year ended December 31, 2019, 57,936 units were granted and 26,892 units were exercised (December 31, 2018 - 61,347 units granted and 30,384 units exercised).

17. DISTRIBUTIONS TO UNITHOLDERS

Total distributions declared to unitholders are as follows:

	2019		2018	
Year ended December 31,	Total distributions	Distributions per unit	Total distributions	Distributions per unit
Common unitholders	**$ 444,462**	**$ 1.4400**	$ 450,743	$ 1.4400

On January 15, 2020, RioCan declared a distribution payable of 12.00 cents per unit for the month of January 2020, which was paid on February 7, 2020 to common trust unitholders of record as at January 31, 2020.

18. REVENUE

Rental revenue

Years ended December 31,		**2019**		2018
Base rent	**$**	**684,383**	$	695,187
Realty tax and insurance recoveries		**217,984**		227,772
Common area maintenance recoveries		**164,921**		158,361
Percentage rent		**6,719**		8,853
Straight-line rent		**8,880**		8,563
Lease cancellation fees		**7,903**		7,932
Parking revenue		**2,937**		3,492
Rental revenue	**$**	**1,093,727**	$	1,110,160

The following tables provide additional disclosure of the Trust`s various revenue streams.

Revenue from contracts with customers

Revenue from contracts with customers includes common area maintenance recoveries and parking revenue that are included in rental revenue:

Years ended December 31,		**2019**		2018
Residential inventory sales	**$**	**208,965**	$	22,264
Common area maintenance recoveries		**164,921**		158,361
Property management and other service fees		**23,633**		15,418
Parking revenue		**2,937**		3,492
Revenue from contracts with customers	**$**	**400,456**	$	199,535

Property management and other service fees

Property management and other service fees consist of the following:

Years ended December 31,		**2019**		2018
Property management fees (i)	**$**	**4,728**	$	4,383
Construction and development fees (i)		**10,431**		5,392
Leasing fees (ii)		**672**		1,007
Financing arrangement fees (ii)		**5,423**		1,195
Other (iii)		**2,379**		3,441
Property management and other service fees	**$**	**23,633**	$	15,418

(i) Recognized over time.

(ii) Recognized at a point in time.

(iii) $0.2 million is recognized over time and $2.2 million is recognized at a point in time for the year ended December 31, 2019 (December 31, 2018 - $0.7 million and $2.8 million, respectively).

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, 2019:

As at		**December 31, 2019**		December 31, 2018
Within one year	**$**	**396**	$	199,894
More than one year		**327,111**		5,226
Total	**$**	**327,507**	$	205,120

19. INVESTMENT AND OTHER INCOME

Years ended December 31,		2019		2018
Income earned on marketable securities	$	859	$	2,998
Fair value gains on marketable securities		8,030		16,472
Transaction gains (losses) and other income (losses)		(1,157)		846
	$	7,732	$	20,316

The following table breaks down the fair value gains (losses) on marketable securities for the years ended December 31, 2019 and 2018:

Year ended December 31,		2019		2018
Realized gains on sale of marketable securities during the year	$	23,667	$	59,239
Change in unrealized fair value on marketable securities during the year		(15,637)		(42,767)
Fair value gains on marketable securities during the year	$	8,030	$	16,472

20. INTEREST INCOME

Years ended December 31,		2019		2018
Interest income measured at amortized cost	$	11,032	$	9,624
Interest income measured at fair value through profit or loss		—		1,315
Other interest income (i)		5,884		513
	$	16,916	$	11,452

(i) Includes interest from finance subleases of $2.0 million for the year ended December 31, 2019, upon the adoption of IFRS 16 on January 1, 2019.

21. INTEREST COSTS

Years ended December 31,		2019		2018
Total interest (i)	$	216,249	$	206,743
Less: Interest capitalized		(33,469)		(38,444)
	$	182,780	$	168,299

(i) Includes interest from lease liabilities of $2.0 million for the year ended December 31, 2019.

For the year ended December 31, 2019, interest was capitalized to properties under development and residential inventory at a weighted average effective interest rate of 3.51%, respectively (year ended December 31, 2018 - 3.46%, respectively).

