



QUALITY AND GROWTH

ANNUAL REPORT
2021



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, 2021, our portfolio is comprised of 207 properties with an aggregate net leasable area of approximately 36.4 million square feet (at RioCan's interest) including office, residential rental and 13 development properties.

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

U.C. Tower™

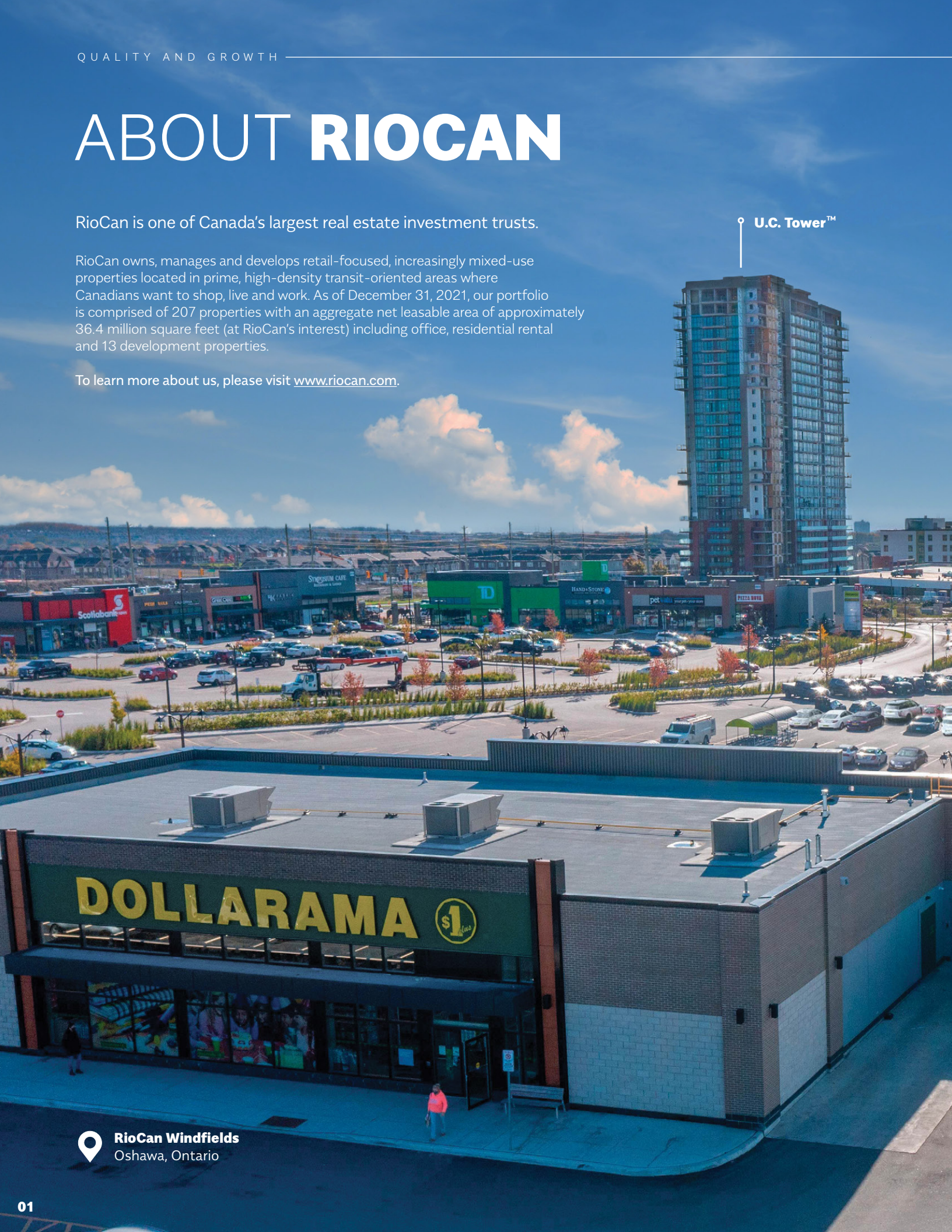


TABLE OF CONTENTS

03	RioCan At a Glance
05	Letter from the President & CEO
09	Our Strategy
13	Environmental, Social and Governance (ESG)
15	Financial Review
17	Key Performance Indicators
20	Financial Performance
22	Management's Discussion and Analysis
126	Audited Annual Consolidated Financial Statements



RIOCAN AT A GLANCE

**207 Properties, 36.4 Million Square Feet of NLA
Located in Canada's most in-demand markets**

**96.8% COMMITTED
OCCUPANCY**

STRONG DEMOGRAPHIC PROFILE

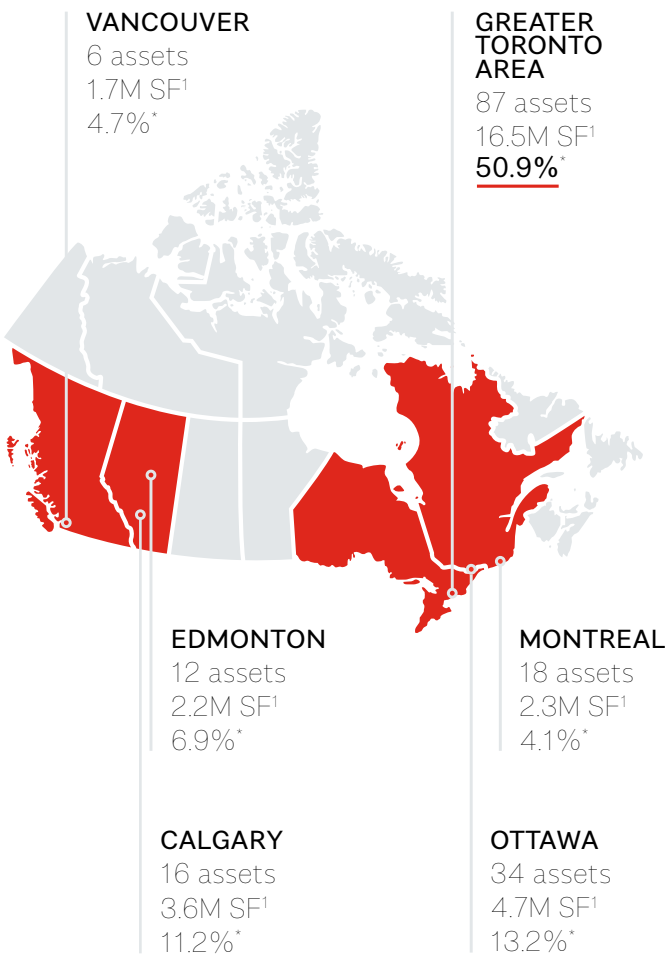
Within 5km of RioCan Centres:



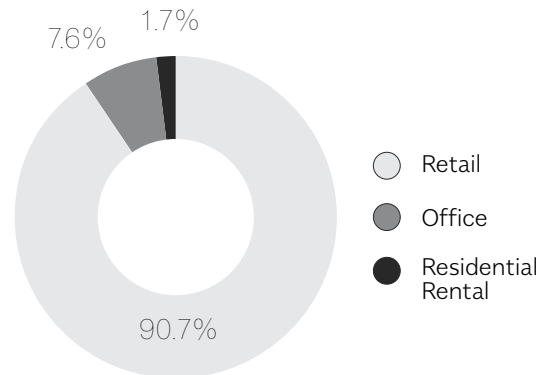
203,000
Average Population



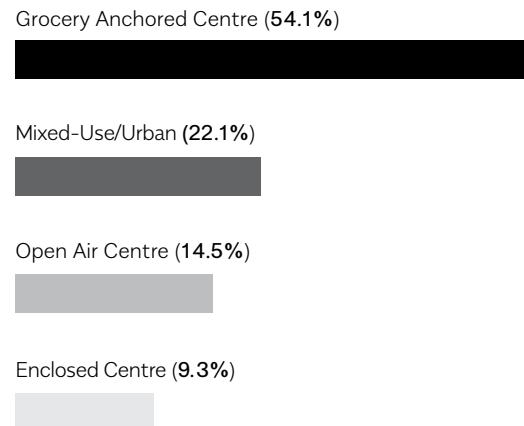
\$124,000
Average Household
Income



PROPERTY TYPE



PROPERTY MIX BY REVENUE



* Percentage of annualized contractual gross rent
1 Income producing properties at RioCan's interest

TENANT MIX BY REVENUE*

19.9%

Grocery / Pharmacy / Liquor

Walmart, Shoppers Drug Mart, LCBO

14.3%

Essential Personal Services

Financial Services, Medical, Gas Bars

11.9%

Specialty Retailers

Canadian Tire, Sephora, PetSmart

10.6%

Value Retailers

Winners, Marshalls, Dollarama

8.9%

Furniture & Home

Home Depot, Lowe's, HomeSense

8.0%

Other Personal Services

Fitness, Health and Beauty

7.1%

Quick Service Restaurants

Tim Hortons, Harvey's, McDonald's

6.3%

Apparel

Mark's, Old Navy, Carter's

5.9%

Sit-Down Restaurants

Swiss Chalet, Boston Pizza, Montana's

3.9%

Movie Theatres

Cineplex, Landmark Cinemas

3.0%

**Entertainment / Hobby /
Electronics / Books**

BestBuy, The Source, Indigo

0.2%

Department Stores

Hudson's Bay

* Percentage of annualized net rental revenue as at December 31, 2021

CONSISTENT DEVELOPMENT DELIVERIES

13.8M

**SQUARE FEET OF ZONED
PROJECTS INCLUDING
NEAR-TERM DELIVERIES OF:**

2021 Completions

243,000 SF

2022 Expected Completions¹

815,000 SF

2023 Expected Completions¹

885,000 SF

FINANCIALS



\$598.4M

Net Income



\$701.7M

Operating Income



\$1.60

FFO/Unit^{1,3}



3.4%

SPNOI Growth^{2,3}



62.6%

**FFO Payout
Ratio³**



\$1.0B

**In Available
Liquidity^{3,4}**



\$9.4B

**Unencumbered
Assets^{3,4}**



\$849M

**Capital Recycling
Activity**

At capitalization
rate of 3.75%

1 FFO: Funds From Operations

2 SPNOI: Same Property Net Operating Income Growth

3 This is a non-GAAP measurement. For more information, refer to the *Non-GAAP Measures* section in the MD&A for the three months and year ended December 31, 2021.

4 RioCan's proportionate share

1 Includes completion of residential inventory projects

A middle-aged man with short, graying hair is smiling warmly at the camera. He is wearing a dark navy blue suit jacket over a light blue, button-down shirt with a fine checkered pattern. A small, circular gold pin is visible on the left lapel of his jacket, and a striped pocket square is tucked into the breast pocket. The background is a blurred view of a modern building with many windows.

A LETTER
FROM THE
**PRESIDENT
& CEO**

In 2021, RioCan once again demonstrated the strength of our portfolio, the resilience of our tenants, and the talent of our people.

I'm not going to downplay the challenges that RioCan and the commercial real estate industry faced throughout the year. The mandated restrictive measures enacted to curb the effects of the pandemic across the country had a far reaching impact.

However, these volatile and uncertain times reinforced our confidence in RioCan's competitive advantages and our vision for the future. First, consumer behaviour confirmed that Canadians want to control their shopping experience, and physical retail stores will continue to play a critical part in their lives. Second, well-located, professionally managed physical spaces, like RioCan centres, are hard to come by and highly valued. It's why our belief in our high-quality retail properties has never wavered.

We turned challenges into action in 2021 and refined a strategy for long-term growth that builds on our foundational strengths and opportunities to enhance value. With continued optimism, we are focused on building on this momentum and delivering on our commitment to increase Total Unitholder Returns. RioCan's distribution increase of 6.25%, effective with the February 2022 distribution, reflects our confidence to deliver on this objective.

Resilient performance and robust results

In 2021, our strong performance across the business reflected the caliber of our portfolio and the fundamental strength of our tenants. Same property NOI grew 3.4%, and FFO/unit increased \$0.05 year-over-year to \$1.65, excluding one-time costs and debt prepayment costs. These solid results are primarily attributed to the retail bedrock of our portfolio and our team's unwavering commitment to excellence. We leased 1.7 million square feet with a blended spread of 6.3% and reported an overall committed occupancy of 96.8%. The majority of our revenue is from strong and stable retail tenants that provide essential products and services, such as grocery stores, pharmacies, liquor stores, and banks. Continued demand for our prime locations and compelling demographic profiles speak to the reliability and quality of our income.

We also saw high demand for our assets in the transaction market. In 2021, we raised approximately \$849 million in equity through the sale of assets at a weighted average capitalization rate of 3.75%. The attractive pricing is a testament to the value RioCan has created. Through our capital recycling and development activities, we have reconstituted and increased the quality of our portfolio. To that end, our demographic profile is now amongst the best in the Canadian commercial real estate industry.

Our disposition program benefits our Unitholders.

Dispositions allow us to effectively repatriate capital from lower growth assets and allocate it to more beneficial uses, strengthening our balance sheet and funding higher return, more diverse mixed-use development sites.

Our financial flexibility to fuel growth remains in good standing. Our balance sheet had ample liquidity of \$1.0 billion and a large unencumbered asset pool of \$9.4 billion.

