ANNUAL REPORT | 2020

LOOKING AHEAD

ALWAYS ADAPTING

RIOCAN

REAL VISION, SOLID GROUND.

Table of
CONTENTS

Corporate PROFILE

About RioCan

RioCan is one of Canada's largest real estate investment trusts. 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.

As of December 31, 2020, our portfolio is comprised of 223 properties with an aggregate net leasable area of approximately 38.3 million square feet (at RioCan's interest) including office, residential rental and 14 development properties.

To learn more about us, please visit www.riocan.com.

KEY METRICS

$1.60
FUNDS FROM OPERATIONS PER UNIT

$1.6B
IN AVAILABLE LIQUIDITY

$8.7B
UNENCUMBERED ASSETS

Shoppes on Queen | Toronto

* Percentage of annualized rental revenue
[1] Income producing properties at RioCan's Interest
[2] Source: DemoStats - 2020 - Trends, ©2020 Environics Analytics
[3] Source: Government of Canada

This Annual Report should be read in conjunction with RioCan's "Forward Looking Information" as listed on page 20 in the Financial Review section of this Annual Report.

Strategic Canadian MAJOR MARKET POSITIONING

EDMONTON
12 assets[1]
2.2M SF
6.7%*

CALGARY
16 assets[1]
3.6M SF
10.4%*

VANCOUVER
7 assets[1]
1.8M SF
4.7%*

MONTREAL
19 assets[1]
2.4M SF
4.1%*

OTTAWA
35 assets[1]
4.8M SF
12.8%*

GREATER TORONTO AREA
91 assets[1]
17.1M SF
51.3%*

Within 5 km of RioCan Centres:

201,326
Average Population[2]

$117,918
Average Household Income[2]

1.2M+
immigrants expected to come to Canada over next three years[3]

~30%
of Canada's immigrants expected to make Toronto home

2020 HIGHLIGHTS

95.7%
Committed Occupancy

1,209,000 SF
New Leasing

94.2%
Q4 Rent Collection
as of February 10, 2021

3,641,000 SF
Lease Renewals

529,000 SF
Development Completions

5.0%
Blended Leasing Spread
at 100%

Dear Unitholders,

As I write this letter, the last in my role as Chief Executive Officer, I reflect over the past 27 years since RioCan launched as one of the first real estate investment trusts in Canada. The word that comes to mind is "pride", accompanied by large doses of gratitude and humility.

I'm proud of how RioCan has evolved over the years, continually adapting within an ever-changing real estate environment to become what it is today – a pre-eminent REIT, with a leading portfolio of high-quality assets predominantly located in Canada's six largest markets. I'm proud of the people at RioCan; it is our shared entrepreneurial spirit, willingness to keep learning and ability to think ahead and create opportunities that fuels our unwavering commitment to growth and value creation.

I am indebted to the team for always responsibly managing the business, honouring our covenant to Unitholders, and to put it bluntly, making me look good. It is this winning combination of a best-in-class portfolio and an unbeatable team that has stood the test of time and delivered results, and I am extremely grateful.

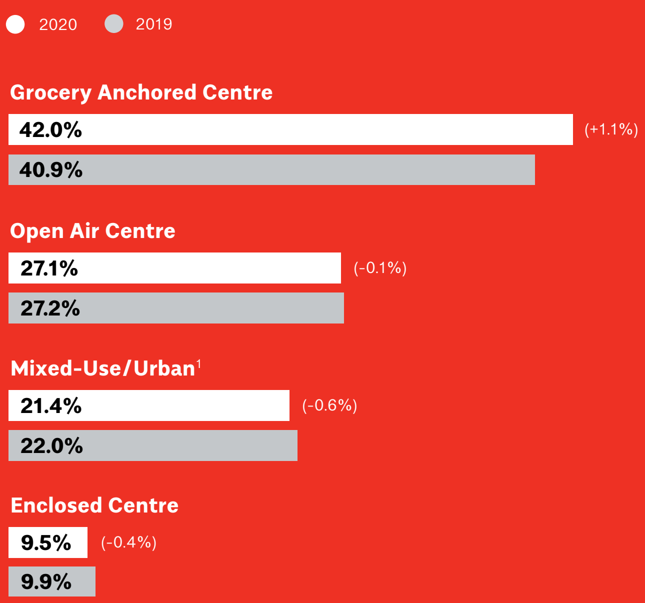
At the same time, I am humbled by the impact of the unprecedented events of 2020 driven by the global pandemic. We have endured adversity in RioCan's history, but we have never navigated such a profound challenge to the landscape in which we operate. In fact, the circumstances led to a reduction in our distributions to Unitholders for the first time ever in RioCan's history.

> **The RioCan that you see today cannot be replicated. It is the product of nearly three decades of acquisitions, adaptability and development focused on creating one of the best portfolios in the country.**

From this solid foundation, RioCan is securely and strategically positioned to capitalize on the attractive growth opportunities that are inherent in our portfolio and create value for all our stakeholders for years to come.

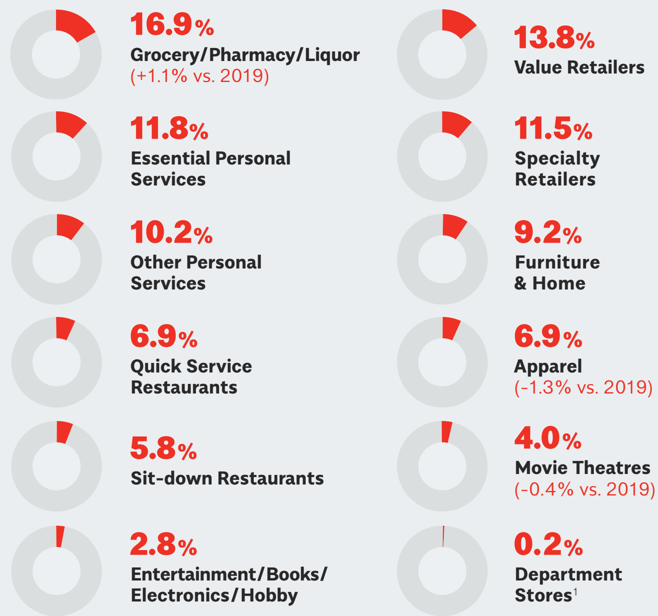
Letter from THE CEO

PROPERTY MIX
by Revenue*



* Percentage of annualized rental revenue
[1] Mixed-Use/Urban includes approximately 0.8 million square feet of residential rental NLA and the corresponding annualized residential rental revenue.

TENANT MIX
by Revenue*



* Percentage of annualized rental revenue
[1] Excludes Home Outfitters (included in Home and Furniture), Saks Off 5th (included in Value Retailers) and Lawrence Allen Centres' HBC Office

Benefiting from a Resilient Portfolio

With a watchful eye on market drivers and in anticipation of emerging trends, we initiated our major market strategy more than a decade ago, curating our portfolio to serve Canada's most populated urban and surrounding suburban areas.

Since exiting the US market and completing our secondary market disposition program, RioCan's portfolio is predominantly concentrated where the majority of Canadians live.

Ninety per cent of our annualized revenue is generated from the country's six main metropolitan areas. This includes 51.3% from Greater Toronto, Canada's centre of commerce and largest and fastest growing region.

We have also successfully transitioned our portfolio for greater accessibility and decreased our exposure to enclosed centres, which now represent only 9.5% of our annualized rental revenue and the majority of which are not your typical fashion mall but rather community centres.

> **Conveniently located, RioCan's retail centres are recognized as community beacons.**

Our centres proved to be critical throughout 2020 as Canadians turned to safe and convenient locations to gather their essential items throughout the pandemic, and they will continue to be strong anchors of our portfolio in the future.

Our operations and leasing teams leverage their deep relationships to optimize our merchandising profile to ensure

> **RioCan has a resilient and defensive mix of tenants that keep in lockstep with the new realities of consumer spending patterns, drive repeat visits and, in turn, retain and attract other strong tenants.**

Focused on stability and high-quality income, RioCan has established a solid tenant base of necessity-based and value-oriented goods and services, such as grocery and pharmacy stores and specialty retailers.

At the same time, we are reducing our exposure to declining retail concepts. For example, apparel now only represent 6.9% of our annualized rental revenue compared to 8.2% last year and down by more than 50% since 2007.

Tailoring our tenant base so that consumers have everything they need available to them in one place has led to RioCan's stronger and more diversified tenant mix.

We have a roster of tenants with strong covenants and solid business fundamentals, well-positioned to pay rent and ride out challenging economic conditions.

Given the widespread impact of the pandemic, we assessed the strength of our tenant base relative to usage type and ability to pay rent and estimated that 78.8% of annualized net rent is derived from what we characterize as "strong" or "stable" tenants, many of which are considered as essential. We believe this group of tenants provides a high level of collectability as demonstrated in Q4 2020 when we collected 98.1% of the rent due from this group.

> **Our strong foundation of tenants was a key component to maintaining our high occupancy rate of 95.7% during the pandemic this past year.**

Driving an Exciting Development Pipeline

I am also proud of the robust development program that we have established. While our portfolio of income producing properties provides us with an income stream, our development pipeline will further diversify our revenues and serve to fuel net asset value growth.

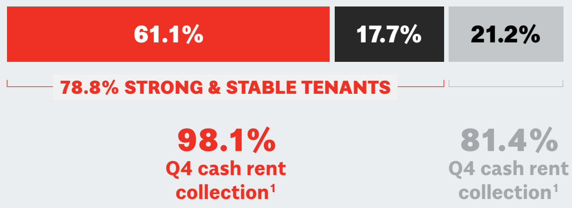
We have long recognized the development potential inherent in our existing portfolio. RioCan has built a best-in-class development team and invested considerable funds and time in the lengthy zoning process to enable the transformation of our existing transit-oriented retail properties into world-class, mixed-used communities. With foresight, RioCan has gained a clear head start with a deep and advanced pipeline representing approximately 42 M square feet of development potential of which more than a third is already zoned and another 18.4% have zoning submissions awaiting approval.

> **Over the last two years alone, we have constructed over 1 million square feet of residential space, including four residential rental buildings that combine great retail destinations with forward thinking residential experiences as part of our RioCan Living™ program.**

And we're not done. Among our other exciting projects, our development team is hard at work developing an entire town at our Windfields Farm site in Oshawa, planning a complete community in Vaughan and with our partners Allied Properties REIT and Diamond Corp., completing an urban neighbourhood at The Well™ in downtown Toronto.

RioCan is at the cusp of leveraging the enormous potential of our pipeline. I look forward to watching RioCan's vision come to life as the team embarks on this next phase of growth building urban and suburban communities all over Canada.

RENT COLLECTION
by Tenant Type*



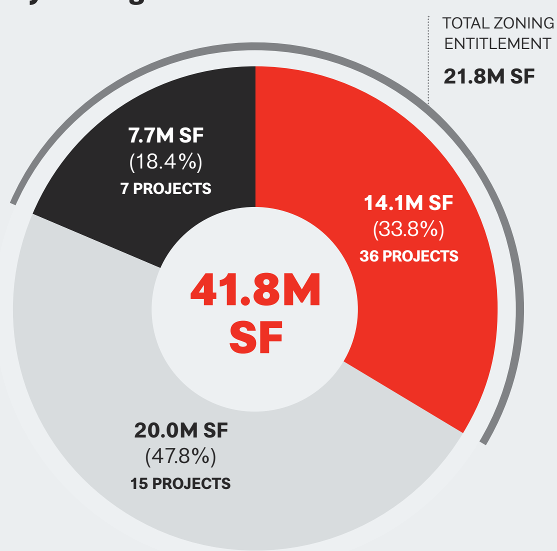
Strong Tenants
National office and essential / necessity / value and specialty retail tenants with strong rent paying ability, and includes residential tenants

Stable Tenants
Tenants with strong or medium consumer offering combined with good or strong rent paying ability, respectively

Potentially Vulnerable Tenants
Tenants significantly impacted by the pandemic and uses or tenants that were of concern prior to the pandemic

* Based on percentage of annualized net rent
[1] Includes tenant direct cash collection as of February 10, 2021 relating to Q4 2020 billed gross rents. The CECRA program ended in September 2020 therefore there was no CECRA government funding during the fourth quarter.

TOTAL PIPELINE
by Zoning Status



Zoning Approved

Future Estimated Density

Zoning Application Submitted
No significant fair value gains yet recognized for excess density

% = Percentage of square footage
SF = Estimated density (NLA) at RioCan's interest

Maintaining Ample Liquidity and a Prudent Capital Allocation Strategy

While no industry was immune to the impact of the pandemic, the commercial real estate sector was particularly challenged this past year given mandatory closures and capacity restrictions. 2020 will long be remembered as the most difficult year for many retailers. Despite a pronounced second wave, an end to these conditions is in sight with vaccines approved for administration. As the economy will take some time to rebound from this all-encompassing downturn, we expect that the next 12 months will remain volatile and challenging for many of our tenants.

Given a protracted period of uncertainty in the face of enhanced closures mandated in a number of provinces, a more conservative payout ratio is important. While RioCan's ample liquidity and solid business fundamentals provide us the financial capacity to ride out this storm, our prudent decision to reduce our distributions, effective with our January 2021 distribution, will better serve RioCan and our Unitholders for the longer term.

It provides us the opportunity to optimize our capital allocation towards initiatives that generate a higher return and drive growth in net asset value as we increasingly expand our portfolio of mixed-use assets.

Moving Forward with an Industry-Leading Management Team

> **Looking ahead to my new position as non-Executive Chairman effective April 1, 2021, I am excited to see Jonathan Gitlin come into the role of Chief Executive Officer.**

His integrity, decisiveness, credibility and unwavering focus on sustainable growth make him exceptionally suited to lead RioCan. Having spent the last 16 years with Jonathan, I have great confidence in his ability to capitalize on opportunities to surface the embedded value in our portfolio and take RioCan through its next phase of growth and success.

I would like to thank the entire RioCan team, who delivered meaningful support and progress for our tenants, our communities and each other and prioritized the health and safety of all our stakeholders in 2020.

Throughout our nearly three-decade history, I have admired the commitment of our workforce to do the right thing, and this dedication has never been more evident as we worked together to overcome the challenges of this past year.

Thank you to all of our Unitholders. Your support over the past 27 years has been humbling and I am grateful for the honour you have bestowed on me to lead RioCan throughout its history to date. And, as always, thank you for your continued confidence in the future of RioCan.

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

The Well™ Development Progress | Toronto

Future Colossus Massing Concept | Vaughan

Windfields Farm Rendering | Oshawa

ePlace™ | Toronto

Curbside Collect offers designated areas for customers to easily pick-up items from participating stores at RioCan centres in a contactless way.

Letter from the PRESIDENT & COO

Fellow Unitholders,

2020 was a momentous year for RioCan. During the most challenging period of RioCan's history, we nimbly adapted to the pandemic circumstances, balanced supporting our tenants with the health of our business and further advanced our mixed-used residential development strategy.

At the same time, we made meaningful progress and delivered on key objectives for our sustainability strategy. Importantly, while prioritizing the safety and well-being of our people, tenants and the communities we serve, the entire RioCan team rallied together to remain true to RioCan's commitment to create Unitholder value.

When we set out to transform our strategy to focus on urban, mixed-use and transit-oriented assets, it was to further cement our leadership position. The pandemic especially validated the relevance of our strategy, as our well-located spaces continued to drive leasing activity and leasing spreads throughout this tumultuous year.

While the general environment restricted social and in-person interaction, the events of 2020 truly highlighted the important role that physical spaces play in our lives and the role that RioCan plays as a leader in the Canadian real estate landscape.

RioCan's history is a story of successful transition and this will not stop as we seek to drive sustainable, profitable growth in 2021.

No doubt, current mandated and enhanced closures will prolong tensions within the retail landscape. With the availability of vaccines, we believe that these conditions are not enduring. RioCan's well-located sites are well-suited to absorb the impacts of the pandemic and we will continue to leverage our adaptable major market properties to remain in demand and to strengthen our position. This includes consistently reshaping our portfolio to maintain a resilient tenant base with strong covenants that are emblematic of our overall portfolio.

We will build and evolve mixed-used developments to optimize the value of our properties as well as diversify our income stream with more residential uses.

We will continue to leverage our well-located spaces to tap into emerging trends and find innovative ways to integrate new and relevant commercial uses, such as offering additional means for retailers to manage last mile costs and logistics, creating micro-fulfilment centres and providing exceptional community care centres for space constrained hospitals.

Consistent with RioCan's long-standing principles, we will address changing market dynamics in a thoughtful, responsible manner that prioritizes the long-term well-being of the business and our Unitholders. With our experienced team, proven strategy and solid balance sheet, we are well positioned to do that.

TOP RANKED REAL ESTATE FIRM

One of the Best 50 Corporate Citizens in Canada
by Corporate Knights

Greater Toronto's

TOP 100 EMPLOYERS

Mediacorp Canada Inc. - Greater Toronto's Top Employers

ESG RATING UPGRADE

by Morgan Stanley Capital International (MSCI)

RioCan employees

Leading the Way with Environment, Social and Governance Best Practices

> **We launched RioCan's sustainability strategy in 2016 with a goal to be among the leaders integrating Environment, Social and Governance (ESG) best practices across the business by 2020. Sustainability is a way of thinking at RioCan, and I am delighted to say that we achieved our objective this past year.**

While maintaining the security of our income became a top priority amid the pandemic, our commitment to ESG did not diminish. We progressed our initiatives and achieved high ESG accolades on several fronts. Among our 2020 accomplishments, we improved our GRESB Real Estate assessment score by 97% since our first submission in 2017 to achieve a score of 85 and a 5-star rating.

We also received an 'A' rating, the highest GRESB score for public disclosure, with RioCan ranking first among our Canadian retail peers. We were the first Canadian REIT to launch a Green Bond Framework and, during the year, we issued two Green Bonds that raised $850 million in capital to build our future in an environmentally sustainable way. Following the inclusion of environmental and social competencies in our board skills matrix, we launched the roll-out of ESG specific goals in our employee performance review process.

We will continue to learn and grow. We are committed to embedding a strong corporate culture and sustainability into all facets of our business model to enhance our organization and assets and deliver long-term Unitholder value.

Driving the Next Chapter of RioCan's History

I'd like to express my gratitude and appreciation for the confidence demonstrated by Ed, our Board of Trustees and the RioCan team in my ability to lead RioCan into a new era as its Chief Executive Officer, effective April 1, 2021.

I've had the distinct advantage and privilege of working closely with Ed, not only this past year as we navigated through the pandemic but also throughout my 16-year career at RioCan. Ed is a pioneer of the REIT industry who built a strong foundation for RioCan that will serve us for years to come. To many in the real estate industry, Ed is an icon. I am lucky to have him as a role model and mentor, and to be able to call him a friend. I look forward to continuing to benefit from his experience as he assumes the role of Non-Executive Chairman of RioCan.

2020 presented new challenges and we continue to operate in a volatile environment undergoing change. However, we see opportunities for true innovation and transformation. The dedication of the RioCan team across Canada to manage the events of the past year has proven the strength of our culture and its capacity to adapt to the changing real estate landscape. I am extremely passionate about real estate and can't wait to execute on our vision with the best team in the business.

> **I am honoured to assume the role of Chief Executive Officer, and look forward to working with our team, tenants, partners and communities to build on our success and drive the next chapter of RioCan's ongoing story.**

Jonathan Gitlin
President & COO | RioCan Real Estate Investment Trust

SENIOR LEADERSHIP TEAM

Building the RioCan of the Future

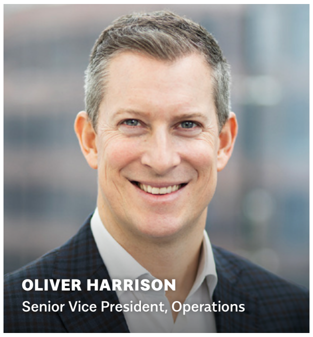
RioCan has a deep executive management team with diverse skillsets and an unparalleled understanding of the real estate industry. Recognized for its visionary leadership and adaptability within an ever-changing real estate environment, the long-tenured team works closely to anticipate market dynamics and trends and adjust RioCan strategies to take advantage of them.

JONATHAN GITLIN
Chief Executive Officer
(effective April 1, 2021)

QI TANG
Senior Vice President
& Chief Financial Officer

ANDREW DUNCAN
Senior Vice President, Development

JOHN BALLANTYNE
Senior Vice President,
Asset Management



OLIVER HARRISON
Senior Vice President, Operations

JEFF ROSS
Senior Vice President,
Leasing & Tenant Construction

JENNIFER SUESS
Senior Vice President, General Counsel
& Corporate Secretary

ENVIRONMENT, SOCIAL AND GOVERNANCE

Embedding Best Practices in Everything We Do

RioCan has three pillars of sustainability: Environment, Community and People. Our goal is to lead the way in embedding sustainability practices in our business model – and we are proud to have made significant progress and achievements this year. From our strategic decisions to our interactions – with employees, tenants, partners, those in our supply chain and the communities where we operate and develop – sustainability has truly become a way of thinking and operating at RioCan.

5 STAR RATING
2020 GRESB Real Estate Assessment

1ST AMONG CANADIAN PEERS
GRESB Public Disclosure Assessment

1ST CANADIAN REIT
to launch a Green Bond Framework and issued two Green Bonds

RIOCAN DIVERSITY, EQUITY & INCLUSION COUNCIL
is established & DEI officers are appointed

90+ BOMA BEST CERTIFIED SITES
(representing ~50%* of GLA)

* at 100% for commercial

Supporting our Communities and People

We know the important role that we play in the communities where we invest, operate and develop properties. The pandemic fortified RioCan's deep commitment to good corporate citizenship and we rallied together to support and give back to our communities across the country.

> **Building a strong corporate culture has always been a key priority for RioCan.**

Despite shifting to work remotely to comply with stay-at-home orders throughout 2020, we implemented a number of exciting initiatives through our Social Distance Committee to keep RioCan employees connected to the business and each other.

RioCan Cares

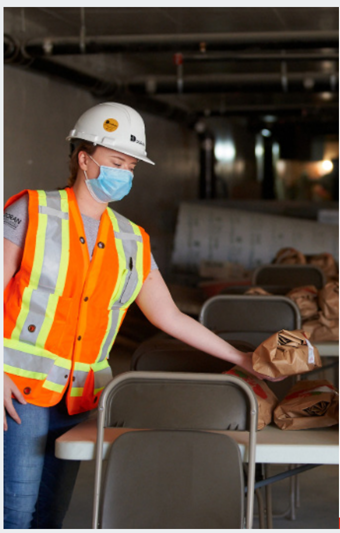
Established formal program to work with charities and hospitals to provide assistance where needed.

Thank You, Healthcare Workers

Celebrated frontline healthcare workers, from providing priority line access and discounts at participating retailers to facilitating food deliveries.

Community Care

Partnered with the Gift of Giving Back at RioCan's Burlington Centre collecting more than 25,000 pounds of food for those in need.



Lunchbox Challenge

Teamed up with development and construction partners to deliver 1,200 lunches at nine RioCan development sites across Canada to recognize the hard work of local construction crews and support local restaurants and tenants.

Keeping the Community Spirit Through Art

Created gallery at RioCan's Georgian Mall to display artwork submitted by local children that celebrated "everything that makes them smile in the face of adversity".

RioYoga

Hosted Friday afternoon virtual yoga sessions for RioCan employees to take a deep breathe, stretch and get their Zen on.

RioCan National Holiday Initiative

RioCan employees received $25 to give back to a local charity, such as Providence Healthcare, Children's Book Bank and Toy Mountain.

Development in ACTION

Unlocking Intrinsic Value through Development

RioCan's adaptable portfolio is ideally suited to meet the evolving needs of the communities we serve and create significant value for Unitholders through urban, transit-oriented mixed-use development. We are confident that community spaces will inevitably resume as consumers' desire for social interactions ramp back up in a stabilized environment.

With 2,995 residential rental units in different phases of development, including construction, as of December 31, 2020, RioCan Living is prepared to meet the demand for high-quality residential housing through our robust pipeline. In 2021 alone, we have five exciting projects in process of leasing up or nearing completion and readying for launch.

BRIO™
Calgary, Alberta

Located in the heart of Calgary's Brentwood Village, BRIO offers its residences RioCan's Brentwood Village Shopping Centre right next door as well as easy access to transit, parks and community amenities.

163 UNITS
12-storey building

59.3% LEASED
as of February 10, 2021

Launched in
MARCH 2020

Rents averaging
$2.54 PER SQ. FT.
as of February 10, 2021

50% Partner — Boardwalk REIT

PIVOT™
Toronto, Ontario

The newest RioCan Living addition, PIVOT, is conveniently located in one of Toronto's most bustling intersections with direct access to the TTC's Yonge Subway line via RioCan's Yonge Sheppard Centre and close proximity to Highway 401.

361 UNITS
36-storey building

10.8% LEASED
as of February 10, 2021

Launched in
OCTOBER 2020

Rents averaging*
$3.61 PER SQ. FT.
as of February 10, 2021

* For market rent units

LITHO™
Toronto, Ontario

Litho takes inspiration from its surrounding neighbourhood of former factories, railyards and printing presses at the intersection of Dupont and Christie with the convenience of retail on the ground floor and just minutes from the TTC's Christie Station.

210 UNITS
9-storey building

Anticipated completion
Q3 2021

~28K SQ. FT.
of ground level retail space, including desirable grocery market Farm Boy

50% Partner — Woodbourne

LATITUDE™
Ottawa, Ontario

Following on the success of the first phase at RioCan's Frontier development in the Gloucester, Ottawa, Latitude is just steps away from a grocery store and other essential services at RioCan's Silver City Goucestor Centre as well as the Blair LRT station.

209 UNITS
20-storey building

Anticipated completion
Q4 2021

OVER 475 REGISTRANTS
as of February 10, 2021, despite leasing targeted to commence fourth quarter 2021

50% Partner — Killam REIT

STRADA™
Toronto, Ontario

Strada is near it all in Toronto's Little Italy neighbourhood where greenspace, quaint parkettes and piazze intermingle with markets, cafes and boutiques, and the rest of the city is all in reach via the TTC's streetcar.

61 UNITS
8-storey building

Anticipated completion
Q3 2021

~6K SQ. FT.
of ground level retail space

50% Partner — Allied Properties REIT

FINANCIAL REVIEW

RIOCAN
REAL VISION, SOLID GROUND.

RIO CAN
REAL VISION, SOLID GROUND.

TABLE OF CONTENTS

KEY PERFORMANCE INDICATORS

(Numbers are in thousands of dollars, except where otherwise noted)

FINANCIAL

Rental Revenue

Q4 2020			Year 2020		
$276,422			**$1,090,732**		
Q4 2019	$279,052	**-0.9%**	Year 2019	$1,093,727	**-0.3%**

Rental revenue was relatively stable for the year, despite the COVID-19 pandemic. Higher base rent from the lease-up of the four RioCan Living™ properties was largely offset by lower common area maintenance recoveries resulting from operating costs savings achieved and wage subsidy benefits transferred to tenants. Percentage rent was down in the year, while parking revenue was down in the quarter and year, both due to the pandemic.

Operating Income

Q4 2020			Year 2020		
$173,594			**$680,283**		
Q4 2019	$189,587	**-8.4%**	Year 2019	$748,612	**-9.1%**

The decrease in operating income for the quarter and year was primarily due to a $9.0 million and $42.5 million provision for rent abatements and bad debts as a result of the COVID-19 pandemic, respectively, and lower residential inventory gains due to the timing of condominium closings, partially offset by higher operating income from the lease-up of the first four purpose-built RioCan Living residential rental towers.

Same Property NOI (i)

Q4 2020			Year 2020		
$152,125			**$572,518**		
Q4 2019	$165,112	**-7.9%**	Year 2019	$612,612	**-6.5%**

Same Property NOI (SPNOI) decreased for the quarter and year primarily due to the pandemic, particularly the resulting provision for rent abatements and bad debts. Excluding the pandemic related provision for rent abatements and bad debts, SPNOI decreased by 2.6% and 0.2% for the quarter and year, respectively. The latter metrics, however, still incorporate certain other effects of the pandemic on RioCan operations such as on occupancy.

FFO Per Unit - Diluted (i)

Q4 2020			Year 2020		
$0.39			**$1.60**		
Q4 2019	$0.46	**-15.2%**	Year 2019	$1.87	**-14.4%**

The decrease in FFO per unit for the quarter and year was primarily due to a $9.0 million and $42.5 million pandemic related provision for rent abatements and bad debts, respectively, lower residential inventory gains and lower realized gains on marketable securities, and higher units outstanding resulting from 2019 equity issues, partially offset by higher NOI from residential lease-up, higher other income and, for the year, lower general and administrative costs.

FFO Payout Ratio (i) / ACFO Payout Ratio (i)

FFO Payout Ratio (i)			ACFO Payout Ratio (i)		
Year 2020			Year 2020		
90.2%			**98.9%**		
Q4 2019	76.9%	**+13.3%**	Year 2019	84.3%	**+14.6%**

FFO and ACFO payout ratios increased due to lower FFO and ACFO resulting from the pandemic and higher total distributions driven by higher Units outstanding relative to last year as a result of a private placement in August 2019 and an equity offering in October 2019. The reduction in the distribution from $1.44 to $0.96 on an annualized basis, effective January 2021, is expected to result in much lower FFO and ACFO payout ratios in 2021.

KEY PERFORMANCE INDICATORS

(Numbers are in thousands of dollars, except where otherwise noted)

Liquidity (ii)

Year 2020		
$1,576,689		
Year 2019	$864,903	+82.3%

Unencumbered Assets (i)(ii)(iv)

Year 2020		
$8,727,354		
Year 2019	$8,936,721	-2.3%

RioCan nearly doubled its liquidity as of the year end over the prior year end, partly due to the $500 million green bond issued in December 2020. RioCan's large unencumbered asset pool of $8.7 billion represented 60.3% of its investment properties as of the year end, generated 58.9% of its NOI and provided 2.15x coverage over unsecured debt. On January 15, 2021, RioCan redeemed in full the Series R unsecured debenture due December 13, 2021 for $256.8 million.

Debt to Total Assets (i)(ii)(iv)

Year 2020		
45.0%		
Year 2019	42.1%	+2.9%

Debt to Adjusted EBITDA (i)(ii)

Year 2020		
9.47x		
Year 2019	8.06x	+17.5%

Debt to total assets increased primarily due to higher debt levels resulting from timing of development completions relative to development spend and the impacts of the pandemic on the Trust's property operations, dispositions and property valuations.

Debt to Adjusted EBITDA increased primarily due to the aforementioned higher debt levels and lower Adjusted EBITDA due to similar factors driving the changes in operating income.

DEVELOPMENT

Development Spending (iii)

Q4 2020		
$141,400		
Q4 2019	$143,500	-1.5%

Year 2020		
$493,400		
Year 2019	$473,700	+4.2%

Development spending for the year was in line with expectations and was before netting $57.1 million of proceeds from air rights sales closed during the year, which will serve to reduce development costs and enhance development yield. The overall pace of RioCan's construction projects was not significantly impacted by the pandemic. Development spend for 2021 is estimated to be in the range of $500 million, net of expected cost recoveries and air rights sales.

Development NLA Completions (sq ft)

Q4 2020		
320,000		
Q4 2019	118,000	+171.2%

Year 2020		
529,000		
Year 2019	530,000	-0.2%

The total 529,000 square feet of development completions for the year included 330,000 square feet of purpose-built rental space at Brio™ and Pivot™, the two latest additions to the growing RioCan Living portfolio, and 199,000 square feet of commercial space consisting mostly of grocery anchored space at mixed-use developments such as 5th & THIRD™ and Windfields Farm. Pivot and the commercial component of Windfields Farm were completed in Q4 2020.

Zoning Entitlements (sq ft)

Year 2020		
21,815,000		
Year 2019	21,135,000	+3.2%

Total Development as % of Total Gross Book Value (iv)

Year 2020		
10.3%		
Year 2019	9.0%	+1.3%

The Trust's pipeline of zoning entitlements, which includes approved zoning and zoning submissions, is one of the largest in the industry. New zoning entitlements during the year led to the increase year-over-year despite substantial development completions. Total development accounted for 10.3% of RioCan's total gross book value of assets, well under the 15% limit permitted under various credit facilities. The increase in this ratio was driven by timing of development spending and completions, and fair value write-downs as a result of the pandemic.

KEY PERFORMANCE INDICATORS

(Numbers are in thousands of dollars, except where otherwise noted)

LEASING - COMMERCIAL

Committed Occupancy (iv) / In-Place Occupancy (iv)

Committed Occupancy (iv)			In-Place Occupancy (iv)		
Year 2020	95.7%		Year 2020	94.9%	
Year 2019	97.2%	-1.5%	Year 2019	96.3%	-1.4%

Committed and In-Place Occupancy remained strong despite declines as a result of the pandemic. Retail committed and in-place occupancy held well at 96.1% and 95.1%, respectively, as of the year end with committed occupancy increasing by 10 basis points relative to the prior quarter despite the challenges presented by the second wave of the pandemic. The total commercial portfolio occupancy was affected by an office occupancy decline in Q4 2020 when a large office tenant consolidated its office space and did not renew nearly 100,000 square feet of space.

New Leasing NLA at 100% (sq ft)

Q4 2020	359,000		Year 2020	1,209,000	
Q4 2019	485,000	-26.0%	Year 2019	1,614,000	-25.1%

Despite the pandemic, the Trust maintained strong leasing activity with solid leasing spreads in the quarter and year. Given the Trust's well-positioned portfolio and strategic leasing initiatives, new leases in the year were completed with strong covenant tenants ranging from essential, value and specialty retailers to government and medical office uses.

Renewal Leasing NLA at 100% (sq ft)

Q4 2020	1,226,000		Year 2020	3,641,000	
Q4 2019	789,000	+55.4%	Year 2019	4,007,000	-9.1%

The Trust renewed substantial square feet of leases in the quarter and year, despite the challenges presented by the pandemic, with relatively steady retention ratios of 85.8% for the quarter and 86.7% for the year. Approximately two-thirds of the renewals were market rental rates renewals and one-third were at preset fixed rental rates, resulting in solid renewal leasing spread as discussed later in this section.

New Leasing Spread

Q4 2020	5.1%		Year 2020	7.9%	
Q4 2019	2.1%	+3.0%	Year 2019	10.0%	-2.1%

The 7.9% new leasing spread for the overall commercial portfolio in the year was driven by new leasing spread of 8.3% for major markets. The Trust achieved new leases at $43.90 net rent per square feet in the quarter and $32.05 net rent per square feet in the year, well above the portfolio average net rent of $19.80 per square foot.

Renewal Leasing Spread

Q4 2020	3.6%		Year 2020	4.4%	
Q4 2019	10.2%	-6.6%	Year 2019	9.2%	-4.8%

The renewal leasing spread for the overall commercial portfolio was driven by the major markets renewal spread of 4.4% for the quarter and 5.0% for the year. The renewal leasing spread in a given period is partly determined by the characteristics (such as location, type, size) of the space available for renewals.

Blended Leasing Spread

Q4 2020	3.8%		Year 2020	5.0%	
Q4 2019	8.2%	-4.4%	Year 2019	9.4%	-4.4%

The blended leasing spread for the major markets portfolio was similar to the overall commercial portfolio, at 3.9% and 5.6%, respectively for the quarter and year. Given the unprecedented challenges presented by the pandemic, the 5.0% blended leasing spread and the total square feet of new and renewed leases completed in the year was considerable.

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

(ii) At RioCan's proportionate share.

(iii) Includes costs incurred for various properties under development and for residential inventory in respective reporting periods.

(iv) Information presented as at December 31 for the years then ended.

FINANCIAL PERFORMANCE

Operating

2020

- FFO per unit was $1.60, in line with the RioCan guidance but a decrease of $0.27 per unit over the prior year, impacted mainly by a $42.5 million pandemic related provision for rent abatements and bad debts, $20.8 million lower residential inventory gains due to timing, and 10.0 million higher weighted average Units outstanding due to the private placement and equity issue in 2019.
- Reported a net loss of $64.8 million as compared to net income of $775.8 million in the prior year as the Trust wrote down 3.7% or $526.8 million of fair value of investment properties in 2020 as a result of the pandemic, compared to fair value gains of $247.6 million in the pre-pandemic 2019.
- Same property NOI for the overall commercial portfolio decreased by 6.5% mainly due to the pandemic related provision and by 0.2% if the pandemic related provision is excluded. The latter still included certain other effects of the pandemic on property operations such as on occupancy.
- Committed and in-place occupancy at RioCan commercial properties held up well and ended the year at 95.7% and 94.9%, respectively. One large office tenant consolidated its office space and reduced its existing leased space by 100,000 square feet at one Toronto location, which negatively impacted the two metrics.
- Completed 4.9 million square feet (at 100%) of new leasing and lease renewals. The blended leasing rate on income producing properties was 5.0%, with a solid retention ratio of 86.7% on lease renewals. New leasing spread was 7.9% for the overall income producing portfolio and 8.3% for major markets income producing properties. Most new leases were completed with strong covenant tenants ranging from essential, value and specialty retailers to government and medical office uses.
- Annualized rental revenue from Grocery Anchored, Mixed-Use / Urban and Open Air centres was 90.5% with Grocery Anchored Centres up 110 basis points to 42.0% and Enclosed centres down 40 basis points to 9.5% when compared to the prior year end, reflecting the ongoing evolution of the Trust's property mix as it adapts to the ever-changing retail landscape.
- Grocery/pharmacy/liquor tenants increased by 110 basis points to 16.9% of annualized retail rent revenue, while apparel tenants decreased by 130 basis points to 6.9% and movie theatres decreased by 40 basis points to 4.0% as RioCan continues to shift its tenant mix towards essential goods and services, value retail, and specialty retail.
- RioCan has four RioCan Living purpose built residential rental buildings in lease-up as of the year end, totalling 1,218 units. They generated $8.2 million NOI in the year, an increase of $5.8 million from the prior year. Residential rental accounted for approximately 1.6% of the Trust's annualized rental revenues as of December 31, 2020.
- As of February 10, 2021, Frontier™ in Ottawa was stabilized with 97.8% leased at an average monthly rent of $2.52 per square foot. Despite being launched in the midst of the COVID-19 pandemic in late March, and in Calgary, which has also been impacted by the prolonged oil crisis, Brio was 59.3% leased as of the same date. Meanwhile, eCentral™ in Toronto was 86.3% leased at an average monthly rent of $3.85 per square foot for market rent units. First occupancy at the 361-unit Pivot in Toronto took place in December 2020 and the building was 10.8% leased at an average monthly rent of $3.61 per square foot for market rent units.

Q4 2020

- As of February 10, 2021, the Trust collected 94.2% of this quarter's billed gross rents in cash (without receipt of any government funding for the quarter), slightly higher than its cash collection for Q3 2020 which it reported in late October 2020. Approximately 25% of the Trust's tenants were closed as of December 31, 2020 given the store closures reinstated with the onset of the second wave of the pandemic during the quarter, compared with virtually all tenants open as of September 30, 2020. Residential cash collection was 98.2% for the quarter.
- Based on annualized net rent, as of December 31, 2020, approximately 78.8% of the Trust's tenants are classified as "strong" or "stable" and 98.1% of this quarter's gross rents billed to these tenants have been collected in cash.
- As of February 10, 2021, the Trust has collected 91.7% of the billed January gross rents in cash while approximately 23% of the Trust's tenants are closed given the more extensive and restrictive closures mandated in certain provinces.
- While the length and extent of such mandated closures are difficult to predict, the strength of the Trust's tenant base offers significant downside protection. Furthermore, RioCan holds approximately $28.6 million of security deposits and approximately $4.6 million in letters of credit from a number of tenants which can serve to offset rents owed on a tenant-by-tenant basis in the event of unresolved tenant defaults.
- FFO per unit was $0.39, a decrease of $0.02 per unit from Q3 2020. Excluding the $11.4 million inventory gains mainly from the sale of 50% interest in the inventory project at Dufferin Plaza in the prior quarter, FFO per unit increased in this quarter primarily due to a lower pandemic related provision and stable property performance.
- Same property NOI for the overall commercial portfolio decreased by 7.9% from Q4 2019 mainly due to the pandemic related provision and by 2.6% excluding the pandemic related provision.

FINANCIAL PERFORMANCE

- Retail committed occupancy increased by 10 basis points during the quarter despite the circumstances, reflecting the strength of lease renewals and new leases completed during the quarter.
- New and renewed leases totaled 1.6 million square feet (100%) at a blended leasing spread of 3.8% for income producing properties and a solid retention ratio of 85.8% on lease renewals. Average net rent per square foot for new leases was $43.90, mainly driven by new leases in development properties, well above the portfolio average of $19.80.

Investing

- Despite a less active transaction market since the onset of the pandemic, the Trust completed $193.1 million of dispositions during the year including $66.3 million of income producing assets at a weighted average capitalization rate of 6.31% based on in-place NOI and $126.8 million of development properties with no in-place NOI.
- Including firm and conditional deals in place as of the year end such as the $150.8 million sale of a 50% non-managing interest in eCentral and in the commercial component of ePlace, which closed subsequent to the year end, as well as new deals entered into post the year end, the Trust closed or entered into firm or conditional deals since the beginning of 2020 totaling $482.6 million. This consisted of $240.9 million of income producing properties at a weighted average capitalization rate of 5.53% based on in-place NOI and $241.8 million of development properties with no in-place NOI.
- The Trust completed 330,000 square feet of residential rental developments at Brio and Pivot, and 199,000 square feet of mostly grocery-anchored space at mixed-use developments, totaling 529,000 square feet during the year.
- In addition to the 1,218 residential rental units already in lease-up, the Trust will have an additional 2,995 residential rental units in different phases of development by 2022, including construction. Purpose-built RioCan Living residential rental properties, as well as condominium and townhouse projects, remain a cornerstone of RioCan's development program and growth strategy despite the short-term impact of the pandemic.
- The three condominium or townhouse projects under construction are well on track, including the prestigious Yorkville condominium project 11 YV in Toronto, and the U.C. Uptowns™ townhouse project and U.C. Tower™ condominium project at its Windfields Farm development in Oshawa, Ontario. Combined, these projects include 1,242 units and are on average 98% pre-sold as of February 10, 2021. Expected project completion dates are Q2 2022 for U.C. Uptowns, Q1 2023 for U.C. Tower and Fall 2024 for 11 YV with estimated inventory gains at $5.0 million to $5.5 million, $14.0 million to $16.0 million, and $68.0 million to $73.0 million, respectively. Furthermore, the Trust has seven other active condominium or townhouse projects in various stages of development, totaling an estimated 3,730 units, which are scheduled to be completed in phases between 2024 and 2027.
- The office tower at The Well has reached the final 36th storey and top off is expected in March 2021. With nearly 1.0 million square feet or 85% of the office tower pre-leased, the project is on track for the initial tenant possession in 2021. West of the office tower, the podium level is taking shape for the 592-unit residential rental building to be built by RioCan and its partner Woodbourne Canada Partners, and the above grade construction is now revealing the multi-level galleria and its distinctive curving path.
- Development spending was $493.4 million for the year before netting the $57.1 million of air rights sales proceeds. As of December 31, 2020, properties under development and residential inventory accounted for 10.3% of the Trust's consolidated gross book value of assets, well under the 15% limit permitted under its credit facilities agreements.