22. GENERAL AND ADMINISTRATIVE

Years ended December 31,		2019		2018
Salaries and benefits	$	22,311	$	29,212
Unit-based compensation expense		5,358		7,070
Depreciation and amortization		4,381		4,575
Other general and administrative		14,764		15,142
	$	46,814	$	55,999

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, 2019, transaction and other costs primarily include property acquisition and disposition costs totalling $12.8 million (December 31, 2018 - $20.0 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,		2019		2018
Net income attributable to unitholders	**$**	**775,834**	$	528,103
Less: Net income from discontinued operations		**—**		741
Net income attributable to unitholders from continuing operations	**$**	**775,834**	$	527,362
Weighted average common units outstanding (in thousands):				
Basic		**307,683**		313,936
Dilutive effect of common unit options (i)		**96**		88
Diluted		**307,779**		314,024
Net income per unit (basic):				
Continuing operations	**$**	**2.52**	$	1.68
Discontinued operations		**—**		—
	$	**2.52**	$	1.68
Net income per unit (diluted):				
Continuing operations	**$**	**2.52**	$	1.68
Discontinued operations		**—**		—
	$	**2.52**	$	1.68

(i) The calculation of diluted weighted average units outstanding excludes 4.6 million unit options for the year ended December 31, 2019 (December 31, 2018 - 7.6 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, 2019			December 31, 2018		
As at	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets measured at fair value:						
Marketable securities	**$ 18,123**	**$ —**	**$ —**	$ 54,092	$ —	$ —
Other investments	**—**	**5,693**	**2,236**	—	5,555	1,835
Investment properties:						
Income properties	**—**	**—**	**13,120,545**	—	—	12,021,303
Properties under development	**—**	**—**	**1,238,582**	—	—	988,118
Properties held for sale	**—**	**—**	**21,800**	—	—	194,227
Interest rate swaps	**—**	**2,939**	**—**	—	4,288	—
Total assets measured at fair value	**$ 18,123**	**$ 8,632**	**$ 14,383,163**	$ 54,092	$ 9,843	$ 13,205,483
Liabilities measured at fair value:						
Interest rate swaps	**—**	**18,419**	**—**	—	7,804	—
Total liabilities measured at fair value	**$ —**	**$ 18,419**	**$ —**	$ —	$ 7,804	$ —

For assets and liabilities measured at fair value as at December 31, 2019, there were no transfers between Level 1, Level 2 and Level 3 during the year. 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 4 for details on the changes in beginning and ending balances.

Fair value of financial instruments

The following presents the carrying values and fair values of the Trust's financial instruments, excluding those classified as at amortized cost whose carrying value reasonably approximates their fair value and lease liabilities:

	December 31, 2019		December 31, 2018	
As at	Carrying value	Fair value	Carrying value	Fair value
Financial assets:				
Marketable securities	**$ 18,123**	**$ 18,123**	$ 54,092	$ 54,092
Other investments	**7,929**	**7,929**	7,390	7,390
Finance lease receivables	**39,119**	**39,119**	—	—
Mortgages and loans receivable	**175,951**	**175,635**	164,014	163,488
Interest rate swap assets	**2,939**	**2,939**	4,288	4,288
Financial liabilities:				
Mortgages payable (i)	**$ 2,412,451**	**$ 2,450,273**	$ 2,218,270	$ 2,241,987
Debentures payable	**2,891,648**	**2,943,585**	2,742,633	2,744,140
Lines of credit and other bank loans	**1,086,719**	**1,086,719**	913,130	913,130
Interest rate swap liabilities	**18,419**	**18,419**	7,804	7,804

(i) Includes liabilities held for sale.

The fair values of the Trust's financial instruments were determined as follows:

Finance lease receivables

The fair value of finance lease receivables is determined by the discounted cash flow method using applicable inputs such as prevailing discount rates. Fair value measurements of these instruments were estimated using Level 3 inputs.

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, 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 receivables and other assets and accounts payable and other liabilities on the consolidated balance sheet 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 and credit 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, 2019, approximately 6.1% (December 31, 2018 - 15.8%) of the Trust's debt is financed at variable rates (including mortgage debt related to properties held for sale, if applicable, and excluding debt that has been hedged to fixed rates), exposing the Trust to interest rate risk.