A pivotal year for accelerating growth

2021 was a pivotal year to accelerate our growth trajectory. Our entrepreneurial spirit thrived. We welcomed Dennis Blasutti as Chief Financial Officer and appointed Andrew Duncan as Chief Investment Officer, John Ballantyne as Chief Operating Officer, Terri Andrianopoulos as Senior Vice President, People and Brand, and Franca Smith as Senior Vice President, Finance. These results-oriented senior executives bring an unparalleled depth of expertise and insights to drive our long-term growth.

Our developments flourished and we now have a regular cadence of construction starts and completion of income-generating properties across Canada. We delivered approximately 243,000 square feet of new space including our new mixed-use residential properties Litho™. We anticipate that we will create net asset value in excess of our development spend. Through RioCan Living™, RioCan continues to grow its purpose-built residential rental portfolio, which currently comprises 1,837 completed units across eight buildings in Toronto, Ottawa, Calgary, and including our recent acquisition in Montreal. Over the next two years, we will complete approximately 1.7 million square feet of development including our flagship mixed-use development in Toronto, The Well™. The office space at The Well is effectively stabilized and the retail component is now approximately 62% leased including tenants in advanced discussions. Retail leasing will continue to ramp up as we approach the grand opening in early 2023. We expect to launch FourFifty The Well™, the 39 storey and 592 unit purpose-built rental building, shortly thereafter.¹

In addition to developing purpose-built rental properties, we advanced condominium projects that will generate attractive profits from condominium sales. We expect to recognize approximately \$191 million of FFO gains from the sale of residential inventory at seven projects currently under construction or in pre-sales. The execution of these projects is emblematic of RioCan's capabilities to drive the end-to-end development process. For example, we established a new condominium fund structure that enables RioCan to generate management fees for our expertise from non-managing partners and earn a promote as well as participate in sales profits. RioCan continues to raise capital, generate new income streams, mitigate development risk and provide alternate means to crystalize the value of our zoned excess density through partnerships.

¹ Development deliveries as measured in units and square feet are at 100% interest.



Artist rendering: Verge™
Toronto, Ontario

We are proud of our solid results in 2021, but they don't stand alone. ESG is essential to responsible growth, and we support our business activities and our stakeholders and Unitholders by staying in front of changing market dynamics in a thoughtful, responsible manner.

Our commitment to ESG is embedded in our culture and our ongoing efforts toward best practices were recognized with a 5 Star rating in the GRESB Real Estate Assessment for the second year in a row. We know this is a journey, and we continue to make progress with our ESG initiatives as we accelerate our growth. I encourage you to review our ESG highlights showcased on page 14 of this report.



A clear strategy to drive Total Unitholder Return outperformance

RioCan has consistently demonstrated that our strong foundation is resilient and reliable. But we know we have more potential than delivering modest growth and stability – our exceptional portfolio and embedded pipeline are rich with untapped opportunity. To unlock our true value, we have refined our long-term strategy that builds on our competitive advantages and established track record to define the path for the next chapter of RioCan's growth. We have a clear ambition: provide strong total unitholder returns.

To drive long-term growth and NAV creation, our strategy is anchored on four pillars, outlined further in this report:

Reimagine Retail by committing to and continuing to position retail at our core. We will continue to shape our portfolio with higher return initiatives, actively evolve our retail tenant mix and strategically invest in properties that enhance their SPNOI potential.

Intelligently Diversify by sensibly diversifying our asset base, income sources and overall tenant mix to guide our portfolio. We will capitalize on synergies between asset classes and opportunistically acquire, accelerate our NOI growth through our residential portfolio while our mixed-use properties continue to gain prominence, generate fees to expand income streams, and introduce new "intra-RioCan uses" such as medical centres as well as educational and fulfillment services.

Enhance Customer Centricism by understanding and meeting the needs of our tenants and our partners. We will continue to build on our long-standing relationships, deploy technology and generate sustainable fees through our best-in-class platforms.

Grow Responsibly by focusing on enhancing our culture, ESG leadership and our long-standing principle of prudent and intentional capital management.

RioCan has an exceptional track record of unearthing opportunities and realizing the maximum value in assets that others simply miss. We have the dedicated team, enduring strength, stability and the vision to execute and create value for you, our Unitholders. I would like to thank the whole RioCan team for their never-ending commitment and contributions this past year, and our Unitholders for your continued dedication and confidence in RioCan. I am proud to be on a clear path forward with you.



Jonathan Gitlin
President and Chief Executive Officer



OUR STRATEGY

REIMAGINE **RETAIL**

Commit to, and continue to reimagine, our retail core

Physical retail spaces will continue to be critical and relevant, offering in-person experiences that augment and complement ecommerce. We recognize the reality of a changing retail environment and believe there is a strong growth opportunity for well-positioned real estate holdings.

RioCan has a well-positioned retail portfolio. Our strong retail core provides secure income to Unitholders. To drive exponential growth, we are committed to investing in our properties to enhance the retail experience and to support the merging of physical and online retail as our tenants expand their channels to better serve their customers.

Looking forward, we will continue to build on our well-established portfolio of strong, "first ring", transit-oriented locations.

We will strategically invest in select properties to enhance SPNOI potential and we will divest slower growth assets, including enclosed malls. We will continue to actively evolve our retail tenant mix to enhance our tenants in categories such as grocery/pharmacy, liquor, value retailer, essential personal services and specialty retailer.



The Well™
Toronto, Ontario



INTELLIGENTLY **DIVERSIFY**

Sensibly diversify our asset base, income sources and overall tenant mix

RioCan guides its portfolio choices with intelligent diversification in its asset base, income streams and tenant mix. As part of our long-term strategy, we will diversify our asset base by primarily growing our residential portfolio. Our dedicated RioCan Living team is executing on a robust pipeline of active development projects concentrated in Canada's fastest growing markets. Within the next two years, we will have a total of approximately 11,000 residential units* complete or under various phases of development.

We will also diversify through our tenant mix. We have a solid base of healthy, necessity-based and value-oriented tenants. We will continue to drive growth in our retail core, introduce non-traditional complementary "intra-RioCan" uses, such as medical, educational and fulfillment.

Lastly, we will diversify our sources of capital. We will continue to explore options to recycle capital including air rights sales and capital partnerships with recognized investors. We will build on our recurring fee streams as we continue to enhance our asset management capabilities. Capital partners recognizing and paying for our expertise provide multiple benefits to RioCan including diversified risk, efficient capital to fuel our development program, and crystallizing the value of our zoned excess density.

* Units at 100% interest



ENHANCE CUSTOMER CENTRISM

Meet the needs of our tenants, our joint venture and capital partners

We are deepening our emphasis on customer centricity, enhancing the distinctiveness of RioCan's value proposition to our tenants. To us this means being the landlord of choice and consistently providing the best offering – whether retail, residential or office. We believe that tenants should look at RioCan as their best option at all stages of their growth and evolution.

For our retail properties, we remain committed to investing in the quality of our assets, placing a focus on technology, and driving traffic to our shopping centres.

We launched a retail tenant survey in 2021, and the results will help us improve the attributes that our tenants care most about, to support our commercial leasing, retention and attraction efforts with a view to enhancing our leasing spreads and occupancy rates.

We will also apply customer centricity to our partners by continuing to dedicate an asset manager to each partnership and provide regular engagements and reporting.



 **Glamping in the City event
at Yonge Eglinton Centre**
Toronto, Ontario

GROW RESPONSIBLY

Manage capital prudently, enhance our culture and ESG leadership

Underpinning our strategy is a commitment to grow responsibly. We believe responsible growth requires a culture of excellence that differentiates RioCan, drives results and retains, develops and attracts top talent. We are executing on our cultural roadmap and evaluating and refining our existing processes, policies and initiatives to create a united and productive workforce.

RioCan is one of the leaders within the Canadian real estate industry on ESG best practices and we are taking action to continuously improve and monitor our progress.

We are committed to embedding ESG into all facets of our business to enhance our organization, assets and to deliver long-term Unitholder value. We consider ESG in our business activities including operations, developments, investments and corporate functions.

Critical to responsible growth is also a balanced and intentional approach to capital management. We will use long-term financial modelling to thoroughly assess the impact of our choices and maintain appropriate debt and equity mix, reduce our refinancing and liquidity risk, maintain compliance with our covenants and deliver long-term growth to Unitholders.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) 2021 ACHIEVEMENTS

RioCan is one of the Canadian real estate leaders in ESG. RioCan embeds ESG in every aspect of the business, including developments, operations, investment activities and corporate function.

For a full overview of RioCan's ESG strategy and objectives, read our 2021 ESG Report at www.riocan.com.



Living Wall at Bathurst College Centre
Toronto, Ontario





Environmental

- 2021 GRESB:
 - Real Estate Assessment: **5 Star Rating**
 - Public Disclosure: **First among Canadian peers**
 - Development Assessment: **Regional Sector Leader**
- Increased BOMA BEST certified buildings to over 120, representing over 60% of our GLA*

* GLA: at 100% interest for commercial



Social

- Recognized as one of the top 100 employers by Greater Toronto's Top Employers
- 2021 Employee Engagement results achieved top decile for engagement for similar size companies



Governance

- ESG rating upgraded by Morgan Stanley Capital International (MSCI) for the third consecutive year
- ESG Corporate rating upgraded to "Prime" status by Institutional Shareholder Services (ISS)
- Committed to support the Task Force on Climate-related Financial Disclosures (TCFD)

FINANCIAL REVIEW


 **Strada™**
Toronto, Ontario



TABLE OF CONTENTS

Key Performance Indicators	17	Development Program	57
Financial Performance	20	Properties Under Development	57
Management's Discussion and Analysis	22	Residential Inventory	68
Introduction	22	Mortgages and Loans Receivable	71
About this Management's Discussion and Analysis	22	Capital Resources and Liquidity	71
Forward-Looking Information	22	Capital Management Framework	71
Business Overview and Strategy	23	Total Capital	71
Business Environment and Outlook	25	Debt Metrics	72
Update on Rent Collection	25	Credit Ratings	73
Market Trends	26	Total Debt Profile	73
Outlook	27	Debentures Payable	73
Environmental, Social and Governance (ESG) Priorities and Progress	28	Mortgages Payable	74
Property Portfolio Overview	29	Lines of Credit and Other Bank Loans	75
Property Operations - Total Portfolio	29	Liquidity	76
Property Operations - Commercial	31	Unencumbered Assets	77
Property Operations - Residential Rental	36	Guarantees	78
Capital Expenditures on Income Properties	37	Hedging Activities	78
Results of Operations	39	Equity	78
Summary of Selected Financial Information	39	Trust Units	78
Rental Revenue	40	Distributions to Unitholders	80
Net Operating Income (NOI)	40	Related Party Transactions	82
Operating Income	42	Selected Quarterly Results and Trend Analysis	83
Other Income (Loss)	43	Non-GAAP Measures	85
Other Expenses	44	Accounting Policies and Estimates	115
Net Income (Loss) Attributable to Unitholders	46	Adoption of New Accounting Standards	115
Funds From Operations (FFO)	47	Critical Accounting Judgements and Estimates	115
Adjusted Cashflow From Operations (ACFO)	48	Future Changes in Accounting Policies	117
Property Valuations	51	Disclosure Controls and Procedures and Internal Controls Over Financial Reporting	117
Acquisitions and Dispositions	52	Climate-Related Financial Disclosures	118
Joint Arrangements	54	Risks and Uncertainties	120

KEY PERFORMANCE INDICATORS

(In thousands of dollars, except percentages, square feet and per unit values)

FINANCIAL

Rental Revenue

Q4 2021	Year 2021	Rental revenue for the quarter was lower than Q4 2020 mainly due to asset dispositions, lower lease cancellation fees, and lower tax recoveries from savings on realty taxes. Year-to-date revenue was also impacted by the aforementioned factors in addition to the pandemic's effect on operations such as occupancy.
\$266,899	\$1,066,562	
Q4 2020 \$276,422 -3.4%	Year 2020 \$1,090,732 -2.2%	

Operating Income

Q4 2021	Year 2021	Operating income for both the quarter and year-to-date included lower pandemic-related provisions for rent abatements and bad debts ("pandemic-related provision") due to improved cash collection from tenants and higher residential inventory gains. These were offset, to varying degrees for each of the quarter and year-to-date results by the impact of asset dispositions.
\$194,788	\$701,665	
Q4 2020 \$173,594 +12.2%	Year 2020 \$680,283 +3.1%	

Same Property NOI ⁽ⁱ⁾

Q4 2021	Year 2021	Same Property NOI ("SPNOI") increased primarily due to a lower pandemic-related provision in the quarter and on a year-to-date basis due to improved cash collection from tenants. Same Property NOI excluding the pandemic-related provision ⁽ⁱ⁾ for the quarter was positive at 1.0%.
\$156,439	\$612,463	
Q4 2020 \$149,120 +4.9%	Year 2020 \$592,196 +3.4%	

FFO Per Unit - Diluted ⁽ⁱ⁾

Q4 2021	Year 2021	FFO per unit was \$0.07 higher for the quarter and unchanged for the year when compared to the same periods last year. FFO per unit (excluding net debt prepayment costs and one-time compensation costs) ⁽ⁱ⁾ for the quarter and year was \$0.48 and \$1.65, higher by \$0.09 and \$0.05, respectively, when compared to last year. Improving property fundamentals and higher residential inventory gains contributed to FFO growth and were partially offset by lower lease cancellation fees in the quarter and prior year realized gains on marketable securities.
\$0.46	\$1.60	
Q4 2020 \$0.39 +17.9%	Year 2020 \$1.60 —%	

FFO Payout Ratio ⁽ⁱ⁾

Q4 2021	ACFO Payout Ratio ⁽ⁱ⁾	Both payout ratios decreased primarily due to the one-third reduction in distributions effective January 1, 2021. Higher distributions received from equity-accounted investments also contributed to the decrease in the ACFO Payout Ratio.
62.6%	59.7%	
Q4 2020 90.2% -27.6%	Q4 2020 98.9% -39.2%	

KEY PERFORMANCE INDICATORS

(In thousands of dollars, except percentages, square feet and per unit values)

Liquidity ⁽ⁱ⁾⁽ⁱⁱ⁾			Unencumbered Assets ⁽ⁱ⁾⁽ⁱⁱ⁾⁽ⁱⁱⁱ⁾			
Q4 2021			Q4 2021			Subsequent to year end, the revolving unsecured line of credit facility was increased by \$250 million, increasing overall Liquidity to \$1.3 billion.
\$1,010,475			\$9,392,266			
Q4 2020	\$1,576,689	-35.9%	Q4 2020	\$8,727,354	+7.6%	The unencumbered asset pool increased from Q4 2020 due to the repayment of mortgages net of the impact of asset dispositions. Unencumbered assets are expected to increase as the shift towards unsecured financing continues.