Financing

- As of December 31, 2020, liquidity stood at $1.6 billion in the form of cash and cash equivalents and undrawn lines of credit on a proportionate share basis, partly as a result of the $500 million senior unsecured debentures issued at par on December 14, 2020, carrying a coupon rate of 1.974% per annum, maturing on June 15, 2026 and representing the Trust's second green bond issuance.
- Unencumbered assets totaled $8.7 billion as of the year end on a proportionate share basis, which will enable the Trust to obtain additional mortgages to bolster liquidity, if required, and preserve credit availability under its revolving unsecured line of credit while maintaining compliance with debt covenants.
- Debt to Adjusted EBITDA was at 9.47x and debt to total assets was at 45.0% as of December 31, 2020, both on a proportionate share basis. The increase in the two metrics relative to the previous quarter were primarily due to the pandemic's impacts on the Trust's property operations and valuations over the three quarters in 2020 and the timing of development spending and completions. While the Trust's long-term goal remains to lower these two metrics to its target ranges, it expects them to marginally increase in the near term during the pandemic particularly given that debt to Adjusted EBITDA is calculated on a twelve-month trailing basis.
- On December 3, 2020, the Trust announced a one-third reduction to its monthly distribution to Unitholders from $0.12 per unit to $0.08 per unit, or from $1.44 to $0.96 on an annual basis, effective for the Trust's January 2021 distribution. This will allow the Trust to have much lower payout ratios and also use the estimated $152.0 million annual cash flow savings to fund value creation initiatives such as its mixed-use developments, unit buybacks, and debt repayments.
- Subsequent to year end, on January 15, 2021, RioCan redeemed, in full, its $250.0 million, 3.716% Series R unsecured debenture due December 13, 2021, in accordance with its terms, at a total redemption price of $256.8 million, plus accrued and unpaid interest of $0.8 million, up to but excluding, the redemption date.

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

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, 2020 ("Q4 2020" and "2020", respectively). This MD&A is dated February 10, 2021 and should be read in conjunction with our annual audited consolidated financial statements and related notes for the year ended December 31, 2020 (2020 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.

In addition to reported IFRS measures, industry practice is to evaluate real estate entities giving consideration, in part, to certain non-IFRS performance measures, such as Funds from Operations, Net Operating Income, Same Property Net Operating Income Growth, and Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization. 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 and related per-unit amounts 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 provide useful information to both management and investors in measuring the financial performance and financial condition of the Trust. Refer to the *Non-GAAP Measures* section of this MD&A for reasons and definitions of various non-GAAP measures presented or referred to in this MD&A.

Unless otherwise specified, 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 *Key Performance Indicators, Financial Performance, Business Overview and Strategy, Business Environment and Outlook*, *Property Portfolio Overview, Results of Operations, Acquisitions and Dispositions, Development Program, Capital Resources and Liquidity* and the *Equity* 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; regulatory risk including changes to rent control legislation; development risk associated with construction commitments, project costs and timing, related zoning and other permit approvals and pace of lease-up or pre-sale; 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; climate change; litigation; uninsured losses; reliance on key personnel; Unitholder liability; income, sales and land transfer taxes; and cyber security.

Given the current level of uncertainties arising from the COVID-19 pandemic, there can be no assurance regarding the impact of COVID-19 on the business, operations, and financial performance of RioCan and its tenants, as well as on consumer behaviors and the economy in general. General risks and uncertainties related to the COVID-19 pandemic also include, but are not limited to, the length, spread and severity of the pandemic; the timing of the roll out and efficacy of the vaccines, the nature and length of the restrictive measures, implemented or to be implemented by the various levels of government in Canada; RioCan's tenants' ability to pay rents as required under their leases; the availability of various support programs that are or may be offered by the various levels of government in Canada; the introduction or extension of temporary or permanent rent control or other form of regulation or legislation that may limit the Trust's ability or its extent to raise rents based on market conditions upon lease renewals or restrict existing landlord rights or landlord' ability to reinforce such landlord rights; domestic and global supply chains; timelines and costs related to the Trust’s development projects; the pace of property lease-up and rents and yields achieved upon development completion; potential changes in leasing activities, market rents and property valuations; the capitalization rates that arm's length buyers and sellers are willing to transact on properties; the availability and extent of rent deferrals offered or to be offered by the Trust; domestic and global credit and capital markets, and the Trust's ability to access capital on favourable terms or at all and its ability to maintain its credit ratings; the total return and dividend yield of RioCan's Units; and the health and safety of our employees, tenants and people in the communities that our properties serve. For further details on the risks related to COVID-19 and its potential impact on the Trust, refer to the *Risks and Uncertainties - COVID-19 Health Crisis* section of this MD&A.

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 gradual recovery and growth of the retail environment and the general economy over 2021; relatively historically low interest costs; a continuing trend toward land use intensification at reasonable costs and development yields, 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 the purposes of applicable Canadian securities laws, and as such the financial outlook may not be appropriate for purposes other than this MD&A. The forward-looking information contained in this MD&A is made as of the date of this MD&A, and should not be relied upon as representing RioCan’s views as of any date subsequent to the date of this MD&A. Management undertakes no obligation, except as required by applicable law, to publicly update or revise any forward-looking information, whether as a result of new information, future events or otherwise.

BUSINESS OVERVIEW 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. RioCan's trust units (Units) are 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 $12.4 billion as at December 31, 2020, consisting of $7.1 billion total debt on a proportionate share basis plus $5.3 billion market capitalization based on a market price of $16.75 per Unit. The decrease in the Trust's enterprise value since the beginning of the year was primarily due to the sharp decline in the capital markets as a result of the COVID-19 pandemic. The quarter to quarter change was also primarily driven by capital markets' reactions to events relating to the pandemic.

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 223 retail and mixed-use properties with an aggregate net leasable area (NLA) of 38,260,000 square feet, including office, residential rental and 14 properties under development as at December 31, 2020 (at RioCan's interest). As of December 31, 2020, retail accounts for 90.6% of the Trust's annualized rental revenues, followed by office at 7.8% and residential at 1.6%. As more RioCan Living residential rental buildings currently underway are completed and stabilized, the residential proportion of the Trust's portfolio will grow over time, resulting in an increasingly mixed-use portfolio.

RioCan's property portfolio includes Mixed-Use / Urban, Grocery Anchored centres, Open Air centres and Enclosed centres, which are defined under the *Property Portfolio Overview* section of this MD&A. As of the year end, the portfolio was comprised of 180 properties which are 100% owned (178 income properties and 2 properties under development) and 43 properties which are co-owned and governed by co-ownership agreements (including 12 properties under development). RioCan’s primary co-ownership arrangements are with Allied Properties REIT (Allied); Boardwalk REIT (Boardwalk); Broccolini Real Estate Group (Broccolini); Canada Pension Plan Investment Board (CPPIB); Concert Properties (Concert); Killam Apartment REIT (Killam); KingSett Capital (KingSett); Tanger Factory Outlet Centres, Inc. (Tanger); and Woodbourne Canada Partners (Woodbourne). In addition, the Trust also owns partial interests in 14 properties through joint ventures with Hudson's Bay Company (HBC) and Marketvest Corporation/Dale-Vest Corporation and Fieldgate Urban (Fieldgate) which are included in our equity-accounted investments in the 2020 Annual Consolidated Financial Statements.

Strategy

Despite the current pandemic environment, the Trust remains focused on its longer-term growth strategy while continuing to adapt and evolve its strategy to the ever-changing economic and business environment.

Canadian Major Market Focus

RioCan's major market strategy is a key initiative that has strengthened and will further enhance the quality, growth profile and resilience of the Trust's portfolio. The Trust embarked on this strategy over a decade ago and has evolved the Trust's assets into a more urban and mixed-use portfolio of properties located in prime, high density, transit-oriented areas where Canadians want to shop, live and work. Its tenant base has also been adapted to become more diversified, and necessity, value and service-oriented. While the ongoing pandemic further validates the relevance of this strategy as reflected in the strength of the Trust's cash rent collection, operational and financial results, management will proactively adapt its strategy to address the various impacts of this health crisis as businesses reassess and adjust their business models post the pandemic.

Driving Organic Growth

RioCan drives strong organic growth by strategically curating and evolving the tenant mix of its properties and improving the operating efficiency and cost structure of its portfolio as well as leveraging its existing strengths, such as its strong relationships with high quality tenants and partners, economies of scale and experience. In addition, RioCan continually searches for ways to create new sources of income from ancillary revenues, fee income from joint venture arrangements and incremental growth through new pads and redevelopments. At the same time, to better serve changing consumer habits and spending patterns, the Trust consistently looks to innovate and actively explores opportunities to improve its properties for better and more efficient uses including greater participation in the logistics of retailers' E-commerce channels and offering RioCan Curbside Collect™.

Unlocking Intrinsic Value through Development

Over the past 27 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 line expansions. Despite the pandemic, the Trust remains focused on optimizing the value of its existing properties through its mixed-use development program. The program allows the Trust to diversify its portfolio with residential real estate including both rental and inventory (condominium / townhouse) projects. The Trust's RioCan Living™ residential rental program combines great retail experiences with residential and creates a premium residential tenant experience that will in turn drive traffic for retail tenants. The Trust's residential inventory projects serve specific market demand for housing ownership as opposed to rental and enable the Trust to accelerate capital recycling to further fuel its development program. RioCan benefits from the ability to marry strong retail with strong residential, serving as an exceptional amenity and adding value to the residential offering. The Trust believes mixed-use developments will ultimately drive future revenue growth and deliver FFO and NAV growth to its Unitholders. The development program will also decrease the average age of the portfolio and over time, the Trust is expected to ultimately benefit from lower capital expenditure requirements. The Trust will continue to pursue a disciplined approach to its development program in major markets with a strong focus on the Greater Toronto Area (GTA) and to meet the evolving needs of the communities it serves.

RioCan's development program represents a distinct competitive advantage given its head-start with zoning approvals achieved and zoning applications submitted and recent or near substantial completions of a number of large mixed-use projects as well as the experience and scale of its development team.

Strategic Acquisitions

Given the competitive nature of the real estate market prior to the pandemic, limited market transactions during the pandemic, 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, especially when normal market activities resume post-pandemic, RioCan is expected to continue to seize opportunities to acquire partners' interests in existing co-owned properties that are unavailable on the open market. In addition, the Trust will continue to 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 its property assembly along the Yonge Street corridor close to the Trust's flagship Yonge Eglinton Centre and eCentral and recently completed Bloor Street acquisition adjacent to an existing property.

Strong Balance Sheet

RioCan prudently manages its balance sheet and capital structure. The Trust targets to maintain low leverage, staggers its debt maturities and limits its variable rate debt to reduce interest rate and refinancing risk, maintains an optimal mix of unsecured and secured debt to provide continued financial flexibility and liquidity, balances between line of credit utilization and unsecured debenture issuance, builds on established lender relationships and continues to utilize multiple sources of capital. Even though the ongoing pandemic will increase RioCan's leverage and debt to adjusted EBITDA to an extent in the short-term, this disciplined approach allows RioCan to maintain the strong liquidity and financial strength needed to drive growth and thrive in the ever-changing marketplace including the current pandemic environment.

BUSINESS ENVIRONMENT AND OUTLOOK

COVID-19 Pandemic

The ongoing COVID-19 pandemic has had a significant impact on the Canadian and global economy and on RioCan's business. Following the onset of the pandemic in mid-March 2020 and the resulting restrictive measures introduced by various levels of governments in Canada, many businesses had to close or reduce their hours of operations or customer capacity for several months. As the number of cases fell following this first wave, restrictions were lifted and businesses began to reopen on a phased regional approach during the summer. However, the arrival of the second wave of the pandemic in the fall gradually resulted in governments reverting back to more restrictive measures by late November and even more restrictive measures by late December 2020 in certain key provinces. Although the initial rollout of the vaccine has instilled optimism in the market, challenges regarding vaccine distribution persist and the duration and the impact of the pandemic remain uncertain. As of December 31, 2020, 25% of the Trust's tenants were closed, compared with essentially none of its tenants as of September 30, 2020.

Despite the challenges presented by the changing circumstances surrounding the pandemic, as of February 10, 2021, the Trust collected 94.2% of its fourth quarter billed gross rents in cash, modestly higher than its collection ratio for Q3 based on its Q3 2020 results reported in late October 2020. As more fully explained later in this section, the Canadian Emergency Commercial Rent Assistance (CECRA) program was replaced by the Canada Emergency Rent Subsidy (CERS) program in the fourth quarter. Under CERS, federal government funding is provided directly to tenants without any landlord rent abatement mandate. As a result, there was no CECRA government funding or CECRA-related rent abatement provision in the fourth quarter.

The Trust's collection of billed gross rents as of February 10, 2021 are summarized as follows for the three quarters impacted by the pandemic:

	Q4 2020	Q3 2020	Q2 2020	Total 2020 (i)
Tenant direct cash collection (ii)	94.2 %	90.8 %	80.5 %	88.3 %
CECRA government funding (iii)	— %	3.7 %	6.7 %	3.5 %
Total cash collected	94.2 %	94.5 %	87.2 %	91.8 %
Deferred rents with definitive payment schedule	0.8 %	0.2 %	4.7 %	2.0 %
Provision for rent abatements and bad debts	3.4 %	5.3 %	6.8 %	5.2 %
Remaining rent to be collected	1.6 %	— %	1.3 %	1.0 %
Total	100.0 %	100.0 %	100.0 %	100.0 %

(i) Based on total of Q2 2020 to Q4 2020 for respective items out of total of billed gross rents for the three quarters.

(ii) Includes $2.9 million of security deposits applied in Q3 2020, representing approximately 1.1% of billed gross rents for that quarter.

(iii) The changes in percentages of CECRA government funding for Q2 and Q3 relative to the prior quarter report were due to adjustments based on actual and final CECRA applications.

Most tenants with deferred rents have been paying their deferred rents based on definitive payment schedules. RioCan is confident in the collectability of the 2.0% in deferred rents and 1.0% in remaining rents to be collected.

The Trust has categorized its tenants according to management's assessment of strength of tenant use and tenant rent paying ability in today's environment. Based on annualized net rent as of December 31, 2020, approximately 78.8% of the Trust's tenants are classified as "strong" or "stable" as reflected in the combined average cash rent collection of 98.1% for Q4 2020. Cash rent collected from the remaining "potentially vulnerable" tenants was 81.4% as they are more impacted by the pandemic. However, the length of tenants' CERS application process and the administrative time required for eligible tenants to receive CERS funding could have had an impact on these tenants' cash rent collection in the short-term.

Tenant Composition	% of Annualized Net Rent	Q4 2020 Cash Rent Collection % (iv)
Strong (i)	61.1 %	99.4 %
Stable (ii)	17.7 %	93.8 %
Subtotal	78.8 %	98.1 %
Potentially Vulnerable (iii)	21.2 %	81.4 %
Total	100.0 %	94.2 %

(i) Strong is represented by, or includes, national office tenants and essential / necessity / value / and specialty retail tenants that have strong rent paying ability in today's environment. It includes residential tenants as well.

(ii) Stable is represented by, or includes, tenants with reasonably strong uses and good rent paying ability or tenants with medium uses in today's environment but strong rent paying ability.

(iii) Potentially Vulnerable under COVID-19 includes tenants with uses that are being significantly impacted by the pandemic (such as movie theatres, gyms, sit-down restaurants) as well as uses that were of concern prior to the pandemic (such as apparel) or tenants whom the Trust has concerns over tenant rent paying ability under the COVID-19 circumstances.

(iv) Includes tenant direct cash collection as of February 10, 2021 relating to Q4 2020 billed gross rents. The CECRA program ended in September 2020 therefore there was no CECRA government funding during the fourth quarter.

RioCan has strategically managed its rent collection process during the pandemic and tailored its approach in recognition of the challenges that some of its tenants faced or continue to face as restrictions remain in flux. On a case-by-case basis, the Trust has been working with its tenants to find sensible solutions to support their businesses while protecting its own rights and financial position. In limited circumstances where abatement was provided in favor of a tenant other than in the case of the CECRA program, RioCan typically received concessions of value in exchange, such as development rights, lease term extensions or the waiver of exclusivity provisions.

As of February 10, 2021, the Trust has collected 91.7% of its billed January 2021 gross rents in cash. Given the resurgence in the spread of the pandemic and the mandated closures of non-essential businesses in certain jurisdictions, approximately 23% of the Trust's tenants are currently closed. While the length and extent of such mandated closures are difficult to predict, the strength of the Trust's tenant base offers significant downside protection. Furthermore, RioCan holds approximately $28.6 million of security deposits and approximately $4.6 million in letters of credit from a number of tenants which could be used to offset rents owed on a tenant-by-tenant basis in the event of unresolved tenant defaults.

CECRA Participation and Provision for Rent Abatements and Bad Debts

The Trust continues to work with those tenants whose businesses have been affected by the pandemic. The Trust accrued a $9.0 million provision for rent abatements and bad debts (collectively the "pandemic related provision") for the fourth quarter, resulting in a total of $42.5 million pandemic related provision for the year. This provision included a $14.4 million CECRA abatement for the year.

In aggregate, approximately 10.6% of the Trust's tenants participated in CECRA during the second and third quarters, as measured by billed gross rents. The CECRA program, which was in effect from April to September 2020, provided eligible tenants with the benefit of a 75% gross rent reduction whereby the federal government funded 50% and landlords funded 25% through rent abatement. For eligible tenants in Quebec, the provincial government offered another 12.5% in funding, which reduces the landlord's net rent abatement to 12.5%. The government funding relating to CECRA tenants was received in cash.

The federal government announced the new CERS program on October 9, 2020 to replace the CECRA program. CERS is provided directly to tenants without any landlord rent abatement mandate and is comprised of two parts; the base subsidy up to 65% of its eligible expenses including gross rents, and the lockdown support which provides an additional 25% of eligible expenses top-up to those entities that must either close or significantly restrict their activities due to a public health order. In total, a qualifying business could potentially receive up to 90% of their eligible expenses including gross rents subject to certain per store location and/or per affiliated entity limits and dependent on the percentage of revenue declines. The CERS program will be in effect until June 2021. The program is available to businesses of varying sizes, not just small or medium businesses, but is subject to certain limitations as noted above. As the CERS program has to be applied for directly by the eligible tenants themselves, RioCan does not have sufficient or complete information on the extent of CERS participation among its tenant base. In addition to the federal program, there are certain provincial aid programs for small businesses that are being rolled out.

Efficient Operations - Containing Costs and Enhancing Liquidity

RioCan continues to identify areas of operations to reduce costs and manage the cash flow impacts of the pandemic. Expense management and operational efficiency improvements identified and implemented include, but are not limited to the following: energy reductions, staffing level adjustments, hiring freezes, further streamlining of national procurement, operating costs management and a more robust property tax appeal effort. The Trust achieved $6.6 million in recoverable operating costs savings for the year ended December 31, 2020 when compared to the same period in the prior year. Payments which were deferred based on available government programs at the end of the third quarter, mostly in municipal realty taxes, were paid when due in the fourth quarter.

Market Trends

Canadian Retail Environment and E-Commerce

The ongoing pandemic and the resulting government mandated restrictions have undoubtedly impacted the economy, the retail environment, and consumer habits in Canada and around the world. The pandemic, however, has also underscored the human desire for personal interactions and the need for bricks and mortar real estate as meeting and market places, as evidenced by the surge in retail traffic and the Trust's strong rent collections during the periods of the year when restrictions were eased. While there is undoubtedly a surge in the reliance on on-line shopping, this health crisis has also reinforced the critical nature of the retail outlet in the consumer ecosystem. The Trust has seen retailers, necessity-based or otherwise, alter their infrastructure to accommodate a variety of delivery models including click-and-collect, curbside pick-up and buy-online-pickup-in-store. It has also seen increased in-person visits to necessity-based retailers such as grocery stores and pharmacies demonstrating that in any circumstances, these outlets prove critical to the communities they serve. Even during this crisis, with mobility restricted, e-commerce has not fully accommodated providing goods and services to Canadian consumers, validating the importance of an integrated and robust omni-channel model.

RioCan believes that many retailers recognize the vital necessity of offering customers increased flexibility in their shopping choices while also adapting store sizes, layout and product mixes to better meet consumer demands in various settings. Responsible and forward thinking commercial landlords, like RioCan, will continue to seek ways to help retailers adapt their stores to provide their customers with this type of flexibility and through this process, will continue to provide relevant and resilient shopping environments. RioCan is of the view that in the medium and long-term, shopping centres will continue to provide retailers with a cost-effective way of distributing goods and services given Canada’s geographic dispersion, the high cost of “last mile” deliveries and high barriers to establishing distribution centres in urban settings. One such program is RioCan Curbside Collect, a permanent initiative that offers designated areas for customers to access their pre-ordered items making it easier for RioCan tenants to coordinate transactions with their customers, mitigate the cost of delivery, and drive consumer traffic and repeat visits.

While this unprecedented health crisis has undoubtedly caused significant temporary disruption to the retail landscape, RioCan’s management does not believe these current conditions to be entirely indicative of the retail landscape to come. There has been some fallout and vacancy, but these conditions are by no means terminal in nature. The attributes attached to the Canadian retail environment will, in RioCan's view, allow these conditions to be rather short lived. Relative to other countries, Canada benefits from low retail space per capita, a limited number of retailers within each retail category and tight building zoning controls that keep supply in check. In spite of the current slowdown in travel and immigration, Canada's population in the long-term is expected to continue to increase particularly in its six major markets. In the pre-pandemic world, Canada had one of the highest population growth rates among the Organization for Economic Co-operation and Development (OECD) countries, fueled by immigration. In late October 2020 amidst the pandemic, the federal government announced its immigration targets over the next three years - 401,000 in 2021, 411,000 in 2022 and 421,000 in 2023, averaging 411,000 a year. Even though the 2021 immigration numbers could be dampened to some extent by the ongoing heightened restrictions on travel under the second wave of the pandemic, the medium and long-term trend in immigration post the pandemic is clear in the Canadian government's immigration targets. Based on past immigration history, most of the immigrants land or migrate to the six major markets, especially the GTA.

All of the above factors contribute to a resilient base of strong retail centres. Consequently, upon the resumption of regular commercial activity in the Canadian markets, RioCan believes that there will be demand for well-positioned retail space. It believes that it is too simplistic to view the current extraordinary and temporary state of commercial activities as the normal course. Strong, well-positioned retail assets, such as those owned by RioCan, have proven and will continue to prove resilient both during this pandemic and certainly, once the pandemic subsides. The attributes that RioCan's portfolio possesses, such as proximity to transit, high demographic profile and high visibility will not lose their prominence.

Over its 27-year history, RioCan's experienced management team, recognized for its visionary leadership and adaptability within an ever-changing real estate environment, has successfully managed through various economic cycles and challenging circumstances. RioCan's management team continually assesses and adapts its strategies to address market dynamics and even more so through the extremely fluid COVID-19 pandemic. The Trust maintains its strategy to expand and enhance the mixed-use characteristics of its portfolio to address trends. It will continue to adapt and re-purpose its existing retail portfolio and grow its residential portfolio, which is designed with amenities suited for e-commerce such as concierge services, dedicated space for receipt and storage of packages and, in some cases, cold storage.

Development Environment and Residential Real Estate Market

Prior to the pandemic, with population growth and a limited supply of land available for development, Canada’s six major markets, particularly the GTA and Vancouver areas, had experienced a significant boom in housing development and construction over the last number of years. 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 labor, which tend to increase development risks.

Over the course of the pandemic residential development projects, which are typically considered essential projects under the government guidelines, can continue to proceed. Social distancing and other measures, as well as increasing COVID-19 cases under the second wave of the pandemic, may have resulted in a somewhat slower pace of development progress in general, although they have had no material impact on RioCan's projects. The lockdown measures recently introduced by the Ontario government for commercial developments relating to non-essential uses could, on the other hand, potentially increase trade labor availability. This may lead to a positive effect on the pace and cost of RioCan projects given that most of its projects are not impacted by the lockdown measures. The net effect of the pandemic on development is difficult to predict, dependent on the length and severity of the second wave and the rollout of the vaccine administration.

Recently there have been some media headlines indicating that the pandemic has put increasing pressures on urban condominium rental rent and occupancy, particularly in Toronto and Vancouver, as well as a flight to suburban locations. RioCan also saw a temporarily dip in occupancy and average rent per square foot in recent quarters at eCentral in Toronto. However, RioCan is confident in its mixed-use residential development strategy in major markets and long-term NAV growth potential that such development will bring to its Unitholders. RioCan has a diverse range of residential offerings, some of which are urban such as Pivot in Toronto and some of which are suburban such as Windfields Farms in Oshawa, suburb of Toronto. We are confident that in the long-term, all will be in high demand given their locational attributes, but during the pandemic the balance of residential offerings has served RioCan well. The Trust believes what will drive residential real estate growth in the medium and long-term will be the increasing immigration once it resumes post the pandemic as the Canadian government has announced, as well as its impacts on the Canadian economy and real estate market in general. The three-year annual average target immigration level of 411,000 from 2021 to 2023 based on the federal government's October 2020 announcement is about 30% higher than the 2019 actual of 314,000 and about 24% above the estimated 2020 level of 331,000. In addition, based on various sources, there are an estimated 600,000 to 750,000 international students that require housing. These drivers of population growth will fuel demand for residential real estate in major markets in terms of both ownership and rental over the medium to long-term, which will in turn drive up residential real estate occupancy, rent, and valuation or sale price. The social aspect of human nature will persist and translate into continuing growth of the major markets and urban markets in the post COVID-19 world. Even under the pandemic, the pace of condominium and townhouse unit presales among RioCan's developments has remained robust after an initial slow down, as evidenced by the average 98.2% presale level and up-to-date pre-sale deposits at its three condominium and townhouse projects currently underway in the GTA.

The Trust's 21.8 million square feet of zoning entitlements (zoned density and zoning applications submitted), which is primarily located in the GTA, remains a significant competitive advantage for RioCan. 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 market conditions including the challenges imposed by the current pandemic. Refer to the *Development Program* section of this MD&A for a further discussion on how the Trust prudently manages its development risks.

Alberta Economy

The Alberta economy faced a number of setbacks during 2020 including a sharp and sudden decline in the demand for oil as the global economy largely shut down to contain the COVID-19 pandemic, coupled with a similar sharp drop in oil prices resulting from an international price war and dispute over oil production levels. As many countries reopened their economies after the spring lockdown, global demand for oil picked up resulting in improved benchmark oil prices. Better balancing of production capability with take-away capacity also helped to increase oil prices although the recent global tightening of lockdown measures and cancellation of the Keystone XL expansion by the new U.S. administration will likely have a dampening effect on oil investment and production in Alberta, as well as on Alberta's economy in general.

The Alberta provincial deficit increased to historic levels in 2020 as a result of severe revenue declines coupled with the increased costs primarily from economic aid packages. While the province's immediate priority is health care and the COVID-19 response, once the province emerges from the pandemic, the focus will shift to reviving economic growth including the roll out of an ambitious job training program for dislocated energy sector workers. The province's recovery and return to growth will take time and is difficult to predict, especially given the risks and uncertainties associated with the second wave of the pandemic.

Despite the challenging circumstances, the committed occupancy rate in the Trust's Alberta portfolio increased by 10 basis points from the previous quarter and remained reasonably strong at 95.3% as of December 31, 2020. RioCan's first residential building, Brio in Calgary, is leasing well notwithstanding having been launched right at the outset of the pandemic. In addition, in 2020 we completed the two tranches of sales of air rights related to the 5th & THIRD project in Calgary as planned. Nonetheless, the regional economy is sensitive to potential further volatility in oil prices and the uncertainties surrounding the timing of the economic recovery from the pandemic. As a result, the Trust wrote down the fair value of its Alberta assets by 4.8% or $124.3 million for the year ended December 31, 2020.

Outlook

Economic momentum heading into the fourth quarter appeared strong. However, the second wave of the pandemic that started in the fall of 2020 worsened over time and resulted in the re-imposition and tightening of restrictions and slowed economic growth. The arrival of vaccines in late 2020 was cause for optimism but the distribution of the vaccine, which is key to economic recovery, will take time and has also been slower than expected particularly given the recent vaccine production issues. At its most recent interest rate announcement, the Bank of Canada held the overnight interest rate steady at 0.25% and indicated that it will continue to deploy its quantitative easing program to ensure financial market liquidity and lower borrowing costs. In addition to monetary stimulus by the central bank, the federal government in Canada continues to provide a variety of programs to support businesses and individuals, with some additional programs from the provincial governments.

The impact on the economy of lockdowns renewed across the country late in 2020 and is expected to carry over into at least the first quarter of 2021. The pace of economic recovery is expected to be uneven in 2021 and will vary with the timing of the immunization campaign and the length and severity of the pandemic and resulting restrictive measures imposed by different levels of government, as well as the nature and extent of the government support programs.

Given these uncertainties, the impacts of the pandemic on RioCan operations and financial performance are difficult to predict. RioCan therefore does not provide 2021 guidance at the current stage.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) PRIORITIES AND PROGRESS

RioCan embeds ESG in every aspect of its business, including developments, operations, investment activities and corporate function. Internally, RioCan also refers to its ESG initiatives as sustainability initiatives. Embedding ESG or sustainability is important for RioCan as it:

- promotes resource efficiency, saving costs and minimizing environmental degradation;
- increases property values, contributing to stakeholder satisfaction, and drives long-term NAV growth for Unitholders
- drives appeal of our assets, helping to attract and retain tenants;

- builds collaborative relationships with our tenants and employees, which accelerates the pace of positive change;
- manages risks and complies with ever-evolving regulations, enhancing operations management and governance practices; and
- provides its employees with sustainability impact opportunities, leading to increased employee job satisfaction and retention.

To meet its ESG objectives, RioCan is executing a multi-year plan that includes commitments and targets as well as actions and initiatives to improve its ESG performance year-over-year. For performance tracking and reporting, the GRESB Real Estate Assessment provides the Trust with a framework to benchmark organization-wide performance and also ensure transparency and continuous improvement. Specific to climate-related metrics, RioCan measures and discloses scope 1 (direct emissions from company-owned and controlled resources) and scope 2 (indirect emissions from the generation of purchased energy), as well as selective scope 3 (all indirect emissions not included in scope 2) greenhouse gas emissions, as defined by The Greenhouse Gas Protocol Corporate Accounting and Reporting Standard on an annual basis and area of properties located in 100-year floodplain zones. The Trust published its second annual sustainability report this year in accordance with Global Reporting Initiative Standards and the report includes indicators from the Sustainability Accounting Standards Board (SASB) Real Estate sub-sector and recommended disclosures from the Task Force on Climate-related Financial Disclosures (TCFD).

RioCan's Sustainability Council is comprised of cross-functional executive and leadership team members that oversee the sustainability strategy implementation and drive performance improvements. Council 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, led by the Senior Vice President, Asset Management, responsible for reporting ESG goals, plans and performance to the Sustainability Council and Board of Trustees and ensuring sustainability initiatives are resourced and elevated across the company. The Board of Trustees is updated at least annually on sustainability related issues including climate change and has ultimate oversight of risk management. Significant and emerging risks are escalated to the Audit Committee. For RioCan's sustainability policy and additional information about its sustainability strategy and plan, visit RioCan's website under Sustainability.

RioCan launched its ESG or sustainability program in 2016 with a goal to be among the leaders in embedding sustainability practices throughout its business by 2020. This year RioCan has achieved this goal. Key accomplishments this year include:

Environmental

- Achieved a 5 Star rating in the 2020 GRESB Real Estate Assessment with a score of 85. The 2020 score represents a 97% improvement since RioCan's first submission in 2017;
- Ranked first amongst its Canadian peers in the GRESB Public Disclosure Assessment;
- Increased overall FTSE Russell ESG score by 26%, ranking RioCan above the industry peer average. FTSE Russell ESG ratings measure ESG risk and performance on 7,200 securities across 47 developed and emerging markets;
- Became the first Canadian REIT to launch a Green Bond Framework and issued two green bonds, raising a total of $850 million to fund eligible green projects in line with the RioCan Green Bond Framework;
- Achieved an Environmental and Social Quality Score upgrade with Institutional Shareholder Services (ISS) as a result of enhanced risk management, climate and stakeholder based disclosures;
- Increased the number of properties achieving Building Owners and Managers Association Building Environmental Standards (BOMA BEST) certifications to over 90 across Canada, representing approximately 50% of GLA (at 100% for commercial);
- Received BOMA Toronto's race2reduce Commercial Real Estate Trailblazers (CREST) Award for select RioCan's properties recognizing commitment to promote operational excellence through improved building performance.
- Conducted internal environmental inspections at all RioCan managed income producing properties with favourable results as RioCan remains in material compliance with applicable environmental laws, regulations and guidelines;
- Established long-term reduction targets for energy, water, waste and greenhouse gas (GHG emissions). Targets are set for 2030 across all four metrics; and
- Assessed climate change-related opportunities on RioCan's portfolio, established a location specific framework to assess, manage and implement measures to adapt to ESG risks and aligned climate-related disclosures with TCFD.

Social

- Recognized as one of the top 100 employers by Greater Toronto's Top Employers;
- Earned recognition as the top ranked real estate firm on the Best 50 Corporate Citizens in Canada by Corporate Knights;
- Established the RioCan Diversity, Equity & Inclusion (DEI) Council and appointed DEI officers to promote a diverse and inclusive workplace;
- Signed the BlackNorth CEO Pledge, which was initiated by the Canadian Council of Leaders Against Anti-Black Systemic Racism;

- Signed the Inclusive Local Economic Diversity Opportunity (ILEO) Charter, which was initiated by the United Way to drive a new and collective commitment to creating inclusive economic opportunity in communities, and to advance the goal of an "inclusive rebuild";
- Established RioCan Cares, a formal program to work with charities and hospitals to provide assistance where needed; and
- Continued to build toward a culture of excellence by conducting an Employee Engagement Survey, achieving a 99% employee participation rate in 2020. The overall engagement score improved since the last survey in 2018 despite being in the midst of a pandemic. The Trust intends to conduct the survey on annual basis going forward.

Governance

- Awarded the Outstanding In-House Company Diversity & Inclusion Award by Chambers and Partners, a leading international provider of legal research and analysis for including ESG objectives in every bonus-eligible employee performance scorecard;
- Achieved an ESG rating upgrade by Morgan Stanley Capital International (MSCI) for the second year in a row, driven by improvement in employee management programs and green building certifications;
- Improved the Sustainalytics risk ranking from medium to low risk, resulting from enhanced ESG disclosures in annual and quarterly reporting as well as dedicated and enhanced ESG or sustainability reporting;
- Launched Board investor outreach program to receive investor feedback and have discussions on ESG matters; and
- Implemented a Sustainability Policy and Plan for RioCan's Development department.

PROPERTY PORTFOLIO OVERVIEW

Property Operations - Total Portfolio

Net Leasable Area (NLA) and Property Count

RioCan's portfolio of net leasable area and properties consisted of the following as at December 31, 2020:

	NLA at RioCan's Interest				Total Portfolio	
(thousands of sq. ft., except where otherwise noted)	Retail	Office	Total Commercial	Residential Rental (iii)	NLA	Property Count
Income properties (i)	**33,459**	**2,313**	**35,772**	**762**	**36,534**	**209**
Properties under development (ii)	**602**	**520**	**1,122**	**604**	**1,726**	**14**
Total NLA	**34,061**	**2,833**	**36,894**	**1,366**	**38,260**	**223**

(i) Includes NLA which has a rent commencement date on or before December 31, 2020.

(ii) Includes NLA for Active Projects with Detailed Cost Estimates under the *Development Program* section of this MD&A. Excludes air rights sales and condominium or townhouse units which are reported separately under Residential Inventory. Includes completed Properties Under Development NLA that have a rent commencement date after December 31, 2020.

(iii) See the *Property Operations - Residential* section of this MD&A for further details.

Property Mix

The Trust operates a variety of income producing property formats or classes to best serve the communities in which they operate. 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 mixed-use assets) located in major markets and non mixed-use assets located in high density urban areas. Examples of these properties include: King Portland 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 Hills 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 consisted of the following:

As at December 31	2020				2019
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	% of annualized rental revenue
Mixed-Use / Urban (i)	**34**	**5,673**	**15.5 %**	**21.4 %**	22.0 %
Grocery Anchored Centre	**95**	**16,844**	**46.1 %**	**42.0 %**	40.9 %
Open Air Centre	**69**	**10,699**	**29.3 %**	**27.1 %**	27.2 %
Enclosed	**11**	**3,318**	**9.1 %**	**9.5 %**	9.9 %
Total Portfolio (i)	**209**	**36,534**	**100.0 %**	**100.0 %**	100.0 %

(i) Mixed-Use / Urban includes approximately 0.8 million square feet of residential rental NLA and the corresponding annualized residential rental revenue.

As of December 31, 2020, 90.5% of RioCan's annualized rental revenue is from Grocery Anchored, Mixed-Use / Urban and Open Air centres while Enclosed centres represent 9.5% of its total portfolio. The Trust's property mix exposure to Grocery Anchored Centres increased by 1.1% from 2019 to 2020 while its exposure to Enclosed centres decreased by 0.4% over the same period. Enclosed centres are undoubtedly more disproportionately impacted by the mandated or self-imposed restrictions under the global pandemic. The Trust's Enclosed centres still reported cash rent collections of approximately 89.9% for the quarter, reflecting the quality of its Enclosed centres even under such unprecedented circumstances.

Overall, the majority of the Trust's portfolio is comprised of formats that are attractive from a tenanting perspective, more resilient to changes in economic cycles and evolving retail trends. The shift in the Trust's portfolio to become more urban, mixed-use, and necessity-based with fewer enclosed centres forms a solid foundation for organic growth post the pandemic.

Six Major Markets and GTA Focused

At RioCan's Interest	% of NLA		% of annualized rental revenue	
As at December 31	**2020**	2019	**2020**	2019
Greater Toronto Area (i)	**46.8 %**	45.8 %	**51.3 %**	52.4 %
Ottawa	**13.1 %**	13.2 %	**12.8 %**	12.5 %
Calgary	**9.9 %**	9.6 %	**10.4 %**	9.0 %
Montreal (ii)	**6.6 %**	7.2 %	**4.1 %**	4.7 %
Edmonton	**6.1 %**	6.2 %	**6.7 %**	6.6 %
Vancouver (iii)	**4.9 %**	5.0 %	**4.7 %**	4.9 %
Total Six Major Markets	**87.4 %**	87.0 %	**90.0 %**	90.1 %
Total Secondary Markets	**12.6 %**	13.0 %	**10.0 %**	9.9 %
Total Portfolio	**100.0 %**	100.0 %	**100.0 %**	100.0 %

(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.

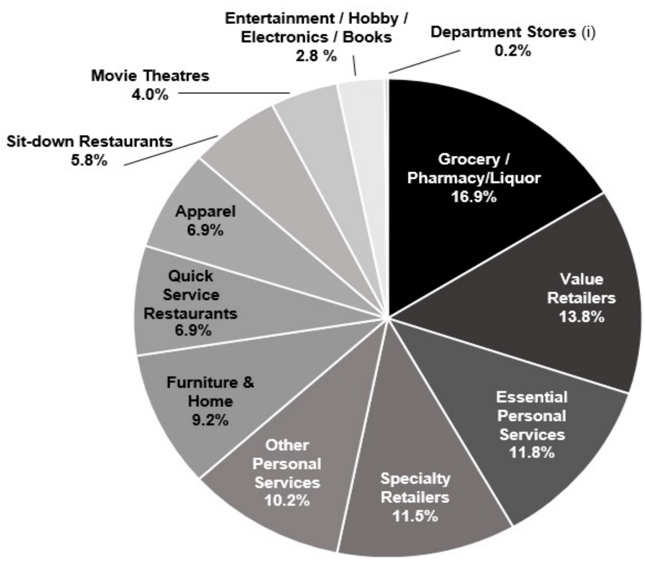
Since Q4 2019, the Trust has achieved its strategic milestones of greater than 90% and 50% of total annualized rental revenue from the six major markets and the GTA, respectively. The 50 basis point increase in the GTA presence from the prior quarter resulted from completed developments in the fourth quarter and the timing of certain revenues and the related impact on annualized revenues as of each quarter end. The year-over-year decline of 110 basis points in the GTA was primarily due to a decline in parking revenue and percentage rent as a result of the pandemic and certain closures of tenants who had filed for protection under restructuring filings.

Property Operations - Commercial

Retail Tenant Profile

The Trust has been adapting to the ever-changing retail landscape and incorporating 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, personal services, specialty retailers and value retailers. During the current quarter alone, it increased its tenant mix in grocery/pharmacy/liquor retailers by 70 basis points and decreased its apparel exposure by 50 basis points. On an annual basis, the Trust increased its exposure in grocery/pharmacy/liquor retailers by 110 basis points and decreased its apparel exposure by 130 basis points.

RioCan will continue evaluating its tenant mix during and post the pandemic and adapting its tenant mix to the ever-changing consumer trends, while continuing to increase its necessity-based retail and diversify more into residential and office real estate. As of December 31, 2020, the Trust's annualized net rental revenue was derived from the following retailer categories:



Retailer Category	% of Rent	Key Brands (ii)
Grocery / Pharmacy / Liquor	16.9%	Loblaws, Sobeys, Shoppers Drug Mart, Rexall, LCBO, metro
Value Retailers	13.8%	Winners, Marshalls, Walmart, Dollarama, Costco Wholesale, DSW
Essential Personal Services	11.8%	BMO, TD Canada Trust, Scotiabank, Petro-Canada, Shell, Rogers
Specialty Retailers	11.5%	Canadian Tire, Sephora, PetSmart, Sport Chek, Michaels, staples, buybuy BABY
Other Personal Services	10.2%	GoodLife Fitness, LA Fitness, YMCA Canada, kids & company
Furniture & Home	9.2%	Structube, HomeSense, Bed Bath & Beyond, The Brick, Lowe's, The Home Depot
Quick Service Restaurants	6.9%	Tim Hortons, Harvey's, McDonald's, A&W, Booster Juice, Five Guys Burgers and Fries, Subway
Apparel	6.9%	Mark's, Reitmans, L.L.Bean, Old Navy
Sit-down Restaurants	5.8%	Swiss Chalet, Boston Pizza, Montana's, Kelseys Original Roadhouse, Jack Astor's
Movie Theatres	4.0%	Cineplex, Landmark Cinemas
Entertainment / Hobby / Electronics / Books	2.8%	Best Buy, The Source, Indigo, EB Games
Department Stores (i)	0.2%	Hudson's Bay

(i) Excludes Home Outfitters (included in Home and Furniture), Saks Off 5th (included in Value Retailers) and Lawrence Allen Centre's HBC office.

(ii) 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, 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, as well as investments in residential developments.