From time to time, the Trust may enter into floating-for-fixed interest rate swaps as part of its strategy for managing 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, 2019, the outstanding notional amount of the floating-for-fixed interest rate swaps is $1.3 billion (December 31, 2018 - $764.4 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 outstanding principal amount		Weighted average effective fixed interest rate
2020	$	119,404	2.78%
2021		45,909	4.12%
2022		57,600	2.86%
2023		400,470	3.42%
2024		527,808	3.35%
Thereafter		156,000	3.52%
	$	1,307,191	

The Trust assessed the effectiveness of its hedging relationships and determined all such designated hedging relationships were effective as at December 31, 2019. As at December 31, 2019, the fair value of the interest rate swaps is, in aggregate, a net financial liability of approximately $15.5 million (December 31, 2018 - net financial liability of approximately $3.5 million).

As at December 31, 2019, the carrying value of the Trust's floating rate debt that is not subject to a hedging strategy is $387.6 million and a 50 basis point increase in market interest rates would result in an annualized decrease of $1.9 million in the Trust's net income.

The amounts relating to items designated as hedging instruments and hedge ineffectiveness were as follows:

	2019							
	Nominal amount of hedging instrument	Carry amount of the hedging instrument		Line item in the consolidated balance sheet	Fair value gain (loss) 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	**$1,307,191**	**$2,939**	**$18,419**	Receivables and other assets (assets), Accounts payable and other liabilities (liabilities)	**$(14,807)**	**—**	**$2,821**	Interest costs

	2018							
	Nominal amount of hedging instrument	Carry amount of the hedging instrument		Line item in the consolidated balance sheet	Fair value gain (loss) 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:

	2019			2018		
	Fair value gain (loss) used for calculating hedge ineffectiveness	Gain (loss) in cash flow hedge reserve for continuing hedges	Gain (loss) in cash flow hedge reserve for continuing hedges	Fair value gain (loss) used for calculating hedge ineffectiveness	Gain (loss) in cash flow hedge reserve for continuing hedges	Gain (loss) in cash flow hedge reserve for continuing hedges
Interest rate risk						
Variable rate mortgages and lines of credit and the bank loans	**$(14,807)**	**$(14,989)**	**—**	$(7,796)	$(3,003)	—

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, actively renewing expiring credit arrangements, utilizing undrawn operating lines of credit, maintaining a large number of assets unencumbered by debt and issuing equity when considered appropriate.

- For the current and non-current scheduled 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 and non-current scheduled 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, sales proceeds from residential inventory or air rights sales, the sale of marketable securities, strategic development partnerships and the issuance of equity when considered appropriate.

Credit risk

Credit risk arises from the possibility that:

- Tenants experience financial difficulty and are unable to fulfill their lease commitments or tenants fail to occupy and pay rent in accordance with existing lease agreements, some of which are conditional.
- Borrowers, 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 and loans 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 mortgages and loans receivable and third-party guarantees to assess for changes in credit risk. Credit risk relating to finance lease receivables is mitigated through recourse against such parties and/or re-recognition of the forfeited leased unit as investment property.

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 is their carrying values. For the maximum exposure to credit risk on third-party guarantees, refer to Note 34.

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, and enables the Trust to achieve target credit ratings, implement its business strategies and build 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, 2019. 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	2019	2018
Debentures payable	*13*	**$ 2,891,648**	$ 2,742,633
Mortgages payable	*12*	**2,412,451**	2,218,270
Lines of credit and other bank loans	*11*	**1,086,719**	913,130
Total debt		**6,390,818**	5,874,033
Unitholders' equity		**8,305,211**	7,666,390
Total capital		**$ 14,696,029**	$ 13,540,423
Ratio of debt, net of cash, to total assets, net of cash		**41.7%**	41.6%
Basket Ratio		**4.4%**	5.3%

Year ended December 31,	2019	2018
Interest coverage ratio	**3.52**	3.68

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 twelve months ended December 31, 2019, 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, 2019
Total indebtedness (i) (vi)	< 60%	44.0%
Secured indebtedness (ii) (vi)	< 40%	17.1%
Debt service coverage (iii) (vi)	> 1.5x	2.7x
Minimum unitholders' equity (in millions)	> $5,000	$8,305
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%	9.0%