Total Adjusted Debt to Total Adjusted Assets ⁽ⁱ⁾⁽ⁱⁱ⁾⁽ⁱⁱⁱ⁾			Adjusted Debt to Adjusted EBITDA ⁽ⁱ⁾⁽ⁱⁱ⁾			
Q4 2021			Q4 2021			Total Adjusted Debt to Total Adjusted Assets continued to improve primarily due to lower debt at year end and the Trust's operations and valuations.
43.9%			9.59x			
Q4 2020	45.0%	-1.1%	Q4 2020	9.47x	+1.3%	Adjusted Debt to Adjusted EBITDA increased from Q4 2020 mainly due to higher average debt, net of higher Adjusted EBITDA. When compared to the prior quarter, this ratio improved by 0.38x from higher Adjusted EBITDA. As the Adjusted EBITDA from completed development projects ramps up over the next 2 years, and as the Trust continues to pay down debt from proceeds of capital recycling, this metric is expected to improve.

DEVELOPMENT

Development Spending ⁽ⁱ⁾						
Q4 2021			Year 2021			On a quarterly and year-to-date basis, Development Spending decreased mainly as a result of project completions. Estimated 2022 Development Spending is in the range of \$475 million to \$525 million, net of expected cost recoveries and air rights sales.
\$93,787			\$427,471			
Q4 2020	\$141,405	-33.7%	Year 2020	\$493,413	-13.4%	

Development NLA Completions (sq ft)						
Q4 2021			Year 2021			Development completions in the year include Litho, and the retail space at Windfields Farm in Oshawa, Lincoln Fields Shopping Centre in Ottawa and RioCan Shawnessy in Calgary, comprised of essential uses such as grocery retailers and pharmacies and a home goods store. Approximately 750,000 square feet of completions are expected in 2022, almost all of which are mixed-use.
86,000			243,000			
Q4 2020	320,000	-73.1%	Year 2020	529,000	-54.1%	

Zoning Entitlements (sq ft)			Total Development as % of Total Gross Book Value ⁽ⁱⁱⁱ⁾			
Q4 2021			Q4 2021			The Trust's vast pipeline of zoning entitlements includes approved zoning and zoning submissions. The decrease from Q4 2020 resulted primarily from completed development projects which became income producing, and from the sale of zoned density which surfaced inherent value.
20,951,000			11.0%			
Q4 2020	21,815,000	-4.0%	Q4 2020	10.3%	+0.7%	Total development was 11.0% of RioCan's total gross book value of assets, well under the 15% limit permitted under various credit facilities. The increase from Q4 2020 was driven mainly by spend on The Well and FourFifty The Well as we make steady progress towards completions. The Trust's long-term goal for this ratio is 10% or lower, which we expect to achieve in 2023.

KEY PERFORMANCE INDICATORS

(In thousands of dollars, except percentages, square feet and per unit values)

LEASING - COMMERCIAL

Committed Occupancy ⁽ⁱⁱⁱ⁾			In-Place Occupancy ⁽ⁱⁱⁱ⁾			Committed and in-place occupancy continued to strengthen, driven by improved retail occupancy. Retail committed and in-place occupancy increased by 110 and 140 basis points, respectively from Q4 2020. In the fourth quarter alone, retail committed occupancy climbed by 50 basis points driven by a 80 basis points jump in the GTA. The gap between committed and in-place occupancy narrowed as proportionately more tenants became income producing.
Q4 2021			Q4 2021			
96.8%			96.1%			
Q4 2020	95.7%	+1.1%	Q4 2020	94.9%	+1.2%	

New Leasing NLA at 100% (sq ft)			Year 2021			New leasing volume on quarterly and year-to-date basis was well ahead of the prior year and exceeded pre-pandemic levels. The strong demand for RioCan's well-located centres gives RioCan the ability to procure a resilient, balanced tenant mix that best serves the needs of the communities in which it operates and maximize returns.
Q4 2021			Year 2021			
523,000			1,674,000			
Q4 2020	359,000	+45.7%	Year 2020	1,209,000	+38.5%	

Renewal Leasing NLA at 100% (sq ft)			Year 2021			The retention ratio of 83.8% for the year was lower than the comparative period mainly due to three large vacating tenants, two of which were not operating in their respective spaces. Excluding these three notable tenant vacancies, the retention ratio for the overall portfolio was 89.1% for the year. Much of this space from these three large vacating tenants has been re-leased to tenants who are expected to bring traffic and vitality to the properties.
Q4 2021			Year 2021			
685,000			3,006,000			
Q4 2020	1,226,000	-44.1%	Year 2020	3,641,000	-17.4%	

New Leasing Spread ^(iv)			Year 2021			The Trust generated positive new leasing spreads for the quarter and year-to-date as its portfolio demographics continue to attract prospective tenants with more resilient uses.
Q4 2021			Year 2021			
3.8%			8.6%			
Q4 2020	5.1%	-1.3%	Year 2020	7.9%	+0.7%	

Renewal Leasing Spread ^(iv)			Year 2021			For Q4 2021, the average net rent per square foot for renewals of \$23.24 is 15% higher than the average net rent per occupied square foot of \$20.16. The renewal leasing spread in a given period is partly determined by the characteristics (such as location, type, size) of the space available for renewal.
Q4 2021			Year 2021			
5.0%			5.4%			
Q4 2020	3.6%	+1.4%	Year 2020	4.4%	+1.0%	

Blended Leasing Spread ^(iv)			Year 2021			The blended leasing spread for the year exceeded that of the prior year despite the pre-pandemic quarter in 2020, and reflects RioCan's success in upgrading portfolio attributes, such as its market geography, attractive property types and resilient tenant base.
Q4 2021			Year 2021			
4.6%			6.3%			
Q4 2020	3.8%	+0.8%	Year 2020	5.0%	+1.3%	

(i) This is a non-GAAP financial measure. Refer to the *Non-GAAP Measures* section in this MD&A for more information on each non-GAAP financial measure.

(ii) At RioCan's proportionate share.

(iii) Information presented as at the respective period end.

(iv) Based on annualized contractual base rent.

FINANCIAL PERFORMANCE

Operating ⁽ⁱ⁾

2021

- FFO per unit was \$1.60, unchanged from the prior year and included increases of \$0.06 per unit driven by same property NOI and \$0.02 per unit contributed by NOI from completed development projectsⁱⁱ. This was partially offset by a reduction in NOI from commercial properties soldⁱⁱⁱ of \$0.03 per unit, debt prepayment costs of \$0.03 per unit and one-time compensation costs of \$0.02 per unit. The \$12.9 million increase in residential inventory gains in the year was mostly offset by \$11.1 million lower realized gains on the sale of marketable securities and dividend income. FFO per unit (excluding net debt prepayment costs and one-time compensation costs) for the year was \$1.65 per unit.
- Net income for the year was \$598.4 million and exceeded last year by \$663.2 million mainly due to fair value gains recognized in 2021, compared to fair value losses in 2020.
- Committed and in-place occupancy for the total portfolio of 96.8% and 96.1% increased by 40 and 50 basis points respectively, when compared to Q3 2021. Committed occupancy for the total portfolio climbed steadily throughout 2021 from strong demand for our prime locations resulting in a 110 basis point year-over-year increase.
- New and renewed leases totalled 4.7 million square feet at a blended leasing spread of 6.3%.
- RioCan LivingTM, the Trust's residential portfolio continued to expand. As of February 9, 2022, this portfolio includes 1,698 completed residential rental units across seven buildings and an additional 1,054 units which are currently under development. Move-ins commenced in Q1 2022 at LatitudeTM, the 209-unit project in Ottawa and StradaTM, the 61-unit project in Toronto.
- A 90% interest in 139 income producing residential rental units was acquired by RioCan on February 8, 2022 in the first phase of a new apartment complex in Montreal, for a purchase price of \$46.8 million at a 4.06% capitalization rate. Upon stabilization, RioCan will also acquire a 90% interest in 297 units in two additional phases currently under construction with a Q3 2023 expected completion date. This is RioCan Living's first acquisition of a multi-unit residential building and contributes to the diversification of RioCan's income stream.
- Interim occupancy at U.C. UptownsTM commenced late in the year with 48 units delivered to buyers. An additional 1,194 condominium and townhouse units are currently under construction and effectively pre-sold. These 1,194 units plus the 48 units in interim occupancy are expected to generate inventory gains of between \$93.5 million and \$98.5 million in aggregate between 2022 and 2025, including \$1.0 million in inventory gains recognized in 2021.

Q4 2021

- FFO per unit of \$0.46 was \$0.07 per unit or 18% higher than the same period last year of which \$0.02 per unit was driven by same property NOI and \$0.01 per unit contributed by NOI from completed development projects. The remaining \$0.04 per unit increase was predominantly due to higher residential inventory gains of \$22.8 million, mainly from selling a 75% interest in the condominium component of RioCan Leaside Centre mixed-use project in Toronto, partially offset by a reduction in NOI from commercial properties sold of \$5.1 million, lower lease cancellation fees of \$4.8 million and net debt repayment costs of \$3.9 million. FFO per unit (excluding net debt prepayment costs and one-time compensation costs) was \$0.48.
- Net income of \$208.8 million was \$143.2 million higher than Q4 2020 mainly due to fair value gains of \$72.3 million in Q4 2021 compared to fair value losses of \$42.3 million in Q4 2020.
- Same Property NOI increased by 4.9% in Q4 2021 when compared to the same period last year, while Same Property NOI excluding the pandemic-related provision was positive at 1.0%.
- As of February 9, 2022, essentially all of RioCan's tenants were open and the Trust has collected 98.6% of its Q4 2021 billed gross rents in cash, representing the highest cash collection rate reported when compared to prior quarters since the start of the pandemic.
- As of February 9, 2022, 94.2% of deferred rents billed to date have been collected in cash. RioCan is confident in the collectability of its deferred rents and remaining rents to be collected post its pandemic-related provision.
- Residential rent collection continues to be solid at 99.1% of its Q4 2021 billed residential rents as of February 9, 2022.

Capital Recycling and Investing ⁽ⁱ⁾

- The Trust's capital recycling program is an effective way to fund value creation initiatives, such as developments, and to strengthen its balance sheet. In 2021, the Trust completed \$848.6 million of dispositions at a weighted average capitalization rate of 3.75%, including \$658.4 million of income producing assets at a weighted average capitalization rate of 4.83% and \$190.2 million of development properties with no in-place income.
- As of February 9, 2022, the Trust has firm or conditional deals that were in-place at or entered into after year end and deals that closed subsequent to year end to sell full or partial interests in a number of properties totaling \$98.0 million.
- During the Q4 2021, RioCan sold a 75% interest in the condominium component of RioCan Leaside Centre mixed-use project to a joint venture partner for total sale proceeds of \$54.4 million including cost reimbursements, representing approximately \$145 per square foot of 0.4 million square feet of future density, and recognized \$25.3 million of inventory

FINANCIAL PERFORMANCE

gains. RioCan owns 100% of the remaining development including approximately 0.6 million square feet of multi-use residential and 0.2 million square feet of commercial space. RioCan Leaside Centre in Toronto will be transformed into a 1.2 million square foot mixed-use community with a light rail transit station situated on the site.