At December 31, 2020, RioCan’s 30 largest tenants measured by annualized gross rental revenue are as follows:

Rank	Tenant name	Percentage of annualized 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)	**4.9 %**	**75**	**2,073**	**5.8 %**	**6.6**
2	Loblaws/Shoppers Drug Mart (iii)	**4.9 %**	**68**	**1,823**	**5.1 %**	**8.6**
3	The TJX Companies, Inc. (iv)	**4.6 %**	**71**	**2,030**	**5.7 %**	**5.8**
4	Cineplex (v)	**3.4 %**	**22**	**1,171**	**3.3 %**	**6.7**
5	Metro/Jean Coutu (vi)	**2.7 %**	**37**	**1,419**	**4.0 %**	**7.8**
6	Walmart	**2.7 %**	**16**	**2,069**	**5.8 %**	**8.0**
7	Sobeys/Safeway	**1.7 %**	**21**	**759**	**2.1 %**	**9.4**
8	Montana's, Harvey's, Swiss Chalet, Kelseys (vii)	**1.6 %**	**83**	**386**	**1.1 %**	**6.5**
9	Dollarama	**1.6 %**	**65**	**616**	**1.7 %**	**7.1**
10	GoodLife Fitness	**1.4 %**	**26**	**565**	**1.6 %**	**10.1**
11	Michaels	**1.4 %**	**24**	**519**	**1.4 %**	**5.8**
12	Lowe's	**1.4 %**	**9**	**1,154**	**3.2 %**	**8.6**
13	Staples/Business Depot	**1.3 %**	**27**	**571**	**1.6 %**	**6.0**
14	TD Bank	**1.3 %**	**47**	**253**	**0.7 %**	**8.8**
15	PetSmart	**1.2 %**	**26**	**409**	**1.1 %**	**5.2**
16	Bank Of Montreal	**1.1 %**	**34**	**245**	**0.7 %**	**4.9**
17	Chapters/Indigo	**0.9 %**	**17**	**288**	**0.8 %**	**8.5**
18	LA Fitness	**0.7 %**	**8**	**318**	**0.9 %**	**12.4**
19	Value Village	**0.7 %**	**12**	**323**	**0.9 %**	**8.6**
20	Bed Bath & Beyond	**0.7 %**	**13**	**301**	**0.8 %**	**6.4**
21	Best Buy	**0.7 %**	**11**	**261**	**0.7 %**	**3.3**
22	Leon's/The Brick	**0.7 %**	**11**	**269**	**0.8 %**	**4.9**
23	DSW/The Shoe Company	**0.7 %**	**29**	**222**	**0.6 %**	**5.0**
24	The Bank Of Nova Scotia	**0.7 %**	**26**	**130**	**0.4 %**	**5.1**
25	Tim Hortons/Burger King/Popeyes	**0.6 %**	**58**	**138**	**0.4 %**	**8.1**
26	Liquor Control Board of Ontario (LCBO)	**0.6 %**	**18**	**171**	**0.5 %**	**9.6**
27	Old Navy	**0.6 %**	**21**	**203**	**0.6 %**	**5.1**
28	The Bay/Home Outfitters (viii)	**0.6 %**	**7**	**409**	**1.1 %**	**12.6**
29	Canadian Imperial Bank of Commerce	**0.5 %**	**19**	**108**	**0.3 %**	**5.0**
30	MTY Food Group	**0.5 %**	**62**	**86**	**0.2 %**	**6.3**
		46.4 %	**963**	**19,289**	**53.9 %**	**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) 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% interest in the two properties that are 50/50 owned by RioCan and HBC. Includes Home Outfitters, Saks Off 5th and Lawrence Allen Centre's HBC office.

Occupancy by Markets and Usages

The 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	Committed Occupancy		In-Place Occupancy	
As at December 31	**2020**	2019	**2020**	2019
Commercial Six Major Markets:				
Greater Toronto Area (i)	**96.3 %**	98.3 %	**95.5 %**	97.3 %
Ottawa (ii)	**97.6 %**	98.2 %	**97.3 %**	98.0 %
Calgary	**95.7 %**	97.5 %	**93.9 %**	95.4 %
Montreal	**90.9 %**	92.6 %	**90.3 %**	92.4 %
Edmonton	**94.9 %**	97.5 %	**94.3 %**	97.1 %
Vancouver (iii)	**99.0 %**	99.6 %	**98.2 %**	99.4 %
Total Commercial Six Major Markets	**96.1 %**	97.7 %	**95.3 %**	96.9 %
Total Commercial Secondary Markets	**93.6 %**	93.6 %	**92.0 %**	92.4 %
Total Commercial	**95.7 %**	97.2 %	**94.9 %**	96.3 %

(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.

The following table summarizes the Trust's committed and in-place occupancy rates by retail and office as at December 31, 2020.

		Retail	Office	Total Commercial
Total Portfolio	Committed Occupancy	**96.1%**	**91.1%**	**95.7%**
	In-Place Occupancy	**95.1%**	**91.0%**	**94.9%**
Six Major Markets	Committed Occupancy	**96.5%**	**90.2%**	**96.1%**
	In-Place Occupancy	**95.7%**	**90.0%**	**95.3%**
Greater Toronto Area	Committed Occupancy	**97.1%**	**90.2%**	**96.3%**
	In-Place Occupancy	**96.3%**	**90.0%**	**95.5%**

The declines in committed and in-place occupancy rates during the year were due to the unprecedented pandemic. However, despite the extent of mandated store closures to curtail the spread of the second wave of the pandemic, occupancy remained strong. Retail committed occupancy for the total portfolio and six major markets increased by 10 basis points during Q4 2020 relative to the prior quarter despite the pandemic due to new leases that the Trust entered into during the quarter. One large office tenant consolidated its office space and reduced its space by about 100,000 square feet of lease at one GTA location. This led to the decrease in office committed occupancy, as well as the 30 basis points decrease in total commercial committed occupancy.

The 30 basis point decline in retail in-place occupancy over the prior quarter end was primarily due to the delayed effect of previously announced store closures while the 440 basis point quarter to quarter decline in office in-place occupancy was related to the above mentioned large office tenant not renewing its lease in one location. These two factors combined led to a 50 basis point decline in total portfolio in-place occupancy from the previous quarter end.

Average Net Rent

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

As at December 31	**2020**	2019
Average net rent per occupied square foot (i)	**$ 19.80**	$ 19.75
Retail	**$ 19.91**	$ 19.92
Office	**$ 18.23**	$ 17.22

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

The overall portfolio increase in average net rent per occupied square foot was driven by increases in office rents. Rent steps, increases upon renewal and new deals at higher rents drove the increase in office average net rent per occupied square foot. Additionally, the one large office tenant that did not renew its lease due to consolidating its office space in Q4 2020 paid lower than the office portfolio average net rent per occupied square foot.

The impact of retail rent steps, increases upon renewal and new deals at higher rents was offset by certain rent reduction agreements reached with select tenants resulting from the pandemic.

New Leasing Activity

(in thousands, except per sqft amounts)	Three months ended December 31 2020	2019	Years ended December 31 2020	2019
New Leasing NLA at 100% - IPP & PUD	**359**	485	**1,209**	1,614
Average net rent per square foot - IPP & PUD (i)	**$ 43.90**	$ 29.03	**$ 32.05**	$ 25.56
IPP	**$ 23.46**	$ 20.06	**$ 23.24**	$ 21.69
PUD	**$ 95.45**	$ 45.74	**$ 48.50**	$ 41.70
New Leasing Spread IPP - Overall Portfolio	**5.1%**	2.1%	**7.9%**	10.0%
New Leasing Spread IPP - Major Markets	**1.6%**	2.1%	**8.3%**	8.8%

(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. For further clarity, net rent on new leases signed on new square footage from new development projects is included in the average net rent per square foot for new leases but are excluded in calculating the new leasing spread given that there is no base to compare to for such new developments.

Renewal Leasing Activity

A summary of our 2020 and 2019 commercial renewal leasing activity is as follows:

(in thousands, except percentage and per sqft amounts)	Three months ended December 31 2020	2019	Years ended December 31 2020	2019
Square feet renewed at market rental rates (at 100%)	**853**	614	**2,421**	2,761
Square feet renewed at fixed rental rates (at 100%)	**373**	175	**1,220**	1,246
Total square feet renewed (at 100%)	**1,226**	789	**3,641**	4,007
Average net rent per square foot (i)	**$ 20.23**	$ 22.89	**$ 20.01**	$ 20.98
Renewal leasing spread in average net rent (ii)	**$ 0.70**	$ 2.12	**$ 0.85**	$ 1.77
Renewal leasing spread percentage - Overall Portfolio (iii)	**3.6%**	10.2%	**4.4%**	9.2%
Renewal leasing spread percentage - Major Markets (iii)	**4.4%**	10.6%	**5.0%**	9.9%
Retention ratio - Overall Portfolio	**85.8%**	89.9%	**86.7%**	89.4%
Retention ratio - Major Markets	**85.7%**	90.0%	**86.0%**	89.8%

(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.

Blended Leasing Spread

	Three months ended December 31 2020	2019	Years ended December 31 2020	2019
Blended leasing spread for both new and renewal leasing - Overall Portfolio (i)	**3.8%**	8.2%	**5.0%**	9.4%
Blended leasing spread for both new and renewal leasing - Major Markets (i)	**3.9%**	8.4%	**5.6%**	9.7%

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

For new leasing, the spread is calculated based on 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 quarterly new leasing spread is calculated for properties owned by the Trust as of each quarter end date. The annual leasing spread is the weighted average of quarterly new leasing spread as reported over the four quarters of a year.

For the year ended December 31, 2020 the blended leasing spread exceeded the renewal leasing spread as a result of strong new leasing, particularly in the major markets.

Retailer Restructuring Filings

Since the Trust's Q1 2020 report, the number of retail filings for protection under the Companies' Creditors Arrangement Act (CCAA) in Canada or Chapter 11 in the U.S., have been accelerated by the pandemic. Protection under these filings allows companies to restructure their affairs during a stay period and therefore, does not necessarily result in the closure of store locations. RioCan is entitled to gross rents during the stay period until a lease is disclaimed or terminated.

As of February 10, 2021, RioCan's exposure to tenants with restructuring filings, and those who have issued Notices of Intent to file or entered into Bankruptcy proceedings, since March 31, 2020 is summarized in the table below, as well as RioCan's exposure based on confirmed closures by tenants:

Tenant	Percentage of annualized total rental revenue	Confirmed closures as % of annualized total rental revenue
Globo Shoes (i)	0.2%	—%
L' Aubainerie	0.1%	0.1%
Reitmans (ii)	0.8%	0.3%
Stern Group (iii)	0.2%	—%
GNC	0.1%	0.1%
Laura (iv)	0.4%	—%
Moores	0.3%	0.1%
Le Chateau	0.1%	—%
Others (v)	0.5%	0.3%
Total tenant restructuring filings since March 31, 2020 as of February 10, 2021	2.7%	0.9%

(i) Globo Shoes includes Aldo, Call It Spring and Globo.

(ii) Reitmans includes Penningtons, RW&CO., Addition Elle and Thyme Maternity.

(iii) Stern Group includes Ricki's, Cleo and Bootlegger.

(iv) Laura includes Laura and Melanie Lyne.

(v) Others include Anna Bella, Ascena Group Inc., Brooks Brothers, Chuck E. Cheese, Coats Co., Conforti Holdings Inc., Davids Tea, Dr. Bernstein Health and Diet Clinic, Garage, Haggar Direct Inc., Henry's, Infinity Dental, Jack & Jones, J. Crew, KSF Group, L'Accessoirie, Lucky Brand, Mendocino, Mountain Equipment Co-Operative, Solutions, Swimco and Zacks Fashions.

The percentage of annualized total rental revenue from tenants undergoing restructuring declined slightly when compared to the prior quarter due to marginal changes in total annualized rental revenue. The confirmed closures continue to represent less than 1.0% of our total portfolio and have not changed quarter to quarter. Such vacant space is expected to be re-tenanted in due course to new uses better suited to the evolving economy and consumer trends. For any other retailers that have filed for CCAA or Chapter 11 since March 31, 2020, but are not included in the above table, the Trust has no exposure to them.

Lease Expiries

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	2021	2022	2023	2024	2025
Square feet	35,772	2,833	3,907	4,159	4,567	4,381
Square feet expiring/Portfolio NLA		7.9%	10.9%	11.6%	12.8%	12.3%
Average net rent per occupied square foot		$ 20.92	$ 20.88	$ 20.85	$ 21.48	$ 21.02

Contractual Rent Increases

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

(thousands of dollars)	For the years ending				
At RioCan's interest	2021	2022	2023	2024	2025
Contractual rent increases	$ 8,102	$ 6,721	$ 6,334	$ 4,789	$ 3,329

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

Future Lease Commencements

Subsequent to Q4 2020, we expect to generate approximately $10.0 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, 2020. 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, 2020 is as follows:

(in thousands, except percentage amounts)

At RioCan's Interest	Annualized	Total	Q1 2021	Q2 2021	Q3 2021	Q4 2021+
Square feet:						
NLA commencing (i)		312	230	51	31	—
Cumulative NLA commencing (i)		312	230	281	312	312
% of NLA commencing			73.7%	16.3%	10.0%	—%
Cumulative % total			73.7%	90.0%	100.0%	100.0%
Average net incremental IFRS rent:						
Monthly net incremental IFRS rent commencing (ii)		$ 836	$ 602	$ 145	$ 89	$ —
Cumulative monthly net incremental IFRS rent commencing	$ 10,032	$ 836	$ 602	$ 747	$ 836	$ 836
% of net incremental IFRS rent for NLA commencing			72.0%	17.4%	10.6%	—%
Cumulative % total net incremental IFRS rent commencing			72.0%	89.4%	100.0%	100.0%

(i) Includes NLA expected to be completed from expansion and redevelopment projects.

(ii) Based on monthly IFRS rental revenue.

Property Operations - Residential

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, design, amenities, community-focused event programming, professional management and access to strong retail offerings are all key strengths of RioCan Living. While it is difficult to project the longer term impact of the current worldwide pandemic on immigration to Canada and its corresponding impact on Canadian population growth, the economy and housing market, RioCan believes in the long-term value creation and risk mitigation benefits of its residential strategy. Refer to the *Business Overview and Strategy, Business Environment and Outlook,* and *Risks and Uncertainties* sections of this MD&A for further discussions on the impact of the pandemic on the Trust's business.

The Trust currently has four completed RioCan Living projects as summarized below and 11 projects in different phases of development. None of the Trust's residential units (other than the rental replacement units, which are rented at prescribed rents) are subject to rent controls. For the fourth quarter of 2020, RioCan has received approximately 98.2% of the residential rents at eCentral, Frontier, Brio and Pivot as of February 10, 2021. As a result of COVID-19, the Ontario provincial government has passed legislation that freezes rent at 2020 levels in 2021 for most residential units in the province.

As at		Occupancy as of December 31, 2020			Leasing as of February 10, 2021		
Residential Rental Buildings in Operations	Number of total units	Number of occupied units	% of occupied units	Average monthly market rent per square foot (i)	Number of leased units	% of leased units	Average monthly market rent per square foot
eCentral (Yonge Eglinton Northeast Corner, Toronto) (ii)	**466**	**401**	**86.1 %**	**$ 3.89**	402	86.3 %	$ 3.85
Frontier (Gloucester, Ottawa) (iii)	**228**	**222**	**97.8 %**	**$ 2.50**	222	97.8 %	$ 2.52
Brio (Brentwood Village, Calgary) (iii)	**163**	**87**	**53.7 %**	**$ 2.54**	96	59.3 %	$ 2.54
Pivot (Yonge Sheppard Centre, Toronto) (iv)	**361**	**17**	**4.7 %**	**$ 3.67**	39	10.8 %	$ 3.61

(i) 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. RioCan Living tenants generally pay their own utility bills.

(ii) eCentral lease-up has been slowed by the current COVID-19 pandemic. As at December 31, 2020, the total of 401 units included 338 market rent units occupied at an average monthly rate of $3.89 per square foot and 63 rental replacement units occupied at an average monthly rate of $2.30. As at February 10, 2021, the total of 402 units leased were comprised of 339 market rent units leased at an average monthly rate of $3.85 per square foot and 63 rental replacement units leased at an average monthly rate of $2.30 per square foot.

(iii) Total units include one guest suite, which is excluded in the occupied and leased percentage calculation for the property.

(iv) As at December 31, 2020, the total of 17 units included 16 market rent units occupied at an average monthly rate of $3.67 and 1 rental replacement units occupied at an average monthly rate of $1.87. As at February 10, 2021, the total of 39 units leased were comprised of 33 market rent units leased at an average monthly rate of $3.61 and 6 rental replacement units leased at an average monthly rate of $1.66.

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, 2020, the estimated weighted average age of our income property portfolio is approximately 26 years (December 31, 2019 - approximately 25 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.

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

The Trust's 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 the Trust's 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

The Trust also invests capital on a regular basis to physically maintain its 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. The Trust expenses or capitalizes 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 is considered revenue enhancing. RioCan considers such amounts to be investing activities. As a result, it does 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		Years ended December 31		Normalized capital expenditures (i)	
(thousands of dollars)	**2020**	2019	**2020**	2019	**2020**	2021
Maintenance capital expenditures:						
Tenant improvements and external leasing commissions	**$ 7,099**	$ 9,956	**$ 31,486**	$ 33,005	**$ 16,000**	$ 27,000
Recoverable from tenants	**2,786**	4,822	**8,007**	12,263	**18,000**	12,000
Non-recoverable	**916**	2,700	**4,684**	5,847	**6,000**	6,000
	$ 10,801	$ 17,478	**$ 44,177**	$ 51,115	**$ 40,000**	$ 45,000
Revenue enhancing capital expenditures	**2,513**	6,861	**17,415**	22,205		
	$ 13,314	$ 24,339	**$ 61,592**	$ 73,320		

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

RioCan's total maintenance capital expenditures for the year ended December 31, 2020 was $44.2 million, $4.2 million higher than our normalized capital expenditures of $40.0 million for the year. This was primarily related to higher than expected tenant improvements and external leasing commissions partly resulting from the pandemic. For 2021, normalized maintenance capital expenditure guidance is set at $45.0 million, $5.0 million higher than 2020. As a result of filling certain vacancies resulting from the COVID-19 pandemic, the Trust anticipates additional tenant improvements in 2021 and has determined that $45.0 million is a reasonable normalized capital expenditure estimate for 2021, although quarterly fluctuations between the $11.3 million quarterly normalized capital expenditures and the actual expenditures are expected. The Trust will reassess this estimate as necessary on a go forward basis. Refer to the *Non-GAAP Measures* section of this MD&A for details on how estimates of normalized capital expenditures were determined for 2020 and 2021.

RESULTS OF OPERATIONS

Summary of Selected Financial Information

RioCan has summarized in the following table key selected financial information that were based on or derived from, and should be read in conjunction with the Consolidated Financial Statements of the Trust for the respective years.

(thousands of dollars, except where otherwise noted) As at and for the year ended December 31,		**2020**		2019		2018
Revenue	**$**	**1,143,663**	$	1,326,325	$	1,147,842
Net operating income (NOI) (i)		**652,177**		691,705		703,491
FFO (i)		**507,394**		575,845		580,223
Operating income		**680,283**		748,612		720,291
Net income (loss)		**(64,780)**		775,834		528,103
Distributions declared		**457,525**		444,462		450,743
Weighted average Units outstanding (in thousands)						
Basic		**317,725**		307,683		313,936
Diluted		**317,725**		307,779		314,024
Per unit basis						
Net income (loss) - basic	**$**	**(0.20)**	$	2.52	$	1.68
Net income (loss) - diluted	**$**	**(0.20)**	$	2.52	$	1.68
FFO - diluted (i)	**$**	**1.60**	$	1.87	$	1.85
Unitholder distributions (v)	**$**	**1.44**	$	1.44	$	1.44
FFO Payout Ratio (i)		**90.2%**		76.9%		77.9%
ACFO Payout Ratio (i)		**98.9%**		84.3%		85.7%
Investment properties	**$**	**14,063,022**	$	14,359,127	$	13,009,421
Total assets		**15,267,708**		15,188,326		14,003,765
Unencumbered assets (RioCan's proportionate share)		**8,727,354**		8,936,721		7,970,296
Total debt (ii)		**6,927,883**		6,390,818		5,874,033
Total equity		**7,734,973**		8,305,211		7,666,390
Debt to total assets (i) (iii)		**44.5%**		41.7%		41.6%
Debt to total assets (RioCan's proportionate share) (i) (iii)		**45.0%**		42.1%		42.1%
Interest coverage (RioCan's proportionate share) (i) (iv)		**3.10**		3.50		3.63
Debt to Adjusted EBITDA (RioCan's proportionate share) (i) (iv)		**9.47**		8.06		7.88
Weighted average contractual interest rate		**3.13%**		3.34%		3.51%
Unencumbered assets to unsecured debt (RioCan's proportionate share) (i)		**215%**		227%		231%
Net book value per unit	**$**	**24.34**	$	26.14	$	25.13

(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 the 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. Refer to the *Debt Metrics* section of this MD&A for further details.

(v) Effective January 2021, the distribution was reduced to $0.96 on an annualized basis.

The Trust's year-over-year changes in revenues, NOI, FFO, and net income, as well as other key financial information were primarily impacted by its strategic secondary market disposition program completed between late 2017 and the end of 2019, the timing and magnitude of its residential condominium and townhouse projects closings, the magnitude and pace of development expenditures and project completions, and in 2020 the global pandemic and its effects on tenant and RioCan operations. Net income, investment properties and a few other financial position related metrics such as debt to total assets were further impacted by the year-over-year changes in the fair values of investment properties, particularly the significant fair value write-downs in 2020 as a result of the pandemic. Refer to the various sections of this MD&A for more detail on the Trust's key financial and operational information.

Rental Revenue

The rental revenue for the three months and year ended December 31, 2020 and 2019 is as follows:

(thousands of dollars)	Three months ended December 31 2020	Three months ended December 31 2019	Years ended December 31 2020	Years ended December 31 2019
Base rent	$ **173,160**	$ 174,968	$ **697,006**	$ 684,383
Realty tax and insurance recoveries	**53,384**	53,355	**217,957**	217,984
Common area maintenance recoveries	**40,196**	44,620	**155,879**	164,921
Percentage rent	**2,774**	2,368	**4,874**	6,719
Straight-line rent	**1,458**	2,376	**7,177**	8,880
Lease cancellation fees	**5,199**	477	**6,284**	7,903
Parking revenue	**251**	888	**1,555**	2,937
Rental revenue	$ **276,422**	$ 279,052	$ **1,090,732**	$ 1,093,727

2020

The $3.0 million decrease in rental revenue for the year was primarily due to lower common area maintenance recoveries resulting from operating costs savings achieved and wage subsidy benefits transferred to tenants, lower percentage rent and parking revenues due to the pandemic, partially offset by higher base rent primarily from residential rental revenue as the four RioCan Living properties were being leased-up.

Q4 2020

The $2.6 million decrease in rental revenue for the quarter is primarily due to lower base rent and common area maintenance recoveries primarily from lower occupancy resulting from COVID-19, partially offset by higher lease cancellation fees.

Net Operating Income (NOI)

NOI represents rental revenue from income properties less property operating costs, and is a subset of IFRS operating income. The NOI for the three months and year ended December 31, 2020 and 2019 is as follows:

(thousands of dollars)	Three months ended December 31 2020	Three months ended December 31 2019	Years ended December 31 2020	Years ended December 31 2019
Operating income (i)	$ **173,594**	$ 189,587	$ **680,283**	$ 748,612
Adjusted for the following:				
Property management and other service fees	**(4,050)**	(3,039)	**(16,584)**	(23,633)
Residential inventory				
Sales	**(4,712)**	(38,639)	**(36,347)**	(208,965)
Cost of sales	**1,143**	27,604	**20,842**	172,688
Operational lease revenue and (expenses) from ROU assets	**1,065**	910	**3,983**	3,003
NOI	$ **167,040**	$ 176,423	$ **652,177**	$ 691,705
NOI as a percentage of rental revenue (excluding the impact of lease cancellation fees)	**59.4%**	62.9%	**59.3%**	62.7%
Add: NOI of proportionate share of equity-accounted investments				
RioCan-HBC JV:				
Rental income (excluding straight-line rent)	**3,810**	3,810	**15,188**	15,295
Straight-line rent	**317**	386	**1,392**	1,649
Property operating costs	**(662)**	(608)	**(2,806)**	(2,595)
Operational lease revenue and (expenses) from ROU assets	**(126)**	(126)	**(506)**	(506)
Other (ii)	**104**	128	**294**	572
NOI of proportionate share of equity-accounted investments	$ **3,443**	$ 3,590	$ **13,562**	$ 14,415
NOI - RioCan's proportionate share	$ **170,483**	$ 180,013	$ **665,739**	$ 706,120

(i) In accordance with IFRS.

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

NOI as a percentage of rental revenue (excluding the impact of lease cancellation fees) was lower for the three months and year ended December 31, 2020 over the comparable periods primarily due to the $9.0 million and $42.5 million provision for rent abatements and bad debts, during the respective periods in 2020, as a result of the COVID-19 pandemic. Excluding the provision, the NOI margin would have been 62.7% and 63.2%, respectively for the three months and year ended December 31, 2020. The NOI margin increase from the comparable year is due primarily to lower operating costs.

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

	Three months ended December 31		Years ended December 31	
(thousands of dollars)	**2020**	2019	**2020**	2019
NOI				
Commercial	**$ 165,070**	$ 174,548	**$ 643,934**	$ 689,278
Residential (i)	**1,970**	1,875	**8,243**	2,427
Total NOI	**$ 167,040**	$ 176,423	**$ 652,177**	$ 691,705

(i) NOI during lease-up period.

2020

The $39.5 million or 5.7% decrease in NOI for the year compared to the prior year 2019 was the net effect of a $45.3 million decrease in commercial NOI and a $5.8 million increase in residential NOI due to lease-up at eCentral, Frontier, Brio and Pivot.

The decrease in commercial NOI was largely due to:

- $42.5 million provision for rent abatements and bad debts as a result of the pandemic;
- $1.7 million lower straight-line rent; and
- $1.6 million in lower lease cancellation fees.

Q4 2020

The $9.4 million or 5.3% decrease in NOI for the quarter compared to the same period in 2019 was the net effect of a $9.5 million decrease in commercial NOI and a $0.1 million increase in residential NOI due to lease-up of Brio and Pivot.

The decrease in commercial NOI was largely due to the the following:

- $9.0 million provision for rent abatements and bad debts as a result of the pandemic;
- $4.3 million lower NOI due to lower occupancy resulting from the pandemic (net of higher NOI from completed developments);
- $0.9 million lower straight-line rent; partially offset by,
- $4.7 million higher lease cancellation fees.

Same Property NOI

Same property NOI for the three months and year ended December 31, 2020 and 2019 is as follows:

	Three months ended December 31		Years ended December 31	
(thousands of dollars)	**2020**	2019	**2020**	2019
Same property (i)	**$ 152,125**	$ 165,112	**$ 572,518**	$ 612,612
NOI from income producing properties:				
Acquired (ii)	**1,865**	253	**35,498**	18,166
Disposed (ii)	**64**	2,464	**2,298**	21,912
	1,929	2,717	**37,796**	40,078
NOI from completed properties under development	**2,586**	1,860	**13,539**	10,996
Properties under de-leasing for development	**1,773**	2,006	**6,620**	8,809
Lease cancellation fees	**5,199**	477	**6,284**	7,903
Straight-line rent adjustment	**1,458**	2,376	**7,177**	8,880
NOI from residential rental	**1,970**	1,875	**8,243**	2,427
NOI	**$ 167,040**	$ 176,423	**$ 652,177**	$ 691,705
NOI of proportionate share of equity-accounted investments	**$ 3,443**	$ 3,590	**$ 13,562**	$ 14,415
NOI - RioCan's proportionate share	**$ 170,483**	$ 180,013	**$ 665,739**	$ 706,120
Total straight-line rent - RioCan's proportionate share	**$ 1,775**	$ 2,762	**$ 8,569**	$ 10,529

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

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

2020

Same property NOI for the year decreased by 6.5% or $40.1 million compared to the prior year 2019, primarily due to the provision for rent abatements and bad debts as a result of the pandemic. Including completed properties under development, primarily Bathurst College Centre in Toronto and 5th & THIRD in Calgary, same property NOI decreased by 6.0% for the Trust's commercial portfolio.

Excluding the provision and incremental development NOI, same property NOI decreased by 0.2%.

Q4 2020

Same property NOI for the quarter decreased by 7.9% or $13.0 million compared to the same period in 2019 primarily due to the provision for rent abatements and bad debts. Including completed properties under development, primarily 5th & THIRD in Calgary, same property NOI decreased by 7.3% for the Trust's commercial portfolio as a result of the pandemic.

Excluding the provision and incremental development NOI, same property NOI decreased by 2.6%.

Operating Income

The IFRS operating income for the three months and year ended December 31, 2020 and 2019 is as follows:

	Three months ended December 31		Years ended December 31	
(thousands of dollars)	**2020**	2019	**2020**	2019
Revenue				
Rental revenue	**$ 276,422**	$ 279,052	**$ 1,090,732**	$ 1,093,727
Residential inventory sales	**4,712**	38,639	**36,347**	208,965
Property management and other service fees	**4,050**	3,039	**16,584**	23,633
	$ 285,184	$ 320,730	**$ 1,143,663**	$ 1,326,325
Operating costs				
Rental operating costs				
Recoverable under tenant leases	**$ 95,452**	$ 97,789	**$ 377,787**	$ 384,404
Non-recoverable costs	**14,995**	5,750	**64,751**	20,621
Residential inventory cost of sales	**1,143**	27,604	**20,842**	172,688
	111,590	131,143	**463,380**	577,713
Operating income	**$ 173,594**	$ 189,587	**$ 680,283**	$ 748,612
Breakdown of operating income:				
Commercial	**$ 168,055**	$ 176,677	**$ 656,535**	$ 709,908
Residential	**5,539**	12,910	**23,748**	38,704
Operating income	**$ 173,594**	$ 189,587	**$ 680,283**	$ 748,612

2020

The $68.3 million or 9.1% decrease in operating income for the year compared to the prior year 2019 consisted of a $53.4 million decrease in commercial operating income and a $15.0 million decrease in residential operating income.

The decrease of $53.4 million in commercial operating income was largely the effect of the following:

- $45.3 million decrease in NOI primarily from a $42.5 million provision in 2020 for rent abatements and bad debts as a result of the COVID-19 pandemic; and
- $7.0 million lower property management and other service fee revenue primarily due to higher development fees and financing fees in 2019 associated with one large property under development which has since been completed.

The decrease of $15.0 million in residential operating income was the net effect of the following:

- $20.8 million lower inventory gains due to timing of condominium closings (more condominium closings in 2019), net of the gains from the sales of 50% interests in Dufferin Plaza and 2939-2943 Bloor Street West in Toronto; partially offset by,
- $5.8 million increase in NOI as the Trust's first four residential towers were being leased-up.

Q4 2020

The $16.0 million or 8.4% decrease in operating income for the quarter compared to the same period in 2019 consisted of a $8.6 million decrease in commercial operating income and a $7.4 million decrease in residential operating income.

The decrease of $8.6 million in commercial operating income was largely the net effect of the following:

- $9.5 million decrease in NOI primarily from a $9.0 million provision for rent abatements and bad debts as a result of the pandemic; partially offset by,
- $1.0 million higher property management and other service fee revenue.

The decrease of $7.4 million in residential operating income was due to lower residential inventory gains relating to the timing of condominium closings, net of the gain from the sale of a 50% interest in 2939-2943 Bloor Street West in Toronto.

Other Income (Loss)

	Three months ended December 31		Years ended December 31	
(thousands of dollars)	**2020**	2019	**2020**	2019
Interest income	**$ 3,500**	$ 4,438	**$ 14,602**	$ 16,916
Income (loss) from equity-accounted investments	**421**	(2,816)	**3,985**	10,051
Fair value (losses) gains on investment properties, net	**(42,286)**	23,274	**(526,775)**	247,624
Investment and other income (loss)	**967**	(53)	**8,216**	7,732
Other income (loss)	**$ (37,398)**	$ 24,843	**$ (499,972)**	$ 282,323

2020

The $2.3 million lower interest income when compared to the prior year was primarily due to a $2.2 million decrease from condominium interim occupancy fees related to interest.

RioCan's share of FFO from equity-accounted investments was $14.5 million for the year, $3.9 million lower than the prior year, primarily due to higher transaction gains recognized in 2019. RioCan's share of FFO from the RioCan-HBC joint venture was relatively stable. For further details on the results of operations of the RioCan-HBC joint venture, refer to the *Joint Arrangements* section of this MD&A.

The Trust recognized fair value losses of $526.8 million on investment properties during the year as a result of the pandemic, representing a 3.7% write-down of the Trust's total investment properties valuation at the beginning of 2020, including assets held for sale. In the pre-pandemic 2019, the Trust recorded fair value gains of $247.6 million primarily driven by higher stabilized net operating income on certain income properties, updated valuation estimates on specific development properties and capitalization rate reduction in certain urban market assets. This led to a $774.4 million change in fair value on investment properties year-over-year, which was a key factor in net income change year over year. Refer to the *Property Valuations* section of this MD&A for further details.

Investment and other income increased by $0.5 million over the prior year. However, this was the net result of the following, of which changes in unrealized fair value gain on marketable securities do not impact FFO:

- $8.5 million in higher other income primarily from an investment in e2 (a development adjacent to ePlace) and a fee received from the termination of a property forward purchase agreement, and
- $5.4 million increase in the change in unrealized fair value on marketable securities, largely offset by,
- $13.4 million in lower realized gains on the sale of marketable securities and dividend income.

Q4 2020

Interest income decreased slightly by $0.9 million over the same period in 2019. This was mainly due to a $0.5 million decrease in interest related condominium interim occupancy fees and $0.5 million decrease resulting from lower effective interest rates on mortgage 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 this quarter, RioCan's share of FFO from equity-accounted investments was $3.5 million, $0.7 million higher than the comparative period in 2019, primarily due to higher transaction gains. FFO from the RioCan-HBC joint venture was stable. For further details on the results of operations of the RioCan-HBC joint venture, refer to the *Joint Arrangements* section of this MD&A.

The Trust recognized fair value losses of $42.3 million on investment properties for the quarter, including assets held for sale. Refer to the *Property Valuations* section of this MD&A for further details.

Investment and other income increased by $1.0 million during the quarter over the comparable period in 2019. This was the net effect of the following, of which changes in unrealized fair value gain on marketable securities do not impact FFO:

- $7.4 million increase in the change in unrealized fair value on marketable securities, and
- $1.0 million in higher other income, largely offset by,
- $7.3 million in lower realized gains on the sale of marketable securities and dividend income.

Other Expenses

Interest Costs

	Three months ended December 31		Years ended December 31	
(thousands of dollars, except where otherwise noted)	**2020**	2019	**2020**	2019
Total interest	**$ 56,070**	$ 54,238	**$ 222,593**	$ 216,249
Interest costs capitalized (i)	**(11,229)**	(9,023)	**(41,782)**	(33,469)
Net interest	**$ 44,841**	$ 45,215	**$ 180,811**	$ 182,780
Percentage capitalized	**20.0%**	16.6%	**18.8%**	15.5%

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

Total interest costs increased by $1.8 million and $6.3 million for the quarter and year, respectively, compared to the same periods in 2019. This was primarily due to a debt modification gain of $1.3 million in Q4 2019 and from higher average debt balances in the current quarter and year, partially offset by a lower average cost of debt. As at December 31, 2020, the weighted average effective interest rate of our total debt is 3.21% (December 31, 2019 - 3.44%).

Interest capitalized to development properties increased by $2.2 million and $8.3 million for the quarter and year, respectively, compared to the same periods in 2019. This was primarily due to continuing progress on existing and new active developments. Interest was capitalized to properties under development and residential inventory at a weighted average effective interest rate of 3.23% and 3.32% for the three months and year ended December 31, 2020, respectively (three months and year ended December 31, 2019 – 3.45% and 3.51%).

As a result of the changes in total interest costs and interest costs capitalized, net interest costs decreased by $0.4 million and $2.0 million, respectively, for the quarter and year ended December 31, 2020, compared to the same periods in 2019.

General and Administrative (G&A)

	Three months ended December 31		Years ended December 31	
(thousands of dollars, except where otherwise noted)	**2020**	2019	**2020**	2019
Non-recoverable salaries and benefits	**$ 9,849**	$ 10,570	**$ 37,046**	$ 40,885
Capitalized to development and residential inventory (i)	**(2,312)**	(2,438)	**(9,440)**	(9,812)
Internal leasing salaries and benefits	**(2,205)**	(2,204)	**(7,895)**	(8,762)
Non-recoverable salaries and benefits, net	**5,332**	5,928	**19,711**	22,311
Unit-based compensation expense	**2,136**	1,280	**7,271**	5,358
Depreciation and amortization	**1,059**	1,122	**4,342**	4,381
Other general and administrative expense (ii)	**4,414**	3,957	**9,200**	14,764
Total general and administrative expense	**$ 12,941**	$ 12,287	**$ 40,524**	$ 46,814
Total general and administrative expense as a percentage of rental revenue	**4.7%**	4.4%	**3.7%**	4.3%

(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.

In response to the COVID-19 pandemic, the Canadian federal government introduced the Canada Emergency Wage Subsidy (CEWS) program which is designed to subsidize 75% of eligible employee wages on a retroactive basis from March 15, 2020 to August 29, 2020. In July 2020, the federal government extended the program to November 21, 2020. Under the new CEWS program, the government amended the subsidy benefits by removing the minimum 30% revenue decline requirement and introduced a subsidy that is based on the percentage of revenue reduction but will decline in the later periods on a retroactive basis from July 5, 2020 to November 21, 2020. The federal government recently announced its intention to further extend the CEWS program into June 2021 and maintain the maximum subsidy rate of up to 65% of eligible wages, although further details are pending.

For the quarter and year ended December 31, 2020, the Trust accrued $1.2 million and $6.4 million of the CEWS subsidy as a reduction to gross general and administrative expenses, respectively, of which $5.0 million relating to Q2 and Q3 2020 has been received in cash. Approximately 64% of the wage subsidy pertained to recoverable operational salaries and benefits and as such, the majority of the wage subsidy is passed back to the tenants through lower recoverable operating costs. The remaining 36% pertained to non-recoverable salaries related to wages for development and internal leasing staff, and general and administrative functions. The net benefit of the CEWS program to the Trust was $0.2 million and $1.0 million in net general and administrative expenses savings for the three months and year ended December 31, 2020, respectively, which benefited FFO accordingly.

2020

The $6.3 million decrease over the prior year was primarily due to:

- $5.6 million decrease in other general and administrative expenses mainly as a result of a $4.0 million mark-to-market decrease for cash-settled unit-based trustee costs given the year-over-year Unit price drop as a result of the pandemic, and $2.1 million in lower consulting, advertising and promotion, and travel and entertainment costs; and
- $2.6 million decrease mainly due to bonus accrual reduction as a result of COVID-19's effect on operating results and CEWS subsidies; partially offset by,
- $1.9 million increase in unit-based compensation expense primarily due to a change in the expensing schedule of CEO compensation offset by a reduction to expense accrual due to lower operating results as a result of COVID-19.

Q4 2020

The $0.7 million increase over the comparable period in 2019 was primarily due to the net effect of the following:

- $0.9 million increase in unit-based compensation expense primarily due to a change in the expensing schedule of CEO compensation and changes in estimates and assumptions; and
- $0.5 million increase in other general and administrative expenses mainly as a result of a $1.2 million increase in mark-to-market adjustments for cash-settled unit-based trustee costs given the Unit price recovery, and $0.4 million higher information technology costs, net of $1.1 million in lower consulting, advertising and promotion, and travel and entertainment costs; partially offset by,
- $0.6 million decrease mainly due to bonus accrual reduction as a result of COVID-19's effect on operating results and CEWS subsidies.

Internal Leasing Costs

Internal leasing costs are comprised of the payroll costs of our internal leasing department and related administration costs. For the quarter and year ended December 31, 2020, leasing costs decreased by $0.1 million and $1.1 million, respectively, compared to the same period in 2019. The changes were primarily related to a reduction to bonus accruals and the impact of the CEWS program as discussed in the *General and Administrative* section earlier in this MD&A.

Transaction and Other Costs

Transaction and other costs decreased by $2.1 million and $9.9 million for the quarter and the year, respectively, compared to the same periods in 2019. The decreases were primarily due to lower volume of dispositions in 2020, as well as lower marketing costs. In addition, the decrease for the year included a reversal of a prior year transaction cost accrual.

During the quarter and year ended December 31, 2020, the Trust incurred $0.4 million and $1.1 million of marketing costs, respectively (three months and year ended December 31, 2019 - $0.8 million and $3.4 million, respectively). Such marketing costs are mainly comprised of those related to condominium and townhouse projects which are expensed as incurred before condominium sales revenues are recognized into income and marketing costs related residential rental buildings that are in lease-up.

Net Income (Loss) Attributable to Unitholders

	Three months ended December 31		Years ended December 31	
(thousands of dollars, except per unit amounts)	**2020**	2019	**2020**	2019
Net income (loss) attributable to Unitholders	**$ 65,609**	$ 150,786	**$ (64,780)**	$ 775,834
Net income (loss) attributable to Unitholders (basic)	**$ 0.21**	$ 0.48	**$ (0.20)**	$ 2.52
Net income (loss) attributable to Unitholders (diluted)	**$ 0.21**	$ 0.48	**$ (0.20)**	$ 2.52

2020

Excluding $774.4 million changes in fair value gain (loss) on investment properties as discussed in the *Other Income (Loss)* section of this MD&A, net income attributable to Unitholders for the year was $462.0 million compared to $528.2 million for the prior year, representing a decrease of $66.2 million or 12.5%. This decrease was largely the net effect of the following:

- $68.3 million decrease in operating income primarily due to a $42.5 million provision for rent abatements and bad debts, $20.8 million lower inventory gains, and $7.0 million lower property management and other services fees;
- $7.9 million decrease in other income, primarily from $6.1 million lower income from equity-accounted investments due to higher inventory gains from the Whitecastle investment in the prior year; and
- $9.3 million increase in income taxes primarily due to a write-off of deferred tax assets, partially offset by,
- $19.3 million lower other expenses, consisting primarily of $9.9 million lower transaction costs, $2.0 million lower interest expense, $1.1 million lower internal leasing costs and $6.3 million in lower general and administration costs.

Q4 2020

Excluding $65.6 million changes in fair value gain (loss) on investment properties over the comparable period, net income attributable to Unitholders for the quarter was $107.9 million compared to $127.5 million in the same period in 2019, representing a decrease of $19.6 million or 15.4%. This decrease was largely the net effect of the following:

- $16.0 million decrease in operating income primarily due to a $9.0 million provision for rent abatements and bad debts, and $7.5 million lower residential inventory gains; and
- $8.9 million increase in income taxes primarily due to a write-off of deferred tax assets; partially offset by,
- $3.3 million increase in other income, primarily due to $3.2 million higher income from equity-accounted investments resulting from a fair value decrease in Q4 2019; and
- $1.9 million lower other expenses, primarily from lower transaction costs.

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 (loss) attributable to Unitholders to FFO from operations:

	Three months ended December 31		Years ended December 31	
(thousands of dollars, except per unit amounts)	**2020**	2019	**2020**	2019
Net income (loss) attributable to Unitholders	**$ 65,609**	$ 150,786	**$ (64,780)**	$ 775,834
Add back/(Deduct):				
Fair value losses (gains), net	**42,286**	(23,274)	**526,775**	(247,624)
Fair value losses included in equity-accounted investments	**2,852**	5,605	**9,613**	8,330
Deferred income tax expense	**9,105**	(216)	**10,905**	2,064
Internal leasing costs	**2,901**	3,017	**10,192**	11,309
Transaction losses (gains) on investment properties, net (i)	**121**	(98)	**503**	1,066
Transaction costs on sale of investment properties	**1,003**	2,595	**768**	7,989
Change in unrealized fair value on marketable securities	**—**	7,395	**10,219**	15,637
Current income tax (recovery)	**(711)**	(273)	**(275)**	(699)
Operational lease revenue (expenses) from ROU assets	**710**	570	**2,572**	1,963
Operational lease revenue (expenses) from ROU assets in equity-accounted investments	**(7)**	(6)	**(28)**	(24)
Capitalized interest on equity-accounted investments (ii)	**235**	—	**930**	—
FFO	**$ 124,104**	$ 146,101	**$ 507,394**	$ 575,845
FFO	**$ 124,104**	$ 146,101	**$ 507,394**	$ 575,845
FFO per unit - basic	**$ 0.39**	$ 0.46	**$ 1.60**	$ 1.87
FFO per unit - diluted	**$ 0.39**	$ 0.46	**$ 1.60**	$ 1.87
Weighted average number of Units - basic (in thousands)	**317,739**	314,953	**317,725**	307,683
Weighted average number of Units - diluted (in thousands)	**317,739**	315,080	**317,725**	307,779
FFO payout ratio (iii)			**90.2%**	76.9%

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

(ii) This amount represents the interest capitalized to RioCan's equity-accounted investment in WhiteCastle New Urban Fund, LP, WhiteCastle New Urban Fund 2, LP, WhiteCastle New Urban Fund 3, LP and WhiteCastle New Urban Fund 4, LP. This amount is not capitalized to properties under development under IFRS, but is allowed as an adjustment under REALPAC's definition of FFO.