(i) Total indebtedness consists of the contractual amounts outstanding on mortgages payable, lines of credit and other bank loans, debentures payable, lease liabilities, 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 lease liabilities, 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. 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 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
RioCan Realty Investments Partnership Twenty-Three LP	Canada
RioCan Realty Investments Partnership Twenty-Four LP	Canada
RioCan Realty Investments Partnership Twenty-Five LP	Canada
RioCan Realty Investments Partnership Twenty-Six LP	Canada
RioCan Realty Investments Partnership Twenty-Seven LP	Canada
RioCan Realty Investments Partnership Twenty-Eight LP	Canada
RC Elmvale Acres LP	Canada
RC Westgate LP	Canada
RC Lincoln Fields LP	Canada
RC Strawberry Hills LP	Canada
RC Yonge Roehampton LP	Canada
RC Dufferin LP	Canada
RC Mill Woods 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 5 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, 2019.

29. SUPPLEMENTAL CASH FLOW INFORMATION

		2019		2018
Interest received	**$**	**20,163**	$	3,096
Interest paid		**210,534**		210,991
Distributions paid:				
Distributions declared during the year	**$**	**(444,462)**	$	(450,743)
Distributions declared in the prior year paid in the current year		**(36,612)**		(38,039)
Distributions declared in current year paid in the next year		**38,121**		36,612
Distributions paid	**$**	**(442,953)**	$	(452,170)

The following provides a reconciliation of liabilities arising from financing activities:

Year ended December 31, 2019		Mortgages payable		Lines of credit and other bank loans		Debentures
Balance, beginning of year	$	2,218,270	$	913,130	$	2,742,633
Proceeds/advances		452,000		886,799		497,595
Repayments		(447,637)		(778,396)		(350,000)
Non-cash changes:						
Deferred financing costs and premiums and discounts		(3,934)		(102)		1,420
Contractual principal assumed (disposed) on acquisition/ disposition, net		193,752		65,288		—
Balance, end of year	**$**	**2,412,451**	**$**	**1,086,719**	**$**	**2,891,648**

30. CHANGES IN OTHER WORKING CAPITAL ITEMS

Years ended December 31,		**2019**		2018
Receivable and other assets	**$**	**(67,602)**	$	(15,491)
Mortgage receivable interest		**7,477**		(6,894)
Residential inventory		**129,468**		(69,106)
Accounts payable and other liabilities		**(12,376)**		14,399
Other		**(3,198)**		(2,376)
Net change in other working capital items	**$**	**53,769**	$	(79,468)

31. RELATED PARTY TRANSACTIONS

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

(a) associates, joint ventures, or entities that 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 5.

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; President and Chief Operating Officer, 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, 2019 and 2018 is as follows:

	Trustees		Key Executives	
Years ended December 31,	**2019**	2018	**2019**	2018
Compensation and benefits	**$ 203**	$ 280	**$ 5,388**	$ 8,188
Unit-based payments	**2,813**	1,663	**3,460**	4,551
Post-employment benefit costs	**—**	—	**108**	41
	$ 3,016	$ 1,943	**$ 8,956**	$ 12,780

32. 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, 2019, RioCan's contributions to the defined contribution plan were $2.6 million (December 31, 2018 - $2.7 million).

Defined benefit plan

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, 2019, and the next valuation is scheduled for January 1, 2022.

The fair value of the registered plan assets as at December 31, 2019 is $3.7 million (December 31, 2018 - $3.4 million). The recognized pension obligation (net of plan assets) as at December 31, 2019 is $15.0 million (December 31, 2018 - $13.9 million). Pension costs, net of recoveries, of $0.4 million were recorded in net income for the year ended December 31, 2019 (pension costs for the year ended December 31, 2018 - $0.5 million).

The discount rate used was 3.0% (December 31, 2018 - 3.6%), the compensation growth rate was 4.0% (December 31, 2018 - 4.0%) and the expected long-term rate of return on assets was 3.0% (December 31, 2018 - 3.6%).