- RioCan's 50% partner, Boardwalk REIT, sold its co-ownership interest in RioCan's Sandalwood Square redevelopment, a discrete parcel on the northwest quadrant of the site located in Mississauga to condominium developer, Marlin Spring, addressing the local demand for housing ownership. The project is comprised of approximately 400,000 square feet of GFA including condominiums in two connected towers. RioCan will remain a 50% owner and co-development manager in the development portion of the site and 100% owner of the adjacent income producing property.
- The Trust currently has approximately 11,100 residential rental and condominium / townhouse units either completed, under construction, or expected to be in different phases of development by 2023. These consist of approximately 4,100 rental units and 7,000 condominium / townhouse units, including the aforementioned 1,242 condominium or townhouse units that are under construction and effectively all pre-sold as of February 9, 2022 or in interim occupancy.
- Furthermore, the 7,000 units include 11 other condominium or townhouse projects consisting of 4,799 units. Four of these 11 projects consist of 1,989 units that are currently being pre-sold in phases. Estimated inventory gains for these four projects range between \$91.5 million and \$98.5 million with estimated completion dates between 2023 and 2027. Of the 1,481 units released, 1,398 units or 94.4% have been pre-sold.
- These projects are expected to be in various stages of development by 2023 and are scheduled to be completed in phases between 2023 and 2027.
- Solid progress continued on The Well, with the construction of the commercial component, which includes office and retail, which is approximately 82% complete, excluding fixturing. Retail leasing has gained momentum and, as of February 9, 2022, 50% of the retail space has firm leases with that number increasing to 62% when including leases in advanced discussions with tenants. Grand opening of the retail component is expected in the spring of 2023. As of February 9, 2022, 90% of the office component of the space is leased and approximately 638,000 square feet was handed over to tenants for fixturing with cash rent to start in the back half of 2022. The purpose-built residential rental building, FourFifty The Well™, is also advancing as planned. This building is expected to be complete in 2023.

Financing

- As at December 31, 2021, the Trust had \$1.0 billion of liquidity in the form of cash and cash equivalents and undrawn lines of credit on a proportionate share basis, or \$1.3 billion after factoring in the \$250.0 million of increased credit limit on its revolving unsecured operating line of credit, which occurred subsequent to year end. RioCan had a large unencumbered asset pool of \$9.4 billion as of the year end on a proportionate share basis, which generated 64.9% of RioCan's Annual Normalized NOI⁽ⁱ⁾ and provided 2.31x coverage over its Unsecured Debt⁽ⁱⁱ⁾.
- During the year ended December 31, 2021, the Trust acquired and cancelled 7,973,045 units at a weighted average purchase price of \$22.32 per unit, for a total cost of \$178.1 million.
- On February 9, 2022, RioCan's Board of Trustees approved an increase to its monthly distributions to Unitholders of 6.25% to \$0.085 cents per unit or \$1.02 per unit per annum commencing with the February 2022 distribution, payable in March 2022.
- The Trust redeemed a total of \$800.0 million of senior unsecured debentures in accordance with their terms at a total redemption price of \$810.5 million. The Trust recorded total prepayment costs of \$10.8 million, which includes the redemption price in excess of the face amount and the write-off of the related unamortized deferred financing costs.
- The Trust also prepaid \$344.5 million of mortgages and unwound associated interest rate swap hedges for a net prepayment cost of \$0.1 million. An additional \$41.0 million mortgage was repaid on the disposition of Kennedy Commons.
- On November 8, 2021, RioCan issued \$450.0 million, 2.829% of Series AE senior unsecured green bond debentures with a seven-year term in support of its objective to extend the weighted average term to maturity of its debt portfolio.
- On December 14, 2021, the Trust entered into \$300.0 million of bond forward contracts maturing on September 15, 2022 and subsequent to year end, entered into an additional \$200.0 million of bond forwards maturing on April 28, 2022. These bond forward contracts are a hedge of the Trust's exposure to movements in underlying risk-free interest rates associated with the anticipated refinancing of the \$300.0 million Series Y debentures maturing on October 3, 2022 and future anticipated financings, respectively.
- The Trust's Total Adjusted Debt to Total Adjusted Assets at RioCan's proportionate share improved to 43.9% as at December 31, 2020 from 45.0% last year mainly due to lower total debt and the Trust's operations and valuations.
- Adjusted Debt to Adjusted EBITDA as at December 31, 2021 was 9.59x at RioCan's proportionate share. The increase from 9.47x from the prior year was primarily due to the net impact of higher average Total Adjusted Debt balances from funding development, partially offset by higher Adjusted EBITDA. This ratio, which is calculated on a rolling 12 month basis, improved by 0.38x since Q3 2021 with improvements in Adjusted EBITDA and is expected to continue to improve as the impact of debt reduction and higher Adjusted EBITDA will be seen over the coming quarters.

(i) Units and square feet are at 100% ownership interest.

(ii) This is a non-GAAP financial measure. Refer to the *Non-GAAP Measures* section in this MD&A for more information on each non-GAAP financial measure.

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, 2021 ("Q4 2021" and "YTD 2021", respectively). This MD&A is dated February 9, 2022 and should be read in conjunction with our annual audited consolidated financial statements and related notes for the year ended December 31, 2021 (2021 Annual Consolidated Financial Statements) and our 2020 Annual Report. 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, Funds From Operations (excluding net debt prepayment costs and one-time compensation costs), Net Operating Income, Same Property Net Operating Income Growth, and Adjusted EBITDA. 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, Property Valuations, Acquisitions and Dispositions, Development Program, Capital Resources and Liquidity* and the *Equity* sections in this MD&A 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; the timing and ability of RioCan to sell certain properties; the valuations to be realized on property sales relative to current IFRS values; 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; credit ratings; interest rate and financing risk; joint ventures and partnerships; 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 uncertainty 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

MANAGEMENT'S DISCUSSION AND ANALYSIS

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; efficacy of the vaccines and any applicable boosters, the nature and length of the restrictive measures implemented or to be implemented, including any loosening or tightening of the restrictive measures, 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 forms of regulation or legislation that may limit the Trust's ability or the extent to which it can raise rents based on market conditions upon lease renewals or restrict existing landlord rights or a landlord's ability to reinforce such 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 2022; relatively historically low interest costs; a continuing trend toward land use intensification at reasonable costs and development yields, including residential development in urban markets; the Trust's ability to redevelop, sell or enter into partnerships with respect to the future incremental density it has identified in its portfolio, 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 of 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 \$13.9 billion as at December 31, 2021. The increase in the Trust's enterprise value since the beginning of the year was primarily due to higher unit price of the Trust and RioCan's operations.

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 207 retail and mixed-use properties with an aggregate net leasable area (NLA) of 36,355,000 square feet, including office, residential rental and 13 properties under development as at December 31, 2021 (at RioCan's interest). As at December 31, 2021, retail accounts for 90.7% of the Trust's annualized contractual gross rent, followed by office at 7.6% and residential at 1.7%. As more RioCan Living residential rental buildings currently under development 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 in the *Property Portfolio Overview* section of this MD&A. As of the year end, the portfolio was comprised of 163 properties which are 100% owned (161 income properties and 2 properties under development) and 44 properties which are co-owned and governed by co-ownership agreements (including 11 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); Killam Apartment REIT (Killam); KingSett Capital (KingSett); Tanger Factory Outlet Centres, Inc. (Tanger); and Woodbourne Canada Partners (Woodbourne).

In addition, the Trust owns partial interests in 14 properties through joint ventures with Hudson's Bay Company (HBC), Marketvest Corporation/Dale-Vest Corporation, Fieldgate Urban (Fieldgate), RC (Leaside) LP-Class B and with a number of investors in RC (Queensway) LP, which are included in our equity-accounted investments in the 2021 Annual Consolidated Financial Statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Strategy

The Trust remains committed to serving prime, high-density, transit-oriented areas where Canadians want to shop, live and work. Its long-term strategy builds on RioCan's competitive advantages including the caliber of its portfolio, the fundamental strength of its tenants and its embedded development pipeline. The Trust's well-positioned portfolio and resilient based of tenants are the cornerstones of its track record of delivering stable and high-quality income while its robust development pipeline offers near-, mid- and long-term growth opportunities. Committed to expand net asset value and increase total Unitholder return, RioCan's strategy is anchored on four pillars designed to enhance the quality, growth profile and resilience of the Trust's portfolio. RioCan executes its strategy with a goal to lead the industry with ESG best practices. The Trust approaches every aspect of its business with a sustainability mindset in support of building and growing for future market expectations, regulatory requirements and technology opportunities and, importantly, for the benefit of the communities it serves.

Reimagine Retail

The pandemic reinforced that physical retail spaces will continue to be critical and relevant by offering in-person experiences that augment and to support the merging of physical and online E-commerce. RioCan has a well-positioned retail portfolio, which provides secure income to Unitholders. To drive exponential growth, the Trust is committed to investing in its properties to enhance the retail offering, to provide a consistent customer experience at each one of our shopping environments and to support the merging of physical and online retail as its tenants continue to expand their customer channels. RioCan will continue to build on its well-established portfolio by investing in select properties to enhance Same Property NOI potential and divesting slower growth assets, including shopping centres. RioCan is continuously curating and evolving its retail tenant base to be more diversified and necessity, value and service-oriented.

Intelligently Diversify

RioCan is focused on diversifying its asset base by primarily growing its residential portfolio. The Trust's dedicated RioCan Living team is executing on a robust pipeline of active development projects and establishing a regular cadence of construction starts and delivery of income-generating properties that are concentrated in Canada's fastest growing markets. The RioCan Living residential program combines great retail experiences with residential and creates a premium residential tenant experience that will in turn drive traffic for retail tenants. In support of expanding RioCan Living's portfolio, the Trust will evaluate and pursue opportunities to acquire selective sites that are suitable for development, to assemble adjacent properties surrounding existing development projects or multi-unit residential operating rental properties. In addition, the Trust's residential inventory 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 is also diversifying through its tenant mix to ensure a solid base of healthy, necessity-based and value-oriented tenants. The Trust will continue to drive growth in its retail core by introducing non-traditional complementary "intra-RioCan" uses, such as medical, educational and fulfillment.

In addition, RioCan is also focused on diversifying its sources of capital and is continuously exploring options to recycle capital including air rights sales and capital partnerships with recognized investors. The Trust established a new condominium fund structure that enables RioCan to generate management fees from non-managing partners for its expertise, as well as a promote and participate in sales profits. This strategic approach provides multiple benefits to RioCan, including diversified risk, efficient capital to fuel its development program, and crystallizing the value of its zoned excess density. RioCan expects to continue to attract and establish long-term relationships with capital partners.

Enhance Customer Centricism

RioCan is committed to deepening its emphasis on customer centricity and enhancing the distinctiveness of RioCan's value proposition to its tenants across retail, residential and office. To better serve tenants and changing consumer habits, RioCan invests in the quality of its assets by placing a focus on technology and driving traffic to its shopping centres, through supporting retailers' E-commerce logistics and offering RioCan Curbside Collect™. The Trust leverages tenant feedback and data to improve the attributes that tenants care most about and to support its commercial leasing, retention and attraction efforts, as well as enhance its leasing spreads and occupancy rates. RioCan also offers a dedicated asset manager to each partnership who regularly engages with each partner and provides relevant support and requisite reporting.

Grow Responsibly

RioCan believes responsible growth requires a culture of excellence that differentiates RioCan, drives results and retains, develops and attracts top talent. The Trust is executing on its cultural roadmap and evaluating and refining its existing processes, policies and initiatives to create a more diverse, united and productive workforce. RioCan is also one of the leaders within the Canadian real estate industry on ESG best practices. It is taking action to continuously improve and monitor its progress and embed ESG into all facets of its business to enhance the organization and assets and to deliver long-term Unitholder value.

RioCan maintains ample liquidity and prudently manages its balance sheet and capital structure. The Trust sets goals to maintain leverage within target ranges and an optimal mix of Unsecured and Secured Debt to provide continued financial flexibility and liquidity, staggers its debt maturities and limits its variable rate debt to reduce interest rate and refinancing risk, builds on established lender relationships and continues to utilize multiple sources of capital. This disciplined approach allows RioCan to maintain the strong liquidity and financial strength needed to drive growth and thrive in the ever-changing marketplace including the current pandemic environment.

MANAGEMENT'S DISCUSSION AND ANALYSIS

BUSINESS ENVIRONMENT AND OUTLOOK

Update on Rent Collection

As of February 9, 2022, the Trust has collected 98.6% of its Q4 2021 billed gross rents in cash, representing the highest cash collection rate reported when compared to prior quarters since the start of the pandemic. For the majority of the quarter, tenants were open and consumers had access to a broad spectrum of goods and services. However, late in the year and into early 2022 with the arrival of the latest variant, certain provincial governments reintroduced capacity restrictions and, in some instances, mandated the closure of certain indoor services including eat-in restaurants, gyms and cinemas. Restrictions began to ease once again in February 2022 as the impact of the latest variant appears to have peaked. Vaccines have proven to be effective at lessening the impact of COVID-19 and governments continue their vaccine roll out efforts to a broad base of the population.

The Canadian government subsidy program, Canada Emergency Rent Subsidy (CERS) which provided rent support to qualifying businesses expired on October 23, 2021. Under the Local Lockdown Program in effect from October 24, 2021 to at least May 7, 2022, two new federal government programs, the Tourism and Hospitality Recovery Program (the "THRP") and the Hardest-Hit Business Recovery Program (the "HHBRP") were introduced. Tenants that are subject to public health restrictions and that experience prescribed reductions in revenue will be eligible for wage and rent subsidies subject to the impact of the pandemic on their businesses on a relative basis. The amount of available subsidies under both programs will be decreased by half effective March 13, 2022. In response to the latest COVID-19 variant, the Federal government introduced temporary changes to the Local Lockdown Program that expand the eligibility requirements and temporarily lower the current month revenue decline threshold effective December 19, 2021 to February 12, 2022. To date, tenants that have benefitted from CERS are moving well into the post lockdown environment and RioCan is not experiencing any extraordinary levels of tenant failures.