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

FFO Highlights

2020

FFO for the year decreased by $68.5 million or 11.9% from the prior year. On a diluted per unit basis, FFO decreased $0.27 per unit or 14.6% when compared to $1.87 for the prior year. This decrease was primarily the net effect of the following:

- $42.5 million provision for rent abatements and bad debts as a result of the pandemic;

- $20.8 million lower residential inventory gains primarily due to timing of condominium closings;
- $13.4 million in lower realized gains on the sale of marketable securities and dividend income;
- $8.7 million lower lease cancellation, property management and other services fees; partially offset by,
- $7.9 million in higher other FFO income primarily from an investment in e2 (a development adjacent to ePlace) and a fee received from the termination of a property forward purchase agreement;
- $6.3 million lower general and administration expenses primarily as a result of mark-to-market adjustment for cash-settled, unit-based compensation, lower bonus accrual, lower travel and other costs, all resulting from the pandemic;
- $5.8 million increase in NOI as the Trust's first four residential towers were being leased-up.

Q4 2020

FFO decreased $22.0 million or 15.1% during the quarter when compared to the same period in 2019. On a diluted per unit basis, FFO of $0.39 decreased $0.07 per unit or 15.8% when compared to $0.46 in the same period in 2019.

This decrease was primarily due to the net effect of the following:

- $9.0 million provision for rent abatements and bad debts as a result of the pandemic;
- $7.5 million lower residential inventory gains primarily due to timing of condominium closings; and
- $7.3 million in lower realized gains on the sale of marketable securities and dividend income.

FFO Payout Ratio

Primarily as a result of the impact of COVID-19, particularly the $42.5 million provision, the FFO payout ratio increased by 13.3% to 90.2% for the twelve month period ended December 31, 2020.

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		Years ended December 31	
(thousands of dollars)	**2020**	2019	**2020**	2019
Cash provided by operating activities	**$ 182,472**	$ 170,274	**$ 552,584**	$ 568,886
Add back/(Deduct):				
Adjustments to working capital changes for ACFO (i)	**(46,771)**	(40,058)	**(76,468)**	(54,778)
Distributions received from equity-accounted investments	**1,854**	2,712	**10,619**	16,382
Transaction costs on sale of investment properties	**1,003**	2,595	**768**	7,989
Normalized capital expenditures (ii):				
Leasing commissions and tenant improvements	**(4,000)**	(4,000)	**(16,000)**	(16,000)
Maintenance capital expenditures recoverable from tenants	**(4,500)**	(4,500)	**(18,000)**	(18,000)
Maintenance capital expenditures not recoverable from tenants	**(1,500)**	(1,500)	**(6,000)**	(6,000)
Realized gain on disposition of marketable securities	**—**	7,215	**11,097**	23,667
Internal leasing costs related to development properties	**535**	557	**1,880**	2,087
Taxes related to non-operating activities (iii)	**(711)**	(273)	**(275)**	(699)
Operational lease revenue and expenses from ROU assets	**710**	570	**2,572**	1,963
ACFO	**$ 129,092**	$ 133,592	**$ 462,777**	$ 525,497

(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. Working capital changes related to payment deferrals that are implemented during the COVID-19 pandemic are not excluded from ACFO as they are intended to offset the short-term increase in net contractual rent receivables and other tenant receivables, which are not excluded in ACFO either.

(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 operations. This adjustment effectively excludes this item's impact in ACFO based on the REALPAC February 2019 whitepaper.

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		Years ended December 31	
(thousands of dollars)	**2020**	2019	**2020**	2019
Working capital changes related to:				
Residential inventory	**$ (6,549)**	$ (13,557)	**$ (68,205)**	$ (68,085)
Interest expense, net of interest income	**(3,862)**	1,864	**(10,613)**	(13,192)
Realty taxes and insurance	**(39,103)**	(36,273)	**(5,769)**	(5,965)
Transaction related costs (i)	**1,017**	3,739	**4,606**	6,069
Other (ii)	**1,726**	4,169	**3,513**	26,395
Adjustments to working capital changes for ACFO	**$ (46,771)**	$ (40,058)	**$ (76,468)**	$ (54,778)

(i) Represents costs associated with dispositions and acquisitions.

(ii) Includes working capital changes related to sales and other indirect taxes payable to or receivable from applicable governments, other investments, and income tax payments (accruals) relating to the sale of our U.S portfolio in May 2016.

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		Years ended December 31	
(thousands of dollars)	**2020**	2019	**2020**	2019
Adjustments for other changes in working capital items as reported on the consolidated statements of cash flows	**$ 63,212**	$ 39,910	**$ 77,524**	$ 53,927
Add: Adjustments to working capital changes for ACFO	**(46,771)**	(40,058)	**(76,468)**	(54,778)
Net working capital increase (decrease) included in ACFO	**$ 16,441**	$ (148)	**$ 1,056**	$ (851)

ACFO Highlights

2020

ACFO for the year decreased by $62.7 million or 11.9% compared to the prior year, primarily due to the following factors:

- $42.5 million provision for rent abatements and bad debts as a result of the pandemic;
- $20.8 million lower residential inventory gains primarily due to timing of condominium closings;
- $13.4 million in lower realized gains on the sale of marketable securities and dividend income;
- $8.7 million lower lease termination, property management and other services fees;
- $5.8 million decrease in cash distributions received from equity-accounted investments primarily due to a transaction gain in Q1 2019; partially offset by,
- $1.9 million in higher net working capital increase relating to property operations primarily due to operating cost efficiencies;
- $7.9 million in higher other FFO income primarily from an investment in e2 (a development adjacent to ePlace) and a fee received from the termination of a property forward purchase agreement;
- $8.9 million lower general and administration expenses primarily as a result of mark-to-market adjustment for cash-settled, unit-based compensation, lower bonus accrual, lower travel and other costs, all resulting from the pandemic; and
- $5.8 million increase in residential NOI as the Trust's first four residential towers were being leased-up.

Q4 2020

ACFO for the quarter was relatively stable from the same period in 2019, primarily due to the net effect of the following factors:

- $9.0 million provision for rent abatements and bad debts as a result of the pandemic;
- $7.5 million lower residential inventory gains primarily due to timing of condominium closings; and
- $7.3 million in lower realized gains on the sale of marketable securities and dividend income; partially offset by,
- $16.6 million in higher net working capital increase relating to property operations primarily from collections of past due rent related to COVID-19.

The following tables present RioCan's ACFO payout ratio for the twelve months ended December 31, 2020 and 2019:

(thousands of dollars)		**Twelve months ended December 31, 2020**		Q4 2020		Q3 2020		Q2 2020		Q1 2020
ACFO	**$**	**462,777**	$	129,092	$	146,998	$	78,256	$	108,431
Distributions paid		**457,521**		114,385		114,378		114,387		114,371
ACFO payout ratio		**98.9%**								
Net working capital increase (decrease) included in ACFO	**$**	**1,056**	$	16,441	$	26,389	$	(18,791)	$	(22,983)

(thousands of dollars)		Twelve months ended December 31, 2019		Q4 2019		Q3 2019		Q2 2019		Q1 2019
ACFO	$	525,497	$	133,592	$	144,904	$	139,485	$	107,515
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	$	(851)	$	(148)	$	14,624	$	6,847	$	(22,174)

The ACFO payout ratio for the year was 98.9%, 14.6% higher than the prior year, primarily as a result of the pandemic and its impact on cash from operating activities.

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.

Effective with its January 2021 distribution, the Trust reduced its annual distribution from $1.44 per unit to $0.96 per unit, which will lead to approximately $152.0 million of annual cash flow savings and will reduce ACFO payout ratio to quite an extent. Refer to the *Distributions to Unitholders* section for further details surrounding distribution reduction.

PROPERTY VALUATIONS

Refer to Note 3 of the 2020 Annual Consolidated Financial Statements for the change in consolidated fair value 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. The internal valuation team utilizes appraisal methodologies largely consistent with the practices employed by third-party appraisers. 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 the year ended December 31, 2020, the Trust obtained a total of 29 external property appraisals (including 5 vacant land parcels), which supported an IFRS fair value of approximately $2.1 billion, or 15% of the Trust's investment property portfolio as at December 31, 2020. 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 by stabilized NOI) by market category:

	Weighted average capitalization rate	
As at	**December 31, 2020**	December 31, 2019
Major markets (i)	**5.22 %**	5.09 %
Secondary markets	**7.67 %**	7.23 %
Total average portfolio capitalization rate	**5.44 %**	5.28 %

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

At December 31, 2020, the weighted average capitalization rate of the Trust's investment portfolio was 5.44%, slightly lower compared to the prior quarter. The increase of 16 basis points when compared to December 31, 2019 was mainly due to fair value write-downs in 2020 due to the impacts of the pandemic and depressed oil and gas markets.

COVID-19 Pandemic and Its Impact on Investment Property Valuation

The Trust recorded a $42.3 million net fair value loss for its investment properties for the quarter ended December 31, 2020. For the year ended December 31, 2020, the Trust recorded a net fair value loss of $526.8 million, representing 3.7% of the IFRS carrying value of investment properties as of December 31, 2019, including assets held for sale.

Although the short and long-term impact of the pandemic on RioCan investment property valuation is difficult to assess and predict particularly given the relatively low volume of market transactions, the fair value losses and capitalization rate increases in the year ended December 31, 2020 reflected the estimated effect of the pandemic on property cash flows and capitalization rates, as well as the estimated effect of the depressed oil and gas markets. Factors that were considered in estimating the underlying cash flows and capitalization rates include but are not limited to, geographic location, property type, the strength of the underlying tenant covenants, the proportion of tenants within the property subject to discretionary consumer spending, discounted cash flow impact of the rent deferral and abatement arrangements, estimated vacancy allowances and resulting re-tenanting costs.

The following tables present the net fair value gain (loss) for the quarter and year by geographic market and by property mix:

	For the three months ended December 31, 2020			**For the year ended December 31, 2020**		
(thousands of dollars, except where otherwise noted)	**Fair Value Gain (Loss)**	**Percentage of Q4 2020 Fair Value Gain (Loss)**	**Gain (Loss) as a percentage of IFRS value as of September 30, 2020**	**Fair Value Gain (Loss)**	**Percentage of 2020 Fair Value (Gain) Loss**	**Gain (Loss) as a percentage of IFRS value as of December 31, 2019**
Total Six Major Markets						
Greater Toronto Area (i)	$ 14,849	(35.1)%	0.2 %	$ (259,638)	49.3 %	(3.3)%
Ottawa (ii)	(33,395)	79.0 %	(2.0)%	(62,787)	11.9 %	(3.7)%
Calgary	(4,038)	9.5 %	(0.3)%	(64,049)	12.2 %	(3.9)%
Montreal	(4,053)	9.6 %	(0.9)%	(27,105)	5.1 %	(5.6)%
Edmonton	(2,298)	5.4 %	(0.3)%	(53,922)	10.2 %	(6.4)%
Vancouver (iii)	(3,890)	9.2 %	(0.5)%	(2,406)	0.5 %	(0.3)%
Total Six Major Markets	(32,825)	77.6 %	(0.3)%	(469,907)	89.2 %	(3.5)%
Total Secondary Markets	(9,461)	22.4 %	(1.1)%	(56,868)	10.8 %	(6.3)%
Total Portfolio	$ (42,286)	100.0 %	(0.3)%	$ (526,775)	100.0 %	(3.7)%

(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.

	For the three months ended December 31, 2020			**For the year ended December 31, 2020**		
(thousands of dollars, except where otherwise noted)	**Fair Value Gain (Loss)**	**Percentage of Q4 2020 Fair Value Gain (Loss)**	**Gain (Loss) as a percentage of IFRS value as of September 30, 2020**	**Fair Value Loss**	**Percentage of 2020 Fair Value Loss**	**Loss as a percentage of IFRS value as of December 31, 2019**
Property Mix (i)						
Mixed-Use / Urban	$ 3,502	(8.3)%	0.1 %	$ (127,118)	24.1 %	(3.0)%
Grocery Anchored Centre	171	(0.4)%	0.0 %	(107,076)	20.3 %	(2.0)%
Open Air Centre	(26,338)	62.3 %	(0.7)%	(164,141)	31.2 %	(4.4)%
Enclosed	(19,621)	46.4 %	(2.2)%	(128,440)	24.4 %	(13.1)%
Total Portfolio	$ (42,286)	100.0 %	(0.3)%	$ (526,775)	100.0 %	(3.7)%

(i) Refer to the *Property Mix* section of this MD&A for the definition of each property class.

Refer to the *Risks and Uncertainties - COVID-19 Health Crisis* section of this MD&A for discussions on the risks and uncertainties associated with the COVID-19 pandemic, including the pandemic's impacts on property valuation. Further, refer to Note 3 of the 2020 Annual Consolidated Financial Statements for a sensitivity analysis of investment property valuations to changes in the three key inputs to the property valuation - stabilized net operating income (SNOI), capitalization rates and costs to complete.

ACQUISITIONS AND DISPOSITIONS

Acquisitions

The acquisitions during the year ended December 31, 2020 are summarized by quarter as follows:

(in thousands of dollars)				Purchase price (i) (At RioCan's interest)					
Property name and location	Date acquired	Interest acquired	Capitalization rate	IPP	PUD	Residential Inventory	Total	Debt and other liabilities assumed (ii)	NLA acquired (thousands of sq. ft.)
Q4 2020									
Queensway Development component, Toronto, ON (iii) (v)	December 31, 2020	50.0 %	n/a	$ —	$ 2,110	$ 18,987	$ 21,097	$ —	—
2956 Eglinton Avenue East, Toronto, ON (v)	December 1, 2020	100.0 %	2.59 %	5,370	—	—	5,370	—	10
Total Q4 2020 Acquisitions				**$ 5,370**	**$ 2,110**	**$ 18,987**	**$ 26,467**	**$ —**	**10**
Q1 2020									
2290 Lawrence Avenue East, Scarborough, ON (v)	March 19, 2020	100.0 %	n/a	$ —	$ 5,587	$ —	$ 5,587	$ —	—
3180 Dufferin Street, Toronto, ON (iv) (v)	March 5, 2020	50.0 %	n/a	—	28,452	—	28,452	—	—
2345 Yonge Street, Toronto, ON (vi)	March 2, 2020	50.0 %	5.00 %	37,053	—	—	37,053	—	71
2329 Yonge Street, Toronto, ON (v) (vi)	February 20, 2020	50.0 %	2.26 %	7,909	—	—	7,909	4,250	5
2947-2951 Bloor Street West, Toronto, ON	January 31, 2020	100.0 %	4.02 %	4,767	—	—	4,767	—	4
RioCan Marketplace, Toronto, ON (vii)	January 9, 2020	33.3 %	5.85 %	18,971	—	—	18,971	11,451	57
Total Q1 2020 Acquisitions				**$ 68,700**	**$ 34,039**	**$ —**	**$102,739**	**$ 15,701**	**137**
Total 2020 Acquisitions				**$ 74,070**	**$ 36,149**	**$ 18,987**	**$129,206**	**$ 15,701**	**147**

(i) Purchase price includes transaction costs of $6.1 million in aggregate.

(ii) Debt and other liabilities assumed of $15.7 million is at a weighted average interest rate of 3.30% and includes a $4.3 million vendor-take-back mortgage payable to the vendor.

(iii) The Queensway property is comprised of two parcels: the Development component and the Cineplex land component. RioCan disposed of its 50% interest in the Cineplex component and acquired the remaining 50% of the Development component. See the *Residential Inventory* section of this MD&A for further details.

(iv) On March 5, 2020, RioCan acquired a 50% co-ownership interest in 3180 Dufferin Street in Toronto, Ontario. This property is earmarked as a mixed-use redevelopment site with a potential 440,000 square feet (at 100%) of gross floor area and is adjacent to RioCan's 50% owned Dufferin Plaza which also has significant redevelopment potential. The redevelopments of the two sites will be coordinated in order to achieve efficiencies and potentially unlock Dufferin Plaza's redevelopment potential sooner.

(v) Lower or no capitalization rate is due to the fact that these assets were acquired primarily for their buildable density given their prime urban locations in Toronto and their proximity to existing RioCan development sites.

(vi) The two Yonge Street acquisitions in Q1 2020 included a 50% interest in each of a nearly fully leased, Class B 10-storey 142,000-square-foot (at 100%) office building with retail at grade level and a 50% interest in a 14,000 square foot (at 100%) commercial building. These two properties, together with 2323 Yonge Street, in which the Trust acquired a 50% interest in 2019, further strengthen the Trust's commanding presence in the high demand Yonge and Eglinton area and leverages the sites' close proximity to Yonge Eglinton Centre and ePlace through cost efficiencies and economies of scale. All three properties have significant residential intensification potential which could further expand the RioCan Living portfolio to drive income and NAV growth for our Unitholders.

(vii) On January 9, 2020, RioCan acquired the remaining 33.3% interest in RioCan Marketplace in Toronto, Ontario, bringing its total interest owned to 100%.

Dispositions

The dispositions during the year ended December 31, 2020 are summarized by quarter as follows:

(in thousands of dollars)				Gross sales proceeds (At RioCan's interest)					
Property name and location	Date disposed	Ownership interest disposed	Capitalization rate (i)	IPP	PUD (ii)	Residential Inventory	Total	Debt associated with property (thousands of dollars)	NLA disposed at RioCan's Interest (thousands of sq. ft.)
Q4 2020									
Queensway Cineplex component, Toronto, ON	December 31, 2020	50.0 %	6.95 %	$ 11,000	$ —	$ —	$ 11,000	$ —	50
2939-2943 Bloor Street West, Toronto, ON (iii) (iv)	December 30, 2020	50.0 %	n/a	—	398	3,715	4,113	—	—
The Well (Building A & B), Toronto, ON (iii)	December 23, 2020	40.0 %	n/a	—	24,953	—	24,953	—	—
5th & THIRD, Calgary, AB(iii)	December 21, 2020	100.0 %	n/a	—	20,396	—	20,396	—	—
RioCan Centre Kirkland, Kirkland, QC(vii)	December 21, 2020	50.0 %	7.51 %	19,000	—	—	19,000	—	157
740 Stewart Street, Renfrew, ON (Vacant land) (iii)	December 1, 2020	100.0 %	n/a	—	350	—	350	—	—
Tanger Outlets Ottawa, Kanata, ON (Vacant land) (iii)	November 27, 2020	50.0 %	n/a	—	3,686	—	3,686	—	—
Total Q4 2020 Dispositions				**$ 30,000**	**$ 49,783**	**$ 3,715**	**$ 83,498**	**$ —**	**207**
Q3 2020									
Frontenac Mall, Kingston, ON (v)	September 8, 2020	30.0 %	14.11 %	$ 3,250	$ —	$ —	$ 3,250	$ —	84
RioCan Centre Burloak, Oakville, ON (iii)	August 18, 2020	100.0 %	n/a	—	9,200	—	9,200	—	—
Dufferin Plaza, Toronto, ON (iii)	August 10, 2020	50.0 %	n/a	—	1,725	27,025	28,750	—	—
Elmvale Acres - Phase One (Luma), Ottawa, ON (iii)	July 30, 2020	50.0 %	n/a	—	13,655	—	13,655	—	—
Total Q3 2020 Dispositions				**$ 3,250**	**$ 24,580**	**$ 27,025**	**$ 54,855**	**$ —**	**84**
Q2 2020									
The Shops of Summerhill, Toronto, ON (vi)	June 23, 2020	75.0 %	4.64 %	$ 33,000	$ —	$ —	$ 33,000	$ 12,112	23
Total Q2 2020 Dispositions				**$ 33,000**	**$ —**	**$ —**	**$ 33,000**	**$ 12,112**	**23**
Q1 2020									
5th & THIRD, Calgary, AB (iii)	March 31, 2020	100.0 %	n/a	$ —	$ 11,715	$ —	$ 11,715	$ —	—
Mega Centre Notre-Dame, Laval, QC (iii)	February 19, 2020	100.0 %	n/a	—	10,000	—	10,000	—	—
Total Q1 2020 Dispositions				**$ —**	**$ 21,715**	**$ —**	**$ 21,715**	**$ —**	**—**
Total 2020 Dispositions				**$ 66,250**	**$ 96,078**	**$ 30,740**	**$193,068**	**$ 12,112**	**314**

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

(ii) Includes cost recoveries of $11.5 million. Gross sales proceeds excluding cost recoveries was $84.6 million for the year.

(iii) Assets disposed represent sale of properties under development, development land or discrete part of existing shopping centres with little or no in-place NOI, therefore, no capitalization rate is applicable.

(iv) RioCan disposed of 100% of the 2939-2943 Bloor Street West development to the RioCan-Fieldgate LP joint venture as part of the consideration to obtain a 50% interest in that joint venture, which was treated as equity-accounted for investments (refer to the *Joint Arrangements* section of this MD&A).

(v) Higher capitalization rate was due to the disposition of an older secondary market asset located in Kingston, Ontario which also requires more capital expenditures going forward.

(vi) Upon disposition of The Shops of Summerhill, the purchaser assumed $12.1 million of debt. RioCan provided a vendor take-back mortgage of $14.1 million related to this transaction, of which $4.1 million was repaid on July 2, 2020 and the remainder was repaid on December 31, 2020.

(vii) Under this transaction, the Trust will have a 100% economic benefit of in-place NOI until certain development thresholds are met. RioCan provided a vendor-take-back mortgage of $15.0 million to the purchaser at an annual interest rate 6.0% and due on December 21, 2026.

Further, as of February 10, 2021, the Trust has closed or entered into firm or conditional agreements to dispose 100% or partial interests in a number of properties for total sales proceeds of $289.6 million, of which $150.8 million is for the sale of a 50% non-managing interest in eCentral and the commercial component of ePlace, which closed subsequent to the year end. This brings total closed, firm and conditional deals since the beginning of 2020 to $482.6 million, consisting of $240.9 million of income producing properties and $241.8 million of development properties. The income producing properties under these closed, firm or conditional deals have a weighted average in-place capitalization rate of 5.53% based on in-place NOI.

A number of these transactions involve the sale of partial interests in development properties or future density. They allow the Trust to not only realize inherent density value and recycle capital to fund its mixed-use development program, but also to mitigate risk, share costs, earn additional fee income, and attract new partners or strengthen existing partner relationships. The quality of RioCan's assets are evident in the pricing achieved and in the well respected and established partners attracted despite uncertainty during challenging pandemic circumstances. A few such transactions in the year are highlighted as follows:

- **Bloor Street West** - In the fourth quarter, the Trust achieved $180 per square foot of buildable density in the sale of a 50% interest in its Bloor Street property in Toronto to Fieldgate, a well established developer and new partner to the Trust, while acquiring a 50% interest in the adjacent property from Fieldgate. The combination of the adjacent sites will allow for a mixed-use condominium project of increased scale and development efficiency in the affluent Kingsway neighbourhood of Toronto. This project contemplates approximately 240 condominium units with about 18,000 square feet of retail at grade. It is expected to receive final approvals and initiate pre-sales by year end 2021 followed by sales starting in the second half of 2022. This transaction also led to the realization of $1.4 million of inventory gains during the fourth quarter. The structure of this partnership led to RioCan's 50% interest in this partnership being treated as an equity-accounted investment under IFRS. Refer to the *Joint Arrangements* section of this MD&A for further information.
- **RioCan Centre Kirkland** - The Trust established a new 50/50 co-ownership arrangement in the fourth quarter with a well known Quebec developer Broccolini for the multi-phase development of RioCan Centre Kirkland in Montreal into a community of various housing types, office and retail, totalling an estimated 2.8 million square feet of gross floor area. The property is currently an open air centre anchored by a Cineplex cinema. It features easy access from the TransCanada Highway and will have direct access to the Kirkland Station of the future Reseau Express Metropolitan ('REM") light rail transit network. The REM is well under construction with trains expected to be put into service gradually starting in 2022 and the Kirkland Station ready in 2023-2024. Demolition of the first phase of the project is targeted for late 2022 to 2023. As a multi-phase project, each staggered phase will remain income producing prior to its development start. RioCan will have a 100% economic interest in property income in the pre-development phase.
- **Queensway** - The Trust took an opportunity to expedite development at its Queensway property in Toronto during the fourth quarter by disposing of its 50% interest in the Cineplex component of the property to its former partner while acquiring the remaining 50% interest in the development component of the property from its former partner. The development component is valued at $80 per square foot of zoned density. As zoning approval is already in place for the development component, this transaction allows the Trust to gain control over the 500,000 square foot mixed-use condominium development and move up the development schedule. Refer to the *Residential Inventory* section of this MD&A for further details of the project.
- **Air Rights Sales** - During the fourth quarter, the Trust also closed the second parcel of the air rights sales at 5th and THIRD in Calgary and closed the air rights sales for two buildings at The Well in Toronto. These two transactions, together with the first parcel of air right sales at 5th and THIRD in Q1 2020, were all planned at the early stages of the developments. Such air right sales reduce net development costs and enhances the development yield. The air rights pertaining to four other residential buildings at The Well will be conveyed in 2021.
- **Dufferin Plaza and Luma™** - During the third quarter, the Trust completed the sale of a 50% non-managing interest in the mixed-use residential development at Dufferin Plaza in Toronto at $115 per square foot of future density and a 50% interest in Luma™, the first phase of the mixed-use development at Elmvale Acres Shopping Centre in Ottawa, at $45 per square foot of future density. The Dufferin Plaza transaction also led to realization of $11.0 million of inventory gains during the third quarter. The Dufferin Plaza project is RioCan's new partner Maplelands Development Inc.'s (Maplelands) first entry into the Canadian real estate market recognizing RioCan's development expertise and asset quality. Maplelands is an affiliate of United Arab Emirates based real estate conglomerate ASGC Construction. The Luma project is the Trust's third co-ownership arrangement with Killiam Real Estate Investment Trust.

JOINT 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 assets 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 $139.9 million as at December 31, 2020 on behalf of co-owners (December 31, 2019 - $106.6 million).

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

(thousands of dollars) As at December 31, 2020	RioCan's ownership interest	Number of investment properties (i)	Assets (ii)	Liabilities (ii)	Three months ended December 31, 2020 NOI (iii)	Year ended December 31, 2020 NOI (iii)
Allied	**50%**	**6**	**$ 191,741**	**$ 10,295**	**$ 1,815**	**$ 7,306**
Allied/Diamond (The Well) (iv)	**50%**	**1**	**634,869**	**54,467**	**42**	**252**
Boardwalk	**50%**	**2**	**57,809**	**21,479**	**99**	**41**
CMHC Pension Fund	**50%**	**1**	**53,900**	**28,490**	**700**	**2,850**
CPPIB	**40%**	**2**	**106,554**	**11,615**	**807**	**3,287**
First Gulf	**50%**	**1**	**85,824**	**43,416**	**1,227**	**4,492**
Killam	**50%**	**3**	**147,475**	**49,139**	**902**	**3,525**
KingSett	**50%**	**1**	**117,646**	**80,476**	**2,383**	**5,771**
Metropia/CD (v)	**50%**	**1**	**115,450**	**93,676**	**—**	**66**
Sun Life	**40%**	**1**	**26,880**	**477**	**400**	**1,603**
Tanger	**50%**	**3**	**133,848**	**5,390**	**2,283**	**7,466**
Trinity	**75%**	**1**	**23,418**	**12,420**	**297**	**1,193**
Woodbourne	**50%**	**3**	**94,608**	**23,770**	**35**	**66**
Other	**30% - 75%**	**17**	**374,157**	**122,390**	**5,343**	**23,170**
		43	**$ 2,164,179**	**$ 557,500**	**$ 16,333**	**$ 61,088**

(i) Includes both income properties and properties under development and is based on the number of proportionately owned properties as of December 31, 2020.

(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 other partners, which is carried at fair value and included in Other Assets and is therefore excluded from the table above.

Selected Financial Information of Joint Operations and Joint Ventures

Total Assets

(thousands of dollars) As at December 31, 2020	Income properties	PUD (i)	Residential inventory (ii)	Other (iii)	Total assets	Total assets as at December 31, 2019
Total assets of proportionately consolidated joint operations	**$ 1,026,659**	**$ 926,624**	**$ 123,677**	**$ 87,219**	**$ 2,164,179**	$ 1,956,774
Equity-accounted joint ventures (iv):						
HBC (RioCan-HBC JV)	**$ 234,318**	**$ —**	**$ —**	**$ 19,923**	**$ 254,241**	$ 260,255
Marketvest Corporation/Dale-Vest Corporation (Dawson-Yonge LP)	**8,853**	**—**	**—**	**301**	**9,154**	9,779
Bloor Street West (RioCan-Fieldgate LP)	**—**	**1,716**	**14,783**	**4**	**16,503**	—
Total assets of equity-accounted joint ventures (iv)	**243,171**	**1,716**	**14,783**	**20,228**	**279,898**	270,034
Total joint arrangements	**$ 1,269,830**	**$ 928,340**	**$ 138,460**	**$ 107,447**	**$ 2,444,077**	$ 2,226,808

(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 comprised of the 11 YV development in the prestigious Yorkville area of Toronto, Ontario with Metropia and CD, the Windfields Farm condominium and townhouse projects in Oshawa, Ontario with Tribute, the Queensway development at the corner of Islington Avenue and The Queensway in Toronto, Ontario with Talisker, the Dufferin Plaza development at Dufferin Street and Apex Road in Toronto, Ontario with Maplelands Development Inc, and the Bloor Street West development with Fieldgate.

(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 the equity-accounted investments in the WhiteCastle Funds.

Total NOI

	Three months ended December 31		Years ended December 31	
(thousands of dollars)	**2020**	2019	**2020**	2019
Total NOI of proportionately consolidated joint operations	**$ 16,333**	$ 16,325	**$ 61,088**	$ 69,761
Equity-accounted joint ventures (i):				
HBC (RioCan-HBC JV)	**$ 3,339**	$ 3,462	**$ 13,268**	$ 13,843
Marketvest Corporation/Dale-Vest Corporation (Dawson-Yonge LP)	**132**	124	**485**	514
Bloor Street West (RioCan-Fieldgate LP)	**(21)**	—	**(21)**	—
Total NOI of equity-accounted joint ventures	**3,450**	3,586	**13,732**	14,357
Total joint arrangements	**$ 19,783**	$ 19,911	**$ 74,820**	$ 84,118

(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, 2020, the Trust's ownership interest in RioCan-HBC JV was 12.6% (December 31, 2019 - 12.6%). 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, 2020**		December 31, 2019
Current assets	**$**	**4,068**	$	4,679
Non-current assets		**1,990,538**		2,037,539
Current liabilities		**313,707**		10,006
Non-current liabilities (i)		**508,094**		812,093
Net assets	**$**	**1,172,805**	$	1,220,119
RioCan's share of net assets in RioCan-HBC JV (ii)	**$**	**150,578**	$	156,554

(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 (Loss)

	Three months ended December 31				Years ended December 31			
(thousands of dollars)		**2020**		2019		**2020**		2019
Rental revenue	**$**	**35,470**	$	35,985	**$**	**142,409**	$	145,255
Operating expenses		**5,304**		4,864		**22,499**		20,767
Fair value losses		**(18,149)**		(45,739)		**(70,566)**		(67,772)
Interest expense		**8,968**		9,845		**36,632**		39,042
Net income (loss)	**$**	**3,049**	$	(24,463)	**$**	**12,712**	$	17,674
RioCan's share of net income (loss) in RioCan-HBC JV	**$**	**382**	$	(3,087)	**$**	**1,590**	$	2,208
RioCan's share of FFO in RioCan-HBC JV	**$**	**2,664**	$	2,677	**$**	**10,463**	$	10,733

The changes in RioCan's share of net income (loss) in this JV over the comparable periods were primarily due to fair value changes. RioCan's share of FFO in the JV has been relatively stable for the quarter and year when compared to the same periods in the prior year. Relative to the previous quarter, FFO from the JV increased by about $0.2 million.

On February 5, 2021, RioCan contributed the remaining $140.1 million investment commitment related to the RioCan-HBC JV, which increased RioCan's ownership interest in the RioCan-HBC JV to 20.2%.

DEVELOPMENT PROGRAM

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. Refer to the *Business Overview and Strategy, Business Environment and Outlook,* and *Risks and Uncertainties* sections of this MD&A for discussions about the development environment in general and under the pandemic specifically, as well as associated risks. Development risk management is essential to the Trust's success. 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 or for sale residential 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 suboptimal development activities.
- RioCan utilizes strategic partnerships to reduce capital requirements and mitigate risks.
- RioCan often already owns the assets with development potential 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 validate that a project's constructability and efficiency is maximized, ensuring that soil and geotechnic conditions are known before breaking ground, that 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 Canadian Mortgage and Housing Corporation (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 PUD Project Costs* section of this MD&A.

Management's current estimates and assumptions, as discussed throughout this *Development Program* section of this MD&A, are subject to change. Such changes may be material to the Trust. 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 particularly under the current health crisis 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, 2020, RioCan's investments in greenfield development and residential inventory as a percentage of consolidated Unitholders' equity is 4.8% 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, 2020, 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 26 of the 2020 Annual Consolidated Financial Statements for further details.

Development Pipeline

RioCan's development pipeline as at December 31, 2020 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	434	434	—	434	—	—
Urban Intensification (vi)	10	3,158	2,947	211	1,007	865	1,075
	12	**3,592**	**3,381**	**211**	**1,441**	**865**	**1,075**
Expansion & Redevelopment (vii)	8	111	111	—	111	—	—
Subtotal	**20**	**3,703**	**3,492**	**211**	**1,552**	**865**	**1,075**
B. **Active projects with cost estimates in progress(viii)**	**23**	**18,112**	**16,503**	**1,609**	**3,446**	**13,057**	**—**
Total Active Projects	**43**	**21,815**	**19,995**	**1,820**	**4,998**	**13,922**	**1,075**
C. **Future estimated density(ix)**	**15**	**19,947**	**19,636**	**311**	**2,016**	**17,620**	**—**
Total development pipeline	**58**	**41,762**	**39,631**	**2,131**	**7,014**	**31,542**	**1,075**

(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 0.3 million square feet that are currently IPP.

(vi) Urban Intensification projects include approximately 1.2 million square feet that are currently IPP including 0.8 million of air rights that have been sold.

(vii) Expansion and Redevelopment projects include approximately 49 thousand 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 2.6 million square feet that are currently IPP.

(ix) Future estimated density includes approximately 2.2 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 until the air rights are sold. As a result, density related to air rights sales is included as part of the PUD square footage.

It should be noted that the explanations or definitions in the footnotes for terms of the above table have the same meanings for the same terms across this MD&A. They will not be repeated after each relevant table.

Approximately 6.4 million square feet of NLA out of the total estimated 41.8 million square feet development pipeline is existing NLA which is currently income producing or air rights that have been sold, resulting in net incremental density estimated at 35.5 million square feet as of December 31, 2020. When compared to the Trust's development pipeline as of December 31, 2019, the development pipeline has increased by 12.7 million square feet despite development completions, primarily in the future estimated density category. The increases were mainly due to the inclusion of all future phases of the following projects:

- 6.9 million square feet at RioCan Colossus Centre in Vaughan, Ontario;
- 1.7 million square feet at Millcroft Shopping Centre in Burlington, Ontario;
- 0.8 million square feet at RioCan Scarborough Centre in Scarborough, Ontario;
- 0.4 million square feet at Sandalwood Square in Mississauga, Ontario, and
- 0.8 million square feet at Strawberry Hill in Surrey, British Columbia.

In addition, five properties, namely 2323 Yonge Street, 2345 Yonge Street, 2990 Eglinton Avenue East, and 3180 Dufferin Street, all in Toronto, Ontario and RioCan Centre Kirkland, in Montreal, Quebec were added to the development pipeline at RioCan's ownership interest. ePlace, King Portland Centre, Frontier and Brio were removed from the pipeline in 2020 as they are completed.

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.

			Estimated Density (NLA) at RioCan's interest					
						Components of PUD		
(thousands of sq. ft., unless otherwise noted)	Number of Projects	% of square footage zoned	Total	PUD	Residential Inventory	Commercial	Residential Rental	Air Rights Sale
Zoning approved	36	33.8 %	14,100	12,741	1,359	4,225	7,441	1,075
Zoning applications submitted	7	18.4 %	7,715	7,254	461	773	6,481	—
Future estimated density	15	47.8 %	19,947	19,636	311	2,016	17,620	—
Total development pipeline	**58**	**100.0 %**	**41,762**	**39,631**	**2,131**	**7,014**	**31,542**	**1,075**

Zoned NLA decreased by 0.5 million square feet when compared to the year ended December 31, 2019 primarily due to the increase in density at Strawberry Hill in Surrey, British Columbia and RioCan Durham Centre in Ajax, Ontario, offset by the removal of ePlace, King Portland Centre, Frontier and Brio which were completed. With the exception of two small redevelopment projects, all of the projects in development pipeline are located in the six major markets and are typically located in the vicinity of existing or planned substantive transit infrastructure with 73.6% of the development pipeline 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	30,741	73.6 %
Ottawa	8	2,519	6.0 %
Calgary	4	2,864	6.9 %
Montreal	2	1,181	2.8 %
Edmonton	2	2,712	6.5 %
Vancouver	2	1,712	4.1 %
Total Six Major Markets	56	41,729	99.9 %
Other (i)	2	33	0.1 %
Total development pipeline	**58**	**41,762**	**100.0 %**

(i) Relates to smaller redevelopment projects.

Estimated PUD Project Costs

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, but are net of estimated costs recoveries and proceeds from air rights sales.

RioCan's share of estimated PUD project costs as of December 31, 2020 for the 20 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 and net of projected proceeds from development dispositions, are summarized in the table below. Costs relating to condominiums and townhouse developments are excluded in the following table as they are included in *Residential Inventory* in the 2020 Annual 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	Total Estimated Costs	Completed (IPP)	PUD	Total	Estimated PUD Costs to Complete
Greenfield Development	2	434	$ 191,221	$ 104,523	$ 56,520	$ 161,043	$ 30,178
Urban Intensification	10	2,947	1,655,847	316,915	749,085	1,066,000	589,847
	12	3,381	1,847,068	421,438	805,605	1,227,043	620,025
Expansion & Redevelopment (iii)	8	111	72,456	—	51,808	51,808	20,648
Active projects with detailed cost estimates	**20**	**3,492**	**$ 1,919,524**	**$ 421,438**	**$ 857,413**	**$ 1,278,851**	**$ 640,673**
Development Lands and Other (i)		—	391,057	—	391,057	391,057	—
Projected proceeds from dispositions (ii)		—	(43,248)	—	—	—	(43,248)
Total			**$ 2,267,333**	**$ 421,438**	**$ 1,248,470**	**$ 1,669,908**	**$ 597,425**
Fair Value to Date				**$ 426,940**	**$ 1,353,982**	**$ 1,780,922**	

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

(ii) Represents conditional land 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.

(iii) 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 costs for the 20 active projects with detailed cost estimates as of December 31, 2020 decreased by $467.7 million when compared to December 31, 2019. This decrease was primarily due to the removal of ePlace, King Portland Centre, Frontier and Brio from total PUD costs as they are completed and the deduction of proceeds from air right sales for two Urban Intensification projects, partially offset by the addition of the retail and rent replacement units portion of the Yorkville Project.

The above total estimated development costs as at December 31, 2020 are further broken down by committed and non-committed spending as follows:

	At RioCan's Interest				
		Costs Incurred to Date			
(thousands of dollars)	Total Estimated Costs	Completed (IPP)	PUD	Total	Estimated PUD Costs to Complete
Committed (i)	$ 1,876,276	$ 421,438	$ 857,413	$ 1,278,851	$ 597,425
Non-committed	391,057	—	391,057	391,057	—
Total	**$ 2,267,333**	**$ 421,438**	**$ 1,248,470**	**$ 1,669,908**	**$ 597,425**

(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.

Incremental Value Creation

For the 20 active properties under development with detailed costs estimates, as well as development lands and other, as summarized under the *Estimated PUD Project Costs* section of this MD&A, the Trust has recognized $111.0 million of cumulative fair value gains as of December 31, 2020. Most of the recognized cumulative fair value gains are related to the present value of the air rights sales at The Well based on firm agreements, increased valuations of excess land held for future development or fair value gains upon sales of co-ownership interests to partners such as in the case of Sandalwood Square.

The Trust anticipates realizing substantial net value creation from its additional 18.1 million square feet of excess density that are either zoned or have zoning applications submitted as well as the 19.9 million square feet of future density. As of December 31, 2020, nominal fair value gains or inventory gains have been recognized relating to these 38.1 million square feet of density.

Properties under Development Continuity

	Three months ended December 31		Years ended December 31	
(thousands of dollars)	**2020**	2019	**2020**	2019
Balance, beginning of year	**$ 1,489,164**	$ 1,229,477	**$ 1,260,382**	$ 1,036,495
Acquisitions (i)	**2,110**	—	**36,149**	118,541
Dispositions (i)	**(48,157)**	—	**(84,610)**	(38,141)
Development expenditures	**129,801**	139,313	**457,109**	438,820
Transfers PUD to IPP - cost	**(290,194)**	(92,302)	**(386,630)**	(347,575)
Transfers PUD to IPP - fair value (gains) losses	**18,637**	(2,574)	**4,817**	(10,830)
Transfers IPP to PUD	**48,700**	32,715	**161,037**	37,615
Transfers to residential inventory	**(18,585)**	(32,301)	**(71,259)**	(32,301)
Fair value (losses) gains, net	**19,616**	(14,627)	**(25,903)**	57,077
Earn-out consideration	**2,890**	681	**2,890**	681
Balance end of year	**$ 1,353,982**	$ 1,260,382	**$ 1,353,982**	$ 1,260,382

(i) Refer to *Acquisitions and Dispositions* section of this MD&A for development property acquisitions and dispositions.

Completed Developments in 2020

During the year, RioCan transferred $386.6 million in costs to income producing properties pertaining to 529,000 square feet of completed development projects. A summary of RioCan’s NLA development completions during the year is as follows:

		NLA at RioCan's Interest					
(thousands of sq. ft.)		2020					
Property location	RioCan’s % ownership	Total NLA	Q4	Q3	Q2	Q1	Tenants
Greenfield Development							
Windfields Farm	100 %	90	59	31	—	—	The Bank of Nova Scotia, Starbucks, TD Bank, Symposium Café, Pet Valu, FreshCo, LCBO
Total Greenfield Development		**90**	**59**	**31**	**—**	**—**	
Urban Intensification							
Brentwood Village (Brio)	50 %	72	—	—	4	68	Residential Tower, Papa's Grill, Cora's Breakfast and Lunch, Denim & Smith
Fifth and Third East Village (5th & THIRD)	100 %	44	1	20	—	23	Olympia Liquor, Winners
Yonge Sheppard Centre Residential (Pivot)	100 %	258	258	—	—	—	Residential Tower
Total Urban Intensification		**374**	**259**	**20**	**4**	**91**	
Expansion and Redevelopment							
Garden City Shopping Centre	100 %	26	—	—	—	26	Michaels, Popeyes Louisiana Chicken, Qdoba Mexican Eats
Kennedy Commons	50 %	10	—	—	—	10	QuanU Furniture
RioCan West Ridge Place	100 %	6	—	2	—	4	State & Main, Mr. Lube
1910 Bank Street	100 %	2	—	—	—	2	Starbucks
1208 1216 Dundas Street East	100 %	7	2	5	—	—	Mr. Lube, Tim Hortons, A&W
East Hills North	40 %	6	—	6	—	—	Staples
Burlington Centre	50 %	8	—	8	—	—	Mark's Work Wearhouse
Total Expansion and Redevelopment		**65**	**2**	**21**	**—**	**42**	
Total Development Completion		**529**	**320**	**72**	**4**	**133**	

Annual Development Spending and Completion Outlook

As most of the Trust's current development projects are considered essential projects under the government guidelines, we did not experience material slowdowns in construction in 2020. During the year, the Trust's reduced development spend in the early stages of the COVID-19 pandemic was more than offset by productivity gains when restrictions for essential projects were eased.