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.

33. 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.

34. 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, 2019, the maximum exposure to credit loss as a result of debt guaranteed by RioCan is $163.2 million (December 31, 2018 - $309.2 million), which expires between 2020 and 2025, and which includes guarantees of $106.6 million (December 31, 2018 - $251.2 million) on behalf of co-owners. Debt guaranteed by RioCan that relates to the assumption of mortgages on property dispositions is $56.6 million (December 31, 2018 - $58.0 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 is as follows:

2020	$	30,022
2021		70,853
2022		57,849
2023		2,642
2024		—
2025		1,833
Total	$	163,199

Letters of credit

The Trust has aggregate letter of credit facilities with certain Schedule I banks totalling $76.4 million (December 31, 2018 - $77.9 million). As at December 31, 2019, the Trust's outstanding letters of credit under these facilities were $54.8 million (December 31, 2018 - $47.5 million).

Investment commitments

RioCan-HBC Joint Venture

As at December 31, 2019, RioCan has approximately $140.5 million of remaining unfunded investment commitments related to the RioCan-HBC JV (December 31, 2018 - $142.7 million). The remaining contribution commitments are expected to be completed by November 25, 2020.

WhiteCastle New Urban Funds (WNUF)

As at December 31, 2019, the Trust has total unfunded investment commitments of $74.8 million relating to WNUF 1, WNUF 2, WNUF 3 and WNUF 4 (December 31, 2018 - $79.6 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, 2020 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.

35. EVENTS AFTER THE BALANCE SHEET DATE

Acquisitions and dispositions

On January 9, 2020, the Trust acquired the remaining one-third interest in RioCan Marketplace in Toronto, Ontario, for a purchase price of $19.0 million, including transaction costs and assumed a mortgage payable of $11.5 million.

On January 31, 2020, the Trust acquired one property located in Toronto, Ontario, for a purchase price of $4.7 million, including transaction costs.

36. TRANSITION TO IFRS 16

IFRS 16, Leases (IFRS 16)

The Trust has adopted IFRS 16 retrospectively without restatement to prior period comparatives. The cumulative effect of initial application is recognized in retained earnings at January 1, 2019.

A. RioCan as a lessee

As a lessee, under IAS 17, leases were classified as operating or finance leases based on the Trust's assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Trust. Under IFRS 16, the Trust recognizes a right-of-use (ROU) asset and lease liability for most leases. The Trust will recognize interest expense on lease liabilities and amortization expense for ROU assets or fair value gains/losses in the case of ROU assets categorized as investment property, instead of rent expense.

i) Leases classified as operating leases under IAS 17

On adoption of IFRS 16, the Trust recognized lease liabilities in relation to leases that had previously been classified as operating leases under the principles of IAS 17. These liabilities are measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of January 1, 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 5.46%.

The associated ROU assets were measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the consolidated balance sheet immediately before January 1, 2019. There were no onerous lease contracts that would have required an adjustment to the ROU asset at January 1, 2019.

The Trust used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- applied the exemption not to recognize ROU assets and liabilities for leases with less than 12 months of lease term or leases of low value assets;
- excluded initial direct costs from measuring the ROU assets at the date of initial application; and
- used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

On transition to IFRS 16, the Trust also elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and International Financial Reporting Interpretations Committee interpretation IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

ii) Leases previously classified as finance leases under IAS 17

For leases previously classified as finance leases, the Trust recognized the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the ROU asset and the lease liability at January 1, 2019, the date of initial application. The measurement principles of IFRS 16 are only applied after that date.

B. RioCan as a lessor

RioCan is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor, except in a sublease arrangement. The Trust accounted for its leases in accordance with IFRS 16 from January 1, 2019.

The Trust is the lessee of three land and building leases that have historically been accounted for as investment properties under an election previously available pursuant to IAS 40, which it has subdivided and subleased to retail tenants. 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 as is the case under IAS 17. The Trust determined that certain tenant subleases are finance leases under IFRS 16, and has accounted for these subleases as new finance leases entered into on January 1, 2019. The Trust recognizes interest income on the net investment in the lease (finance lease receivable) instead of rent revenue, and has ceased recording fair value changes for the portion of investment property that has been derecognized to finance lease receivables.