The Trust's collections of billed gross rents as of February 9, 2022 is summarized as follows for the latest four quarters impacted by the pandemic:

	Q4 2021	Q3 2021	Q2 2021	Q1 2021
Total cash collected	98.6 %	98.7 %	97.7 %	96.9 %
Deferred rents with definitive payment schedule	— %	0.1 %	0.5 %	0.7 %
Provision for rent abatements and bad debts	1.2 %	1.1 %	1.8 %	2.4 %
Remaining rent to be collected	0.2 %	0.1 %	— %	— %
Total	100.0 %	100.0 %	100.0 %	100.0 %

The vast majority of tenants with deferred rents have been paying based on definitive payment schedules with 94.2% of deferred rents billed to date collected in cash as of February 9, 2022. RioCan is confident in the collectability of its deferred rents and the remaining rents to be collected post its estimated pandemic-related provision. For the three months and year ended December 31, 2021, the Trust accrued a pandemic-related provision of \$2.9 million and \$17.2 million, respectively.

Effective Q4 2021, the Trust has realigned its tenant segmentation into three categories: strong and stable, compelling traffic drivers and transitional tenants. The compelling traffic driver and transitional tenants categories broadly correspond to the previous potentially vulnerable tenant category. This evolution of the tenant segments into these new categories will help RioCan better guide our future decision-making with respect to tenant mix in a post-pandemic work.

Based on annualized net rent as at December 31, 2021, approximately 85.3% of the Trust's tenants are classified as "strong and stable" as reflected by the cash rent collection rate of 99.2% for Q4 2021.

Tenant Composition	% of Annualized Net Rent	Q4 2021 Cash Rent Collection %
Strong and Stable (i)	85.3 %	99.2 %
Compelling Traffic Drivers (ii)	10.6 %	94.5 %
Transitional (iii)	4.1 %	98.0 %
Total	100.0 %	98.6 %

- (i) Strong and Stable is represented by tenants with stable rent-paying ability, strong covenants, and reliable foot traffic. This category is largely comprised of national, necessity-based retail and office tenants, and RioCan Living residential tenants.
- (ii) Compelling Traffic Drivers is represented by tenants that drive meaningful traffic and/or incremental visits to our properties, such as services, experiential tenants, and independent food service providers.
- (iii) Transitional are tenants that are currently fulfilling their rent obligation but can be transitioned out for a strong covenant tenant that drives meaningful traffic.

RioCan strategically tailors its approach to rent collection, working with its tenants on a case-by-case basis, to find sensible solutions to support their businesses while protecting its own rights and financial position. In limited circumstances where abatements were provided in favor of a tenant, RioCan typically receives concessions of value in exchange, such as development rights, lease term extensions or the waiver of exclusivity provisions.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Market Trends

Canadian Retail Environment and E-Commerce

The retail industry over the past two years has undergone an accelerated pace of change. Retailers are building on their learnings such as the importance of human interaction and of bricks and mortar in the retail landscape as meeting and market places. Despite the increase in on-line shopping, the critical nature of the retail outlet in the consumer ecosystem was reinforced as retailers, necessity-based or otherwise, evolved their infrastructure to accommodate a variety of delivery models including curbside pick-up and buy-online-pickup-in-store. The increased in-person visits to necessity-based retailers such as grocery stores and pharmacies also demonstrate that in any circumstances, these outlets prove critical to the communities they serve. Even when mobility is restricted, E-commerce does not fully accommodate 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. As a responsible and forward-thinking commercial landlord, 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 supports 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. Physical store networks are increasingly serving as a form of last mile distribution or as a facilitation centre for many retailers. It has become evident to retailers and consumers alike that a store that has deeply penetrated a well-populated neighbourhood serves as the most efficient and convenient mechanism to put goods into the hands of consumers. The pandemic has simply reinforced this conclusion. RioCan Curbside Collect, a permanent initiative that offers designated areas for customers to access their pre-ordered items, makes it easier for RioCan tenants to coordinate transactions with their customers, mitigate the cost of delivery, and drive consumer traffic and repeat visits.

The attributes attached to the Canadian retail environment will, in RioCan's view, allow retailers to perform well in the future. 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. Very little new retail space is being built making our well-positioned portfolio that much more in demand. In addition, 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 2021, the federal government reached its target welcoming more than 401,000 new permanent residents, the most newcomers in a year in Canadian history. Canada continues to prioritize immigration to help support economic recovery and growth and aims to achieve in excess of 400,000 immigrants for each of 2022 and 2023. Based on past immigration history, most immigrants land in or migrate to the six major markets, especially the GTA.

All of the above factors contribute to a resilient base of strong retail centres as evidenced during the past two years. As vaccination targets were achieved and restrictive measures were progressively lifted, consumer activity fueled a rebound for the retail sector and continued demand for well-positioned retail space. Strong, well-positioned retail assets, such as those owned by RioCan, have proven and will continue to prove resilient throughout the pandemic and certainly, as the pandemic subsides. The attributes that RioCan's portfolio possesses, such as proximity to transit, high demographic profile, with an average population of 203,000 and household income of \$124,000 within five kilometres of RioCan centres, and high visibility did not and will not lose their prominence.

Over its 28-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 forward-looking amenities.

Development Environment and Residential Real Estate Market

The Trust's 21.0 million square feet of zoning entitlements (zoned density and zoning applications submitted), which are primarily located in the GTA, remain a significant competitive advantage for RioCan. 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. To a large extent RioCan's development endeavours have built in mitigations to risk. Condominium and townhouse projects are pre-sold and development risk is shared with reputable, outside investors for as much as an 80% interest for condominium and townhouse projects and a 50% interest for purpose-built rentals. RioCan is not compelled to start a development until costs are locked down as the land is typically income producing. In addition, a tremendous amount of due diligence and market research is performed to ensure the end product suits and appeals to the target markets. Refer to the *Development Program* section of this MD&A for a further discussion on how the Trust prudently manages its development risks.

Prior to the pandemic, with population growth and a limited supply of land available for development, Canada's six major markets experienced a significant boom in housing development and construction. The increasing and persistently high level of

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, mixed-use residential development projects which are typically considered essential projects under the government guidelines, continued to progress. However, social distancing, worker absenteeism and other measures may have resulted in a somewhat slower pace of development progress in general. The net effect of the pandemic on development is difficult to predict, and is dependent on the length, severity and any subsequent resurgence of the pandemic including variants, any ripple effect from supply chain and labour market impacts as well as continued vaccine rollout and efficacy.

RioCan is confident in its mixed-use residential development strategy in major markets and long-term NAV growth potential which will create value for its Unitholders. RioCan has a diverse range of residential offerings, consisting of both rental and home ownership offerings, some of which are urban such as eCentral™ and Pivot™ in Toronto and some of which are suburban such as Windfields Farm in Oshawa, a suburb of Toronto. Over the long-term, RioCan is confident that its high quality residential offering will be in high demand given their locational attributes, and over the course of the pandemic the geographical diversity of its residential offerings has served RioCan well.

Leasing activity at the Trust's residential rental properties increased substantially once in-person tours resumed as people sought out well-located, amenity-rich accommodations with easy access to transit. The pace of condominium and townhouse unit pre-sales among RioCan's developments remained robust, as evidenced by the strong pre-sale levels and up-to-date pre-sale deposits at its three condominium and townhouse projects currently under construction and the robust pre-sales at the condominium component of its new Queen & Ashbridge™ master plan community, all in the GTA. High demand for our residential inventory product continued with the sales launch of RioCan's three most recent condominium projects, the first and second phase of Verge™, the first phase of U.C. Tower 2, Oshawa, ON and U.C. Towns 2, Oshawa, ON. Refer to the *Residential Inventory* section of this MD&A for further details regarding the aforementioned projects.

The Trust believes increasing immigration in accordance with the Canadian government's targets mentioned above will drive the growth of the Canadian economy, residential real estate and the real estate market in general over the medium and long-term. The return of international students, who numbered an estimated 600,000 to 700,000 pre-pandemic and who require housing on the resumption of in-class sessions, will also contribute to the growth. Population growth, together with the relatively low prevailing interest rate environment, 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.

Outlook

Economic momentum at the end of 2021 was robust, supported by consumer spending and exports. While economic activity in the first quarter of 2022 may be subdued as a result of the Omnicron variant, it is largely expected that its impact will dissipate relatively quickly and that economic growth will rebound led by consumer spending, exports and business investment. Rising geopolitical tensions and lingering supply chain disruptions and labour shortages together with an economy that is running at near capacity are pushing up inflation well above the Bank of Canada's (Bank) target of 2%. Notwithstanding these inflationary pressures, at its most recent interest rate announcement the Bank left the benchmark overnight interest rate steady at 0.25%. It is largely expected however that several interest rate hikes in 2022 will be necessary to bring inflation in line with the Bank's 2% inflation target.

In the long-run, real estate benefits from inflation as landlords are able to increase rents as the revenues of their tenants increases. With well-located real estate that is in the fabric of communities, RioCan is able to attract top tenants and expects to benefit from the impact of inflation as these tenants see rising profits. Over time, the impact of inflationary growth in rents is expected to outpace the impact of rising interest rates on our business.

RioCan has also employed a variety of tactics to protect against rising interest rates, namely maintaining a low proportion of floating rate debt, locking in long-term fixed rate debt and extending the weighted average term to maturity of its debt portfolio to better align with the weighted average term to maturity of its leases. RioCan has demonstrated its resilience to the nearer term pressures associated with the pandemic and manages its portfolio and capital structure to focus on long-term growth and deliver on its commitment to optimize Total Unitholder Return, including sustainable distribution increases supported by FFO per unit growth.

With a view to maintaining a consistent FFO Payout Ratio of approximately 55% to 65% over the long-term with retained cash flow used to support future growth, RioCan's Board of Trustees has approved an increase to its monthly distributions to Unitholders of 6.25% to \$0.085 per unit commencing with the February 2022 distribution, payable in March 2022. This increase brings RioCan's annualized distribution to \$1.02 per unit, and with a FFO per unit growth target of 5% to 7% for 2022, the Trust expects to achieve its payout ratio objective.

MANAGEMENT'S DISCUSSION AND ANALYSIS

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) PRIORITIES AND PROGRESS

RioCan is a leader in ESG and embeds ESG in every aspect of its business, including developments, operations, investment activities and corporate functions. Embedding ESG 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. The Trust published its third annual ESG 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 ESG Council is comprised of cross-functional executive and leadership team members that oversee the ESG strategy implementation and drive performance improvements. Council members sponsor and provide guidance on ESG initiatives within the organization and enable performance measurement. In addition, RioCan has a dedicated ESG team, led by the Chief Operating Officer, responsible for reporting ESG goals, plans and performance to the ESG Council and Board of Trustees and ensuring ESG initiatives are resourced and elevated across the Trust. For RioCan's ESG policy and additional information about its strategy and plan, visit RioCan's website.

RioCan launched its ESG program in 2016. Key accomplishments this year include the following:

Environmental

- Maintained the 5 Star rating in the 2021 GRESB Real Estate Assessment. RioCan ranked second amongst 19 North American retail centre listed peers;
- Maintained first rank amongst its Canadian peers in the GRESB Public Disclosure Assessment;
- Received a Regional Sector Leader Status in the mixed-use (other) listed category in the first year of responding to the GRESB Development Assessment;
- Increased the number of properties achieving Building Owners and Managers Association Building Environmental Standards (BOMA BEST) certifications to over 120 across Canada, representing over 60% of GLA (at 100% for commercial);
- Earned the 2021 Green Lease Leader (Silver Level) designation. Presented by the Institute for Market Transformation (IMT) and the U.S. Department of Energy's Better Building Alliance, the Green Lease Leaders silver designation is applied to organizations that exhibit a strong commitment to high performance and sustainability in buildings, and best practice leasing; and
- Won the BOMA Toronto's race2reduce Commercial Real Estate Trailblazers (CREST) Award for Performance Leadership – Waste under the $\geq 500,000$ square foot category. This award recognizes buildings that have the greatest waste diversion rate within the size category.

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;
- Progressed on the Diversity, Equity and Inclusion (DEI) plan. Published the Trust's inaugural DEI policy and framework, launched a DEI scholarship program, conducted DEI employee survey and organized events to acknowledge and raise awareness among employees about issues around diversity, equity and inclusion; and
- Continued to build a culture of excellence by conducting an Employee Engagement Survey, achieving a 96% employee participation rate in 2021 and its highest engagement results in our history.

Governance

- Hired a Talent Development Director to enhance processes and tools to support employee growth and development;
- Achieved an ESG rating upgrade by Morgan Stanley Capital International (MSCI) for the third consecutive year, driven by an improvement in employee management programs and green building certifications;
- Upgraded ESG Corporate rating. RioCan is now classified as "Prime" status by Institutional Shareholder Services (ISS);
- Improved our Sustainability risk score for the second consecutive year; and
- Announced the Trust's commitment for the Task Force on Climate-related Financial Disclosures (TCFD) by signing up to support the TCFD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2021:

(thousands of sq. ft., except where otherwise noted)	NLA at RioCan's Interest				Total Portfolio	
	Retail	Office	Total Commercial	Residential Rental (iii)	NLA	Property Count
Income properties (i)	32,015	2,268	34,283	554	34,837	194
Properties under development (ii)	538	520	1,058	460	1,518	13
Total NLA	32,553	2,788	35,341	1,014	36,355	207

- (i) Includes NLA that was occupied or available for occupancy on or before December 31, 2021. Excludes 11 income producing properties that are owned through joint ventures and reported under equity-accounted investments.
- (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 and excludes 3 development properties that are owned through joint ventures and reported under equity-accounted investments. Includes completed Properties Under Development NLA that have a rent commencement date after December 31, 2021.
- (iii) See the *Property Operations - Residential Rental* section of this MD&A for further details.