Similarly and despite the ongoing pandemic, annual development expenditures for 2021 are estimated to be in the $500 million range, which are net of projected cost recovery and proceeds from air rights sales. This estimate range includes approximately $400 million of costs on PUD projects and approximately $100 million on residential inventory projects. Inventory projects satisfy market demand for home ownership and enable the Trust to accelerate capital recycling to further fund its development program. For 2022 and beyond, the Trust expects that development spend will be lower than that of 2021 due to the completion of a significant portion of The Well in 2021, staggering development starts and sharing development costs and risks through existing and future strategic partnerships.

Overall, the Trust expects 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 approximately 10%, despite the maximum of 15% permitted under the Trust's revolving unsecured operating line of credit and other credit facilities agreements. As of December 31, 2020, this metric was 10.3%. Refer to Note 26 of the 2020 Annual Consolidated Financial Statements for additional details. The increase in this metric when compared to last year was driven by the timing of development spending and completions, as well as fair value write-downs in the year as a result of the pandemic.

The Trust has been funding and will continue to fund its developments primarily through proceeds from dispositions, sales proceeds from residential inventory developments or air rights sales, strategic development partnerships as well as retained earnings or excess cash flows after maintenance capital expenditures and distributions have been paid. The one-third distribution reduction taking effect in January 2021 will conserve approximately $152.0 million on a year to fund development and other value creation initiatives.

The Trust's estimated development completions for the next two years are summarized as follows:

(thousands of dollars, unless otherwise noted)	Projected Development Completions (at RioCan's Interest)		
Year of completion	NLA Completion (SF)	Cost Transfers from PUD to IPP (i)	Incremental Stabilized NOI
2021	610,395	$481,779	$20,495
2022	888,870	$812,171	$38,233

(i) 2022 cost transfers include multiple projects, most notably the substantial completion of The Well and its transfer to IPP.

The above project completion estimates are subject to changes due to risks and uncertainties as discussed in this MD&A. The cost transfers estimates represent estimated gross IFRS project costs net of proceeds from sales of air rights including costs recoveries 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.

Mixed-Use Residential Development

RioCan is committed to its residential development program despite the current COVID-19 health crisis, even though the longer-term impact of the pandemic is difficult to predict. Refer to the *Business Overview and Strategy*, *Business Environment and Outlook,* and *Risks and Uncertainties* sections of this MD&A for more details.

RioCan targets to develop approximately 10,000 residential rental units over the next decade. The Trust currently has four RioCan Living properties or 1,218 residential rental units in operation and lease-up. In addition, the Trust has 1,453 residential rental units currently under construction among six projects and estimates to have an additional 1,542 residential rental units in different phases of development by 2022, including construction. The following table summarizes the Trust's mixed-use residential projects that have been currently identified, some of which are actively being developed and others that are considered to be strong possible intensification opportunities. This summary does not include Greenfield Development and Urban Intensification projects that have commercial components only.

					Estimated Density (NLA) at RioCan's interest					
								PUD Components		
	(thousands of sq. ft.)	Locations	RioCan Ownership % (Partner)	Total NLA at 100%	Total	PUD	Residential Inventory	Commercial	Residential Rental	Air Rights Sale
A	**Active mixed-use residential projects with detailed cost estimates (ii)**									
	Urban Intensification									
	Dupont Street (Litho) (i)	Toronto, ON	50% (Woodbourne)	178	89	89	—	16	73	—
	Fifth and Third East Village (5th & THIRD) (i)	Calgary, AB	100%	795	795	795	—	153	—	642
	Yorkville (11 YV) (i)	Toronto, ON	50% (CD Capital/ Metropia)	502	251	40	211	17	23	—
	The Well (i)	Toronto, ON	50% commercial (Allied), 40% residential (Allied/Diamond)	2,615	1,199	1,199	—	766	—	433
	Yonge Sheppard Centre Residential (Pivot) (i)	Toronto, ON	100%	258	258	258	—	—	258	—
	College & Manning (Strada) (i)	Toronto, ON	50% (Allied)	108	54	54	—	30	24	—
	Gloucester - Phase Two (Latitude) (i)	Gloucester, ON	50% (Killam)	167	83	83	—	—	83	—
	Elmvale Acres - Phase One (Luma) (i)	Ottawa, ON	50% (Killam)	135	68	68	—	5	63	—
	Westgate - Phase One (Rhythm) (i)	Ottawa, ON	100%	165	165	165	—	20	145	—
	The Well - (FourFifty The Well) (i)	Toronto, ON	50% (Woodbourne)	393	196	196	—	—	196	—
	Total active mixed-use residential projects with detailed cost estimates - 10 projects (ii)			**5,316**	**3,158**	**2,947**	**211**	**1,007**	**865**	**1,075**
B	**Active mixed-use residential projects with cost estimates in progress (iii)**									
	Approved Zoning									
	Sunnybrook Plaza (i)	Toronto, ON	50% (Concert)	339	170	170	—	22	148	—
	Clarkson Village (i)	Mississauga, ON	100%	454	454	454	—	35	419	—
	Gloucester Future Phases (i)	Gloucester, ON	50% (Killam)	482	241	241	—	10	231	—
	Brentwood Village - Phase Two (i)	Calgary, AB	100%	810	810	810	—	405	405	—
	Millwoods Town Centre (i)	Edmonton, AB	100%	1,649	1,649	1,649	—	749	900	—
	Elmvale Acres Future Phases (i)	Ottawa, ON	100%	423	423	423	—	113	310	—
	Westgate Future Phases (i)	Ottawa, ON	100%	537	537	537	—	67	470	—
	Southland Crossing (i)	Calgary, AB	100%	968	968	968	—	187	781	—
	Windfields Farm (i)(v)	Oshawa, ON	100% of commercial, 50% of residential (Tribute)	1,807	1,251	695	556	695	—	—
	Markington Square (i)	Toronto, ON	100%	893	893	893	—	79	814	—
	RioCan Durham Centre (i)	Ajax, ON	100%	292	292	292	—	8	284	—
	Queensway (i)	Toronto, ON	100%	426	426	43	383	35	8	—
	Dufferin Plaza (i)	Toronto, ON	50% (Maplelands)	449	224	15	209	15	—	—
	Strawberry Hill Shopping Centre (i)	Surrey, BC	100%	900	900	900	—	—	900	—
	Jasper Gates Shopping Centre(i)	Edmonton, AB	100%	1,063	1,063	1,063	—	243	820	—
	2955 Bloor Street (i)	Toronto, ON	100%	96	96	96	—	10	86	—
				11,588	**10,397**	**9,249**	**1,148**	**2,673**	**6,576**	**—**
	Zoning applications submitted									
	RioCan Grand Park	Mississauga, ON	100%	216	216	216	—	17	199	—
	RioCan Scarborough Centre	Toronto, ON	100%	3,851	3,851	3,851	—	71	3,780	—
	RioCan Leaside Centre	Toronto, ON	100%	1,345	1,345	884	461	240	644	—
	RioCan Hall	Toronto, ON	100%	757	757	757	—	280	477	—
	Sandalwood Square	Mississauga, ON	50% (Boardwalk)	1,196	598	598	—	15	583	—
	Impact Plaza	Surrey, BC	100%	812	812	812	—	114	698	—
	2323 Yonge Street	Toronto, ON	50% (Streamliner)	271	136	136	—	36	100	—
				8,448	**7,715**	**7,254**	**461**	**773**	**6,481**	**—**
	Total active mixed-use residential projects with cost estimates in progress - 23 projects ((iii)			**20,036**	**18,112**	**16,503**	**1,609**	**3,446**	**13,057**	**—**
	Total active mixed-use residential projects - 33 projects			**25,352**	**21,270**	**19,450**	**1,820**	**4,453**	**13,922**	**1,075**
C	**Future estimated density - 15 projects (iv)**			**24,085**	**19,947**	**19,636**	**311**	**2,016**	**17,620**	**—**
	Total mixed-use residential developments - 48 projects			**49,437**	**41,217**	**39,086**	**2,131**	**6,469**	**31,542**	**1,075**
	Mixed-use residential developments as a percentage of total development pipeline				**98.7 %**	**98.6 %**	**100.0 %**	**92.2 %**	**100.0 %**	**100.0 %**

(i) 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.

(ii) Active mixed-use residential projects with detailed cost estimates include approximately 1.2 million square feet that are currently IPP including 0.8 million of air rights that have been sold.

(iii) Active mixed-use projects with cost estimates in progress include approximately 2.6 million square feet that are currently IPP.

(iv) Future estimated density includes approximately 2.2 million square feet that is currently IPP.

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

Mixed-use residential projects account for approximately 98.7% or 41.2 million square feet of NLA of the Trust's total estimated development pipeline, of which 13.6 million square feet currently have zoning approvals, 7.7 million square feet currently have zoning applications submitted and 19.9 million square feet represent sites with future density. In comparison to Q4 2019 mixed-use residential projects increased by 12.8 million square feet due to similar factors as explained earlier for the increase in the entire development pipeline.

Residential developments including rental, air rights sales, and residential inventory account for 83.2% or 34.7 million square feet of the Trust's current development pipeline.

Greenfield Development

As at December 31, 2020, RioCan's two active commercial greenfield development projects with detailed costs estimates are summarized 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 %	176	114	290	$ 111,852	$ 56,694	$ 35,951	$ 92,645	$ 19,207	61%	2022
Windfields Farm Commercial Phase One, Oshawa, ON(ii)	100 %	90	54	144	79,369	47,829	20,569	68,398	10,971	82%	2021
Total Estimated PUD Costs		**266**	**168**	**434**	**$ 191,221**	**$ 104,523**	**$ 56,520**	**$ 161,043**	**$ 30,178**		
Fair Value to date						**$ 111,278**	**$ 47,131**	**$ 158,409**			

(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 10, 2021.

(ii) Excluding approximately 17 thousand square feet of planned but still undeveloped pads, 93% of the space currently under construction has been leased.

Windfields Farm 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 Windfields Farm project are included in the *Mixed-Use Residential Development* and *Residential Inventory* sections of this MD&A.

As of February 10, 2021, approximately 293,000 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 $22.63 per square foot.

Urban Intensification

A focus within our development growth strategy is urban intensification, which is the category for our mixed-use residential development program. As at year end, the Trust has 10 active urban intensification projects with detailed cost estimates, which are summarized in the following table. Most of the 10 projects are located in Toronto and Ottawa, except for one located in Calgary.

		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 (viii)	PUD	Total	Total Estimated Costs	Completed	PUD	Total	Estimated PUD Costs to Complete	% Commercial Leased (i)	Anticipated Date of Development Completion
Dupont Street (Litho), Toronto, ON (iv)	50 %	—	89	89	$ 77,655	$ —	$ 51,309	$ 51,309	$ 26,346	100 %	2021
Fifth and Third East Village (5th & THIRD), Calgary, AB (iv) (vii)	100 %	774	21	795	95,252	68,424	23,697	92,121	3,131	89 %	2021
Yorkville (11 YV), Toronto, ON (iv) (vi)	50 %	—	40	40	48,358	—	16,887	16,887	31,471	n/a	2024
Gloucester - Phase Two (Latitude), Ottawa, ON (iv)	50 %	—	83	83	45,777	—	28,670	28,670	17,107	n/a	2021
College & Manning (Strada),Toronto, ON (iv)	50 %	27	27	54	42,242	9,123	22,213	31,336	10,906	91 %	2021
The Well, Toronto, ON (iii) (iv) (v)	50% of commercial 40% of residential air rights	135	1,064	1,199	821,826	—	540,645	540,645	281,181	85 %	2021-2022
The Well - (FourFifty The Well), Toronto, ON (iv)	50 %	—	196	196	141,956	—	13,687	13,687	128,269	n/a	2023
Yonge Sheppard Centre Residential (Pivot), Toronto, ON (iv)	100 %	258	—	258	239,573	239,368	—	239,368	205	n/a	2020
Elmvale Acres - Phase One (Luma), Ottawa, ON (iv)	50 %	—	68	68	45,256	—	20,934	20,934	24,322	n/a	2022
Westgate - Phase One (Rhythm), Ottawa, ON (iv)	100 %	—	165	165	97,952	—	31,043	31,043	66,909	n/a	2022
Total Estimated Costs (ii)		**1,194**	**1,753**	**2,947**	**$1,655,847**	**$ 316,915**	**$749,085**	**$1,066,000**	**$ 589,847**		
Fair Value to date						**$ 315,662**	**$817,808**	**$1,133,470**			

(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 10, 2021.

(ii) Total Costs incurred to date exclude fair value gains of $68.7 million for properties under development.

(iii) The total estimated PUD costs for The Well are net of approximately $61.0 million of recoverable costs at RioCan's interest relating to matters such as parking, parkland dedication, and an Enwave thermal energy tank and approximately $75.6 million of air rights sales based on the air rights sale agreement and other agreements in place. Air rights sales for buildings A & B with gross sales proceeds of $25.0 million including costs recoveries were closed during Q4 2020. As of February 10, 2021, over 98% of the hard costs have been tendered and 98% awarded.

(iv) 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.

(v) The 992,001 square feet or 85% of total commercial square footage leased at The Well is based on committed leases, including extension rights, for office space only. The Well project will be completed in phases with the first office possession expected to occur in 2021, with the majority of the phases expected to reach completion by 2022 and the final building in Q1 2023.

(vi) The Yorkville project (11 YV) consists of three components; the condominium tower, rental replacement units and retail. The NLA noted above represents only the rental replacement units and retail components of the project representing approximately 17% of the total area. For information on the condominium component refer to the *Residential Inventory* section in the MD&A.

(vii) Approximately $32.1 million of air rights sale proceeds were received upon closing during the year ended December 31, 2020, which have been netted in total estimated and completed costs.

(viii) Completed NLA includes units transferred to IPP as well as NLA associated with air rights sold. As of December 31, 2020 RioCan has sold 0.8 million square feet of air rights.

As of February 10, 2021, approximately 706,000 square feet of the above urban intensification NLA under development has committed or in-place leases at a weighted average net rent rate of approximately $39.55 per square foot. In comparison to the previous quarter, the committed or in-place lease square footage increased by 66,000 square feet, primarily due to RioCan's share of the new leases signed at The Well during the fourth quarter.

Expansion & Redevelopment

A summary of RioCan’s expansion and redevelopment projects as at December 31, 2020 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
Burlington Centre, Burlington, ON	50 %	9	$ 4,136	$ 1,649	$ 2,481	$ 4,130	$ 6
Five Points Shopping Centre, Oshawa, ON	100 %	10	7,310	311	2,680	2,991	4,319
Place St Jean, Saint-Jean-sur-Richelieu, QC	100 %	2	1,755	356	—	356	1,399
Tanger Outlets - Kanata, Kanata, ON	50 %	18	7,991	4,040	1,314	5,354	2,637
Yonge Sheppard Centre Commercial, Toronto, ON	100 %	31	39,190	31,416	—	31,416	7,774
Properties with former Sears units (ii) - 3 projects		41	12,074	4,495	3,066	7,561	4,513
Total Estimated PUD Costs (i)		**111**	**$ 72,456**	**$ 42,267**	**$ 9,541**	**$ 51,808**	**$ 20,648**
PUD Fair Value to date						**$ 35,578**	

(i) Total estimated PUD costs include carrying amounts transferred from IPP for redevelopment and exclude historical fair value losses of $16.2 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.

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.

					At RioCan's Interest								
(thousands of dollars or thousands of sq. ft., except where otherwise noted)	RioCan's Ownership % (Partner)	Condominium/Townhouse Units Upon Project Completion (at 100%)			Total Estimated Costs (ii)	Costs incurred to date				Estimated Costs to Complete (ii)	% Pre - sold (iii)	Inventory gain ($ millions)	Anticipated Date of Completion
		Completed (i)	Inventory	Total		Completed	Inventory	Commissions (ii)	Total				
A. Active mixed-use residential inventory projects with detailed cost estimates													
Windfields Farm U.C. Towns, Oshawa, ON	50% (Tribute)	170	—	170	$ 35,066	$ 35,066	$ —	$ —	$ 35,066	$ —	100.0 %	$13.0	2020
Windfields Farm U.C. Uptowns, Oshawa, ON	50% (Tribute)	—	153	153	30,228	—	6,097	236	6,333	23,895	100.0 %	$5.0 - $5.5	2022
Windfields Farm U.C. Tower, Oshawa, ON	50% (Tribute)	—	503	503	72,633	—	16,077	1,423	17,500	55,133	97.6 %	$14.0 - $16.0	2023
Yorkville (11 YV), Toronto, ON	50% (CD Capital / Metropia)	—	586	586	257,999	—	84,003	5,683	89,686	168,313	98.3 %	$68.0 - $73.0	2024
Subtotal		**170**	**1,242**	**1,412**	**$ 395,926**	**$ 35,066**	**$106,177**	**$ 7,342**	**$148,585**	**$ 247,341**		**$100.0-$107.5**	
B. Active mixed-use residential inventory projects with detailed cost estimates in progress													
Windfields Farm Future Phases, Oshawa, ON (iv)	50% (Tribute)	—	1,028	1,028	TBD	$ —	$ 1,208	$ —	$ 1,208	TBD	n.a	TBD	2026
Dufferin Plaza, Toronto, ON(v)	50% (Maplelands)	—	561	561	TBD	—	16,292	—	16,292	TBD	n.a	TBD	2027
Shoppers World Brampton Phase One, Brampton, ON	100 %	—	274	274	TBD	—	2,400	—	2,400	TBD	n.a	TBD	2025
RioCan Leaside Centre, Toronto, ON	100 %	—	637	637	TBD	—	38,560	—	38,560	TBD	n.a	TBD	2027
Queensway, Toronto, ON	100 %	—	520	520	TBD	—	30,959	—	30,959	TBD	n.a	TBD	2025
Clarkson Village, Mississauga, ON	100 %	—	470	470	TBD	—	18,585	—	18,585	TBD	n.a	TBD	2024+
Subtotal		**—**	**3,490**	**3,490**	**TBD**	**$ —**	**$108,004**	**$ —**	**$108,004**	**TBD**	**n.a**	**TBD**	
Total		**170**	**4,732**	**4,902**	**TBD**	**$ 35,066**	**$214,181**	**$ 7,342**	**$256,589**	**TBD**	**n.a**	**TBD**	

(i) Excludes a total of 755 condominium units at eCondos and Kingly™ for which all final closings have occurred prior to 2020.

(ii) Selling commissions paid are included in prepaid and other assets and will be transferred to costs of sales upon buyer possession of the units. Such selling commissions are included in the total estimated costs and estimated costs to complete in the above table.

(iii) % Pre-sold as of February 10, 2021.

(iv) Windfields Farm Future Phases represents the additional townhomes and condominiums expected to be developed at the site.

(v) During the year ended December 31, 2020, RioCan sold a 50% interest in Dufferin Plaza and acquired the remaining 50% interest in Queensway.

In addition to the above projects reported under Residential Inventory by IFRS, the Trust has a 50% interest in one condominium project at Bloor Street West in Toronto with approximately 240 condominium units. This project is reported as an equity-accounted investment under IFRS given the partnership structure. Overall, in addition to the 1,242 condominium or townhouse units currently under construction, the Trust has seven active condominium or townhouse projects in various stages of development, totalling an estimated 3,730 units, which are scheduled to be completed in phases between 2024 and 2027.

The following table shows changes in the aggregate carrying value of RioCan's residential inventory during the quarter and year:

	Three months ended December 31		Years ended December 31	
(thousands of dollars)	**2020**	2019	**2020**	2019
Balance, beginning of year	**$ 168,880**	$ 98,829	**$ 108,956**	$ 206,123
Acquisitions	**18,987**	—	**18,987**	—
Dispositions	**(1,693)**	(26,366)	**(19,143)**	(164,378)
Development expenditures	**11,604**	4,192	**36,304**	34,910
Transfers from investment properties (i)	**18,585**	32,301	**71,259**	32,301
Transfers to equity-accounted investments (ii)	**(2,182)**	—	**(2,182)**	—
Balance, end of year	**$ 214,181**	$ 108,956	**$ 214,181**	$ 108,956

(i) During the year ended December 31, 2020, transfers to residential inventory from investment property include the components of the following mixed-use projects for which a change in use for the residential inventory component was established: RioCan Leaside Centre, the Queensway, Clarkson Village and 2939-2943 Bloor Street West.

(ii) The remaining 50% of the 2939-2943 Bloor Street project owned by RioCan post the 50% sale was transferred to equity-accounted investment under IFRS due to the partnership structure.

For the quarter ended December 31, 2020, the Trust recognized residential inventory gains of $3.6 million, consisting of $1.4 million from the sale of a 50% interest in 2939 – 2943 Bloor Street West and $2.2 million for cost adjustments on eCondos and Windfields Farm. For the year, the Trust recognized total inventory gains of $15.5 million, which also included the gain on the sale of a 50% interest in Dufferin Plaza, the sale of eCondos guest suites, and closing of additional units at Windfields Farm U.C. Towns, partially offset by cost adjustments for Kingly.

During the year ended December 31, 2020, the following new projects were added to residential inventory:

- **Dufferin Plaza** - The property is situated on 3.8 acres of land at the intersection of Dufferin Street and Apex Road in Toronto, Ontario in close proximity to Yorkdale Shopping Centre as well as major arterial roads, highways and public transit. On August 10, 2020, RioCan sold a 50% interest in Dufferin Plaza to Maplelands as described under *Acquisitions and Dispositions* section of this MD&A. RioCan and Maplelands will develop Dufferin Plaza into a mixed-use property with approximately 561 condominium units and 32,000 square feet of retail.

- **Queensway** - This property is located at the corner of Islington Avenue and the Queensway in Toronto, Ontario and is minutes away from the TTC Bloor Line and Mimico GO station, as well as close to major highways. This property was previously co-owned 50/50 by RioCan and Talisker and was comprised of a development component and a Cineplex component. RioCan's original 50% interest in the development component of the project was transferred to inventory from investment properties in Q2 2020. Following the transaction in December 2020 as described in the *Acquisitions and Dispositions* section of this MD&A, the Trust now owns 100% of the development component and Talisker owns 100% of the Cineplex component. Zoning approval is in place for a 500,000 square foot mixed-use development, which will consist of four towers with 520 condominium units, 12 affordable housing rental units and 40,000 square feet of retail. Construction is currently anticipated to commence in 2022.

- **RioCan Leaside Centre** - Leaside Centre is situated in the affluent Leaside area of Toronto, right at the corner of Eglinton Avenue East and Laird Drive. It is adjacent to a new station along the new Eglinton Crosstown LRT and will have a direct secondary station entrance for the LRT. RioCan is in the process of rezoning the site to include residential rental, condominium, retail and office. The project will have five buildings with a total estimated GFA of 1.5 million square feet, which includes 240,000 square feet of commercial space. Building D of the project, which represents approximately 34% of the total GFA, is anticipated to be residential condominium with 637 units and 9,795 square feet of retail. The condominium component was transferred to inventory from investment properties during Q2 2020.

- **Clarkson Village** - This property is conveniently located near the intersection of Lakeshore Road and Southdown Road in Mississauga, Ontario, minutes away from the Clarkson GO station and major highways. The site is expected to have up to 500,000 square feet of GFA with residential density of up to 465,000 square feet and an estimated 35,000 square feet of retail.The condominium component was transferred to inventory from investment properties in Q4 2020.

MORTGAGES AND LOAN RECEIVABLE

Contractual mortgages and loans receivable as at December 31, 2020 and December 31, 2019 are comprised of the following:

(thousands of dollars)	Contractual interest rates				
As at	Low	High	Weighted average interest rate (i)	**December 31, 2020**	December 31, 2019
Mezzanine financing to co-owners	4.20%	6.35%	5.66%	**$ 128,884**	$ 155,399
Vendor-take-back and other	5.00%	6.35%	5.64%	**31,762**	20,552
Total	4.20%	6.35%	5.65%	**$ 160,646**	$ 175,951

(i) Information presented as at December 31, 2020.

All of the $160.6 million of mortgages and loans receivable as at December 31, 2020 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 in the amount of capital that can be invested in greenfield developments and development properties held for resale, including any mortgages receivable to fund the co-owners' share of such developments referred to as mezzanine financing, to no more than 15% of the book value of RioCan's total consolidated Unitholders' equity. At December 31, 2020, RioCan was in compliance with these restrictions.

CAPITAL RESOURCES AND LIQUIDITY

Capital Management Framework

RioCan defines capital as the aggregate of 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 Declaration of Trust, 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. Management monitors capital adequacy 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 of Trust and debt covenants (refer to Note 26 of RioCan's 2020 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 non-core and secondary market properties, and through public offerings of unsecured debentures and common equity. In challenging market conditions, the Trust could finance certain assets currently unencumbered by debt or issue preferred units.

Total Capital

RioCan uses both debt and equity in its capital structure, which is summarized as follows as at December 31, 2020

(thousands of dollars)	IFRS		RioCan's proportionate share	
As at	**December 31, 2020**	December 31, 2019	**December 31, 2020**	December 31, 2019
Capital:				
Debentures payable	**$ 3,340,278**	$ 2,891,648	**$ 3,340,278**	$ 2,891,648
Mortgages payable	**2,797,066**	2,412,451	**2,905,403**	2,514,178
Lines of credit and other bank loans	**790,539**	1,086,719	**819,255**	1,106,105
Total debt	**$ 6,927,883**	$ 6,390,818	**$ 7,064,936**	$ 6,511,931
Total equity	**7,734,973**	8,305,211	**7,734,973**	8,305,211
Total capital	**$ 14,662,856**	$ 14,696,029	**$ 14,799,909**	$ 14,817,142
Total assets	**$ 15,267,708**	$ 15,188,326	**$ 15,414,445**	$ 15,317,298
Cash and cash equivalents (i)	**$ 238,456**	$ 93,516	**$ 240,659**	$ 96,564

(i) Included in total assets.

Debt Metrics

The following table summarizes the Trust's key debt metrics presented on both an IFRS and RioCan's proportionate share basis:

		Rolling 12 months ended			
		IFRS		RioCan's proportionate share	
	Targeted Ratios	**December 31, 2020**	December 31, 2019	**December 31, 2020**	December 31, 2019
Ratio of total debt to total assets (net of cash and cash equivalents) (i)	38.0%-42.0%	**44.5%**	41.7%	**45.0%**	42.1%
Debt to Adjusted EBITDA (i)	<8.0x	**9.49**	8.05	**9.47**	8.06
Interest coverage (i)	>3.00x	**3.11**	3.52	**3.10**	3.50
Debt service coverage (i)	>2.25x	**2.60**	2.98	**2.60**	2.96
Fixed charge coverage (i)	>1.10x	**1.02**	1.15	**1.03**	1.16
Ratio of floating rate debt to total debt	<15.0%	**1.3%**	6.1%	**1.9%**	6.4%
Weighted average term to maturity (in years) (ii)		**3.86**	3.69	**3.83**	3.67
Weighted average contractual interest rate (ii)		**3.13%**	3.34%	**3.14%**	3.36%
Weighted average effective interest rate (ii)		**3.21%**	3.44%	**3.22%**	3.46%

(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) Information is as of respective year end.

The Trust's leverage ratio (total debt to total assets) at proportionate share increased from December 31, 2019, mainly due to higher debt levels resulting from timing of development completions relative to development spends and the impacts of the pandemic on the Trust's property operations and valuations. The Trust remains committed to maintaining a strong balance sheet.

The Trust's Debt to Adjusted EBITDA at proportionate share increased to 9.47x for the year relative to the prior year. The increase was primarily due to lower Adjusted EBITDA as a result of the COVID-19 pandemic related provision for rent abatements and bad debts, lower residential inventory gains due to timing of inventory sales, lower realized gains from the sale of marketable securities, lower fee revenue and higher average debt.

The interest coverage ratio at RioCan's proportionate share for the year remained above its target of 3.0x but declined compared to the prior year, mainly due to lower Adjusted EBITDA, as noted earlier, and higher interest costs from higher average debt. Similarly, debt service coverage at RioCan's proportionate share for the year declined but remained above its target of 2.25x.

The fixed charge coverage ratio at RioCan's proportionate share for the year was lower than the prior year, primarily as a result of lower Adjusted EBITDA, higher interest costs and higher distributions as a result of a private placement of Units in August 2019 and a public Unit offering completed in October 2019. The one-third distribution reduction effective for January 2021 distributions is expected to increase the fixed charge coverage ratio in 2021 relative to 2020.

The Trust has been reducing its floating interest rate debt exposure over the last couple of years. Its floating interest rate debt exposure was exceptionally low as of December 31, 2020 mainly due to the issuance of a $500.0 million unsecured debenture green bond (Series AD debenture) at a fixed rate in December 2020 of which a significant portion of the net proceeds was used to pay down the Trust's floating rate revolving unsecured line of credit. The Trust's main floating interest rate debt level is primarily driven by utilization on its revolving unsecured line of credit, which could vary quarter by quarter depending on the timing of various factors such as debenture or mortgage financing timing, and timing of dispositions and acquisitions.

The following table presents a reconciliation of consolidated net income attributable to Unitholders to Adjusted EBITDA:

	12 months ended			
	IFRS		RioCan's proportionate share	
(thousands of dollars)	**December 31, 2020**	December 31, 2019	**December 31, 2020**	December 31, 2019
Net income (loss) attributable to Unitholders	**$ (64,780)**	$ 775,834	**$ (64,780)**	$ 775,834
Add (deduct) the following items:				
Income tax expense (recovery):				
Current	**(275)**	(699)	**(275)**	(699)
Deferred	**10,905**	2,064	**10,905**	2,064
Fair value losses (gains) on investment properties, net	**526,775**	(247,624)	**536,388**	(239,294)
Change in unrealized fair value on marketable securities (i)	**10,219**	15,637	**10,219**	15,637
Internal leasing costs	**10,192**	11,309	**10,192**	11,309
Non-cash unit-based compensation expense	**9,120**	6,478	**9,120**	6,478
Interest costs	**180,811**	182,780	**185,599**	187,871
Depreciation and amortization	**4,342**	4,381	**4,342**	4,381
Transaction losses on the sale of investment properties, net (ii)	**503**	1,066	**503**	1,066
Transaction costs on investment properties	**768**	7,989	**768**	7,989
Operational lease revenue and expenses from ROU assets	**2,572**	1,963	**2,544**	1,939
Adjusted EBITDA	**$ 691,152**	$ 761,178	**$ 705,525**	$ 774,575
Debt, net of cash and cash equivalents is calculated as follows:				
Average debt outstanding	**$ 6,667,444**	$ 6,206,562	**$ 6,793,278**	$ 6,324,391
Less: average cash and cash equivalents	**(111,487)**	(75,705)	**(113,407)**	(78,599)
Debt, net of cash and cash equivalents	**$ 6,555,957**	$ 6,130,857	**$ 6,679,871**	$ 6,245,792
Debt to Adjusted EBITDA	**9.49**	8.05	**9.47**	8.06

(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 the 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 disposition of investment properties.

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. RioCan is rated by two independent credit rating agencies: Standard and Poor's (S&P) and DBRS Morningstar (DBRS). A credit rating generally provides an indication of the risk that the borrower will not fulfill its obligations in a timely manner. On October 12, 2020 S&P confirmed the rating of BBB with stable outlook and on November 30, 2020 DBRS confirmed the rating of BBB(high) and changed the trends on the ratings to Negative from Stable. A credit rating of BBB- or higher is an investment-grade rating.

The following table summarizes RioCan's credit ratings as at December 31, 2020:

	S&P		**DBRS**	
	Credit Rating	**Outlook**	**Credit Rating**	**Trend**
Issuer Credit Rating	BBB	Stable	BBB (high)	Negative
Senior Unsecured Debentures	BBB	N/A (i)	BBB (high)	Negative

(i) S&P does not provide an outlook on the Debentures.

Total Debt Profile

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

(thousands of dollars)	Debentures payable	Weighted average contractual interest rate	Mortgages payable	Weighted average contractual interest rate	Lines of credit and other bank loans	Weighted average contractual interest rate	**Total aggregate debt**	**Weighted average contractual interest rate**
	Contractual principal maturities and interest rates							
Year of debt maturity								
2021	$ 550,000	2.89%	$ 379,995	4.23%	$ 50,125	1.68%	**$ 980,120**	**3.34%**
2022	550,000	3.25%	199,316	3.24%	—	—%	**749,316**	**3.25%**
2023	500,000	3.42%	336,358	3.33%	206,094	3.24%	**1,042,452**	**3.35%**
2024	300,000	3.29%	333,431	3.11%	500,000	3.36%	**1,133,431**	**3.27%**
2025	500,000	2.58%	522,514	3.35%	36,635	2.38%	**1,059,149**	**2.95%**
Thereafter	950,000	2.54%	1,030,234	3.18%	—	—%	**1,980,234**	**2.87%**
	$ 3,350,000	2.91%	$ 2,801,848	3.37%	$ 792,854	3.18%	**$ 6,944,702**	**3.13%**
Unamortized differential between contractual and market interest rates on liabilities assumed at the acquisition of properties and unamortized debt modification losses	—		4,719		479		**5,198**	
Unamortized debt financing costs, net of premiums and discounts	(9,722)		(9,501)		(2,794)		**(22,017)**	
Balance, end of year	**$ 3,340,278**		**$ 2,797,066**		**$ 790,539**		**$ 6,927,883**	

The total debt continuity schedule for the year ended December 31, 2020 was as follows:

(thousands of dollars) Year ended December 31, 2020	Debentures	Mortgages Payable	Lines of Credit and Other Bank Loans	Total
Contractual obligations, beginning of year	$ 2,900,000	$ 2,409,917	$ 1,090,172	**$ 6,400,089**
Borrowings	850,000	804,515	311,720	**1,966,235**
Scheduled amortization	—	(42,786)	—	**(42,786)**
Repayments	(400,000)	(373,387)	(609,038)	**(1,382,425)**
Disposed on the sale of properties	—	(12,112)	—	**(12,112)**
Assumed on the acquisition of properties	—	15,701	—	**15,701**
Contractual obligations, end of year	**$ 3,350,000**	**$ 2,801,848**	**$ 792,854**	**$ 6,944,702**
Unamortized differential between contractual and market interest rates on liabilities assumed at the acquisition of properties and unamortized debt modification losses	—	4,719	479	**5,198**
Unamortized debt financing costs, net of premiums and discounts	(9,722)	(9,501)	(2,794)	**(22,017)**
Balance, end of year	**$ 3,340,278**	**$ 2,797,066**	**$ 790,539**	**$ 6,927,883**

Debentures Payable

Issuance

On December 14, 2020, RioCan issued $500.0 million principal amount of Series AD senior unsecured debentures. These debentures were issued at par, carry a coupon rate of 1.974% per annum and mature on June 15, 2026. The Series AD debentures were RioCan's second green bond issuance.

On March 10, 2020, RioCan issued $350.0 million of Series AC senior unsecured debentures. These debentures were issued at par, carry a coupon rate of 2.361% per annum and will mature on March 10, 2027. The Series AC debentures were RioCan’s inaugural green bond issuance and the first green bond issued by a REIT in Canada.

Redemption

On August 26, 2020, RioCan redeemed, in full, its $250.0 million 2.185% Series X unsecured debentures in accordance with their terms. On June 1, 2020, RioCan redeemed, in full, its $150.0 million 3.62% Series U unsecured debentures in accordance with their terms.

On January 15, 2021, RioCan redeemed, in full, its $250.0 million, 3.716% Series R unsecured debentures due December 13, 2021, in accordance with its terms, at a total redemption price of $256.8 million, plus accrued and unpaid interest of $0.8 million, up to but excluding, the redemption date. The Trust recorded an early extinguishment charge of $6.7 million, which includes a write-off of the related unamortized deferred financing costs.

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

(thousands of dollars)
As at

Series	Maturity date	Coupon rate	Interest payment frequency	**December 31, 2020**	December 31, 2019
U	June 1, 2020	3.62%	Semi-annual	**—**	150,000
X	August 26, 2020	2.19%	Semi-annual	**—**	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**	500,000
I	February 6, 2026	5.95%	Semi-annual	**100,000**	100,000
AD	June 15, 2026	1.97%	Semi-annual	**500,000**	—
AC	March 10, 2027	2.36%	Semi-annual	**350,000**	—
Contractual obligations				**$ 3,350,000**	$ 2,900,000
Unamortized debt financing costs				**(9,722)**	(8,352)
Balance, end of year				**$ 3,340,278**	$ 2,891,648

The unsecured debentures have covenants similar to the Trust's 60% debt to aggregate assets limit as set out in RioCan's Declaration of Trust, the maintenance of at least $1.0 billion in Adjusted Unitholders' Equity (as defined in the indenture) and maintenance of an interest coverage ratio of 1.65 times or better. There are no requirements under the unsecured debenture covenants that require RioCan to maintain unencumbered assets. The Series I debentures, which are due in 2026 and 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 Adjusted Unitholders' Equity and interest coverage ratio would be eliminated for this series of debentures.

Mortgages Payable

Mortgages payable consist of the following:

(thousands of dollars)

As at	**December 31, 2020**	December 31, 2019
Fixed rate mortgages (i) (ii)	**$ 2,797,066**	$ 2,412,451

(i) Includes hedged floating rate mortgages.

(ii) Amount outstanding deducts a total of $4.8 million in unamortized debt modification losses (net of unamortized financing costs), net of unamortized differential between contractual and market interest rates on liabilities assumed at the acquisition of properties and unamortized debt modification losses.

At the outset of 2020, RioCan had $503.9 million of mortgage principal maturing in 2020 at a weighted average contractual interest rate of 3.64%. For the year ended December 31, 2020, RioCan completed new term mortgage borrowings of $804.5 million and renewed maturity balances of $109.5 million at a weighted average interest rate of 2.82% and a weighted average term of six years, repaid $416.2 million of mortgage balances and scheduled amortization, disposed $12.1 million mortgages on the sale of investment properties, and assumed $15.7 million of mortgage financing upon acquisitions at a weighted average interest rate of 3.30%.

Included in the activity above are CMHC insured mortgages for Frontier and eCentral and the retail component ePlace in the aggregate amount of $195.2 million (at RioCan's interest), at a weighted average interest rate of 2.33% and a weighted average term of 10 years. 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 its overall cost of debt.

The majority of our mortgage debt provides recourse to the assets of the Trust, as opposed to only having recourse to the specific property charged. We follow this policy as it generally results in lower interest rates for the Trust.

Lines of Credit and Other Bank Loans

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

(thousands of dollars) As at		**December 31, 2020**	December 31, 2019
Revolving unsecured operating line of credit (i) (ii)	**$**	**(1,648)** $	339,446
Non-revolving unsecured credit facilities (i)		**699,333**	699,101
Construction lines and other bank loans		**92,854**	48,172
	$	**790,539** $	1,086,719

(i) Amount outstanding deducts a total of $2.3 million in unamortized financing costs, net of unamortized differential between contractual and market interest rates on liabilities assumed at the acquisition of properties and unamortized debt modification losses.

(ii) There are no drawn amounts at December 31, 2020. The negative balance shown for the 2020 year end represents unamortized financing costs.

Revolving Unsecured Operating Line of Credit

As at December 31, 2020, RioCan had $1.0 billion of undrawn credit availability on its revolving unsecured operating line of credit, compared to $658.0 million as at December 31, 2019. The weighted average contractual interest rate on amounts drawn under this facility was nil as of December 31, 2020 (December 31, 2019 - 3.19%).

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 and a weighted average annual all-in fixed interest rate of 3.28% through interest rate swaps.

In addition, the Trust has a $150.0 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 June 27, 2024 and fixed annual all-in interest rate of 3.43% through an interest rate swap.

The Trust also has 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, 2020, 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, 2020, these secured facilities and other bank loans have an aggregate maximum borrowing capacity of $384.2 million (December 31, 2019 - $106.5 million) and mature between 2021 and 2025, of which the Trust had drawn $92.9 million (December 31, 2019 - $48.2 million). The weighted average contractual interest rate on the aggregate amounts outstanding is 1.97% (December 31, 2019 - 2.93%).

The year-over-year increase in these secured facilities and other bank loans was primarily due to the addition of secured construction facilities for the Trust's 11 YV condominium project and two other projects during the year.

Letter of Credit Facilities and Surety Bonds

The Trust has aggregate letter of credit facilities with certain Schedule I banks totalling $93.6 million (December 31, 2019 - $76.4 million). As at December 31, 2020, the Trust's outstanding letters of credit under these facilities was $66.8 million (December 31, 2019 - $54.8 million).

The Trust is contingently liable for surety bonds that have been provided to support condominium developments and warranties in the amount of $68.8 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 including maintenance capital and development capital expenditures, distributions to Unitholders and planned growth in the business.

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.

As at December 31, 2020, RioCan had approximately $1.6 billion of liquidity as summarized in the following table:

(thousands of dollars, except where otherwise noted)	IFRS		RioCan's proportionate share	
As at	**December 31, 2020**	December 31, 2019	**December 31, 2020**	December 31, 2019
Cash and cash equivalents	**$ 238,456**	$ 93,516	**$ 240,659**	$ 96,564
Undrawn revolving unsecured operating line of credit	**1,000,000**	658,000	**1,000,000**	658,000
Undrawn construction lines of credit and other bank loans	**291,332**	58,327	**336,030**	110,339
Liquidity	**$ 1,529,788**	$ 809,843	**$ 1,576,689**	$ 864,903
Contractual debt:				
Debentures payable	**$ 3,350,000**	$ 2,900,000	**$ 3,350,000**	$ 2,900,000
Mortgages payable	**2,801,848**	2,409,917	**2,910,452**	2,511,930
Lines of credit and other bank loans	**792,854**	1,090,172	**821,597**	1,109,600
Total contractual debt	**$ 6,944,702**	$ 6,400,089	**$ 7,082,049**	$ 6,521,530
Percentage of total contractual debt:				
Liquidity	**22.0%**	12.7%	**22.3%**	13.3%
Unsecured debt	**58.3%**	61.6%	**57.2%**	60.4%
Secured debt	**41.7%**	38.4%	**42.8%**	39.6%

The $711.8 million increase in liquidity on a proportionate share basis over the prior year was in part due to the $500 million green bond senior unsecured debentures issued in December 2020 and resulting higher cash and cash equivalents on hand as of the year end, as well as an increase in undrawn construction lines of credit due to the addition of major construction lines of credit during the year.

RioCan has unencumbered investment properties with a fair value of $8.7 billion on a proportionate share basis as of the year end, which give RioCan the potential to obtain additional mortgages to bolster liquidity, if needed, and preserve credit availability under its revolving unsecured line of credit, while maintaining compliance with debt covenants under various credit facilities.