C. Impact to opening balance sheet

The following table summarizes the impact of adopting IFRS 16, on January 1, 2019.

	As previously reported	Adjustments	As restated
Investment properties	$ 13,009,421	$ (16,465)	$ 12,992,956
Receivables and other assets	152,126	32,643	184,769
Other assets	842,218	—	842,218
Total assets	$ 14,003,765	$ 16,178	$ 14,019,943
Accounts payable and other liabilities	$ 463,342	$ 17,013	$ 480,355
Other liabilities	5,874,033	—	5,874,033
Lease liabilities recognized as at January 1, 2019	$ 6,337,375	$ 17,013	$ 6,354,388
Total unitholders' equity	$ 7,666,390	$ (835)	$ 7,665,555

On initial transition, RioCan as a lessee recorded additional lease liabilities of $17.0 million, increased the value of investment properties by $17.0 million and reduced prepaid rent in receivables and other assets by $0.1 million. As a lessor, RioCan recorded $32.7 million of finance lease receivables from sublease arrangements in receivables and other assets, derecognized $32.7 million from investment properties and reduced straight-line rent within investment properties by $0.8 million. The net impact to opening retained earnings was a reduction of $0.8 million.

		January 1, 2019
Operating lease commitment as at December 31, 2018 as disclosed in Note 35 in 2018 Annual Financial Statements	$	11,403
Operating lease renewal options not included in non-cancellable operating lease commitments as at December 31, 2018		49,403
Discounted using the incremental borrowing rate as at January 1, 2019		(43,412)
Add:		
Finance lease liabilities under IAS 17 at December 31, 2018		20,064
Changes in fixed rent payments		559
Less:		
Office equipment leases		(941)
Lease liabilities recognized as at January 1, 2019	$	37,076
Current lease liabilities		1,944
Non-current lease liabilities		35,132
	$	37,076

Accounting policies for leases under IAS 17, Leases

The following accounting policies apply to comparative information for 2018 in the Trust's consolidated financial statements, where significant differences existed under IAS 17 as it did not restate prior periods on adoption of IFRS 16.

Investment properties

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. 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 and the Trust elects to account for these as finance leases. At the inception of these leases, the 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.

Lease classification - RioCan as lessee

In instances where the Trust is the lessee of a leased asset, the lease is classified with reference to fair value and economic life of the underlying asset.

Tenant sub-lease arrangements - Classification

Tenant sub-lease arrangements are classified with reference to fair value and economic life of the underlying asset. Based on this criteria, most tenant sub-leases are classified as operating leases.

Rental revenue - 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.

Rental revenue - 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.

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Corporate

INFORMATION

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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, Development

Oliver Harrison
Senior Vice President, Operations

Jeff Ross
Senior Vice President, Leasing & Tenant Construction

Jennifer Suess
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& Corporate Secretary

Terri Andrianopoulos
Vice President, Marketing & Communications

David Bain
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Vice President, Investments

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George Ho
Vice President, Information Technology

Kim Lee
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Vice President, Human Resources

Pradeepa Nadarajah
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Vice President, Development Construction

Kim Wingerak
Vice President, Operations - Western Canada

Jason Wong
Vice President, Corporate Tax

Ashtar Zubair
Vice President, Enclosed Leasing

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Director, Great-West Lifeco Inc.
Director, Power Financial Corporation

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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

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Transfer Agent and Registrar

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Stock Exchange Listing

The Toronto Stock Exchange
Trading Symbols: Common Units – REI.UN

Annual and Special Meeting

RioCan's 2020 Annual and Special Meeting will be held on Tuesday, June 2, 2020 at 10:00 a.m. (Eastern Daylight Time). The meeting will be conducted as a "virtual" meeting via an online platform. Further information about the virtual meeting will be provided in the management information circular for the meeting and at www.riocan.com. All unitholders are invited and encouraged to attend.

Vous pouvez trouver une version française du présent rapport annuel sur le site web de RioCan : www.riocan.com.

A French language version of this annual report is available on RioCan's website: www.riocan.com

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