The decrease in residential rental NLA compared to December 31, 2020 was primarily due to the sale of a 50% non-managing interest in eCentral and Pivot in Toronto during the first and fourth quarter of 2021.

Property Mix

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

Category	Description
Mixed-Use / Urban	Assets with more than one type of use (retail, office, residential 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: Clarkson Crossing and RioCan Scarborough Centre.
Open Air Centre	Assets with little or no enclosed component and no grocery store anchor. Examples of these properties include: RioCan Warden and RioCan Thicksen Ridge.
Enclosed	Assets with large enclosed shopping and common areas. Examples of these properties include: Burlington Centre TM and Oakville Place TM .

- (i) A shadow anchor is a retail store that is adjacent or in close proximity to an owned property 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.

Effective Q4 2021, properties anchored or shadow anchored by Walmart or Costco were moved from Open Air Centre to Grocery Anchored Centre, as these retailers have significant grocery offerings. Prior year comparatives were adjusted to reflect this change. As at December 31, 2021, RioCan's portfolio of properties consisted of the following:

As at December 31	2021				2020
(thousands of sq. ft., except where otherwise noted)	Number of income producing properties	Income producing properties NLA	% of NLA	% of total annualized contractual gross rent	% of total annualized contractual gross rent
Mixed-Use / Urban (i)	34	5,541	15.9 %	22.1 %	21.4 %
Grocery Anchored Centre	104	20,953	60.1 %	54.1 %	54.3 %
Open Air Centre (ii)	46	5,251	15.1 %	14.5 %	14.8 %
Enclosed	10	3,092	8.9 %	9.3 %	9.5 %
Total Portfolio	194	34,837	100.0 %	100.0 %	100.0 %

- (i) Mixed-Use / Urban includes approximately 0.6 million square feet of residential rental NLA and the corresponding annualized residential rental revenue.
- (ii) Open Air Centres are predominantly anchored by high-quality tenants that have performed well throughout the pandemic. This includes top national retailers such as Home Depot, Lowe's and Canadian Tire as well as pharmacies, bank branches and value retailers.

MANAGEMENT'S DISCUSSION AND ANALYSIS

As at December 31, 2021, 90.7% of RioCan's annualized contractual gross rent is from Grocery Anchored, Mixed-Use / Urban and Open Air Centres while Enclosed centres represent 9.3% of the Trusts total portfolio. The Trust's exposure to Enclosed centres decreased by 0.2% from Q4 2020 to Q4 2021, strengthening the quality of the portfolio. Current quarter cash rent collections for Enclosed centres were approximately 98.0% as of February 9, 2022, up from 96.0% reported in Q3 2021. The improvement in cash collections reflect the quality and community-based nature of its Enclosed centres as they continue to recover from the disproportionate impact of various restrictions under the global pandemic. A number of our Enclosed centres are convenience or community-type centres with anchors that are common in unenclosed spaces. On a fair value basis, Enclosed centres are 5.7% of the fair value of the Trust's total portfolio. Three of these Enclosed centres (Burlington Centre, Oakville Place, and Shoppers World Brampton) represent 49.8% of this fair value and have a redevelopment potential of 4.8 million square feet of density at RioCan's interest.

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

Six Major Markets and GTA Focused

At RioCan's Interest	% of NLA		% of total annualized contractual gross rent	
	2021	2020	2021	2020
As at December 31				
Greater Toronto Area (i)	47.3 %	46.8 %	50.9 %	51.3 %
Ottawa (ii)	13.6 %	13.1 %	13.2 %	12.8 %
Calgary	10.5 %	9.9 %	11.2 %	10.4 %
Montreal	6.6 %	6.6 %	4.1 %	4.1 %
Edmonton	6.4 %	6.1 %	6.9 %	6.7 %
Vancouver (iii)	4.8 %	4.9 %	4.7 %	4.7 %
Total Six Major Markets	89.2 %	87.4 %	91.0 %	90.0 %
Total Secondary Markets	10.8 %	12.6 %	9.0 %	10.0 %
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.

The Trust exceeded its strategic milestones of greater than 90% and 50% of total annualized contractual gross rent from the six major markets and the GTA, respectively. Strategic dispositions accounted for the majority of the changes in Q4 2021 when compared to Q3 2021 including the 40 basis point decrease in the six major markets to 91.0%.

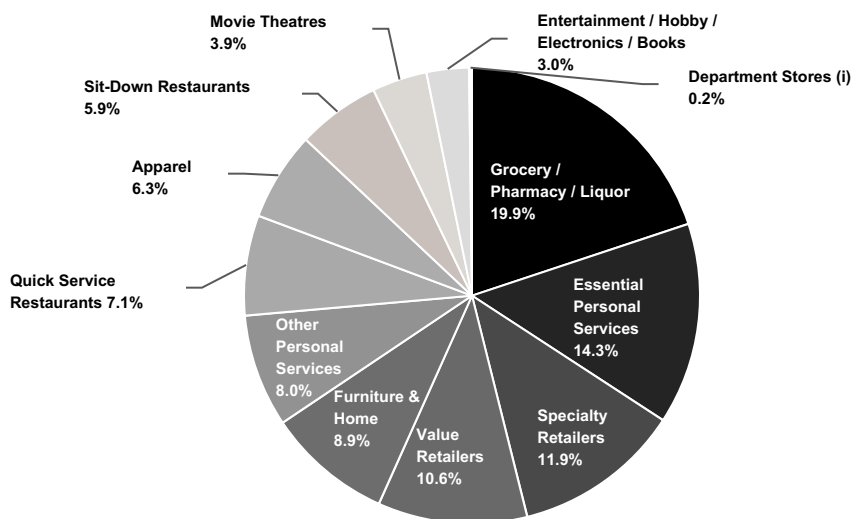
MANAGEMENT'S DISCUSSION AND ANALYSIS

Property Operations - Commercial

Retail Tenant Profile

The Trust has been adapting to the ever-changing landscape and incorporating future trends and growth patterns in its strategy and operations. The Trust has been evolving its tenant mix to better suit community needs, make its tenant mix more synergistic to the evolution of E-commerce, increase traffic to our centers and increase the growth profile of its portfolio. More specifically, the Trust is focused on reducing its tenant mix in department stores, apparel, entertainment and hobby retailers, and increasing its tenant mix in growing and resilient sectors such as grocery, pharmacy, personal services, specialty retailers and value retailers. RioCan will also continue to focus on uses that are experiential in nature and introduce new "intra-RioCan" uses such as medical centres as well as social community and educational services. RioCan believes that these experiential and "intra-RioCan" uses will be relevant and resilient in the long-term as they are less susceptible to disintermediation by E-commerce.

RioCan will continue to evaluate and adapt its tenant mix to the evolving consumer trends, while continuing to increase its necessity-based retail and diversify more into residential and office real estate. Effective Q4 2021, Walmart and Costco were reclassified from Value Retailers and are now included in Grocery/Pharmacy/Liquor. As at December 31, 2021, the Trust's annualized net rental revenue was derived from the following categories:



Retailer Category	% of Rent	Key Brands (ii)
Grocery / Pharmacy / Liquor	19.9%	COSTCO WHOLESALE, Walmart, Loblaws, SHOPPERS DRUG MART, Rexall, LCBO, metro, sobey's
Essential Personal Services	14.3%	BMO, Canada Trust, Scotiabank, Shell, ROGERS, Service Canada
Specialty Retailers	11.9%	SEPHORA, PETS MARY, SPORT CHEK, Michaels, staples, buy buy BABY
Value Retailers	10.6%	WINNERS, Marshalls, DOLLARAMA, DSW
Furniture & Home	8.9%	STRUCTURE, HOMESENSE, BED, BATH & BEYOND, The BACK, LOWE'S
Other Personal Services	8.0%	GoodLife FITNESS, LA FITNESS, First Choice Hair Cutters
Quick Service Restaurants	7.1%	Tim Hortons, HARVEY'S, McDonald's, AEW, Puffin & Juliet, FIVE GUYS, SUBWAY
Apparel	6.3%	Mark's, carter's, OSHKOSH, OLD NAVY, la Vie en Rose
Sit-Down Restaurants	5.9%	SWISS CHALET, Boston Pizza, MONTANA'S, KELSEYS, JACK ASTOR'S
Movie Theatres	3.9%	CINEPLEX, Landmark
Entertainment / Hobby / Electronics / Books	3.0%	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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 at December 31, 2021, RioCan's 30 largest commercial tenants measured by annualized contractual gross rent are as follows:

Rank	Tenant name	Percentage of total annualized contractual gross rent	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)	5.0 %	69	2,041	6.0 %	6.6
2	The TJX Companies, Inc. (iii)	4.6 %	67	1,935	5.6 %	5.4
3	Loblaws/Shoppers Drug Mart (iv)	4.4 %	60	1,592	4.6 %	8.2
4	Cineplex (v)	3.4 %	21	1,157	3.4 %	6.1
5	Walmart	2.5 %	15	1,955	5.7 %	7.0
6	Metro/Jean Coutu (vi)	2.5 %	33	1,267	3.7 %	8.1
7	Dollarama	1.8 %	70	679	2.0 %	7.3
8	Recipe Unlimited(vii)	1.5 %	77	358	1.0 %	5.9
9	Sobeys/Safeway	1.5 %	20	686	2.0 %	8.9
10	Michaels	1.4 %	23	507	1.5 %	5.1
11	GoodLife Fitness	1.4 %	24	529	1.5 %	9.8
12	Staples/Business Depot	1.3 %	27	564	1.6 %	6.2
13	Lowe's	1.3 %	8	1,030	3.0 %	7.9
14	TD Bank	1.2 %	47	239	0.7 %	6.9
15	Bank Of Montreal	1.1 %	32	239	0.7 %	4.4
16	PetSmart	1.1 %	24	373	1.1 %	4.7
17	Chapters/Indigo	0.9 %	15	273	0.8 %	8.2
18	Value Village	0.8 %	12	323	0.9 %	7.7
19	Bed Bath & Beyond	0.8 %	13	301	0.9 %	5.8
20	Best Buy	0.7 %	11	261	0.8 %	2.5
21	LA Fitness	0.7 %	7	296	0.9 %	12.3
22	DSW/The Shoe Company	0.7 %	30	225	0.7 %	5.2
23	Liquor Control Board of Ontario (LCBO)	0.7 %	19	174	0.5 %	9.1
24	Tim Hortons/Burger King/Popeyes	0.7 %	59	140	0.4 %	7.5
25	The Bank Of Nova Scotia	0.6 %	24	119	0.3 %	5.2
26	Old Navy	0.6 %	21	203	0.6 %	4.9
27	Leon's/The Brick	0.5 %	8	190	0.6 %	4.1
28	Canadian Imperial Bank of Commerce	0.5 %	18	104	0.3 %	4.3
29	Rexall Pharma Plus	0.5 %	10	109	0.3 %	7.2
30	MTY Food Group	0.5 %	59	83	0.2 %	6.4
		45.2 %	923	17,952	52.3 %	6.8

(i) Weighted average remaining lease term based on annualized contractual gross rent.

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

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

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

(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 and East Side Mario's among others.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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	
	2021	2020	2021	2020
As at December 31				
Commercial Six Major Markets:				
Greater Toronto Area (i)	97.0 %	96.3 %	96.3 %	95.5 %
Ottawa (ii)	98.8 %	97.6 %	98.6 %	97.3 %
Calgary	97.3 %	95.7 %	94.7 %	93.9 %
Montreal	95.2 %	90.9 %	95.2 %	90.3 %
Edmonton	93.1 %	94.9 %	91.7 %	94.3 %
Vancouver (iii)	99.2 %	99.0 %	99.2 %	98.2 %
Total Commercial Six Major Markets	97.0 %	96.1 %	96.2 %	95.3 %
Total Commercial Secondary Markets	95.2 %	93.6 %	95.2 %	92.0 %
Total Commercial	96.8 %	95.7 %	96.1 %	94.9 %

(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, 2021.

		Retail	Office	Total Commercial
Total Portfolio	Committed Occupancy	97.2%	91.6%	96.8%
	In-Place Occupancy	96.5%	90.5%	96.1%
Six Major Markets	Committed Occupancy	97.4%	90.7%	97.0%
	In-Place Occupancy	96.7%	89.5%	96.2%
Greater Toronto Area	Committed Occupancy	97.8%	91.0%	97.0%
	In-Place Occupancy	97.1%	89.8%	96.3%

Committed occupancy for the total portfolio of 96.8% showed solid improvement increasing by 40 basis points when compared to Q3 2021. Retail committed occupancy in the Greater Toronto Area jumped by 80 bps in Q4 2021 fueling the 50 basis point increase in retail committed occupancy. Committed occupancy climbed steadily throughout 2021 resulting in a 110 basis point year-over-year increase from strong demand for our prime locations.