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

(thousands of dollars)	2021	2022	2023	2024	2025	Thereafter	Total
Contractual obligations:							
Lines of credit and other bank loans	$ 50,125	$ —	$ 206,094	$ 500,000	$ 36,635	$ —	$ 792,854
Mortgages payable	379,995	199,316	336,358	333,431	522,514	1,030,234	2,801,848
Unsecured debentures	550,000	550,000	500,000	300,000	500,000	950,000	3,350,000
Lease liabilities (i)	7,856	1,621	1,668	1,669	1,655	26,256	40,725
Other lease obligations	481	206	79	24	4	—	794
	$ 988,457	$ 751,143	$ 1,044,199	$ 1,135,124	$ 1,060,808	$ 2,006,490	$ 6,986,221
Committed developments:							
Active committed PUD (ii)	318,615	219,638	45,769	13,403	—	—	597,425
Active committed residential inventory (ii)	73,166	50,078	46,552	77,544	—	—	247,340
	$ 391,781	$ 269,716	$ 92,321	$ 90,947	$ —	$ —	$ 844,765
Total	$ 1,380,238	$ 1,020,859	$ 1,136,520	$ 1,226,071	$ 1,060,808	$ 2,006,490	$ 7,830,986

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

(ii) Represents estimated development costs to complete committed properties under active development and active residential inventory projects. A project is committed only when all major planning issues have been resolved, anchor tenant(s) for the commercial components has/have been secured, and/or construction is about to commence or has commenced. The costs of additional projects will be added to this schedule once a project becomes committed. The amounts are presented net of projected proceeds from dispositions including air rights sale proceeds related to a portion of The Well in Toronto, Ontario, which sales currently remain on plan to close in 2021.

The Trust's contractual debt obligations and projected development expenditures can be funded by proceeds from mortgage refinancing, net proceeds from the sale of assets (including, but not limited to, sale of excess land and development density), existing cash on hand, revolving unsecured operating line of credit, proceeds from the issuance of unsecured debentures or issuance of equity Units. Debenture maturities in 2021 of $550.0 million have been effectively refinanced through the issuance of the aforementioned green bond issue in December 2020. As of February 10, 2021, $229.1 million of the $380.0 million of mortgages due in 2021 have already been repaid, refinanced or have refinancing commitments in place.

RioCan has also entered into purchase obligations to acquire certain interests from its partners as further described in Note 3 in the 2020 Annual Consolidated Financial Statements.

RioCan, as a mutual fund trust, expects to make monthly distributions to Unitholders with the cash generated from ongoing operating activities. Its Unitholder dividend reinvestment plan (DRIP) allows it 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

At RioCan's proportionate share, unencumbered investment property assets as at December 31, 2020 have an estimated fair value of $8.7 billion, which represents 60.3% of the total fair value of investment properties and generates 58.9% of annualized NOI at RioCan's proportionate share. The decrease in the unencumbered assets from December 31, 2019 was due to mortgage financing obtained on certain formerly unencumbered assets, as well as fair value write-downs during the year as a result of the pandemic. The table below summarizes RioCan's unencumbered assets and unsecured debt:

		IFRS		RioCan's proportionate share	
(thousands of dollars, except where otherwise noted) As at	Targeted Ratios	**December 31, 2020**	December 31, 2019	**December 31, 2020**	December 31, 2019
Unencumbered assets (i) (ii)		**$ 8,685,469**	$ 8,895,777	**$ 8,727,354**	$ 8,936,721
Unsecured debt:					
Debentures		**$ 3,350,000**	$ 2,900,000	**$ 3,350,000**	$ 2,900,000
Amounts drawn on revolving unsecured operating line of credit		**—**	342,000	**—**	342,000
Amounts drawn on non-revolving unsecured credit facilities		**700,000**	700,000	**700,000**	700,000
Total unsecured debt outstanding		**$ 4,050,000**	$ 3,942,000	**$ 4,050,000**	$ 3,942,000
Unsecured debt to total debt	60.0%	**58.3%**	61.6%	**57.2%**	60.4%
Unencumbered assets to unsecured debt (i)	> 200%	**214%**	226%	**215%**	227%
NOI generated from unencumbered assets (i)	> 50.0%	**58.6%**	58.2%	**58.9%**	58.5%

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

(ii) As at December 31, 2020, included in total investment properties and properties held for sale of $14.3 billion on an IFRS basis are $8.7 billion unencumbered assets and $5.6 billion encumbered assets. On a proportionate share basis, included in total investment properties and properties held for sale of $14.5 billion are $8.7 billion of unencumbered assets and $5.7 billion encumbered assets.

Guarantees

As at December 31, 2020, the Trust is contingently liable for debt guarantees, provided on behalf of certain of our co-owners' interests and mortgages assumed by purchasers on property dispositions, of $195.1 million (December 31, 2019 - $163.2 million), with expiries between 2021 and 2025.

As at and for the year ended December 31, 2020, 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 2020 Annual Consolidated Financial Statements.

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

(thousands of dollars) As at	**December 31, 2020**	December 31, 2019
Partners and co-owners		
HBC (RioCan-HBC JV)	**$ 41,187**	$ 42,349
Bayfield	**23,100**	26,709
Metropia and Capital Developments	**36,635**	—
Other	**38,987**	37,497
	$ 139,909	$ 106,555
Assumption of mortgages by purchasers on property dispositions	**55,207**	56,644
	$ 195,116	$ 163,199

Hedging Activities

Interest Rate Risk

As at December 31, 2020, the outstanding notional amount of floating-to-fixed interest rate swaps was $1.3 billion (December 31, 2019 – $1.3 billion) and the term to maturity of these agreements ranges from April 2021 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, 2020. Refer to Note 25 of the 2020 Annual Consolidated Financial Statements for further details.

EQUITY

Trust Units

As at December 31, 2020, there are 317.7 million Units outstanding, including exchangeable limited partnership units. All Units outstanding have equal rights and privileges and entitle the holder to one vote for each Unit at all meetings of Unitholders. During the years ended December 31, 2020 and 2019, we issued Units as follows:

	Three months ended December 31		Years ended December 31	
(in thousands)	**2020**	2019	**2020**	2019
Units outstanding, beginning of year (i)	**317,723**	308,723	**317,710**	305,097
Units issued:				
Private placement issued pursuant to an investment property acquisition	**—**	—	**—**	3,810
Public offering, net of issuance costs	**—**	8,935	**—**	8,935
Unit-based compensation exercises, net of Units repurchased for settlement of Unit exercises	**—**	49	**—**	833
Direct purchase plan	**13**	3	**26**	15
Exchangeable limited partnership units	**12**	—	**12**	—
Units repurchased and cancelled	**—**	—	**—**	(980)
Units outstanding, end of year (i)	**317,748**	317,710	**317,748**	317,710

(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, 2020 – 493,476 LP units, December 31, 2019 – 481,769 LP units).

As of February 10, 2021, there are 317.8 million Units issued and 6.4 million Unit options issued and outstanding under the Trust's incentive Unit option plan.

Senior Executive Restricted Equity Plan (Senior Executive REU Plan)

As at December 31, 2020, 251,899 Senior Executive REUs are outstanding (December 31, 2019 - 178,800), of which 55,720 are vested (December 31, 2019 - 56,833).

On March 2, 2020, the Trust granted 119,621 REUs under its Senior Executive REU Plan. The grant date price was $26.19 per unit-based on the five-day volume weighted average market price of RioCan's Units traded on the TSX prior to the grant date, resulting in an aggregate fair value of $3.1 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 Units purchased on the secondary market, net of applicable withholding taxes.

Employee Restricted Equity Plan (Employee REU Plan)

As at December 31, 2020, 279,342 Employee REUs are unvested and outstanding (December 31, 2019 - 232,926).

On March 2, 2020, the Trust granted 101,979 REUs under its Employee REU Plan. The grant date price was $26.19 per unit-based on the five-day volume weighted average market price of RioCan's Units traded on the TSX prior to the grant date, resulting in an aggregate fair value of $2.7 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 Units purchased on the secondary market, net of applicable withholding taxes.

Performance Equity Unit Plan (PEU Plan)

As at December 31, 2020, 449,641 PEUs are unvested and outstanding (December 31, 2019 - 416,737).

On March 2, 2020, the Trust granted 119,621 PEUs under its PEU Plan at a fair value of $23.95 per unit resulting in an aggregate fair value of $2.9 million on the grant date. These PEUs will fully vest in February 2023.

PEUs issued contain a multiplier factor and the final number of PEUs that will be paid out upon vesting will vary based on the achievement of certain performance targets over a three-year period from the year the award was granted. The performance targets attributable to PEUs are set by the Trust at the time the awards are granted, or from time to time adjusted as permitted under the terms of the PEU plan. The performance targets may vary between grants. Further information regarding the PEUs and the related performance metrics attributable to such PEUs are set out in the Trust's management information circular (MIC).

Incentive Unit Option Plan

During 2020, there were no Unit options granted to senior management (December 31, 2019 - 0.4 million). A Unit option's maximum term is 10 years. All Unit 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, 2020, 12.5 million Unit options remain available for grant under the Plan (December 31, 2019 – 12.5 million Unit options).

Subsequent to year end on February 9, 2021, the Board approved approximately 1.4 million of Unit options to be granted to senior management. Unit options shall vest in accordance with certain time-based and performance-based vesting provisions and have a seven year term. The option grant value, strike price, and performance measures will be determined later in February 2021 at the grant date.

Trustee Deferred Unit Plan (DU Plan)

As at December 31, 2020, there are 452,368 deferred units vested and outstanding (December 31, 2019 - 319,506). During the year ended December 31, 2020, 100,760 deferred units were granted and no deferred units were exercised (year ended December 31, 2019 - 57,936 deferred units granted and 26,892 deferred units exercised).

During the year ended December 31, 2020, the Board approved an amendment effective January 1, 2021 to the DU Plan to provide that, on or after the date upon which a Trustee ceases to be a Trustee of the Trust (Termination Date), all vested deferred units issued after January 1, 2021 shall be redeemed and settled only by the issuance of Units. Effective January 1, 2021, each of the Trustees also provided an irrevocable election with respect to the outstanding deferred units held by such Trustee such that all such vested deferred units shall be redeemed and settled only by the issuance of Units upon each Trustee's respective Termination Date.

Normal Course Issuer Bid

On October 14, 2020, RioCan received TSX approval of its notice of intention to renew its NCIB (the 2020/2021 NCIB), to acquire up to a maximum of 31,615,029 Units, or approximately 10% of the public float as at October 8, 2020, for cancellation or to satisfy RioCan's obligation to deliver Units under the REU and PEU plans, over the next 12 months, effective October 22, 2020.

The number of Units that can be purchased pursuant to the 2020/2021 NCIB is subject to a current daily maximum of 545,810 Units (which is equal to 25% of 2,183,243, being the average daily trading volume from April 1, 2020 to September 30, 2020, 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, 2020, the Trust did not purchase and cancel any Units.

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 the public float as at September 30, 2019, for cancellation over the next 12 months, effective October 22, 2019. Units acquired and cancelled prior to October 22, 2019, were pursuant to the NCIB in effect for the 12 months ended October 21, 2019.

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.

The Trust consolidates certain wholly-owned incorporated entities that are subject to tax. Any tax disclosures, expense and deferred tax balances relate only to these entities.

If the Trust 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 it 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.

The Trust's monthly distribution during 2020 was $0.12 per unit, consistent with that of 2019. Distributions declared to Unitholders are as follows:

	Three months ended December 31		Years ended December 31	
(thousands of dollars)	**2020**	2019	**2020**	2019
Distributions declared to Unitholders	**$ 114,387**	$ 114,364	**$ 457,525**	$ 444,462

RioCan suspended its DRIP effective November 1, 2017 and Unitholders that were enrolled in the DRIP receive cash distributions commencing with any distribution declared in November 2017. If RioCan elects to reinstate the DRIP in the future, Unitholders 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. Total distributions declared increased for the three months ended and year ended December 31, 2020 when compared to the same periods in the prior year as RioCan issued 3.8 million Units on a private placement basis on August 31, 2019 and 8.9 million Units in a public offering on October 28, 2019.

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 is as follows:

	Three months ended December 31		Years ended December 31	
(thousands of dollars)	**2020**	2019	**2020**	2019
Cash flows provided by operating activities	**$ 182,472**	$ 170,274	**$ 552,584**	$ 568,886
Add / (deduct) the (increase) / decrease in non-cash working capital items	**(63,212)**	(39,910)	**(77,524)**	(53,927)
Cash flows provided by operating activities, excluding non-cash working capital items	**119,260**	130,364	**475,060**	514,959
Less: Distributions declared to Unitholders	**(114,387)**	(114,364)	**(457,525)**	(444,462)
Excess	**$ 4,873**	$ 16,000	**$ 17,535**	$ 70,497

For the three months ended December 31, 2020, cash flows provided by operating activities, excluding non-cash working capital items, were higher than distributions declared to Unitholders during the period by $4.9 million. For the year ended December 31, 2020, cash flows provided by operating activities, excluding non-cash working capital items, were higher than distributions declared to Unitholders during the period by $17.5 million.

Distribution reduction effective January 2021

In December 2020, the Trust announced a reduction in its monthly distribution from $0.12 per unit to $0.08 per unit, or from $1.44 to $0.96 on an annualized basis. This decrease will be effective for the Trust's January 2021 distribution, payable in February 2021. This decrease is expected to provide $152.0 million of additional cash flow a year. The additional capital will be used to fund initiatives that drive long-term net asset value growth for RioCan’s Unitholders such as its mixed-use residential developments, unit buybacks through its normal course issuer bid program, and debt repayment.

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 distributions to Unitholders, consideration is given by RioCan to the level of cash flow from operating activities, capital expenditures for the property portfolio and preferred unitholder distributions (if any).

As always, the Board will continuously reevaluate the distribution on a regular basis based on various factors. In determining the level of distributions to Unitholders, the Board considers, among other factors, cash flow from operating activities, forward-looking cash flow information including forecasts and budgets and the future business prospects of the Trust including the impact of the pandemic, the interest rate environment and cost of capital, estimated development completions and development spending, impact of future acquisitions and dispositions, and maintenance capital expenditures and leasing expenditures related to our income producing portfolio. In determining the level of distributions to Unitholders, the Board also considers the impact of its distribution reinvestment plan, if reinstated, when assessing its ability to sustain current distribution levels during the current period and on a rolling twelve month basis.

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").

On October 21, 2020 RioCan announced RioCan's founder, Edward Sonshine, will retire as Chief Executive Officer of the Trust on March 31, 2021 and transition to Non-Executive Chairman on April 1, 2021. The Trust also announced the appointment of Jonathan Gitlin, currently the Trust's President and Chief Operating Officer, to succeed Mr. Sonshine as President and Chief Executive Officer, effective April 1, 2021. Concurrently with Mr. Gitlin's appointment to the role of CEO, the Board has also agreed to appoint Mr. Gitlin as an additional Trustee to the Board. Mr. Paul V. Godfrey, Chairman of the Board, has agreed to step down as Chairman of the Board effective April 1, 2021 and will serve as Lead Trustee.

Remuneration of the Trust's Trustees and Key Executives during the years ended December 31, 2020 and 2019 is as follows:

	Three months ended December 31				Years ended December 31			
(thousands of dollars)	Trustees		Key Executives		Trustees		Key Executives	
Years ended December 31	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Compensation and benefits	**$ 44**	$ 43	**$ 1,126**	$ 1,315	**$ 175**	$ 203	**$ 5,349**	$ 5,388
Unit-based compensation	**1,577**	388	**1,662**	765	**(919)**	2,813	**4,971**	3,460
Post-employment benefit costs	**—**	—	**33**	26	**—**	—	**129**	108
	$ 1,621	$ 431	**$ 2,821**	$ 2,106	**$ (744)**	$ 3,016	**$ 10,449**	$ 8,956

The negative amount in unit-based compensation costs for the Trustees for the year ended December 31, 2020 was due to a mark-to-market adjustment resulting from a substantial decrease in the Trust's unit price from December 31, 2019 to December 31, 2020, among the broad equity market drop in connection with the COVID-19 health crisis and sharp decline in oil prices. For further details on related party transactions, refer to Note 30 of the 2020 Annual Consolidated Financial Statements.

SELECTED QUARTERLY RESULTS AND TREND ANALYSIS

(millions of dollars, except per unit amounts)	**2020**				2019			
As at and for the quarter ended (i)	**Q4**	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	**$ 285**	$ 302	$ 270	$ 286	$ 321	$ 354	$ 328	$ 324
Net income (loss) attributable to Unitholders	**$ 66**	$ 118	$ (351)	$ 103	$ 151	$ 178	$ 253	$ 195
NOI (ii)	**$ 167**	$ 158	$ 154	$ 174	$ 176	$ 173	$ 175	$ 167
FFO (ii)	**$ 124**	$ 129	$ 110	$ 145	$ 146	$ 143	$ 145	$ 142
ACFO (ii)	**$ 129**	$ 147	$ 78	$ 108	$ 134	$ 145	$ 139	$ 107
Unitholder distributions	**$ 114**	$ 114	$ 114	$ 114	$ 114	$ 111	$ 110	$ 110
Weighted average Units outstanding – diluted (in thousands)	**317,739**	317,728	317,721	317,725	315,080	306,280	304,636	305,046
Per unit basis (diluted)								
Net income (loss) attributable to Unitholders	**$ 0.21**	$ 0.37	$ (1.10)	$ 0.32	$ 0.48	$ 0.58	$ 0.83	$ 0.64
FFO (ii)	**$ 0.39**	$ 0.41	$ 0.35	$ 0.46	$ 0.46	$ 0.47	$ 0.48	$ 0.47
Unitholder distributions	**$ 0.36**	$ 0.36	$ 0.36	$ 0.36	$ 0.36	$ 0.36	$ 0.36	$ 0.36
Net book value per unit (iii)	**$ 24.34**	$ 24.48	$ 24.45	$ 25.92	$ 26.14	$ 26.01	$ 25.78	$ 25.34
Closing market price per unit	**$ 16.75**	$ 14.06	$ 15.36	$ 16.13	$ 26.76	$ 26.38	$ 25.99	$ 26.47
Key Performance Indicator Ratios								
Same Property NOI growth (decline) % (ii)	**(7.9%)**	(9.1%)	(10.8%)	3.0%	2.3%	2.1%	2.2%	1.4%
FFO payout ratio (ii)	**90.2%**	86.2%	83.2%	77.4%	76.9%	77.4%	77.2%	77.9%
ACFO payout ratio (ii)	**98.9%**	97.7%	97.2%	85.0%	84.3%	83.5%	86.7%	87.5%
Debt to total assets (RioCan's proportionate share) (ii)	**45.0%**	44.8%	44.4%	43.0%	42.1%	43.6%	42.9%	42.2%
Debt to Adjusted EBITDA (RioCan's proportionate share) (ii)	**9.47**	9.13	8.80	8.22	8.06	8.07	7.92	7.94
Other								
Total portfolio NLA	**38,260**	38,394	38,647	38,623	38,402	39,336	39,071	38,286
Number of properties	**223**	221	221	222	220	225	230	230
Number of employees	**586**	585	587	605	605	605	597	585
Residency of Unitholders (iv)								
– Canadian	**74.4%**	77.2%	73.1%	66.3%	67.6%	66.3%	75.6%	70.6%
– Non-resident	**25.6%**	22.8%	26.9%	33.7%	32.4%	33.7%	24.4%	29.4%

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

(ii) For definitions and the 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.

(iii) A non-GAAP measurement. Calculated by RioCan as 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.

Our revenue and operating results are not materially impacted by seasonal factors. However, macroeconomic and market trends, and the unprecedented COVID-19 pandemic as described under the *Business Environment and Outlook* section of this MD&A, impact on the demand for space, occupancy levels and, consequently, the Trust's revenue, financial performance and property valuations.

The Trust's quarterly changes in revenues, NOI, FFO, ACFO and net income, as well as other key financial information were primarily impacted by its strategic secondary market disposition program executed during late 2017 to the end of 2019, the timing and magnitude of its residential condominium and townhouse projects closings, the magnitude and pace of development expenditures and project completions, and in 2020 the global pandemic and its effects on the economy and RioCan operations.

ACFO was also impacted by changes in working capital, which experienced larger quarterly fluctuations from Q2 2020 to Q4 2020 in particular, driven primarily by the timing of the collection of contractual rents receivable as a result of the pandemic.

Net income, investment properties and certain other financial position related measures such as debt to total assets were further impacted by the changes in the fair values of investment properties, particularly the significant fair value write-downs in Q2 2020 as a result of the pandemic.

The above factors resulted in similar impacts to FFO and ACFO payout ratios, debt to total assets and debt to adjusted EBITDA.

Unaudited Consolidated Statements of Income

(thousands of dollars, except per unit amounts)

Three months ended December 31	**2020**	2019
Revenue		
Rental revenue	**$ 276,422**	$ 279,052
Residential inventory sales	**4,712**	38,639
Property management and other service fees	**4,050**	3,039
	285,184	320,730
Operating costs		
Rental operating costs		
Recoverable under tenant leases	**95,452**	97,789
Non-recoverable costs	**14,995**	5,750
Residential inventory cost of sales	**1,143**	27,604
	111,590	131,143
Operating income	**173,594**	189,587
Other income (loss)		
Interest income	**3,500**	4,438
Income (loss) from equity-accounted investments	**421**	(2,816)
Fair value (losses) gains on investment properties, net	**(42,286)**	23,274
Investment and other income (loss)	**967**	(53)
	(37,398)	24,843
Other expenses		
Interest costs	**44,841**	45,215
General and administrative	**12,941**	12,287
Internal leasing costs	**2,901**	3,017
Transaction and other costs	**1,510**	3,614
	62,193	64,133
Income before income taxes	**74,003**	150,297
Current income tax recovery	**(711)**	(273)
Deferred income tax expense (recovery)	**9,105**	(216)
Net income	**$ 65,609**	$ 150,786
Net income		
Unitholders	**$ 65,609**	$ 150,786
	$ 65,609	$ 150,786
Net income per unit:		
Basic	**$ 0.21**	$ 0.48
Diluted	**$ 0.21**	$ 0.48
Weighted average number of units (in thousands):		
Basic	**317,739**	314,953
Diluted	**317,739**	315,080

NON-GAAP MEASURES

The financial statements of RioCan are prepared in accordance with IFRS. In addition to reported IFRS measures, industry practice is to evaluate real estate entities giving consideration, in part, to certain non-GAAP performance measures described below. 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 non-GAAP measures, and related per unit amounts, should not be construed as alternatives to net income or comparable metrics determined in accordance with IFRS as indicators of RioCan’s performance, liquidity, cash flows and profitability and may not be comparable to similar measures presented by other real estate investment trusts or enterprises. These non-GAAP measures are defined below and are cross referenced, as applicable, to a reconciliation elsewhere in this MD&A to the most comparable IFRS measure. RioCan believes these non-GAAP financial measures provide useful information to both management and investors in measuring the financial performance and financial condition of the Trust for the reasons outlined below.

Non-GAAP Measure	Description	Reconciliation
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, unrealized gains or losses on marketable securities and gains and losses on the disposal of investment properties, including associated transaction costs, which are not representative of recurring operating performance. 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. RioCan’s method of calculating FFO may differ from other issuers' methods and, accordingly, may not be comparable to FFO reported by other issuers.	*Funds from Operations (FFO)* section
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 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.	*Adjusted Cashflow from Operations (ACFO)* section

Non-GAAP Measure	Description	Reconciliation
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. 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. 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. For both 2019 and 2020, the Trust determined that $40.0 million was a reasonable estimate for its normalized capital expenditures. This normalized capital expenditures estimate for 2020 does not include capital expenditures for mixed-use residential projects given these are newly constructed buildings. Actual maintenance capital expenditure maintenance for 2020 amounted to $44.2 million. In 2021 the Trust anticipates a gradual resumption of a more normal level of business activities given the roll out of the immunization program in response to COVID-19. Given that there have been certain vacancies in 2020 resulting from the COVID-19 pandemic, the Trust anticipates that it will incur additional tenant improvements in 2021 and has determined that $45.0 million is a reasonable normalized capital expenditure estimate for 2021 although quarterly fluctuations between the $11.3 million quarterly normalized capital expenditures spend and actual spend are expected.	*Capital Expenditures on Income Properties* section
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 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.	*Funds from Operations (FFO) and Adjusted Cashflow from Operations (ACFO)* sections

Non-GAAP Measure	Description	Reconciliation
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. 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.	*Net Operating Income (NOI)* section
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 for a limited number of properties undergoing significant de-leasing in preparation for redevelopment or intensification. Same property NOI 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.	*Net Operating Income (NOI)* section
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, 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.	*Business Overview* section
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). 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. The following ratios are calculated on the basis of both a RioCan's proportionate share basis and using IFRS reported amounts to convey a more meaningful measure of financial performance with respect to the periods reported.	*Total Capital section*

Non-GAAP Measure	Description	Reconciliation
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 and losses on marketable securities, interest costs, current and deferred tax expenses and 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.	*Debt Metrics* section
Ratio of Total Debt to Total Assets	Ratio of Total Debt to Total Assets is a non-GAAP measure of our financial leverage calculated by taking the total debt net of cash and cash equivalents divided by total assets net of cash and cash equivalents.	*Total Capital* section
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 Metrics* section
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 Metrics* section
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.	*Debt Metrics* section
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 Unitholders and preferred unitholders. It measures our ability to meet our interest, Unitholder and preferred unitholder distribution obligations on a trailing twelve month basis.	*Debt Metrics* section
Percentage of NOI Generated from Unencumbered Assets	Percentage of NOI generated from unencumbered assets is a non-GAAP measure defined as the annualized in-place NOI from unencumbered assets as of the end of a reporting period divided by total annualized NOI as of the end of the same reporting period. Unencumbered assets are investment properties that have not been pledged as security for debt.	*Unencumbered Assets* section
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.	*Unencumbered Assets* section

ACCOUNTING POLICIES AND ESTIMATES

Our significant accounting policies are described in Note 2 of RioCan's 2020 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.

Estimation Uncertainty as a Result of COVID-19

In the preparation of RioCan's 2020 Annual Consolidated Financial Statements, the Trust has incorporated the potential impact of COVID-19 into its significant estimates and assumptions that affect the reported amounts of its assets, liabilities, net income and related disclosures using available information as at December 31, 2020. For the significant estimates and assumptions that have been impacted by COVID-19 underlying the valuation of investment properties and the estimates of expected credit losses on net contractual rents receivable and other tenant receivables, refer to Note 3 and Note 7, respectively of the 2020 Annual Consolidated Financial Statements. Due to the continuing risks and uncertainties arising from the COVID-19 health crisis, actual results may differ from these estimates and assumptions.

Adoption of New Accounting Standards

Effective January 1, 2020, the Trust adopted the following amended standards as issued by the International Accounting Standards Board (IASB). As a result, significant accounting policies, estimates and judgments most affected by the adoption of the new pronouncements have been updated as indicated in Note 2 of the 2020 Annual Consolidated Financial Statements and further described below.

Amendments to IFRS 7, Financial Instruments: Disclosure, IFRS 9 and IAS 39, Financial Instruments: Recognition and Measurement - Interbank Offered Rate (IBOR) Reform

Amendments to IFRS 9 and IAS 39 provide relief from the potential effects of the uncertainty arising from Interbank Offered Rate (IBOR) reform, in particular during 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. These amendments did not impact the Trust's consolidated financial statements upon adoption.

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

The amendments to the definition of a business in IFRS 3 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 applied prospectively to transactions or other events that occur on or after the date of first application. and did not have a significant impact on the Trust's consolidated financial statements.

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

Amendments to IAS 1 and IAS 8 align the definition of "material" across the standards and 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. The adoption of the amendments to the definition of material did not have a significant impact on the Trust's consolidated financial statements.

Critical Accounting Judgements and Estimates

Our critical accounting judgements and estimates relate to the following areas: fair value, contractual rents and other tenant receivables - allowance for doubtful accounts, the net realizable value of residential inventory, the determination of the type of lease where we are the lessor, the recognition of and income taxes.

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:

- Investment properties are initially measured at cost, including all amounts related to the acquisition and costs associated with improving and /or extending the life of the asset. Judgement is required in determining whether certain costs represent additions to the carrying amount of the property, in distinguishing between tenant incentives and capital improvements and for capitalization of costs to properties under development, when the project commences active development and when it is substantially complete. The investment properties are subsequently measured at fair value. 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 fairly 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, 2020, RioCan had 29 properties including 5 land parcels (year ended December 31, 2019 - 32 properties including 8 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 *Property Valuations* 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.

Contractual rents and other tenant receivables - allowance for doubtful accounts

Contractual rents and other tenant receivables presented net of an allowance for doubtful accounts. Estimates and assumptions used in determining the allowance for doubtful accounts, include the historical credit loss experience adjusted for current conditions and forward-looking information including future expectations of likely default events based on actual or expected insolvency filings, likely deferrals of payments due and potential abatement to be granted by the landlord through tenant negotiations or under government programs.

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.

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.

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 2020 Annual Consolidated Financial Statements for the year ended December 31, 2020, 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.

Amendments to IFRS 7, Financial Instruments: Disclosure, IFRS 9, IAS 39, Financial Instruments: Recognition and Measurement IFRS 4, Insurance Contracts, and IFRS 16, Leases - Interbank Offered Rate (IBOR) Reform - Phase 2

In August 2020, the IASB published IBOR Reform Phase 2 which address issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates.

For financial instruments at amortized cost, the amendments introduce a practical expedient such that if a change in the contractual cash flows is as a result of IBOR reform and occurs on an economically equivalent basis, the change will be accounted for by updating the effective interest rate with no immediate gain or loss recognized. The amendments also provide temporary relief that allow the Trust's hedging relationships to continue upon replacement of the existing interest rate benchmark with the alternative risk-free rate resulting from IBOR reform. The relief requires the Trust to amend hedge designations and hedge documentation. Updates to hedging documentation must be made by the end of the reporting period in which a replacement takes place. The amendments are effective for annual periods beginning on or after January 1, 2021, with earlier application permitted. Management is in the process of assessing the impact of these amendments on contracts in scope, including our IBOR-based financial instruments and hedge relationships.

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, 2023, 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, 2020, 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, 2020 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, 2020, 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, 2020 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.

RISKS AND UNCERTAINTIES

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

On June 17, 2015, Unitholders authorized and approved amendments made to the Trust’s Declaration of Trust to further align it with evolving governance best practices. The rights granted in the amended Declaration of Trust are granted as contractual rights afforded to Unitholders (rather than as statutory rights). Similar to other existing rights contained in the Declaration of Trust (i.e. the take-over bid provisions and conflict of interest provisions), making these rights and remedies and certain procedures available by contract is structurally different from the manner in which the equivalent rights and remedies or procedures (including the procedure for enforcing such remedies) are made available to shareholders of a corporation, who benefit from those rights and remedies or procedures by the corporate statute that governs the corporation, such as the CBCA. As such, there is no certainty how these rights, remedies or procedures may be treated by the courts in the non-corporate context or that a Unitholder will be able to enforce the rights and remedies in the manner contemplated by the 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 provisions.

COVID-19 Health Crisis

COVID-19 and the resulting government restrictive measures continue to have a significant impact on the global and domestic economy since the onset of the pandemic in March 2020. While many areas experienced a respite in case counts delineating the first wave, the pandemic entered a second wave with increased case outbreaks in Q4 2020. As a result, some regional and provincial governments in Canada have introduced or restored restrictive measures for certain businesses with certain regions implementing containment measures that were reminiscent or more stringent than the measures instituted during the first wave. These restrictions impose additional risks and uncertainties to RioCan's business, operations and financial performance as discussed in this MD&A.

The Trust has implemented additional safety measures at all of its properties, including increased frequency in cleaning and disinfecting, as well as physical distancing practices. As the COVID-19 pandemic evolves, the Trust will continue to act according to directions provided by the Federal and applicable Provincial and Municipal governments. Despite the recent rollout of vaccinations across Canada and globally, the longevity and extent of the pandemic, the duration and intensity of resulting business disruptions and related financial, social and public health impacts currently remain fluid and uncertain.

Such continuing risks and uncertainties arising from the COVID-19 health crisis include, but are not limited to, consumer demands for tenant's products or services; consumer foot traffic to tenant stores and RioCan shopping centres; changing consumer habits and level of discretionary spending; mobility restrictions; increased unemployment; tenants' ability to adequately staff their businesses; tenants' ability to pay rent as required under their leases; the extent of tenant business closures and changes in tenant business strategies that may impact retail real estate occupancy; changes in the creditworthiness of tenants; leasing activities; market rents; the availability, duration and effectiveness of various support programs that are or may be offered by the various levels of government in Canada; the introduction or extension of temporary or permanent rent control or other form of regulation or legislation that may limit the Trust's ability or its extent to raise rents based on market conditions upon lease renewals or restrict existing landlord rights or landlord' ability to reinforce such landlord rights; the availability and extent of support programs that the Trust may offer its tenants; timelines and costs related to the Trust's development projects; the pace of property lease-up or rents and yields achieved upon development completion; domestic and global supply chains; labor supply and demand; and the capitalization rates that arm's length buyers and sellers are willing to transact on properties.

Many of these factors could not only impact RioCan's operations and financial performance but could also have a material adverse impact on RioCan's investment property valuations because such factors could have a direct or indirect impact on stabilized NOI, cash flows or capitalization rates, among others, that are inputs to investment property valuations. For the year ended December 31, 2020, the Trust wrote down 3.7% of the IFRS value of its investment properties as of the beginning of the year including assets held for sale, reflecting the Trust's current estimate of the effect of the pandemic on property valuation, as well as the estimated effect of the depressed oil and gas market in Alberta. As the events unfold in association with the pandemic, further adjustments to the Trust's IFRS value of investment properties, which could be negative or positive, may be required. Refer to Note 3 of the 2020 Annual Consolidated Financial Statements for a sensitivity analysis of investment property valuations.

The ongoing pandemic could also impact the timelines and costs related to the Trust’s development projects, the progress of its development program and annual development spend, the pace of property lease-up or rents and yields achieved upon development completion, as well as the pace of maintenance capital expenditures. The current pandemic could also increase risks associated with cyber security, information technology systems and networks, which in turn could impact the Trust's business and operations.

The spread, duration and severity of COVID-19 could adversely affect global economies, including credit and capital markets, resulting in a short-term or long-term economic downturn, which could potentially increase the difficulty and cost of accessing capital. It could also potentially impact RioCan’s current credit ratings, total return and dividend yield of the Trust’s Units.

Ownership of Real Estate

Tenant Concentration

In the event tenants experience financial difficulty as a result of the difficulties presented by the global COVID-19 pandemic or otherwise, and are unable to fulfill their 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 of Trust 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 Declaration of Trust 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, 2020, 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 a number of factors, including, but not limited to, increased competition, internet sales, changing population demographics, poor economic conditions, rising costs and changing shopping trends and/or perceptions. The pandemic has impacted almost every aspect of these factors and accelerated certain tenant bankruptcy filings as disclosed in the *Retailer Restructuring Filings* section of this MD&A. Given the strength of RioCan's tenant base, the impact of such restructuring filings based on confirmed store closures has been relatively small, representing 0.9% of the Trust's annualized total rental revenue as of December 31, 2020. Nonetheless, tenant bankruptcies or restructurings remain a risk that RioCan closely manages. 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.

As at December 31, 2020, RioCan had a commercial NLA, at its interest, of 35,772,000 square feet of income producing properties and a portfolio in-place occupancy rate of 94.9%. Based on our current annualized portfolio weighted average commercial rental revenue of approximately $30.49 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 $417.7 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, the Trust's net income would be impacted by approximately $4.2 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 Liquidity 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.

Regulatory Risk

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 and rent controls did not apply to RioCan's current residential properties in the pre-pandemic world other than limited cases of rent replacement units. However, there is no assurance that future governments will not reintroduce rent control measures. As a result of the pandemic, the Ontario provincial government has passed legislation that will freeze residential rents in 2021 at 2020 levels until December 31, 2021 for the vast majority of residential rental units in the province.

Any reintroduction of rent control legislation in the future and/or prolonged rent freezes under the pandemic could impact no only the Trust's existing residential rental operations but also the Trust's certain mixed-use development projects' future NOI growth potential. 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.

Under the pandemic, certain provinces including Ontario, have introduced regulation that limits landlords' ability to terminate a tenancy should a commercial tenant fail to pay contract rent, provided this tenant has been approved to receive CERS funding or has provided proof of the CERS approval to its landlord. Depending on the timing or duration of a tenant receiving or being approved of for CERS funding, the moratorium on evictions can be in effect for a tenant until April 22, 2022. The length and extent of applicability of the CERS program and resulting restrictions could impact RioCan's operations during the pandemic.

Development Risk

As discussed in the *Business Environment and Outlook* section of this MD&A, 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 current pandemic imposes additional risks and uncertainties on development, which include but are not limited to, potential development or construction delays or shutdowns, rising costs in some cases and lower costs in other cases, extension of rent freeze legislation introduced under the pandemic in certain provinces such as Ontario, slower pace of property lease-up or condominium pre-sale, lower residential rent or condominium sales price, and lower property valuation. The net effect of the pandemic on development is uncertain and difficult to predict and is dependent on the length and severity of the second wave and rollout of the COVID-19 vaccine. The impact of development risk 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.

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. Depending on the length and severity of the pandemic, the current temporary drop in immigration to Canada could be prolonged, despite the Canadian government's October 2020 announcement on its target of increased immigration over the next three years. This could in turn impact the economy and housing market over the long-term, although this is difficult to predict. As a landlord of 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, 2020, RioCan's total indebtedness had a 3.86 year weighted average term to maturity bearing interest at a weighted average contractual interest rate of 3.13% 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, 2020, 1.9% 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, 2020, the carrying value of our floating rate debt, not subject to a hedging strategy, is $91.2 million. A 50 basis point increase in market interest rates would result in a $0.5 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, such changes can affect the cost at which we can access the debenture or preferred unit market, as applicable.

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 acquisitions 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, 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.

Climate Change Risk

RioCan is exposed to climate-related risk in the form of natural disasters, severe weather, and emerging carbon-related regulations. Such damage may result in loss of NOI from an investment property becoming non-operational, increased costs to recover/repair properties from a natural disaster and inclement weather, the potential risk to the health and safety of our onsite staff, tenants and customers and increased insurance costs to insure the property against natural disasters and severe weather events.

RioCan understands the need to prepare and plan for climate-related risks by reducing greenhouse gas emissions in the atmosphere and adapting to the impacts of extreme weather events. The Trust has identified key climate related risk including 1) physical impacts of climate extremes and changes in climate over the next three decades under Intergovernmental Panel on Climate Change (IPCC) Representative Concentration Pathway 8.5; 2) increase in the average number of heating degree days that may be expected to experience each year in the future climate (2036-2060); and 3) potential transitional risks of more stringent carbon policies on business, potentially affecting the marketability of its properties.

An action plan is underway to further classify and address these climate-related risks and opportunities and assess the implications of both physical and transitional risks. RioCan will continue assessing climate-related risks, opportunities, and the potential impact on its business, resulting from potential future climate scenarios. In addition, RioCan is utilizing the TCFD recommendations to guide its strategy, plan and manage risk.

Cyber Security Risk

Cyber security continues to be an increasing area of focus as reliance on digital technologies to conduct business operations has grown significantly. The introduction of work from home arrangements for many of the Trust's employees resulting from COVID-19 related restrictions has heightened the importance of cyber security risk management. 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 program focused across a spectrum of preventative protective and detective measures. These measures include, but are not limited to, security awareness programs for employees, regular vulnerability testing performed by both internal and 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 and in response to the challenges presented by the COVID-19 pandemic. The Trust also follows certain protocols when it engages technology vendors concerning data security and access control.

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, insurrection, rebellion, revolution, civil war, usurped power, or action taken by a government authority in hindering, combating or defending against such an event, nuclear reaction or nuclear radiation or radioactive contamination 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 statutes 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.

RIOCAN
REAL VISION, SOLID GROUND.

Audited Annual Consolidated Financial Statements for the Years Ended December 31, 2020 and 2019

TABLE OF CONTENTS

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The management of RioCan Real Estate Investment Trust (the Trust or 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) as issued by the International Accounting Standards Board.

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, 2020, 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 2020 and 2019 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 10, 2021

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, 2020 and 2019, and the consolidated statements of income (loss), consolidated statements of comprehensive income (loss), 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, 2020 and 2019, 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.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to this matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties The Trust's investment property portfolio is comprised of income-producing properties and properties under development with a fair value of $14.1B which represents 92% of total assets at December 31, 2020. The Trust measures the vast majority of its investment properties using valuations prepared by an internal valuations team, consisting of individuals with specialized industry experience in real estate valuations. The valuation methodology for these investment properties is primarily based on an income approach, utilizing the direct capitalization method. Properties under development - undeveloped land is measured using a comparable sales approach on a land value per acre basis. Depending on the property asset type and location, the Trust may also obtain independent third-party valuations from firms that employ qualified appraisers. Note 2.8 of the consolidated financial statements describes the accounting policy for investment properties, and Note 3 describes the valuation method and key valuation inputs. Note 3 of the consolidated financial statements discloses the sensitivity of the fair value of investment properties to a change in capitalization rates and stabilized net operating income. The valuation of the Trust's investment property portfolio is a key audit matter given the inherently subjective nature of significant assumptions including, capitalization rates, and stabilized net operating income including occupancy and rental rate assumptions. These assumptions are influenced by property-specific characteristics including location, type and quality of the properties and tenancy agreements. For properties under development, depending on the complexity and stage of completion, costs to complete construction as well as leasing and construction risk are additional significant assumptions that impact the final valuation.	With the assistance of our real estate valuation specialists, we obtained an understanding of the valuation process, evaluated the appropriateness of the underlying valuation methodology, and performed the following audit procedures, among others: We assessed the competence and objectivity of management's internal valuations team, and any third-party appraisers engaged, by considering the qualifications and expertise of the individuals involved in the preparation and review of the valuations. We selected a sample of properties where either the fair value change from prior year or significant assumptions fell outside our expectations, based on our understanding of the geographical real estate market for the specific asset type. For this sample of investment properties, we evaluated the significant assumptions by comparison to the expected real estate market benchmark range for similar assets and tenancies, in similar locations. We also considered whether there were any additional asset-specific characteristics that may impact the significant assumptions utilized and that these were appropriately considered in the overall assessment of fair value. We performed a look-back analysis to assess the accuracy of management's historical fair value estimates through comparison to transactions to acquire and dispose of interests in investment properties completed by the Trust during the year. For properties under development, in addition to the procedures performed above, we compared construction budgets to actual expenditures and evaluated estimated costs to complete by comparing to contractual arrangements or reference to third party data, as applicable, on a sample basis. We also evaluated whether the capitalization rate used to value properties under development considered the complexity of the development, stage of completion, and timing of cashflows. We evaluated the Trust's critical accounting policies and related disclosures in the consolidated financial statements to assess appropriateness and conformity with IFRS.

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 & Analysis and the Annual Report 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.

INDEPENDENT AUDITOR'S REPORT (continued)

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 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.

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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
February 10, 2021

RIOCAN REAL ESTATE INVESTMENT TRUST
CONSOLIDATED BALANCE SHEETS
(In thousands of Canadian dollars)

As at	Note	**December 31, 2020**	December 31, 2019
Assets			
Investment properties	*3, 8*	**$ 14,063,022**	$ 14,359,127
Deferred tax assets	*9*	**—**	12,045
Equity-accounted investments	*4*	**209,676**	190,508
Mortgages and loans receivable	*5*	**160,646**	175,951
Residential inventory	*6*	**214,181**	108,956
Assets held for sale	*3*	**198,094**	21,800
Receivables and other assets	*7, 8*	**183,633**	226,423
Cash and cash equivalents		**238,456**	93,516
Total assets		**$ 15,267,708**	$ 15,188,326
Liabilities			
Debentures payable	*12*	**$ 3,340,278**	$ 2,891,648
Mortgages payable	*11*	**2,797,066**	2,412,451
Lines of credit and other bank loans	*10*	**790,539**	1,086,719
Accounts payable and other liabilities	*8, 13*	**604,852**	492,297
Total liabilities		**$ 7,532,735**	$ 6,883,115
Equity			
Unitholders' equity		**7,734,973**	8,305,211
Total liabilities and equity		**$ 15,267,708**	$ 15,188,326

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

Years ended December 31,	Note		**2020**		2019
Revenue					
Rental revenue	*17*	**$**	**1,090,732**	$	1,093,727
Residential inventory sales	*17*		**36,347**		208,965
Property management and other service fees	*17*		**16,584**		23,633
			1,143,663		1,326,325
Operating costs					
Rental operating costs					
Recoverable under tenant leases			**377,787**		384,404
Non-recoverable costs			**64,751**		20,621
Residential inventory cost of sales			**20,842**		172,688
			463,380		577,713
Operating income			**680,283**		748,612
Other income (loss)					
Interest income	*19*		**14,602**		16,916
Income from equity-accounted investments	*4*		**3,985**		10,051
Fair value (losses) gains on investment properties, net	*3*		**(526,775)**		247,624
Investment and other income, net	*18*		**8,216**		7,732
			(499,972)		282,323
Other expenses					
Interest costs	*20*		**180,811**		182,780
General and administrative	*21*		**40,524**		46,814
Internal leasing costs			**10,192**		11,309
Transaction and other costs	*22*		**2,934**		12,833
			234,461		253,736
Income (loss) before income taxes			**(54,150)**		777,199
Current income tax recovery			**(275)**		(699)
Deferred income tax expense			**10,905**		2,064
Net income (loss)		**$**	**(64,780)**	$	775,834
Net income (loss)					
Unitholders		**$**	**(64,780)**	$	775,834
		$	**(64,780)**	$	775,834
Net income (loss) per unit					
Basic	*23*	**$**	**(0.20)**	$	2.52
Diluted	*23*	**$**	**(0.20)**	$	2.52

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

RIOCAN REAL ESTATE INVESTMENT TRUST
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(In thousands of Canadian dollars)

Years ended December 31,	Note	2020	2019
Net income (loss)		**$ (64,780)**	$ 775,834
Other comprehensive income (loss)			
Items that may be reclassified subsequently to income, net of tax:			
Interest rate swap agreements:			
Unrealized loss during the year	*14*	**(64,550)**	(14,807)
Reclassified during the year to income	*14*	**16,469**	2,821
Other comprehensive loss from equity-accounted investments	*4, 14*	**(333)**	(51)
Item that is not to be reclassified to income, net of tax:			
Actuarial loss on pension plan	*14*	**(2,650)**	(972)
Other comprehensive loss, net of tax		**(51,064)**	(13,009)
Comprehensive income (loss), net of tax		**$ (115,844)**	$ 762,825
Comprehensive income (loss), net of tax attributable to:			
Unitholders		**$ (115,844)**	$ 762,825

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

	Note	Trust Units	Contributed surplus	Retained earnings	Accumulated other comprehensive loss	Total equity
Balance, December 31, 2019		$ 4,814,097	$ 36,068	$ 3,472,324	$ (17,278)	$ 8,305,211
Changes during the year:						
Net loss		**—**	**—**	**(64,780)**	**—**	**(64,780)**
Other comprehensive loss	*14*	**—**	**—**	**—**	**(51,064)**	**(51,064)**
Unit-based compensation exercises, net of Units repurchased for settlement of Unit exercises	*14*	**484**	**(6,722)**	**—**	**—**	**(6,238)**
Units issued, net of issuance costs	*14*	**649**	**—**	**—**	**—**	**649**
Unit-based compensation awards	*14*	**—**	**8,720**	**—**	**—**	**8,720**
Distributions to unitholders	*16*	**—**	**—**	**(457,525)**	**—**	**(457,525)**
Balance, December 31, 2020		**$ 4,815,230**	**$ 38,066**	**$ 2,950,019**	**$ (68,342)**	**$ 7,734,973**

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	2020	2019
Operating activities			
Net income (loss)		**$ (64,780)**	$ 775,834
Items not affecting cash:			
Depreciation and amortization	*21*	**4,342**	4,381
Amortization of straight-line rent	*17*	**(7,177)**	(8,880)
Unit-based compensation expense	*14*	**9,120**	6,478
Income from equity-accounted investments	*4*	**(3,985)**	(10,051)
Fair value losses (gains) on investment properties, net	*3*	**526,775**	(247,624)
Deferred income tax expense		**11,645**	1,694
Fair value gains on marketable securities	*18*	**(878)**	(8,030)
Transaction (gains) losses, net on disposition of investment properties		**(2)**	1,157
Adjustments for changes in other working capital items	*29*	**77,524**	53,927
Cash provided by operating activities		**552,584**	568,886
Investing activities			
Acquisitions of investment properties		**(86,329)**	(563,063)
Construction expenditures on properties under development		**(455,042)**	(463,766)
Capital expenditures on income properties:			
Recoverable and non-recoverable costs		**(20,171)**	(30,884)
Tenant improvements and external leasing commissions		**(41,421)**	(42,436)
Proceeds from sale of investment properties		**98,115**	480,296
Earn-outs on investment properties		**(3,003)**	(1,311)
Contributions to equity-accounted investments	*4*	**(18,924)**	(6,975)
Distributions received from equity-accounted investments	*4*	**10,619**	16,382
Advances of mortgages and loans receivable		**(44,874)**	(45,587)
Repayments of mortgages and loans receivable		**70,027**	31,374
Proceeds from sale of marketable securities, net of selling costs	*18*	**19,001**	44,000
Lease payments received from finance lease receivables		**2,664**	2,088
Cash used in investing activities		**(469,338)**	(579,882)
Financing activities			
Proceeds from mortgage financing, net of issue costs		**797,862**	452,000
Repayments of mortgage principal		**(416,173)**	(447,637)
Advances from bank credit lines, net of issue costs		**308,702**	886,799
Repayment of bank credit lines		**(609,040)**	(778,396)
Proceeds from issuance of debentures, net of issue costs	*12*	**845,737**	497,595
Repayment of unsecured debentures	*12*	**(400,000)**	(350,000)
Distributions paid to Unitholders	*28*	**(457,521)**	(442,953)
Units repurchased under normal course issuer bid		**—**	(24,996)
Units repurchased for settlement of Unit compensation exercises and proceeds received from issuance of Units, net of issue costs		**(5,778)**	239,251
Repayment of lease liabilities		**(2,095)**	(1,849)
Cash provided by financing activities		**61,694**	29,814
Net change in cash and cash equivalents		**144,940**	18,818
Cash and cash equivalents, beginning of year		**93,516**	74,698
Cash and cash equivalents, end of year		**$ 238,456**	$ 93,516
Supplemental cash flow information	*28*		

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

TABLE OF CONTENTS

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-focused 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 2, 2020. 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 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, 2020 and 2019 were authorized for issue by RioCan's Board of Trustees on February 10, 2021.

2. 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 have been applied consistently in all material respects in the preparation of these consolidated financial statements. Any IFRS standards issued but not yet effective for the current accounting year are described in Note 2.28.

2.1 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).

2.2 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, including properties held for sale, and certain financial instruments, as set out in the relevant accounting policies. These consolidated financial statements are presented in Canadian dollars, which is the functional and presentation currency of the Trust. All dollar amounts discussed herein are in thousands of Canadian dollars, unless otherwise stated.

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. Any IFRS standards issued but not yet effective up to the date of issuance of these consolidated financial statements are described in Note *2.28*. Certain comparative amounts have been reclassified to conform to the current year's presentation.

2.3 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 2.8. 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 and residential inventory

Development costs for properties under development and residential inventory are capitalized during active development in accordance with the accounting policy in Note 2.8. 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 - 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 (loss).

2.4 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 (loss) 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.

Elevated estimation uncertainty as a result of COVID-19

Since the outbreak of COVID-19 and the declaration by the World Health Organization as a global pandemic on March 11, 2020, various authorities, including Canadian federal and provincial governments, introduced certain restrictive measures which include, but are not limited to, travel bans, quarantines, self-isolation, social distancing and the closure of non-essential businesses in an effort to reduce the spread of the pandemic. Many of the measures that were introduced at the outset of the pandemic continue to remain in place, and vary depending on the spread and rate of infections.

Given the continuously evolving circumstances surrounding COVID-19, it is difficult to predict with certainty the nature, extent and duration of COVID-19, and the duration and intensity of resulting business disruptions and related financial, social and public health impacts. Such effects could be adverse and material, including their potential effects on RioCan's business, operations and financial performance both in the short-term and long-term.

Estimates and assumptions that are most subject to increased uncertainty caused by the COVID-19 pandemic relate to the valuation of investment properties and the assessment of collectability of contractual rents receivable due to the forward-looking nature of the information (Note 3 and Note 7).

The amounts recorded in these consolidated financial statements are based on the latest reliable information available to management at the time the consolidated financial statements were prepared where that information reflects conditions at the date of the consolidated financial statements. However, given the heightened level of uncertainty caused by COVID-19, these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the affected asset or liability in the future.

Investment property

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 fees and structural reserves) and costs to complete and other temporary valuation allowances, if applicable, are adjusted to reflect lease-up assumptions and construction risk, when appropriate. 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. The carrying value for the Trust's investment properties reflects its best estimate for the highest and best use as at December 31, 2020 (Note 3).

Contractual rents and other tenant receivables - allowance for doubtful accounts

Contractual rents and other tenant receivables presented net of an allowance for doubtful accounts. Estimates and assumptions used in determining the allowance for doubtful accounts, include the historical credit loss experience adjusted for current conditions and forward-looking information including future expectations of likely default events based on actual or expected insolvency filings, likely deferrals of payments due and potential abatements to be granted by the landlord through tenant negotiations or under government programs, and macroeconomic conditions.

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 2.15. In addition, the Trust uses estimates and assumptions for determining the fair values of financial instruments for disclosure purposes (Note 24).

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

(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 (loss) and consolidated statements of comprehensive income (loss).

2.6 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 Trust has an option to apply a ‘concentration test’ that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met and the acquisition can be treated as an asset acquisition, if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

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 (loss). The difference between the purchase price and the Trust’s net fair value of the acquired identifiable net assets and liabilities is goodwill. 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.

2.7 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.

2.8 Investment properties

Investment properties comprise of income properties and property under development that are held to earn rental revenue or for capital appreciation or both. Real estate property held under a lease is classified as investment property, if it meets the definition of investment property, as further described in Note 2.11.A(i).

(i) Income properties

Income properties are initially measured at cost. Costs include all amounts related to acquisition, including transaction costs related an asset acquisition as outlined in Note 2.6, 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 (loss) 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 (loss).

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

2.9 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 (loss) 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.

2.10 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.

2.11 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. At inception, the ROU assets are recognized at the present value of the future minimum lease payments, and an equivalent amount is recognized as a lease obligation. Subsequent to initial recognition, ROU assets for property leases 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).

(ii) Lease modifications

From time to time, RioCan may agree with tenants to modify the terms of lease agreements, including changes to the consideration under the lease. When the changes result in a reduction in amounts receivable relating to past lease periods, RioCan applies IFRS 9 in determining whether to partially or fully derecognize those receivables. Other changes to the terms and conditions of the lease are treated as lease modifications in accordance with IFRS 16 *Leases*, and the modified lease is accounted for as a new lease from the effective date of the modification, with any prepaid or accrued lease payments relating to the original lease included as part of the lease payments for the new lease.

2.12 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.

<u>Base rent</u>

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.

<u>Realty tax and insurance recoveries</u>

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 marketing 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.

2.13 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 (loss), 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.

2.14 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. 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 (loss).

2.15 Recognition and measurement of financial instruments

Financial assets include RioCan's net contractual rents and other tenant receivables, mortgages and loans receivable, cash and cash equivalents, amounts due on condominium final closings, funds held in trust, marketable securities, derivative contracts and other receivables. Financial liabilities include RioCan's operating lines of credit, mortgages payable, debentures payable, accounts payable related to property operating costs, and capital expenditures and leasing commissions, trade payables and accruals, deposits received from customers on residential inventory 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 (loss), 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 2.19 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) Comprised of cash and cash equivalents in the form of a Guaranteed Investment Certificate "GIC" in the amount of $40.0 million as at December 31, 2020 (Nil - December 31, 2019).

(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 rents and other tenant receivables, amounts due on condominium final closings, funds held in trust and other receivables.

(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 (loss) 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 (loss) on derecognition for loans and receivables only, or (iii) fair value through profit or loss (FVTPL). The Trust does not have any financial assets classified as FVOCI.

(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 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.

2.16 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 net contractual rents and other tenant receivables 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 (loss). 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, in addition to a provision matrix by tenant category, to measure the ECL for net contractual rents and other tenant receivables and applies loss factors accordingly, incorporating forward-looking information including assessing the viability of retail tenants.

Mortgages and loans receivable, amounts due on condominium closings, finance lease receivables and net contractual rents and other tenant receivable receivables, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to RioCan.

2.17 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.

2.18 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.

2.19 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 immediately in net income (loss).

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 (loss). 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 (loss) 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.

2.20 Comprehensive income (loss)

Comprehensive income (loss) 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 (loss) of equity-accounted investments. The Trust reports consolidated statements of comprehensive income (loss) comprising net income (loss) and OCI for the year.

2.21 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:

Current income tax assets and liabilities are measured at the amount expected to be received from or paid to tax authorities based on the tax rates and laws enacted or substantively enacted at the consolidated balance sheet dates.

Deferred tax liabilities are measured by applying the appropriate tax rate to taxable temporary differences between the carrying amounts of assets and liabilities, and their respective tax basis. The appropriate tax rate is determined by reference to the rates that are expected to apply to the year and the jurisdiction in which the assets are expected to be realized or the liabilities settled. Deferred tax assets are recorded for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax credits and unused tax losses can be utilized. Current and deferred income taxes are recognized in correlation to the underlying transaction either in OCI or directly in equity.

2.22 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

2.23 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.

2.24 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.

2.25 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 (loss), 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.

2.26 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.

2.27 Changes in accounting policies

The accounting policies used in the preparation of the consolidated financial statements are consistent with those of the prior year, except for the adoption of new standards and interpretations effective January 1, 2020 as follows:

Amendments to IFRS 7, Financial Instruments: Disclosure, IFRS 9 and IAS 39, Financial Instruments: Recognition and Measurement - Interbank Offered Rate (IBOR) Reform - Phase 1 (IBOR Reform Phase 1)

Amendments to IFRS 9 and IAS 39 provide relief from the potential effects of the uncertainty arising from Interbank Offered Rate (IBOR) reform, in particular during 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. These amendments did not impact the Trust's consolidated financial statements upon adoption.

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

The amendments to the definition of a business in IFRS 3 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 applied prospectively to transactions or other events that occur on or after the date of first application. and did not have a significant impact on the Trust's consolidated financial statements.

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

Amendments to IAS 1 and IAS 8 align the definition of "material" across the standards and 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. The adoption of the amendments to the definition of material did not have a significant impact on the Trust's consolidated financial statements.

2.28 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.

Amendments to IFRS 7, Financial Instruments: Disclosure, IFRS 9, IAS 39, Financial Instruments: Recognition and Measurement IFRS 4, Insurance Contracts, and IFRS 16, Leases - Interbank Offered Rate (IBOR) Reform - Phase 2 (IBOR Reform Phase 2)

In August 2020, the IASB published IBOR Reform Phase 2 which address issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates.

For financial instruments at amortized cost, the amendments introduce a practical expedient such that if a change in the contractual cash flows is as a result of IBOR reform and occurs on an economically equivalent basis, the change will be accounted for by updating the effective interest rate with no immediate gain or loss recognized. The amendments also provide temporary relief that allow the Trust's hedging relationships to continue upon replacement of the existing interest rate benchmark with the alternative risk-free rate resulting from IBOR reform. The relief requires the Trust to amend hedge designations and hedge documentation. Updates to hedging documentation must be made by the end of the reporting period in which a replacement takes place. The amendments are effective for annual periods beginning on or after January 1, 2021, with earlier application permitted. Management is in the process of assessing the impact of these amendments on contracts in scope, including our IBOR-based financial instruments and hedge relationships.

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, 2023, with early adoption permitted. The amendments are to be applied retrospectively. Management is currently assessing the impact of this amendment.

(In thousands of Canadian dollars, tabular amounts in thousands, except per unit amounts or unless otherwise noted)

3. INVESTMENT PROPERTIES

As at	**December 31, 2020**	December 31, 2019
Income properties	**$ 12,740,959**	$ 13,120,545
Properties under development	**1,322,063**	1,238,582
	$ 14,063,022	$ 14,359,127

Year ended December 31, 2020	**Income properties**	**Properties under development**	**Total** (iv)
Balance, beginning of year	**$ 13,120,545**	**$ 1,260,382**	**$ 14,380,927**
Acquisitions	**74,070**	**36,149**	**110,219**
Dispositions	**(66,250)**	**(84,610)**	**(150,860)**
Development expenditures	**—**	**457,109**	**457,109**
Capital expenditures:			
Recoverable and non-recoverable expenditures	**14,083**	**—**	**14,083**
Leasing commissions and tenant improvements	**35,648**	**—**	**35,648**
Transfers, net (i)	**220,776**	**(220,776)**	**—**
Transfers to residential inventory (ii)	**—**	**(71,259)**	**(71,259)**
Fair value loss, net	**(500,872)**	**(25,903)**	**(526,775)**
Straight-line rent (iii)	**7,177**	**—**	**7,177**
Transfers to finance lease receivables	**(4,009)**	**—**	**(4,009)**
Other changes	**5,966**	**—**	**5,966**
Earn-out consideration	**—**	**2,890**	**2,890**
Balance, end of year	**$ 12,907,134**	**$ 1,353,982**	**$ 14,261,116**
Investment properties	**$ 12,740,959**	**$ 1,322,063**	**$ 14,063,022**
Properties held for sale	**166,175**	**31,919**	**198,094**
	$ 12,907,134	**$ 1,353,982**	**$ 14,261,116**

(i) During the year ended December 31, 2020, transfers to income properties from properties under development totalled $381.8 million, reflecting completed developments. Transfers from income properties to properties under development totalled $161.0 million, reflecting the commencement of active development on certain income properties during the year.

(ii) During the year ended December 31, 2020, a portion of RioCan Leaside Centre, a portion of Queensway, 2939 – 2943 Bloor Street West and a portion of Clarkson Village were transferred to residential inventory from investment property as appropriate evidence of a change in use was established.

(iii) Included in investment properties is $116.5 million of net rents receivable arising from the recognition of rental revenue on a straight-line basis over the lease term (December 31, 2019 - $111.1 million).

(iv) Included in investment properties are 12 properties held as ROU assets as at December 31, 2020. Refer to Note 8.

(In thousands of Canadian dollars, tabular amounts in thousands, except per unit amounts or unless otherwise noted)

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.

(v) Included in investment properties are 11 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 8.

Acquisitions

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

	Income properties		Properties under development	
As at December 31,	**2020**	2019	**2020**	2019
Properties acquired during the year:				
Total consideration	**$ 74,070**	$ 822,671	**$ 36,149**	$ 118,541
Debt assumed	**(15,701)**	(194,152)	**—**	(65,288)
Other liabilities assumed	**—**	(13,726)	**—**	(5,506)
Total consideration, net of liabilities assumed (i)	**$ 58,369**	$ 614,793	**$ 36,149**	$ 47,747

(i) All consideration has been allocated to income properties and includes $100.0 million of equity issued to KingSett in connection with the acquisition of Yonge Sheppard Centre on August 30, 2019.

(In thousands of Canadian dollars, tabular amounts in thousands, except per unit amounts or unless otherwise noted)

Investment properties acquisitions

Property name and location	Date acquired	Interest acquired	IPP Purchase price (i)	PUD Purchase price (i)	Debt assumed
Queensway Development component, Toronto, ON (ii)	December 31, 2020	50.0 %	$ —	$ 2,110	$ —
2956 Eglinton Avenue East, Toronto, ON	December 1, 2020	100.0 %	5,370	—	—
Total acquisitions for the three months ended December 31, 2020			**$ 5,370**	**$ 2,110**	**$ —**
2290 Lawrence Avenue East, Scarborough, ON	March 19, 2020	100.0 %	$ —	$ 5,587	$ —
3180 Dufferin Street, Toronto, ON	March 5, 2020	50.0 %	—	28,452	—
2345 Yonge Street, Toronto, ON	March 2, 2020	50.0 %	37,053	—	—
2329 Yonge Street, Toronto, ON (iii)	February 20, 2020	50.0 %	7,909	—	4,250
2947-2951 Bloor Street West, Toronto, ON	January 31, 2020	100.0 %	4,767	—	—
RioCan Marketplace, Toronto, ON	January 9, 2020	33.3 %	18,971	—	11,451
Total acquisitions for the three months ended March 31, 2020			**$ 68,700**	**$ 34,039**	**$ 15,701**
Total acquisitions for the year ended December 31, 2020			**$ 74,070**	**$ 36,149**	**$ 15,701**

(i) Purchase price includes transaction costs.

(ii) The acquisition of the remaining 50% interest in the Queensway Development component included both properties under development and residential inventory, and was allocated as $2.1 million and $19.0 million, respectively including transaction costs. The transaction price was partially settled by the sale of RioCan's 50% interest in Queensway Cineplex component for $11.0 million.

(iii) Debt and other liabilities assumed includes a $4.3 million vendor-take-back mortgage payable to the vendor.

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.

Dispositions

The following table summarizes the Trust's dispositions of investment property:

	Income properties		Properties under development	
Years ended December 31,	**2020**	2019	**2020**	2019
Properties disposed during the year:				
Total consideration	**$ 66,250**	$ 451,190	**$ 84,610**	$ 38,141
Mortgages associated with investment property dispositions	**(12,112)**	—	**—**	—
Vendor take-back mortgages receivable on dispositions	**(25,000)**	(5,200)	**—**	—
Other accounts receivable (i)	**(4,056)**	—	**(675)**	—
Total consideration, net of related debt	**$ 25,082**	$ 445,990	**$ 83,935**	$ 38,141

(i) Repaid on July 2, 2020.

(In thousands of Canadian dollars, tabular amounts in thousands, except per unit amounts or unless otherwise noted)

Investment properties dispositions

Property name and location	Date disposed	Interest disposed	IPP sales proceeds	PUD sales proceeds	Cost recoveries
Q4 2020					
Queensway Cineplex component, Toronto, ON (i)	December 31, 2020	50 %	$ 11,000	$ —	$ —
2939-2943 Bloor Street West, Toronto, ON (ii)	December 30, 2020	50 %	—	398	—
The Well (Building A & B), Toronto, ON (iii)	December 23, 2020	40 %	—	23,327	1,626
5th & THIRD, Calgary, AB (iv)	December 21, 2020	100 %	—	20,396	—
RioCan Centre Kirkland, Kirkland, QC (v)	December 21, 2020	50 %	19,000	—	—
740 Stewart Street, Renfrew, ON (Vacant land)	December 1, 2020	100 %	—	350	—
Tanger Outlets Ottawa, Kanata, ON (Vacant land)	November 27, 2020	50 %	—	3,686	—
Total dispositions for the three months ended December 31, 2020			$ 30,000	$ 48,157	$ 1,626
Q3 2020					
Frontenac Mall, Kingston, ON	September 8, 2020	30 %	$ 3,250	$ —	$ —
RioCan Centre Burloak, Oakville, ON	August 18, 2020	100 %	—	9,200	—
Dufferin Plaza, Toronto, ON (vi)	August 10, 2020	50 %	—	1,725	—
Elmvale Acres - Phase One (Luma), Ottawa, ON	July 30, 2020	50 %	—	3,813	9,842
Total dispositions for the three months ended September 30, 2020			$ 3,250	$ 14,738	$ 9,842
Q2 2020					
The Shops of Summerhill, Toronto, ON (vii)	June 23, 2020	75 %	$ 33,000	$ —	$ —
Total dispositions for the three months ended June 30, 2020			$ 33,000	$ —	$ —
Q1 2020					
5th & THIRD, Calgary, AB (iv)	March 31, 2020	100 %	$ —	$ 11,715	$ —
Mega Centre Notre-Dame, Laval, QC	February 19, 2020	100 %	—	10,000	—
Total dispositions for the three months ended March 31, 2020			$ —	$ 21,715	$ —
Total dispositions for the year ended December 31, 2020			**$ 66,250**	**$ 84,610**	**$ 11,468**

(i) The Queensway property is comprised of two parcels: the Development component and the Cineplex land component. RioCan disposed of its 50% interest in the Cineplex component and acquired the remaining 50% of the Development component.

(ii) RioCan disposed of 100% of the 2939-2943 Bloor Street West to the RioCan-Fieldgate JV (Note 4) as part of the consideration to obtain a 50% interest in that joint venture. The disposition included both properties under development assets and residential inventory, the net sales proceeds were allocated as $0.4 million and $3.7 million, respectively.

(iii) RioCan and its partners at The Well, completed the sale of the residential air rights and podium space at Building A and B of The Well.

(iv) On March 31, 2020, RioCan completed the pre-agreed sale of 100% interest in one-third of the air rights relating to the 5th & THIRD project. Subsequently, on December 21, 2020, RioCan completed the sale of the remaining 100% interest in two-thirds of the residential air rights strata parcel at 5th & THIRD.

(v) The Trust sold its 50.0% interest in the lands at RioCan Centre Kirkland. RioCan provided a vendor take-back mortgage of $15.0 million related to this transaction. Kirkland is a multi-phase project and each staggered phase of the project will remain income producing prior to its development start. As a result, the partners have entered into an agreement whereby RioCan will have a 100% interest in the pre-development leases and be solely responsible for maintaining and operating each phase until it is development ready.

(vi) On August 10, 2020, RioCan sold 50% interest in Dufferin Plaza, for total sales proceeds of $28.8 million, of which $11.3 million was recorded as a receivable, which is due upon the completion of several pre-construction development phases. The disposition included both properties under development assets and residential inventory, the sales proceeds were allocated as $1.7 million and $27.0 million, respectively.

(vii) Upon disposition of The Shops of Summerhill, the purchaser assumed $12.1 million of debt. RioCan provided a vendor take-back mortgage of $14.1 million related to this transaction, of which $4.1 million was repaid on July 2, 2020 and the remainder was repaid on December 31, 2020.

(In thousands of Canadian dollars, tabular amounts in thousands, except per unit amounts or unless otherwise noted)

Properties held for sale

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

As at	**December 31, 2020**	December 31, 2019
Assets		
Income properties	**$ 166,175**	$ —
Properties under development	**31,919**	21,800
Total assets held for sale	**$ 198,094**	$ 21,800

As at December 31, 2020, RioCan has six investment properties held for sale with a carrying value of $198.1 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 24 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. The internal valuations team utilizes appraisal methodologies largely consistent with the practices employed by third party appraisers. 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 ended December 31, 2020, the Trust obtained a total of 29 external property appraisals (including 5 vacant land parcels), which supported an IFRS fair value of approximately $2.1 billion, or 15% of the Trust's investment property portfolio as at December 31, 2020. In 2021, 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 is 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.

(In thousands of Canadian dollars, tabular amounts in thousands, except per unit amounts or unless otherwise noted)

- 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 fair 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 fair value.
Properties under development - undeveloped land	Comparable sales approach	Market comparison	Land value is in line with market trends.

As at December 31, 2020, the weighted average capitalization rate for the Trust's investment properties and properties held for sale is 5.44% (December 31, 2019 - 5.28%).

For the year ended December 31, 2020, the Trust reported fair value losses of $526.8 million which reflects the estimated effect of the COVID-19 pandemic on property cash flows and capitalization rates, as well as the estimated effect of the depressed oil and gas markets. The carrying value for the Trust's investment properties reflects its best estimate for the highest and best use as at December 31, 2020.

The longevity and extent of the pandemic, the duration and intensity of resulting business disruptions and related financial, social and public health impacts continue to be uncertain. Such effects could be adverse and material, including their potential effects on RioCan's tenants and the Trust's business, operations and financial performance both in the short-term and long-term, which in turn, could further impact RioCan investment property valuations. As the events unfold in association with the pandemic, further adjustments to the Trust's IFRS value of investment properties, which could be negative or positive, may be required. Refer to below for a sensitivity analysis of investment property valuations.

(In thousands of Canadian dollars, tabular amounts in thousands, except per unit amounts or unless otherwise noted)

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%)	4.44%	$ 3,275,413
(0.75%)	4.69%	2,293,613
(0.50%)	4.94%	1,430,098
(0.25%)	5.19%	717,788
December 31, 2020	**5.44%**	**—**
0.25%	5.69%	(632,152)
0.50%	5.94%	(1,203,622)
0.75%	6.19%	(1,723,957)
1.00%	6.44%	(2,199,437)

A 0.25% increase in capitalization rate would result in a lower portfolio fair value of $632.2 million. A 0.25% decrease in capitalization rate would result in a higher portfolio fair value of $717.8 million. In addition, a 1% increase in SNOI would result in a higher portfolio fair value of $134.4 million. A 1% decrease in SNOI would result in a lower portfolio fair value of $134.8 million. A 1% increase in SNOI coupled with a 0.25% decrease in capitalization rates would result in a higher portfolio fair value of $859.5 million. A 1% decrease in SNOI coupled with a 0.25% increase in capitalization rates would result in a lower portfolio fair value of $760.3 million. A 1% increase in costs to complete for the development properties would result in a lower portfolio fair value of $2.8 million, and a 1% decrease in costs to complete for the development properties would result in a higher portfolio fair value of $2.8 million.

4. 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, 2020**	December 31, 2019
RioCan-Fieldgate LP	Development and sale of residential inventory	**50.0 %**	— %
Dawson-Yonge LP	Owns and operates an income property	**40.0 %**	40.0 %
RioCan-HBC JV	Owns and operates income properties	**12.6 %**	12.6 %
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 %

RioCan-Fieldgate LP (2915-2943 Bloor Street West LP)

On December 30, 2020, RioCan formed a 50/50 joint venture, the RioCan-Fieldgate LP, to build a mixed-use condominium project on Bloor Street West. In exchange for units in the partnership, RioCan sold its property at 2939 – 2943 Bloor Street West to the joint venture, generating a $1.4 million gain, and contributed an additional $8.0 million of cash including reimbursement of its share of development costs incurred to date. Fieldgate Urban contributed its property at 2915 – 2917 Bloor Street West to the joint venture in exchange for units in the partnership. Through their respective equity investments in the joint venture, each partner effectively owns 50% of the combined property comprised of $29.6 million of residential inventory and $3.4 million of properties under development.

(In thousands of Canadian dollars, tabular amounts in thousands, except per unit amounts or unless otherwise noted)

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, 2020:

Years ended December 31,	**2020**	2019
Balance, beginning of year	**$ 190,508**	$ 189,817
Contributions (i)	**26,261**	6,975
Share of net income	**3,985**	10,051
Distributions	**(10,619)**	(16,382)
Other comprehensive loss from equity-accounted investments	**(333)**	(51)
Other	**(126)**	98
Balance, end of year	**$ 209,676**	$ 190,508

(i) Includes a contribution of residential inventory and properties under development of $7.3 million, net of deferred gains.

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, 2020**			December 31, 2019		
	RioCan-HBC JV	Other	Total	RioCan-HBC JV	Other	Total
Current assets	**$ 4,068**	**$ 460,917**	**$ 464,985**	$ 4,679	$ 279,822	$ 284,501
Non-current assets (i)	**1,990,538**	**25,565**	**2,016,103**	2,037,539	23,944	2,061,483
Current liabilities (ii)	**313,707**	**88,957**	**402,664**	10,006	88,225	98,231
Non-current liabilities (iii)	**508,094**	**156,310**	**664,404**	812,093	43,278	855,371
Net assets	**$ 1,172,805**	**$ 241,215**	**$ 1,414,020**	$ 1,220,119	$ 172,263	$ 1,392,382
Equity-accounted investments	**$ 150,578**	**$ 59,098**	**$ 209,676**	$ 156,554	$ 33,954	$ 190,508

Years ended December 31,	**2020**			2019		
	RioCan-HBC JV	Other	Total	RioCan-HBC JV	Other	Total
Revenue	**$ 142,409**	**$ 23,959**	**$ 166,368**	$ 145,255	$ 56,989	$ 202,244
Operating expenses	**22,499**	**8,693**	**31,192**	20,767	9,157	29,924
Fair value (losses) gains	**(70,566)**	**(1,779)**	**(72,345)**	(67,772)	547	(67,225)
Interest expense	**36,632**	**418**	**37,050**	39,042	425	39,467
Net income (loss)	**$ 12,712**	**$ 13,069**	**$ 25,781**	$ 17,674	$ 47,954	$ 65,628
Income from equity-accounted investments	**$ 1,590**	**$ 2,395**	**$ 3,985**	$ 2,208	$ 7,843	$ 10,051

(i) RioCan-HBC JV 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 88.4% of the JV's investment property portfolio.

(ii) As at December 31, 2020, total current liabilities includes $365.9 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, *Joint Arrangements*. As at December 31, 2020, the Trust had 43 such joint operations, of which one is considered individually significant: The Well, located in Toronto, Canada. RioCan has a 50% ownership interest in the commercial component and a 40% interest in the residential component of The Well.

(In thousands of Canadian dollars, tabular amounts in thousands, except per unit amounts or unless otherwise noted)

5. MORTGAGES AND LOANS RECEIVABLE

As at December 31,		**2020**		2019
Current	**$**	**65,613**	$	9,818
Non-current		**95,033**		166,133
Mortgages and loans receivable measured at amortized cost	**$**	**160,646**	$	175,951

As at December 31, 2020, mortgages and loans receivable bear interest at a weighted average effective and contractual rate of 5.65% per annum (December 31, 2019 - 6.3%) and mature between 2021 and 2028.

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

2021	$	65,613
2022		21,188
2023		24,449
2024		—
2025		5,947
Thereafter		43,449
	$	**160,646**

6. 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,		**2020**		2019
Balance, beginning of year	**$**	**108,956**	$	206,123
Acquisitions (i)		**18,987**		—
Dispositions (ii) (iii)		**(19,143)**		(164,378)
Development expenditures		**36,304**		34,910
Transfers from investment properties (iv)		**71,259**		32,301
Transfers to equity-accounted investments (iii)		**(2,182)**		—
Balance, end of year	**$**	**214,181**	$	108,956

(i) During the year ended December 31, 2020, RioCan acquired the remaining 50% interest in Queensway Development component. Refer to Note 3 for further details.

(ii) During the year ended December 31, 2020, RioCan sold a 50% interest in Dufferin Plaza, a portion of which was inventory. Refer to Note 3 for further details.

(iii) RioCan formed a 50/50 joint venture, the RioCan-Fieldgate LP, to build a mixed-use condominium project on Bloor Street West. The transaction involved the sale of 2939 – 2943 Bloor Street West by RioCan to the joint venture, generating a $1.4 million gain. Refer to Note 4 for further details.

(iv) During the year ended December 31, 2020, a portion of RioCan Leaside Centre, a portion of Queensway, 2939 – 2943 Bloor Street West and a portion of Clarkson Village were transferred to residential inventory from investment property as appropriate evidence of a change in use was established. 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.

(In thousands of Canadian dollars, tabular amounts in thousands, except per unit amounts or unless otherwise noted)

7. RECEIVABLES AND OTHER ASSETS

The following table details the Trust's receivables and other assets as at December 31, 2020 and December 31, 2019:

As at	**December 31, 2020**			December 31, 2019		
	Current	**Non-current**	**Total**	Current	Non-current	Total
Prepaid expenses and other assets	**$ 25,649**	**$ 27,014**	**$ 52,663**	$ 51,579	$ 18,802	$ 70,381
Net contractual rents and other tenant receivables	**43,676**	**—**	**43,676**	16,927	—	16,927
Finance lease receivable	**3,273**	**37,192**	**40,465**	2,717	36,402	39,119
Amounts due on condominium final closings	**1,038**	**—**	**1,038**	45,405	—	45,405
Other receivables (i)	**15,947**	**17,540**	**33,487**	15,548	6,416	21,964
Funds held in trust	**2,557**	**9,747**	**12,304**	8,816	20,872	29,688
Interest rate swaps agreements	**—**	**—**	**—**	328	2,611	2,939
	$ 92,140	**$ 91,493**	**$ 183,633**	$ 141,320	$ 85,103	$ 226,423

(i) Other receivables primarily includes fees and cost reimbursements receivable from partners, and disposition proceeds receivable, including $11.3 million of proceeds to be received related to the Dufferin Plaza disposition, which is expected to be paid upon the completion of several pre-construction development phases. Refer to Note 3 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 systems.

RioCan pays certain upfront non-refundable selling commissions with respect to the sale of residential inventory which are included in other assets when 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 (loss) 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,	**2020**	2019
Balance, beginning of year	**$ 522**	$ 4,216
Additions	**6,925**	3,902
Selling commissions expensed during the year	**—**	(7,596)
Balance, end of year	**$ 7,447**	$ 522

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 $12.5 million as at December 31, 2020 (December 31, 2019 - $1.4 million).

RioCan determines its allowance for doubtful accounts using the simplified lifetime expected credit loss (ECL) model for contractual rents receivable. The Trust uses an accounts receivable aging provision matrix to assess the ECL and applies loss factors based on historical loss experience calibrated with forward-looking information to its aging buckets.

As a result of COVID-19, RioCan has calibrated its model for estimating lifetime ECLs by performing a tenant-by-tenant assessment of contractual rents receivable of major national tenants and by incorporating a provision matrix by category of tenant based on payment history and future expectations of likely default.

On May 25, 2020, the Government of Canada announced the Canada Emergency Commercial Rent Assistance (CECRA) program, which provides relief for eligible small and medium-sized businesses experiencing financial hardship due to COVID-19.

Under the CECRA program, the Trust effectively abates 25% of gross rents due for April to September 2020 for CECRA-eligible tenants. The net CECRA rent abatement was $14.4 million for the year ended December 31, 2020. In addition, the Trust has accrued an additional $28.1 million provision for rent abatements for other tenants and bad debts for the year ended December 31, 2020. In total, a $42.5 million provision for rent abatements and bad debts has been included in non-recoverable operating costs for the year ended December 31, 2020 as a result of the COVID-19 pandemic.

On October 9, 2020, the Government of Canada announced a new commercial rent relief program, the Canada Emergency Rent Subsidy (CERS) to replace the CECRA program post September 2020. Subsidies under the new CERS program, are provided directly to tenants without any landlord participation and is comprised of (i) a subsidy that is available to organizations that continue to endure declining revenues or up to 65% of eligible expenses including rent, and (ii) an additional top-up, i.e. new lockdown support of 25%, for those entities that must either close or significantly restrict their activities due to a public health order. Approvals for the subsidy are based on twelve week cycles and tenants who qualify for the base rent subsidy and notify the landlord of such will be protected from eviction during that cycle. The CERS program will be in effect until June 2021.

(In thousands of Canadian dollars, tabular amounts in thousands, except per unit amounts or unless otherwise noted)

The following table summarizes the Trust's movement in allowance for doubtful accounts:

Years ended December 31,		**2020**		2019
Allowance for doubtful accounts, beginning of year	**$**	**1,360**	$	1,069
Provision for (recovery of) credit losses		**42,499**		(861)
Write-offs		**(33,702)**		(1,266)
Recoveries of previous write-offs and other		**2,358**		2,418
Allowance for doubtful accounts, end of year	**$**	**12,515**	$	1,360

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, after posting the requisite security, 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.

8. LEASES

A. As Lessee

Real estate leases

Included in investment properties are 12 properties held as ROU assets arising from land and/or building leases where RioCan is the lessee as at December 31, 2020 (December 31, 2019 - 11 properties).

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, and certain other property or related property interests, and excluding sublease finance lease receivables (refer to Note 7) is $266.7 million (December 31, 2019 - $308.0 million). The corresponding lease liability in accounts payable and other liabilities is $40.7 million (December 31, 2019 - $35.4 million).

The following table shows the change in lease liabilities during the year:

Years ended December 31,		**2020**		2019
Balance, beginning of the year (i)	**$**	**35,380**	$	37,077
Renewal of leases of properties held under lease		**7,440**		152
Repayments of lease liabilities		**(2,095)**		(1,849)
Balance, end of the year	**$**	**40,725**	$	35,380

(i) 2019 beginning balance includes $17.0 million recognition of ROU assets upon adoption of IFRS 16 effective January 1, 2019.

Future lease payments under these leases are as follows:

As at December 31,		**2020**
Within twelve months	**$**	**9,770**
Two to five years		**12,875**
Over five years		**63,145**
Total future lease payments (inclusive of renewal options) (i)	**$**	**85,790**
Less: Future interest costs		**45,065**
Present value of lease payments (inclusive of renewal options)	**$**	**40,725**

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

(In thousands of Canadian dollars, tabular amounts in thousands, except per unit amounts or unless otherwise noted)

The following are the amounts recognized in net income (loss):

Years ended December 31,		**2020**		2019
Revenue from subleasing ROU assets (i)	**$**	**22,661**	$	22,180
Interest expense on lease liabilities		**(1,905)**		(2,003)
Office equipment lease payments		**(1,256)**		(1,308)

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

During the year ended December 31, 2020, the Trust had total cash outflows for leases, including office equipment lease payments and variable lease payments, of $6.5 million (December 31, 2019 - $6.1 million).

B. As lessor

Finance lease receivable

RioCan has real estate subleases that are classified as finance leases 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,		**2020**		2019
Balance, beginning of the year (i)	**$**	**39,119**	$	32,726
New sublease arrangements classified as finance leases		**4,010**		8,481
Repayments of finance lease receivables		**(2,664)**		(2,088)
Balance, end of the year	**$**	**40,465**	$	39,119

(i) 2019 beginning balance includes $32.7 million recognition of finance lease receivables upon adoption of IFRS 16 effective January 1, 2019.

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

As at December 31,		**2020**
2021	**$**	**5,514**
2022		**5,609**
2023		**5,669**
2024		**5,810**
2025		**5,861**
Thereafter		**23,610**
Total minimum lease payments	**$**	**52,073**
Less: Future interest income		**11,608**
Present value of minimum lease payments	**$**	**40,465**

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,		**2020**
2021	**$**	**671,765**
2022		**606,734**
2023		**526,299**
2024		**442,704**
2025		**339,615**
Thereafter		**1,296,136**
Total	**$**	**3,883,253**

(In thousands of Canadian dollars, tabular amounts in thousands, except per unit amounts or unless otherwise noted)

Supplemental lease disclosures in addition to Note 17 regarding income from lease contracts in which the Trust is a lessor is as follows:

Years ended December 31,		**2020**		2019
Variable lease payments from realty tax and insurance recoveries (i)	**$**	**217,957**	$	217,984
Variable lease payments from percentage and contractual rent credits (i)		**4,782**		6,536
Interest income from finance subleases		**2,349**		1,954

(i) For tenant operating and finance leases, and subleases.

9. 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 of December 31, 2020, the Trust's Canadian corporate subsidiaries have a nil amount of deferred income tax asset (December 31, 2019 - $12.0 million).

10. 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,		**2020**		2019
Revolving unsecured operating line of credit (i)	**$**	**(1,648)**	$	339,446
Non-revolving unsecured credit facilities		**699,333**		699,101
Construction lines and other bank loans		**92,854**		48,172
	$	**790,539**	$	1,086,719
Current	**$**	**50,125**	$	30,120
Non-current		**740,414**		1,056,599
	$	**790,539**	$	1,086,719

(i) Balance represents deferred financing costs and there are no drawn amounts at December 31, 2020.