In-place occupancy for the total portfolio of 96.1% showed solid improvement increasing by 50 basis points when compared to Q3 2021 driven by both retail and office. Office in-place occupancy increased by 120 basis points when compared to Q3 2021, as office tenants took possession of space in Greater Toronto Area office properties.

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		2021	2020
Average net rent per occupied square foot (i)	\$	20.16	\$ 19.80
Retail	\$	20.22	\$ 19.91
Office	\$	19.24	\$ 18.23

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

Average net rent per occupied square foot increased when compared to the prior year mainly due to contractual rents steps, rent increases upon renewal, properties sold during the year that had lower than average net rent per square foot and higher than average rent per square foot on new deals.

MANAGEMENT'S DISCUSSION AND ANALYSIS

New Leasing Activity

<i>(in thousands, except per sqft amounts)</i>	Three months ended December 31		Years ended December 31	
	2021	2020	2021	2020
New Leasing NLA at 100% - IPP & PUD	523	359	1,674	1,209
Average net rent per square foot - IPP & PUD (i)	\$ 25.12	\$ 43.90	\$ 23.33	\$ 32.05
IPP	\$ 18.59	\$ 23.46	\$ 19.96	\$ 23.24
PUD	\$ 52.09	\$ 95.45	\$ 39.50	\$ 48.50
New Leasing Spread IPP - Overall Portfolio	3.8%	5.1%	8.6%	7.9%
New Leasing Spread IPP - Major Markets	5.2%	1.6%	9.8%	8.3%

(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 is excluded in calculating the new leasing spread given that there is no base to compare to for such new developments.

New leasing activity continued to gain momentum with Q4 2021 new leasing NLA exceeding Q3 2021 by approximately 50%. New leasing NLA volume for 2021 returned to pre-pandemic levels. Average net rent per square foot for new leasing for the quarter is approximately \$5 per square foot above our portfolio average net rent per occupied square foot.

Renewal Leasing Activity

<i>(in thousands, except percentage and per sqft amounts)</i>	Three months ended December 31		Years ended December 31	
	2021	2020	2021	2020
Square feet renewed at market rental rates (at 100%)	523	853	2,146	2,421
Square feet renewed at fixed rental rates (at 100%)	162	373	860	1,220
Total square feet renewed (at 100%)	685	1,226	3,006	3,641
Average net rent per square foot (i)	\$ 23.24	\$ 20.23	\$ 21.51	\$ 20.01
Renewal leasing spread in average net rent (ii)	\$ 1.11	\$ 0.70	\$ 1.10	\$ 0.85
Renewal leasing spread percentage - Overall Portfolio (iii)	5.0%	3.6%	5.4%	4.4%
Renewal leasing spread percentage - Major Markets (iii)	4.8%	4.4%	5.6%	5.0%
Retention ratio - Overall Portfolio	81.8%	85.8%	83.8%	86.7%
Retention ratio - Major Markets	79.4%	85.7%	82.8%	86.0%

(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.

The decrease in the Q4 2021 retention ratio when compared to the previous quarter was mainly the result of two large vacating tenants, one of which was not operating in its respective space. Good progress is being made on re-leasing these spaces. In addition to these two tenants, the annual retention ratio reflects the impact of an additional large tenant vacancy of an unoccupied space in Q1 2021 which was subsequently re-leased at significantly higher average rent.

Excluding these three notable tenant vacancies, the retention ratios for the overall portfolio and major markets were 89.1% and 88.8% for the year ended December 31, 2021.

Blended Leasing Spread

	Three months ended December 31		Years ended December 31	
	2021	2020	2021	2020
Blended leasing spread for both new and renewal leasing - Overall Portfolio (i)	4.6%	3.8%	6.3%	5.0%
Blended leasing spread for both new and renewal leasing - Major Markets (i)	4.9%	3.9%	6.8%	5.6%

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

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.

Strong new leasing spreads drove the improvement in the blended leasing spread for 2021.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Retailer Restructuring Filings

The percentage of annualized contractual gross rent from both tenants undergoing restructuring filings and confirmed closures was relatively flat when compared to the prior quarter. We did not experience the same level of closures in 2021 relative to 2020, as closures by weaker tenants were accelerated by the pandemic and occurred mostly in 2020. Confirmed closures represent 0.1% and 0.8% of the total portfolio in 2021 and 2020, respectively, on a total annualized contractual gross rent basis, which is in line with RioCan's pre-pandemic levels. Such vacant space is expected to be re-tenanted in due course to new uses better suited to the evolving economy and consumer trends.

Retailers who file for protection under the *Companies' Creditors Arrangement Act* (CCAA) in Canada or Chapter 11 in the U.S., are allowed to restructure their affairs during a stay period and therefore do not necessarily close their store locations. RioCan is entitled to gross rents during the stay period until a lease is disclaimed or terminated.

Lease Expires

Lease expires for the next five years are as follows:

(in thousands, except per sqft and percentage amounts)

At RioCan's interest	Total IPP NLA	For the years ending				
		2022	2023	2024	2025	2026
Square feet	34,283	2,888	4,403	4,664	3,965	4,261
Square feet expiring/Portfolio NLA		8.4%	12.8%	13.6%	11.6%	12.4%
Average net rent per occupied square foot		\$ 22.02	\$ 20.15	\$ 21.27	\$ 21.12	\$ 20.66

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)

At RioCan's interest	For the years ending				
	2022	2023	2024	2025	2026
Contractual rent increases	\$ 7,711	\$ 7,431	\$ 5,893	\$ 4,387	\$ 3,774

The contractual rent increases noted above are based on existing leases as at December 31, 2021 and are on a year-over-year incremental increase basis. The contractual rent increases are higher in 2022 as they reflect more market rent changes as a result of new leasing and renewals completed in 2021. 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 2021, we expect to generate approximately \$7.2 million of annualized net incremental rent under IFRS basis from tenants that have signed leases but have not taken possession of the space as at December 31, 2021. 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, 2021 is as follows:

(in thousands, except percentage amounts)

At RioCan's Interest	Annualized	Total	Q1 2022	Q2 2022	Q3 2022	Q4 2022+
Square feet:						
NLA commencing (i)		248	170	3	72	3
Cumulative NLA commencing (i)		248	170	173	245	248
% of NLA commencing			68.5%	1.2%	29.1%	1.2%
Cumulative % total			68.5%	69.7%	98.8%	100.0%
Average net incremental IFRS rent:						
Monthly net incremental IFRS rent commencing (ii)		\$ 602	\$ 428	\$ 17	\$ 150	\$ 7
Cumulative monthly net incremental IFRS rent commencing	\$ 7,224	\$ 602	\$ 428	\$ 445	\$ 595	\$ 602
% of net incremental IFRS rent commencing			71.1%	2.8%	24.9%	1.2%
Cumulative % total net incremental IFRS rent commencing			71.1%	73.9%	98.8%	100.0%

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

(ii) Based on monthly IFRS rental revenue.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Property Operations - Residential Rental

RioCan's residential brand, RioCan Living, includes purpose-built residential rental buildings developed or acquired by RioCan. It also encompasses townhouse and condominium developments as further discussed in the *Residential Inventory and Joint Arrangements* sections of this MD&A. Whether for rental or home ownership, RioCan Living's portfolio is located near or on Canada's prominent transit corridors and is overseen internally by a dedicated team of residential experts. The locations, design, amenities, community focus, professional management and access to strong retail offerings are all key strengths of RioCan Living. RioCan believes in the long-term value creation, income diversification and other 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 discussion on the impact of the pandemic on the Trust's business.

The Trust currently has seven completed purpose-built rental RioCan Living buildings and one acquired rental building as of February 9, 2022 as summarized below and 10 purpose-built rental projects either under construction or in different phases of development by 2023.

In Ottawa, the 209-unit Latitude project was substantially completed in Q1 2022 and is currently 27.4% leased as of February 9, 2022. Two other projects in Ottawa include the 168-unit Luma™ project, which has an expected move-in commencement date in Q2 2022 and the 213-unit Rhythm™ project, which has an expected move-in commencement date of Q4 2022. In Toronto, the 61-unit Strada project was substantially completed in Q1 2022 and is currently 27.9% leased as of February 9, 2022.

An additional 139 income producing residential rental units were acquired by RioCan on February 8, 2022 through the acquisition of a 90% interest in the first phase of Market, a new apartment complex in the heart of Laval, Montreal's largest suburban area, for a purchase price of \$46.8 million at a 4.06% capitalization rate. RioCan will also acquire a 90% interest in 297 units in two additional phases under construction upon stabilization at a 4.16% capitalization rate. Market is RioCan Living's first acquisition of an operational multi-unit residential building and contributes to the diversification of RioCan's income stream. While RioCan is focused on organically growing its multi-unit residential holdings through development, it will participate in acquisitions from time-to-time in order to achieve the desired scale.

With an anticipated return to working in the office, resumption in the rate of immigration and the return to in-class post-secondary learning, well-located, amenity-rich accommodations with easy access to transit are in growing demand as evidenced in the notable leasing progress made in the quarter.

RioCan has received approximately 99.1% of the Q4 2021 billed residential rents at eCentral, Frontier™, Brio™, Pivot and Litho.™ as of February 9, 2022.

None of the Trust's residential rental units (other than the rental replacement units, which are rented at prescribed rents) are subject to rent controls. Rent freezes that were instituted by the Ontario provincial government as a result of COVID-19, which fixed rent at 2020 levels for most residential units in the province, expired at the end of 2021.

Residential Rental Buildings in Operation	Number of total units	Occupancy as at December 31, 2021		Leasing as of February 9, 2022	
		Number of occupied units	% of occupied units	Number of leased units	% of leased units
<u>Stabilized</u>					
eCentral (Yonge Eglinton Northeast Corner, Toronto) (i)	466	441	94.6 %	447	95.9 %
Frontier (Ottawa) (ii)	228	217	95.6 %	217	95.6 %
Brio (Brentwood Village, Calgary) (ii)	163	158	97.5 %	152	93.8 %
Market (Montreal) (v)	139	—	— %	135	97.1 %
<u>In lease-up</u>					
Pivot (Yonge Sheppard Centre, Toronto) (iii)	361	279	77.3 %	306	84.8 %
Litho. (Toronto)	210	86	41.0 %	130	61.9 %
Latitude (Ottawa) (iv)	209	—	— %	57	27.4 %
Strada (Toronto) (iv)	61	—	— %	17	27.9 %

(i) As at December 31, 2021, the 441 occupied units included 385 market rent units. As of February 9, 2022, the 447 leased units included 386 market rent units.

(ii) Total units include one guest suite, which is excluded in the occupied and leased percentage calculations for the respective properties.

(iii) As at December 31, 2021, the 279 occupied units included 273 market rent units. As of February 9, 2022, the 306 leased units included 300 market rent units.

(iv) Latitude and Strada, which were substantially complete in Q1 2022, had a number of early move-ins during the quarter.

(v) Market Phase One was acquired on February 8, 2022.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Average Market Rent

The weighted average monthly market rents per occupied square foot for the residential rental portfolio is as follows:

As at December 31		2021		2020
Average monthly market rent per occupied square foot (i)	\$	3.22	\$	3.16
Stabilized properties (ii)	\$	3.02	\$	2.50
Properties in lease-up	\$	3.66	\$	3.56

- (i) Average 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) A property is considered to have reached stabilization the earlier of (i) achieving 95% occupancy or (ii) 24 months after first occupancy.

In the Greater Toronto Area, average monthly market rent per occupied square foot was \$3.61 as at December 31, 2021.

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, 2021, the estimated weighted average age of our income property portfolio is approximately 26 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 does 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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:

(thousands of dollars)	Three months ended December 31		Years ended December 31		Normalized Capital Expenditures (i)	
	2021	2020	2021	2020	2021	2022
Maintenance capital expenditures:						
Tenant improvements and external leasing commissions	\$ 8,803	\$ 7,099	\$ 29,724	\$ 31,486	\$ 27,000	\$ 22,500
Recoverable from tenants	1,576	2,786	14,932	8,007	12,000	22,500
Non-recoverable	3,874	916	8,166	4,684	6,000	5,000
	\$ 14,253	\$ 10,801	\$ 52,822	\$ 44,177	\$ 45,000	\$ 50,000
Revenue enhancing capital expenditures	12,963	2,513	25,134	17,415		
	\$ 27,216	\$ 13,314	\$ 77,956	\$ 61,592		

(i) This is a non-GAAP financial measure. 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, 2021 were \$52.8 million, \$7.8 million higher than the Normalized Capital Expenditures estimate of \$45.0 million. This was primarily related to higher than expected tenant improvements and external leasing commissions and timing of expenditures. For 2022, normalized maintenance capital expenditure guidance is set at \$50.0 million, allocated evenly to each quarter, although quarterly fluctuations between the estimated normalized maintenance capital expenditures and actual expenditures are expected. The Trust will reassess the estimated normalized maintenance capital expenditures 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 2022.

MANAGEMENT'S DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS

Summary of Selected Financial Information

The following table summarizes key selected financial information that are based on or derived from, and should be read in conjunction with the Consolidated Financial Statements of the Trust for the respective years indicated in the table.