Revolving unsecured operating line of credit

As at December 31, 2020, RioCan had $1.0 billion of undrawn credit availability on its revolving unsecured operating line of credit (December 31, 2019 - $658.0 million). The weighted average contractual interest rate on amounts drawn under this facility was nil as of December 31, 2020 (December 31, 2019 - 3.19%).

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 and a weighted average annual all-in fixed interest rate of 3.28% through interest rate swaps.

In addition, the Trust has a $150 million non-revolving unsecured credit facility with two financial institutions (consisting of a Schedule I and a Schedule III bank), with a maturity date of June 27, 2024 and an annual all-in fixed interest rate of 3.43% through an interest rate swap.

The Trust also has 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 at December 31, 2020, 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 26 for additional details.

(In thousands of Canadian dollars, tabular amounts in thousands, except per unit amounts or unless otherwise noted)

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, 2020, these secured facilities and other bank loans have an aggregate maximum borrowing capacity of $384.2 million (December 31, 2019 - $106.5 million) and mature between 2021 and 2025, of which the Trust had drawn $92.9 million (December 31, 2019 - $48.2 million). The weighted average contractual interest rate on amounts outstanding is 1.97% (December 31, 2019 - 2.93%).

11. MORTGAGES PAYABLE

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

As at	**December 31, 2020**	December 31, 2019
Current	**$ 335,034**	$ 503,891
Non-current	**2,462,032**	1,908,560
	$ 2,797,066	$ 2,412,451

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
2021	4.23%	$ 44,961	$ 335,034	$ 379,995
2022	3.24%	42,093	157,223	199,316
2023	3.33%	40,969	295,389	336,358
2024	3.11%	35,820	297,611	333,431
2025	3.35%	28,022	494,492	522,514
Thereafter	3.18%	78,706	951,528	1,030,234
	3.37%	$ 270,571	$ 2,531,277	$ 2,801,848
Unamortized differential between contractual and market interest rates on liabilities assumed at the acquisition of properties				4,719
Unamortized debt financing costs, net of premiums and discounts				(9,501)
				$ 2,797,066

As at December 31, 2020, total mortgages payable bear interest at weighted average contractual interest rate of 3.37% and a weighted average effective interest rate of 3.40% (December 31, 2019 - 3.63% and 3.67%, respectively), and mature between 2021 and 2034.

During the year ended December 31, 2020, RioCan completed new term mortgage borrowings of $804.5 million and renewals at maturity balance of $109.5 million at a combined weighted average interest rate of 2.82% and a weighted average term of six years. During the year ended December 31, 2020, repayments of mortgage balances and scheduled amortization amounted to $416.2 million, mortgages disposed on the sale of investment properties was $12.1 million, while $15.7 million of mortgage financing was assumed pursuant to completed acquisitions at a weighted average interest rate of 3.30%.

Pledged properties

As at December 31, 2020, $5.8 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, 2019 - $5.6 billion).

(In thousands of Canadian dollars, tabular amounts in thousands, except per unit amounts or unless otherwise noted)

12. DEBENTURES PAYABLE

As at		December 31, 2020		December 31, 2019
Current	$	**550,000**	$	400,000
Non-current		**2,790,278**		2,491,648
	$	**3,340,278**	$	2,891,648

As at December 31, 2020, total debentures payable bear interest at weighted average contractual interest rates of 2.91% and a weighted average effective interest rate of 3.06% (December 31, 2019 - 3.12% and 3.31%, respectively).

Issuance and redemption activity

On December 14, 2020, RioCan issued $500.0 million principal amount of Series AD senior unsecured debentures. These debentures were issued at par, carry a coupon rate of 1.974% per annum and mature on June 15, 2026.

On March 10, 2020, RioCan issued $350.0 million of Series AC senior unsecured debentures. These debentures were issued at par, carry a coupon rate of 2.361% per annum and will mature on March 10, 2027.

On August 26, 2020, RioCan redeemed, in full, its $250.0 million 2.185% Series X unsecured debentures in accordance with their terms.

On June 1, 2020, RioCan redeemed, in full, its $150.0 million 3.62% Series U unsecured debentures in accordance with their terms.

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

(thousands of dollars)					December 31,		December 31,
Series	Maturity date	Coupon rate	Interest payment frequency		**2020**		2019
U	June 1, 2020	3.62 %	Semi-annual	$	—	$	150,000
X	August 26, 2020	2.19 %	Semi-annual		—		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**		500,000
I	February 6, 2026	5.95 %	Semi-annual		**100,000**		100,000
AD	June 15, 2026	1.97 %	Semi-annual		**500,000**		—
AC	March 10, 2027	2.36 %	Semi-annual		**350,000**		—
Contractual obligations				$	**3,350,000**	$	2,900,000

Future repayments are as follows:

		Weighted average contractual interest rate		Principal maturities
Years ending December 31:	2021	2.89 %	$	550,000
	2022	3.25 %		550,000
	2023	3.42 %		500,000
	2024	3.29 %		300,000
	2025	2.58 %		500,000
	Thereafter	2.54 %		950,000
Contractual obligations				3,350,000
Unamortized debt financing costs				(9,722)
			$	3,340,278

(In thousands of Canadian dollars, tabular amounts in thousands, except per unit amounts or unless otherwise noted)

Covenant compliance

The debentures have covenants relating to RioCan's leverage limit of up to 60% of aggregate assets as set out in the Declaration and applicable supplemental indenture. In addition, under the indenture the Trust is required to maintain a $1.0 billion Adjusted Book Equity (as defined in the indenture) and 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, 2020, the Trust was in compliance with its covenants pursuant to the Declaration and debenture indentures.

13. ACCOUNTS PAYABLE AND OTHER LIABILITIES

As at	**December 31, 2020**			December 31, 2019		
	Current	Non-current	Total	Current	Non-current	Total
Property operating costs (i)	**$ 86,542**	**$ 31,505**	**$ 118,047**	$ 57,754	$ 30,734	$ 88,488
Capital expenditures and leasing commissions:						
Properties under development	**136,696**	**—**	**136,696**	132,876	—	132,876
Income properties	**24,466**	**—**	**24,466**	36,160	—	36,160
Deferred revenue	**36,256**	**67,075**	**103,331**	30,609	21,897	52,506
Unitholder distributions payable	**38,125**	**—**	**38,125**	38,121	—	38,121
Interest payable	**31,184**	**—**	**31,184**	28,902	—	28,902
Lease liability (ii)	**7,856**	**32,869**	**40,725**	1,740	33,640	35,380
Income taxes payable	**13,563**	**—**	**13,563**	13,838	—	13,838
Unfunded employee future benefits	**—**	**14,798**	**14,798**	—	14,969	14,969
Unit-based compensation payable	**—**	**7,641**	**7,641**	—	8,560	8,560
Contingent consideration	**1,386**	**—**	**1,386**	4,521	—	4,521
Interest rate swap agreements	**1,001**	**62,560**	**63,561**	285	18,134	18,419
Other trade payables and accruals	**11,329**	**—**	**11,329**	19,557	—	19,557
	$ 388,404	**$ 216,448**	**$ 604,852**	$ 364,363	$ 127,934	$ 492,297

(i) Includes amounts billed in advance for common area maintenance, realty taxes and insurance recoveries.
(ii) Refer to Note 8 for further details.

Deferred revenue

Deferred revenue consists of the following:

As at	**December 31, 2020**	December 31, 2019
Deposits received on residential inventory sales (contract liabilities)	**$ 70,105**	$ 21,897
Other deferred revenue (i)	**33,226**	30,609
	$ 103,331	$ 52,506

(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, 2020**	December 31, 2019
Balance, beginning of year	**$ 21,897**	$ 39,780
Amounts deferred from new contracts with customers during the year	**48,893**	25,414
Recognized as revenue during the year	**(685)**	(43,297)
Balance, end of year	**$ 70,105**	$ 21,897

During the year ended December 31, 2020, $0.7 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, 2019 - $43.3 million).

Income taxes payable

Income taxes payable relates primarily to the realized gain on sale of the Trust's U.S income property portfolio during May 2016.

(In thousands of Canadian dollars, tabular amounts in thousands, except per unit amounts or unless otherwise noted)

14. UNITHOLDERS' EQUITY

Trust Units

The Trust is authorized to issue an unlimited number of Units. The 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 following represents the number of Units issued and outstanding, and the related carrying value of Unitholder's equity, for the year ended December 31, 2020 and 2019:

Years ended December 31,	**2020**		2019	
	Units	$	Units	$
Balance, beginning of year	**317,710**	**$ 4,814,097**	305,097	$ 4,484,827
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	**—**	**484**	833	23,085
Direct purchase plan	**26**	**462**	15	397
Exchangeable limited partnership units	**12**	**187**	—	—
Units repurchased and cancelled	**—**	**—**	(980)	(14,400)
Balance, end of year	**317,748**	**$ 4,815,230**	317,710	$ 4,814,097

(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.

Included in Units outstanding as at December 31, 2020 are exchangeable limited partnership Units totalling 0.5 million Units (December 31, 2019 - 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.

Normal course issuer bid (NCIB)

On October 14, 2020, RioCan received TSX approval of its notice of intention to renew its NCIB (the 2020/2021 NCIB), to acquire up to a maximum of 31,615,029 Units, or approximately 10% of the public float as at October 8, 2020, for cancellation or to satisfy RioCan's obligation to deliver Units under the REU and PEU plans, over the next 12 months, effective October 22, 2020.

The number of Units that can be purchased pursuant to the 2020/2021 NCIB is subject to a current daily maximum of 545,810 Units (which is equal to 25% of 2,183,243, being the average daily trading volume from April 1, 2020 to September 30, 2020, 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, 2020, the Trust did not acquire and cancel any Units.

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 the public float as at September 30, 2019, for cancellation over the next 12 months, effective October 22, 2019.

Units acquired and cancelled prior to October 22, 2019, were pursuant to the NCIB in effect for the 12 months ended October 21, 2019.

Contributed surplus

Awards under the restricted equity plans (REU Plans) and a performance equity plan (PEU Plan) of RioCan and its consolidated susbsidiaries are settled by the delivery of Units purchased on the secondary market, net of applicable withholdings as further described in Note 15. 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, 2020, RioCan recorded $9.1 million in unit-based compensation costs and $0.4 million deferred tax expense (December 31, 2019 - $6.5 million and $0.4 million deferred tax recovery, respectively).

(In thousands of Canadian dollars, tabular amounts in thousands, except per unit amounts or unless otherwise noted)

Accumulated other comprehensive loss

Accumulated other comprehensive loss as at and for the year ended December 31, 2020 consists of the following amounts:

	Actuarial loss on pension plan (i)	Interest rate swap agreements (hedge reserve)	Equity-accounted investments	Total
As at December 31, 2019	$ (2,089)	$ (14,989)	$ (200)	$ (17,278)
Other comprehensive loss	**(2,650)**	**(48,081)**	**(333)**	**(51,064)**
As at December 31, 2020	**$ (4,739)**	**$ (63,070)**	**$ (533)**	**$ (68,342)**

(i) As at December 31, 2020, deferred taxes related to the pension plan was nil (December 31, 2019 - $0.7 million).

15. UNIT-BASED COMPENSATION PLANS

Restricted Equity Unit Plans (REU Plans)

Senior Executive REU Plan

As at December 31, 2020, 251,899 Senior Executive REUs are outstanding (December 31, 2019 - 178,800), of which 55,720 are vested (December 31, 2019 - 56,833). 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 trust Units purchased on the secondary market, net of applicable withholdings.

On March 2, 2020, the Trust granted 119,621 REUs under its Senior Executive REU Plan. The grant date price was $26.19 per unit-based on the five-day volume weighted average market price of RioCan's Units traded on the TSX prior to the grant date, resulting in an aggregate fair value of $3.1 million.

Employee REU Plan

As at December 31, 2020, 279,342 Employee REUs are unvested and outstanding (December 31, 2019 - 232,926). 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 trust Units purchased on the secondary market, net of applicable withholdings.

On March 2, 2020, the Trust granted 101,979 REUs under its Employee REU Plan. The grant date price was $26.19 per unit-based on the five-day volume weighted average market price of RioCan's Units traded on the TSX prior to the grant date, resulting in an aggregate fair value of $2.7 million.

Performance Equity Unit Plan (PEU Plan)

As at December 31, 2020, 449,641 PEUs are unvested and outstanding (December 31, 2019 - 416,737). 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 be paid out upon vesting will vary based on the achievement of certain performance targets over a three-year period from the year the award was granted. The performance targets attributable to PEUs are set by the Trust at the time the awards are granted, or from time to time adjusted as permitted under the terms of the PEU plan. The performance targets may vary between grants. 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 period and are generally settled within 30 days after the vesting date by the delivery of an equivalent number of trust units to be acquired on the secondary market, net of applicable withholdings.

On March 2, 2020, the Trust granted 119,621 PEUs under its PEU Plan at a fair value of $2.9 million. The grant date fair value assumptions using the Monte-Carlo valuation model are as follows:

As at		**December 31, 2020**
Fair value of PEUs granted	**$**	**2,865**
PEUs granted (in thousands)		**120**
Grant date fair value per unit	**$**	**23.95**
Expected risk-free interest rate (i)		**1.2%**
Expected unit price volatility (ii)		**11.0%**
Initial total unitholder return (iii)		**(3.2)%**

(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 total unitholder return (TUR) performance hurdle where vesting is dependent upon RioCan's TUR performance relative to a comparative group of peer companies. The initial TUR performance has incorporated actual historical TUR performance for RioCan and each entity in the comparator group over the period from January 1, 2020 to March 2, 2020.

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 Unit options under the Plan. As at December 31, 2020, 12.5 million 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.

For the year ended December 31, 2020, there were no Unit options granted to senior management (December 31, 2019 - 0.4 million).

Unvested Unit options granted prior to January 1, 2020, which remain outstanding under the existing plan, will continue to be expensed over the vesting period over which all specified vesting conditions are satisfied. No Unit options were exercised during the year.

The following summarizes the changes in Unit options outstanding during the years ended December 31, 2020 and 2019:

Years ended December 31,	**2020**			2019		
Options	Units (in thousands)		Weighted average exercise price	Units (in thousands)		Weighted average exercise price
Outstanding, beginning of year	6,367	$	26.71	7,910	$	26.53
Granted	—		—	400		26.49
Exercised	—		—	(833)		23.92
Expired	—		—	(568)		27.89
Forfeited and/or cancelled	—		—	(542)		26.98
Outstanding, end of year	6,367	$	26.71	6,367	$	26.71
Options exercisable at end of year	**5,792**	**$**	**26.85**	5,221	$	27.00
Average fair value per unit of options granted during the year		**$**	**—**		$	1.01

The following table summarizes our outstanding options and related exercise price ranges of units granted under the plan:

		Outstanding Options		Vested Options	
Exercise price range ($/unit)	Number of Units issuable (in thousands)	Weighted average exercise price per unit	Weighted average remaining life (years)	Number of Units issuable (in thousands)	Weighted average exercise price per unit
As at December 31, 2020					
23.78 to 25.46	**851**	**$ 24.26**	**4.8**	**576**	**$ 24.39**
25.47 to 26.14	**1,314**	**25.78**	**5.2**	**1,314**	**25.78**
26.15 to 27.03	**1,340**	**26.53**	**4.1**	**1,040**	**26.55**
27.04 to 27.60	**1,601**	**27.34**	**2.5**	**1,601**	**27.34**
27.61 to 29.31	**1,261**	**28.70**	**3.4**	**1,261**	**28.70**
	6,367	**$ 26.71**	**3.9**	**5,792**	**$ 26.85**

Subsequent to year end on February 9, 2021, the Board approved approximately 1.4 million of Unit options to be granted to senior management. Unit options shall vest in accordance with certain time-based and performance-based vesting provisions and have a seven year term. The option grant value, strike price, and performance measures will be determined later in February 2021 at the grant date.

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.

During the year ended December 31, 2020 the Board approved an amendment to the Deferred Unit Plan to provide that, on or after the date upon which a Trustee ceases to be a Trustee of the Trust (the Termination Date), all vested Deferred Units issued after January 1, 2021 shall be redeemed and settled only by the issuance of Units in accordance with the terms of the Deferred Unit Plan. This amendment is effective January 1, 2021. In addition, effective January 1, 2021, each of the Trustees also provided an irrevocable election with respect to the outstanding Deferred Units held by such Trustee such that all such vested Deferred Units shall be redeemed and settled only by the issuance of Units upon the respective Termination Date.

As at December 31, 2020, there are 452,368 deferred Units vested and outstanding (December 31, 2019 - 319,506). During the year ended December 31, 2020, 100,760 deferred Units were granted and no deferred Units were exercised (December 31, 2019 - 57,936 deferred Units granted and 26,892 deferred Units exercised).

16. DISTRIBUTIONS TO UNITHOLDERS

Total distributions declared to Unitholders are as follows:

Years ended December 31,	**2020**	2019
Total distributions	**$ 457,525**	$ 444,462
Distributions per unit	**$ 1.4400**	$ 1.4400

In December 2020, the Trust announced a reduction in its monthly distribution from $0.12 per unit to $0.08 per unit, or from $1.44 to $0.96 on an annualized basis. This decrease will be effective for the Trust's January 2021 distribution, payable in February 2021.

On January 15, 2021, RioCan declared a distribution payable of 8.00 cents per unit for the month of January 2021, which was paid on February 5, 2021 to Unitholders of record as at January 29, 2021.

(In thousands of Canadian dollars, tabular amounts in thousands, except per unit amounts or unless otherwise noted)

17. REVENUE

Rental revenue

Years ended December 31,		2020		2019
Base rent	**$**	**697,006**	$	684,383
Realty tax and insurance recoveries		**217,957**		217,984
Common area maintenance recoveries		**155,879**		164,921
Percentage rent		**4,874**		6,719
Straight-line rent		**7,177**		8,880
Lease cancellation fees		**6,284**		7,903
Parking revenue		**1,555**		2,937
Rental revenue	**$**	**1,090,732**	$	1,093,727

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,		2020		2019
Residential inventory sales	**$**	**36,347**	$	208,965
Common area maintenance recoveries		**155,879**		164,921
Property management and other service fees		**16,584**		23,633
Parking revenue		**1,555**		2,937
Revenue from contracts with customers	**$**	**210,365**	$	400,456

Property management and other service fees

Property management and other service fees consist of the following:

Years ended December 31,		2020		2019
Property management fees (i)	**$**	**2,720**	$	4,728
Construction and development fees (i)		**6,998**		10,431
Leasing fees (ii)		**383**		672
Financing arrangement fees (ii)		**2,939**		5,423
Other (iii)		**3,544**		2,379
Property management and other service fees	**$**	**16,584**	$	23,633

(i) Recognized over time.

(ii) Recognized at a point in time.

(iii) During the year ended December 31, 2020, $3.5 million is recognized over time and nil is recognized at a point in time (December 31, 2019 - $0.2 million and $2.2 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, 2020 and 2019:

As at		December 31, 2020		December 31, 2019
Within one year	**$**	**22,055**	$	396
More than one year		**422,110**		327,111
Total	**$**	**444,165**	$	327,507

(In thousands of Canadian dollars, tabular amounts in thousands, except per unit amounts or unless otherwise noted)

18. INVESTMENT AND OTHER INCOME

Years ended December 31,	**2020**	2019
Income earned on marketable securities	**$ —**	$ 859
Fair value gains on marketable securities	**878**	8,030
Transaction gains (losses) and other income (losses)	**7,338**	(1,157)
	$ 8,216	$ 7,732

The following table breaks down the fair value gains on marketable securities for the years ended December 31, 2020 and 2019:

Years ended December 31,	**2020**	2019
Realized gains on sale of marketable securities during the year	**$ 11,097**	$ 23,667
Change in unrealized fair value on marketable securities during the year	**(10,219)**	(15,637)
Fair value gains on marketable securities during the year	**$ 878**	$ 8,030

19. INTEREST INCOME

Years ended December 31,	**2020**	2019
Interest income measured at amortized cost	**$ 11,263**	$ 11,032
Other interest income (i)	**3,339**	5,884
	$ 14,602	$ 16,916

(i) Includes interest from finance subleases of $2.3 million for the year ended December 31, 2020 (December 31, 2019 - $2.0 million).

20. INTEREST COSTS

Years ended December 31,	**2020**	2019
Total interest (i)	**$ 222,593**	$ 216,249
Less: Interest capitalized	**(41,782)**	(33,469)
	$ 180,811	$ 182,780

(i) Includes interest from lease liabilities of $1.9 million for the year ended December 31, 2020 (December 31, 2019 - $2.0 million).

For the year ended December 31, 2020, interest was capitalized to properties under development and residential inventory at a weighted average effective interest rate of 3.32% (December 31, 2019 - 3.51%).

21. GENERAL AND ADMINISTRATIVE

Years ended December 31,	**2020**	2019
Salaries and benefits	**$ 19,711**	$ 22,311
Unit-based compensation expense	**7,271**	5,358
Depreciation and amortization	**4,342**	4,381
Other general and administrative expense	**9,200**	14,764
	$ 40,524	$ 46,814

Other general and administrative costs include information technology costs, public company costs, professional fees, travel expenses, occupancy costs, donations, advertising, promotion and marketing costs.

22. TRANSACTION AND OTHER COSTS

For the year ended December 31, 2020, transaction and other costs primarily include property acquisition and disposition costs totalling $2.9 million (December 31, 2019 - $12.8 million).

23. NET INCOME (LOSS) PER UNIT

Net income (loss) per basic and diluted unit is calculated based on net income (loss) available to Unitholders divided by the weighted average number of Units outstanding taking into account the dilution effect of Unit options.

Years ended December 31,	**2020**	2019
Net income (loss) attributable to Unitholders	**$ (64,780)**	$ 775,834
Weighted average number of Units outstanding (in thousands):		
Basic	**317,725**	307,683
Dilutive effect of Unit options (i)	**—**	96
Diluted	**317,725**	307,779
Net income (loss) per unit (basic)	**$ (0.20)**	$ 2.52
Net income (loss) per unit (diluted)	**$ (0.20)**	$ 2.52

(i) The calculation of diluted weighted average number of Units outstanding excludes 6.4 million Unit options for year ended December 31, 2020 (December 31, 2019 - 4.6 million Unit options), as the exercise price of these Unit options was greater than the average market price of Units.

24. 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, 2020			December 31, 2019		
As at	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets measured at fair value:						
Marketable securities	**$ —**	**$ —**	**$ —**	$ 18,123	$ —	$ —
Other investments	**—**	**5,390**	**6,900**	—	5,693	2,236
Investment properties:						
Income properties	**—**	**—**	**12,740,959**	—	—	13,120,545
Properties under development	**—**	**—**	**1,322,063**	—	—	1,238,582
Properties held for sale	**—**	**—**	**198,094**	—	—	21,800
Interest rate swaps	**—**	**—**	**—**	—	2,939	—
Total assets measured at fair value	**$ —**	**$ 5,390**	**$ 14,268,016**	$ 18,123	$ 8,632	$ 14,383,163
Liabilities measured at fair value:						
Interest rate swaps	**—**	**63,561**	**—**	—	18,419	—
Total liabilities measured at fair value	**$ —**	**$ 63,561**	**$ —**	$ —	$ 18,419	$ —

For assets and liabilities measured at fair value as at December 31, 2020, 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 3 for details on the changes in beginning and ending balances.

(In thousands of Canadian dollars, tabular amounts in thousands, except per unit amounts or unless otherwise noted)

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. Financial instruments that are classified as at amortized cost whose carrying value reasonably approximates their fair value include net contractual rents and other tenant receivables, amounts due on condominium final closings, funds held in trust, other receivables, accounts payable related to property operating costs, and capital expenditures and leasing commissions, trade payables and accruals, and deposits received from customers on residential inventory.

	December 31, 2020		December 31, 2019	
As at	Carrying value	Fair value	Carrying value	Fair value
Financial assets:				
Marketable securities	**$ —**	**$ —**	$ 18,123	$ 18,123
Other investments	**12,290**	**12,290**	7,929	7,929
Finance lease receivables	**40,465**	**40,465**	39,119	39,119
Mortgages and loans receivable	**160,646**	**163,365**	175,951	175,635
Interest rate swap assets	**—**	**—**	2,939	2,939
Financial liabilities:				
Mortgages payable	**$ 2,797,066**	**$ 2,953,765**	$ 2,412,451	$ 2,450,273
Debentures payable	**3,340,278**	**3,458,445**	2,891,648	2,943,585
Lines of credit and other bank loans	**790,539**	**790,539**	1,086,719	1,086,719
Interest rate swap liabilities	**63,561**	**63,561**	18,419	18,419

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.

(In thousands of Canadian dollars, tabular amounts in thousands, except per unit amounts or unless otherwise noted)

25. 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, 2020, approximately 1.3% (December 31, 2019 - 6.1%) 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 evaluated the extent to which its cash flow hedging relationships are subject to uncertainty driven by IBOR reform as at December 31, 2020. The Trust's hedged items and hedging instruments continue to be indexed to 1-month CDOR. Under IBOR reform a new risk free benchmark interest rate has been introduced as a fallback rate to CDOR, however, the 1-month CDOR is expected to continue to exist as a benchmark rate for the foreseeable future,

The Trust has applied hedge accounting and recorded the changes in fair value for the effective portion of these derivatives in other comprehensive income (loss) (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 (loss) in the periods where the forecasted cash flows impact net income (loss). 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 (loss).

As at December 31, 2020, the outstanding notional amount of the floating-for-fixed interest rate swaps is $1.3 billion (December 31, 2019 - $1.3 billion) and the term to maturity of these agreements ranges from April 2021 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
2021	$	131,066	2.63 %
2022		57,600	2.86 %
2023		397,824	3.45 %
2024		527,138	3.35 %
2025		57,463	2.80 %
Thereafter		156,000	3.52 %
	$	1,327,091	

The Trust assessed the effectiveness of its hedging relationships and determined all such designated hedging relationships were effective as at December 31, 2020. As at December 31, 2020, the fair value of the interest rate swaps is, in aggregate, a net financial liability of approximately $63.6 million (December 31, 2019 - net financial liability of approximately $15.5 million).

As at December 31, 2020, the carrying value of the Trust's floating rate debt that is not subject to a hedging strategy is $91.2 million and a 50 basis point increase in market interest rates would result in an annualized decrease of $0.5 million in the Trust's net income (loss).

The amounts relating to items designated as hedging instruments and hedge ineffectiveness were as follows:

	2020							
	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	**$1,327,091**	**$—**	**$63,561**	Receivables and other assets (assets), Accounts payable and other liabilities (liabilities)	**$(64,550)**	**$—**	**$16,469**	Interest costs

(In thousands of Canadian dollars, tabular amounts in thousands, except per unit amounts or unless otherwise noted)

	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

The amounts at the reporting date relating to items designated as hedged items were as follows:

	2020			2019		
	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 discontinued 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 discontinued hedges
Interest rate risk						
Variable rate mortgages and lines of credit and the bank loans	**$(64,550)**	**$(63,070)**	**$—**	$(14,807)	$(14,989)	$—

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, and funds drawn against the Trust's lines of credit and other bank loans, refer to Notes 10 and 11 for details.
- For current and non-current scheduled repayments of debentures, refer to Note 12 for details.

The Trust expects to continue financing future acquisitions, development, debt obligations and other financing requirements through existing cash balances, internally generated cash flows, refinancing maturing debt, utilization of its operating line of credit, credit facilities, construction financing facilities, mortgaging unencumbered assets, issuance of unsecured debentures, the sale of non-core assets, sales proceeds from residential inventory or air rights sales, strategic development partnerships and the issuance of equity when considered appropriate.

Credit risk

Credit risk is the risk of financial loss to RioCan which arises from the possibility that:

- Tenants may 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 or loans receivable to the Trust.
- Third-parties default 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. Furthermore, RioCan holds security deposits and letters of credit from a number of tenants which can serve to offset rents owed on a tenant-by-tenant basis in the unfortunate event of unresolved tenant defaults.

Management reviews contractual rent receivables on a regular basis and reduces carrying amounts through the use of an allowance for doubtful accounts recognizing the amount of any loss in the consolidated statements of income (loss) within non-recoverable property operating costs.

During the COVID-19 pandemic, the Trust has strategically managed its rent collection process and tailored its approach in recognition of the challenges that some of its tenants faced or continue to face as restrictions remain in flux. The Trust supported small and medium-sized businesses by actively participating in the federal government's CECRA program for eligible tenants at its properties. The Government of Canada also announced a new commercial rent relief program, CERS to replace the CECRA program post September 2020. CERS will provide payments directly to qualifying tenants without requiring the participation of landlords. For a further description of the CECRA and CERS programs see Note 7. The Trust continues to work with its national tenants on a case-by-case basis while protecting its rights and financial position. As at December 31, 2020, and December 31, 2019, the allowance for doubtful accounts totals $12.5 million and $1.4 million, respectively. RioCan holds approximately $28.6 million of security deposits and approximately $4.6 million in letters of credit from a number of tenants which could be used to offset rents owed on a tenant-by-tenant basis in the event of unresolved tenant defaults.

Credit risk relating to mortgages and loans receivable and third-party guarantees is mitigated through recourse against such counterparties and/or the underlying real estate. These financial instruments are considered to have low credit risk. The Trust monitors the debt service ability and the fair value 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 counterparties and/or re-recognition of the forfeited leased unit as investment property. Refer to Note 33 for third-party guarantees.

RioCan's Declaration of Trust contains provisions that have the effect of limiting the amount of space that can be leased to one tenant and its investment in mortgages and loans receivable.

The maximum exposure to credit risk on financial assets on the consolidated balance sheet is their carrying values.

26. CAPITAL MANAGEMENT

The Trust defines capital as the aggregate of Unitholders' equity and debt. The Trust's capital management framework is designed to maintain a level of capital that complies with investment and debt restrictions pursuant to RioCan's Declaration, complies with existing debt covenants, enables the Trust to achieve target credit ratings, implements its business strategies and builds long-term unitholder value. The key elements of RioCan's capital management framework are approved by its Unitholders via the Trust's Declaration of Trust and by its Board through their annual review of the Trust's strategic plan and budget, supplemented by periodic Board and Board Committee meetings. Capital adequacy is monitored by the Trust by assessing performance against the approved annual plan throughout the year, which is updated accordingly, and by monitoring adherence to investment and debt restrictions contained in the Declaration and debt covenants.

RioCan's Declaration provides for maximum total debt levels up to 60% of Aggregate Assets (as defined in the Declaration). The Trust is in compliance with this restriction.

Additionally, RioCan's Declaration contains provisions that have the effect of limiting capital expended by the Trust for, among other items, the following:

- direct and indirect investments (net of related mortgages payable) in non-income producing properties (including greenfield developments and mortgages receivable to fund the Trust's co-owners' share of such developments) to no more than 15% of the Adjusted Unitholders' Equity of the Trust (herein referred to as the “Basket Ratio” with Adjusted Unitholders' Equity as defined in the Declaration);
- total investment by the Trust in mortgages receivable, other than mortgages taken back by the Trust on the sale of its properties, to no more than 30% of the Adjusted Unitholders' Equity of the Trust;
- any property acquired by the Trust, directly or indirectly, if the cost to the Trust of such acquisition (net of the amount of mortgages payable assumed) exceeds 10% of the Adjusted Unitholders' Equity of the Trust;
- subject to the Basket Ratio, securities of an entity, other than to the extent that such securities would, for the purpose of the Declaration, constitute an investment in real estate; and
- the amount of space that can be leased or subleased to any tenant, with certain exceptions, to a maximum space having an aggregate gross leasable area of 20% of the aggregate gross leasable area of all real estate investments held by the Trust.

The Trust is in compliance with each of the above noted restrictions as at and for the year ended December 31, 2020. 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. As at and for the year ended December 31, 2020, the Trust was in compliance with these covenants.

The following table presents RioCan's capital structure:

As at December 31,	Note		2020		2019
Debentures payable	*12*	**$**	**3,340,278**	$	2,891,648
Mortgages payable	*11*		**2,797,066**		2,412,451
Lines of credit and other bank loans	*10*		**790,539**		1,086,719
Total debt			**6,927,883**		6,390,818
Unitholders' equity			**7,734,973**		8,305,211
Total capital		**$**	**14,662,856**	$	14,696,029

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 revolving unsecured operating line of credit and non-revolving unsecured credit facilities, which are calculated on a rolling twelve-month basis. As at and for the year ended December 31, 2020, 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, 2020
Total indebtedness (i) (vi)	< 60%	47.9 %
Secured indebtedness (ii) (vi)	< 40%	20.0 %
Debt service coverage (iii) (vi)	> 1.5x	2.4 x
Minimum unitholders' equity (in millions)	> $5,000	$7,735
Ratio of unencumbered property assets to unsecured indebtedness (iv) (v) (vi)	> 1.5x	1.9 x
Properties held for development as a percentage of consolidated gross book value of assets	< 15%	10.3 %

(i) Total indebtedness consists of the contractual amounts outstanding on mortgages payable, lines of credit and other bank loans, debentures payable, capital lease obligations, contingent liabilities and the maximum exposure to loss for all third-party debt where RioCan has provided a financial guarantee.

(ii) Secured indebtedness includes mortgages payable, secured construction lines and other bank loans and capital lease obligations, which are secured against investment properties.

(iii) Debt service 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 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 asset to unsecured indebtedness ratio is calculated as unencumbered assets divided by unsecured indebtedness.

(vi) These ratios include inputs from proportionately consolidated equity-accounted investments.

27. 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 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 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 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-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
RC 3180 Dufferin LP	Canada
RC 2290 Lawrence (White Shield) LP	Canada
Resale Air Right LP	Canada
RC Well Commercial LP	Canada
RC Well Residential LP	Canada
RC Kirkland Trust	Canada
RC Eglinton Avenue 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 4 for the financial information of RioCan-Fieldgate LP (2915-2943 Bloor Street West LP), 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 seven associates and joint ventures that are accounted for using the equity method as at December 31, 2020.

(In thousands of Canadian dollars, tabular amounts in thousands, except per unit amounts or unless otherwise noted)

28. SUPPLEMENTAL CASH FLOW INFORMATION

Years ended December 31,		**2020**		2019
Interest received	**$**	**21,615**	$	20,163
Interest paid		**220,462**		210,534
Distributions paid:				
Distributions declared during the year	**$**	**(457,525)**	$	(444,462)
Distributions declared in the prior year paid in the current year		**(38,121)**		(36,612)
Distributions declared in current year paid in the next year		**38,125**		38,121
Distributions paid	**$**	**(457,521)**	$	(442,953)

The following provides a reconciliation of liabilities arising from financing activities:

Year ended December 31, 2020		Mortgages payable		Lines of credit and other bank loans		Debentures
Balance, beginning of year	$	2,412,451	$	1,086,719	$	2,891,648
Proceeds/advances, net		797,862		308,702		845,737
Repayments		(416,173)		(609,040)		(400,000)
Non-cash changes:						
Deferred financing costs and premiums and discounts		(663)		4,158		2,893
Contractual principal assumed (disposed) on acquisition/ disposition, net		3,589		—		—
Balance, end of year	**$**	**2,797,066**	**$**	**790,539**	**$**	**3,340,278**

29. CHANGES IN OTHER WORKING CAPITAL ITEMS

Years ended December 31,		**2020**		2019
Receivables and other assets	**$**	**21,063**	$	(67,444)
Mortgage receivable interest		**8,304**		7,477
Residential inventory		**(27,375)**		129,468
Accounts payable and other liabilities		**72,236**		(12,376)
Other		**3,296**		(3,198)
Net change in other working capital items	**$**	**77,524**	$	53,927

30. 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 4.

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").

(In thousands of Canadian dollars, tabular amounts in thousands, except per unit amounts or unless otherwise noted)

Senior executive management and Board changes

On October 21, 2020 RioCan announced RioCan's founder, Edward Sonshine, will retire as Chief Executive Officer of the Trust on March 31, 2021 and transition to Non-Executive Chairman on April 1, 2021. The Trust also announced the appointment of Jonathan Gitlin, currently the Trust's President and Chief Operating Officer, to succeed Mr. Sonshine as President and Chief Executive Officer, effective April 1, 2021. Concurrently with Mr. Gitlin's appointment to the role of CEO, the Board has also agreed to appoint Mr. Gitlin as an additional Trustee to the Board. Mr. Paul V. Godfrey, Chairman of the Board, has agreed to step down as Chairman of the Board effective April 1, 2021 and will serve as Lead Trustee.

Remuneration of the Trust's Trustees and Key Executives during the years ended December 31, 2020 and 2019 is as follows:

	Trustees		Key Executives	
Years ended December 31,	**2020**	2019	**2020**	2019
Compensation and benefits	**$ 175**	$ 203	**$ 5,349**	$ 5,388
Unit-based compensation	**(919)**	2,813	**4,971**	3,460
Post-employment benefit costs	**—**	—	**129**	108
	$ (744)	$ 3,016	**$ 10,449**	$ 8,956

31. 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, 2020, RioCan's contributions to the defined contribution plan were $3.0 million (December 31, 2019 - $2.6 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, 2020 is $3.5 million (December 31, 2019 - $3.7 million). The recognized pension obligation (net of plan assets) as at December 31, 2020 is $14.8 million (December 31, 2019 - $15.0 million). Pension costs, net of recoveries, of $0.4 million were recorded in net income (loss) for the year ended December 31, 2020 (pension costs for the year ended December 31, 2019 - $0.4 million). The discount rate used was 2.4% (December 31, 2019 - 3.0%), the compensation growth rate was 4.0% (December 31, 2019 - 4.0%) and the expected long-term rate of return on plan assets was 2.4% (December 31, 2019 - 3.0%).

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.

(In thousands of Canadian dollars, tabular amounts in thousands, except per unit amounts or unless otherwise noted)

32. 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.

33. CONTINGENCIES AND OTHER COMMITMENTS

Third-party guarantees

As at December 31, 2020, RioCan is contingently liable, as guarantor for debt, for approximately $195.1 million (December 31, 2019 - $163.2 million), which expires between 2021 and 2025, and which includes guarantees of $139.9 million (December 31, 2019 - $106.6 million) on behalf of co-owners. Debt guaranteed by RioCan that relates to the assumption of mortgages on property dispositions is $55.2 million (December 31, 2019 - $56.6 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:

2021	$	107,704
2022		45,682
2023		5,095
2024		—
2025		36,635
Thereafter		—
Total	$	195,116

Letters of credit and surety bonds

The Trust has aggregate letter of credit facilities with certain Schedule I banks totalling $93.6 million (December 31, 2019 - $76.4 million). As at December 31, 2020, the Trust’s outstanding letters of credit under these facilities were $66.8 million (December 31, 2019 - $54.8 million).

The Trust is contingently liable for surety bonds that have been provided to support condominium developments and warranties in the amount of $68.8 million.

Investment commitments

RioCan-HBC Joint Venture

As at December 31, 2020, RioCan has approximately $140.1 million of remaining unfunded investment commitments related to the RioCan-HBC JV (December 31, 2019 - $140.1 million) to further the objectives of the joint venture. On February 5, 2021, RioCan contributed the remaining investment commitment, which increased RioCan's ownership interest in the RioCan-HBC JV to 20.2%.

WhiteCastle New Urban Funds (WNUF)

As at December 31, 2020, the Trust has total unfunded investment commitments of $63.5 million relating to WNUF 1, WNUF 2, WNUF 3 and WNUF 4 (December 31, 2019 - $74.8 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, 2023 for WNUF 1; February 28, 2022 for WNUF 2; April 30, 2028 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.

34. EVENTS AFTER THE BALANCE SHEET DATE

Acquisitions

On January 19, 2021, RioCan acquired a 100% interest in the 2978 Eglinton Avenue East property, located in Toronto, Ontario, for the purchase price of $11.5 million including transaction costs.

Dispositions

On January 7, 2021, RioCan disposed of a 50% non-managing interest in the residential rental component of eCentral, and the commercial component of ePlace, a mixed-use property in Toronto, for a total sales price of $150.8 million, to a current partner on other projects which is acting on behalf of itself and one of its pension fund clients. Upon closing, the purchasers assumed 50% of the existing CMHC mortgage for the property with an estimated outstanding balance of $165.3 million at the time of the closing.

On January 22, 2021, RioCan sold a parcel of land located in Oshawa, Ontario for total sales proceeds of $3.4 million.

Unsecured Debenture redemption

On January 15, 2021, RioCan redeemed, in full, its $250.0 million, 3.716% Series R unsecured debentures due December 13, 2021, in accordance with its terms, at a total redemption price of $256.8 million, plus accrued and unpaid interest of $0.8 million, up to but excluding, the redemption date. The Trust recorded an early extinguishment charge of $6.7 million, which includes a write-off of the related unamortized deferred financing costs.

(This page intentionally left blank)

(This page intentionally left blank)

(This page intentionally left blank)

Corporate
INFORMATION

Senior Management

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

Jonathan Gitlin
President & Chief Operating Officer

Qi Tang
Senior Vice President & Chief Financial Officer

John Ballantyne
Senior Vice President, Asset Management

Andrew Duncan
Senior Vice President, Development

Oliver Harrison
Senior Vice President, Operations

Jeff Ross
Senior Vice President, Leasing & Tenant Construction

Jennifer Suess
Senior Vice President, General Counsel
& Corporate Secretary

Terri Andrianopoulos
Vice President, People & Brand

David Bain
Vice President, Tenant Construction

Moshe Batalion
Vice President, Leasing

Stuart Craig
Vice President, Development

Roberto DeBarros
Vice President, Construction

Ryan Donkers
Vice President, Investments

George Ho
Vice President, Information Technology

Kim Lee
Vice President, Investor Relations

Pradeepa Nadarajah
Vice President, Property Accounting

Paran Namasivayam
Vice President, Recovery Accounting

Stephen Roberts
Vice President, Analytics

Tim Roos
Vice President, Operations -
Eastern Canada & Northern Ontario

Renee Simms
Vice President, Insurance

Franca Smith
Vice President, Finance

Jonathan Sonshine
Vice President, Asset Management

Jeffery Stephenson
Vice President, Operations - GTA & Central Ontario

Naftali Sturm
Vice President, Real Estate Finance

Kimberly Valliere
Vice President, Development Construction

Kim Wingerak
Vice President, Operations - Western Canada

Jason Wong
Vice President, Corporate Tax

Ashtar Zubair
Vice President, Enclosed Leasing

Board of Trustees

Unitholder Information

Head Office
RioCan Real Estate Investment Trust
RioCan Yonge Eglinton Centre,
2300 Yonge Street, Suite 500
P.O. Box 2386, Toronto, Ontario M4P 1E4
Tel: (416) 866-3033 or 1 (800) 465-2733
Fax: (416) 866-3020
Website: www.riocan.com
Email: ir@riocan.com

Investor Contact

Kim Lee
Vice President, Investor Relations
Tel: (416) 646-8326
Email: klee@riocan.com

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

Auditors

Ernst & Young LLP

Transfer Agent and Registrar

AST Trust Company (Canada)
P.O. Box 700, Station B
Montreal, Quebec H3B 3K3
Answerline: 1 (800) 387-0825
Fax: 1 (888) 249-6189 or (514) 985-8843
Website: www.astfinancial.com/ca-en
Email: inquiries@astfinancial.com

Stock Exchange Listing

The Toronto Stock Exchange
Trading Symbols: Common Units – REI.UN

RIOCAN
REAL VISION, SOLID GROUND.

REAL VISION, SOLID GROUND.

Front and back cover: 5th & THIRD™ East Village, Calgary

Head Office
RioCan Yonge Eglinton Centre
2300 Yonge Street, Suite 500
P.O. Box 2386
Toronto, Ontario M4P 1E4