(thousands of dollars, except where otherwise noted)

As at or for the years ended December 31

	2021	2020	2019
Revenue	\$ 1,175,061	\$ 1,143,663	\$ 1,326,325
Net income (loss)	598,389	(64,780)	775,834
Net operating income (NOI) (i)	663,311	652,177	691,705
FFO (i)	506,982	507,394	575,845
FFO (excluding net debt prepayment costs and one-time compensation costs) (i)	523,953	507,394	575,845
Operating income	701,665	680,283	748,612
Distributions declared	304,153	457,525	444,462
Weighted average Units outstanding (in thousands)			
Basic	317,201	317,725	307,683
Diluted	317,284	317,725	307,779
Per unit basis			
Net income (loss) - basic	\$ 1.89	\$ (0.20)	\$ 2.52
Net income (loss) - diluted	\$ 1.89	\$ (0.20)	\$ 2.52
FFO - diluted (i)	\$ 1.60	\$ 1.60	\$ 1.87
FFO - diluted (excluding net debt prepayment costs and one-time compensation costs) (i)	\$ 1.65	\$ 1.60	\$ 1.87
Unitholder distributions (iii)	\$ 0.96	\$ 1.44	\$ 1.44
FFO Payout Ratio (i) (ii)	62.6 %	90.2 %	76.9 %
FFO Payout Ratio (excluding net debt prepayment costs and one-time compensation costs) (i) (ii)	60.6 %	90.2 %	76.9 %
ACFO Payout Ratio (i) (ii)	59.7 %	98.9 %	84.3 %
ACFO Payout Ratio (excluding net debt prepayment costs and one-time compensation costs) (i) (ii)	58.3 %	98.9 %	84.3 %
Investment properties	\$ 14,021,338	\$ 14,063,022	\$ 14,359,127
Total assets	15,177,463	15,267,708	15,188,326
Total debt	6,610,618	6,927,883	6,390,818
Total equity	7,911,344	7,734,973	8,305,211
Total Adjusted Debt to Total Adjusted Assets (i)	43.3%	44.5%	41.7%
Total Adjusted Debt to Total Adjusted Assets (RioCan's Proportionate Share) (i)	43.9%	45.0%	42.1%
Interest Coverage (RioCan's Proportionate Share) (i)	3.26	3.10	3.50
Adjusted Debt to Adjusted EBITDA (RioCan's Proportionate Share) (i)	9.59	9.47	8.06
Weighted average contractual interest rate	2.92%	3.13%	3.34%
Net book value per unit (iv)	\$ 25.54	\$ 24.34	\$ 26.14

(i) This is a non-GAAP financial measure. Refer to the *Non-GAAP Measures* section in this MD&A for more information on each non-GAAP financial measure.

(ii) Calculated on a trailing twelve-month basis. For further discussion of the Trust's FFO and ACFO Payout Ratios, refer to the *FFO* and *ACFO* sections in this MD&A.

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

(iv) 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.

The Trust's year-over-year changes in revenues, FFO, operating income and net income, as well as other key financial metrics were primarily impacted by its strategic secondary market disposition program which commenced in 2017 and extended into 2019, the timing and magnitude of its residential condominium and townhouse projects closings, the magnitude and pace of development expenditures and project completions, 2021 property dispositions and the global pandemic and its effects on RioCan's tenants and operations during 2020 and 2021. Net income, investment properties, total assets and total equity 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Rental Revenue

The rental revenue for the three months and years ended December 31, 2021 and 2020 is as follows:

<i>(thousands of dollars)</i>	Three months ended December 31		Years ended December 31	
	2021	2020	2021	2020
Base rent	\$ 170,034	\$ 173,160	\$ 681,333	\$ 697,006
Realty tax and insurance recoveries	50,027	53,384	203,384	217,957
Common area maintenance recoveries	42,091	40,196	159,980	155,879
Percentage rent	2,562	2,774	6,579	4,874
Straight-line rent	1,050	1,458	6,928	7,177
Lease cancellation fees	394	5,199	6,457	6,284
Parking revenue	741	251	1,901	1,555
Rental revenue	\$ 266,899	\$ 276,422	\$ 1,066,562	\$ 1,090,732

2021

The \$24.2 million decrease in rental revenue for the year ended December 31, 2021 compared to the same period in 2020 was primarily due to asset dispositions, and the pandemic's effect on operations such as occupancy. Net savings on recoverable costs and the corresponding lower net recoveries were partially offset by higher percentage rent.

Q4 2021

The \$9.5 million decrease in rental revenue for the quarter compared to the same period in 2020 was mainly due to lower base rent primarily from asset dispositions, lower lease cancellation fees, and net savings on recoverable costs and the corresponding lower net recoveries.

Net Operating Income (NOI)

NOI is a non-GAAP financial measure representing rental revenue from income properties less property operating costs, and is a subset of IFRS operating income. Refer to the *Non-GAAP Measures* section of this MD&A for more information.

The NOI for the three months and years ended December 31, 2021 and 2020 is as follows:

<i>(thousands of dollars, except where otherwise noted)</i>	Three months ended December 31		Years ended December 31	
	2021	2020	2021	2020
Operating income	\$ 194,788	\$ 173,594	\$ 701,665	\$ 680,283
NOI (i)	\$ 165,798	\$ 167,040	\$ 663,311	\$ 652,177
NOI Margin (i)	61.7%	59.4%	61.6%	59.3%
NOI Margin (excluding pandemic-related provisions) (i)	62.8%	62.7%	63.2%	63.2%

(i) This is a non-GAAP financial measure. Refer to the *Non-GAAP Measures* section in this MD&A for more information on each non-GAAP financial measure.

The NOI Margin was higher for the three months and year ended December 31, 2021 over the comparable periods primarily due to a decrease of \$6.1 million and \$25.3 million, respectively, in pandemic-related provisions for rent abatements and bad debts.

The NOI Margin (excluding pandemic-related provisions) is 62.8% and 62.7% for the three months ended December 31, 2021 and 2020, respectively and 63.2% for both the years ended December 31, 2021 and 2020, respectively.

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

<i>(thousands of dollars)</i>	Three months ended December 31		Years ended December 31	
	2021	2020	2021	2020
NOI				
Commercial	\$ 163,934	\$ 165,070	\$ 659,253	\$ 643,934
Residential (i)	1,864	1,970	4,058	8,243
Total NOI	\$ 165,798	\$ 167,040	\$ 663,311	\$ 652,177

(i) Includes the impact of the sale of 50% non-managing interests in each of eCentral and Pivot, which occurred on January 7, 2021 and October 13, 2021, respectively.

MANAGEMENT'S DISCUSSION AND ANALYSIS

2021

NOI for the year ended December 31, 2021 increased \$11.1 million or 1.7% compared to the same period in 2020. The increase was the net effect of a \$15.3 million increase in commercial NOI and a \$4.2 million decrease in residential NOI primarily due to the sale of a 50% non-managing interest in eCentral in Q1 2021 and losses during lease-up as recently completed buildings come on-line.

The increase in commercial NOI was largely due to:

- \$25.3 million lower pandemic-related provision for rent abatements and bad debts; partially offset by,
- \$9.9 million lower NOI mainly due to asset dispositions and the effect of the pandemic on property operations such as occupancy, net of \$5.7 million higher NOI from completed developments, and acquisitions.

Q4 2021

The \$1.2 million or 0.7% decrease in NOI for the quarter compared to the same period in 2020 was the net effect of a \$1.1 million decrease in commercial NOI and a \$0.1 million decrease in residential NOI primarily from the sale of a 50% non-managing interest in eCentral in Q1 2021 partially offset by higher NOI at Pivot.

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

- \$4.8 million lower lease cancellation fees;
- \$5.1 million lower NOI due to asset dispositions;
- \$0.4 million lower straight-line rent; partially offset by,
- \$6.1 million lower pandemic-related provision for rent abatements and bad debts; and
- \$2.2 million higher NOI from completed developments.

Same Property NOI

Same Property NOI for the three months and years ended December 31, 2021 and 2020 is as follows:

<i>(thousands of dollars)</i>	Three months ended December 31			Years ended December 31		
	2021	2020	% change	2021	2020	% change
Same Property NOI (i)	\$ 156,439	\$ 149,120	4.9 %	\$ 612,463	\$ 592,196	3.4 %
Same Property NOI including completed PUD (i)	\$ 160,194	\$ 150,711	6.3 %	\$ 622,388	\$ 596,394	4.4 %
Same Property NOI excluding the pandemic-related provision (i)	\$ 159,401	\$ 157,783	1.0 %	\$ 629,319	\$ 632,911	(0.6)%

(i) This is a non-GAAP financial measure. Refer to the *Non-GAAP Measures* section in this MD&A for more information on each non-GAAP financial measure.

2021

Same Property NOI for the year ended December 31, 2021 increased by 3.4% or \$20.3 million compared to the same period in 2020, primarily due to lower provisions for pandemic-related rent abatements and bad debts in 2021. Including completed properties under development, primarily East Hills in Calgary and RioCan Windfields in Oshawa, Same Property NOI increased by 4.4% for the Trust's commercial portfolio.

Same Property NOI excluding the pandemic-related provision decreased by 0.6%.

Q4 2021

Same Property NOI for the quarter increased by 4.9% or \$7.3 million compared to the same period in 2020, primarily due to lower provisions for pandemic-related rent abatements and bad debts in 2021. Including completed properties under development, primarily 5th & THIRDTM and East Hills in Calgary and RioCan Windfields in Oshawa, Same Property NOI increased by 6.3% for the Trust's commercial portfolio.

Same Property NOI excluding the pandemic-related provision increased by 1.0%.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Operating Income

The IFRS operating income for the three months and years ended December 31, 2021 and 2020 is as follows:

<i>(thousands of dollars)</i>	Three months ended December 31		Years ended December 31	
	2021	2020	2021	2020
Revenue				
Rental revenue	\$ 266,899	\$ 276,422	\$ 1,066,562	\$ 1,090,732
Residential inventory sales	65,620	4,712	93,727	36,347
Property management and other service fees	3,920	4,050	14,772	16,584
	\$ 336,439	\$ 285,184	\$ 1,175,061	\$ 1,143,663
Operating costs				
Rental operating costs				
Recoverable under tenant leases	\$ 93,346	\$ 95,452	\$ 367,297	\$ 377,787
Non-recoverable costs	9,019	14,995	40,753	64,751
Residential inventory cost of sales	39,286	1,143	65,346	20,842
	141,651	111,590	473,396	463,380
Operating income	\$ 194,788	\$ 173,594	\$ 701,665	\$ 680,283
Breakdown of operating income:				
Commercial	\$ 166,590	\$ 168,055	\$ 669,226	\$ 656,535
Residential	28,198	5,539	32,439	23,748
Operating income	\$ 194,788	\$ 173,594	\$ 701,665	\$ 680,283

2021

The \$21.4 million or 3.1% increase in operating income for the year ended December 31, 2021 when compared to the same period in 2020 consisted of a \$12.7 million increase in commercial operating income and a \$8.7 million increase in residential operating income.

The increase of \$12.7 million in commercial operating income was largely the net effect of the following:

- \$15.3 million increase in NOI primarily from a \$25.3 million lower pandemic-related provision for rent abatements and bad debts, and higher NOI from developments and acquisitions, net of asset dispositions; partially offset by,
- \$1.8 million lower property management and other service fee revenue.

The increase of \$8.7 million in residential operating income was the net effect of the following:

- \$12.9 million higher inventory gains primarily due to the gain from the sale of a 75% interest in the condominium component of RioCan Leaside Centre mixed-use project in Toronto, the sale of an 80% interest in Queensway Residential Lands in Toronto, partially offset by the 2020 gain from the sale of a 50% interest in Dufferin Plaza and the timing of condominium sales; and
- \$4.2 million decrease in NOI primarily from the sale of a 50% non-managing interest in eCentral in Q1 2021 and losses during lease-up as recently completed buildings come on-line.

Q4 2021

The \$21.2 million or 12.2% increase in operating income for the quarter compared to the same period in 2020 consisted of a \$1.5 million decrease in commercial operating income and a \$22.7 million increase in residential operating income.

The decrease of \$1.5 million in commercial operating income was largely the net effect of the following:

- \$1.1 million decrease in NOI primarily due to lower NOI from asset dispositions net of higher NOI from completed developments, lower lease cancellation fees, and lower straight-line rent, partially offset by \$6.1 million lower pandemic-related provision for rent abatements and bad debts; and
- \$0.1 million lower property management and other service fee revenue.

The increase of \$22.7 million in residential operating income was the net effect of the following:

- \$22.8 million higher inventory gains primarily due to the gain from the sale of a 75% interest in the condominium component of RioCan Leaside Centre mixed-use project in Toronto, partially offset by the gain from the sale of 50% interest in 2939-2943 Bloor Street West in Q4 2020 and the timing of condominium sales; and
- \$0.1 million decrease in NOI primarily from the sale of a 50% non-managing interest in eCentral in Q1 2021 partially offset by higher NOI at Pivot.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Other Income (Loss)

<i>(thousands of dollars)</i>	Three months ended December 31		Years ended December 31	
	2021	2020	2021	2020
Interest income	\$ 3,842	\$ 3,500	\$ 13,666	\$ 14,602
Income from equity-accounted investments	6,503	421	19,189	3,985
Fair value gains (losses) on investment properties, net	72,255	(42,286)	124,052	(526,775)
Investment and other income (loss)	(696)	967	2,743	8,216
Other income (loss)	\$ 81,904	\$ (37,398)	\$ 159,650	\$ (499,972)

2021

Interest income decreased by \$0.9 million when compared to the same period in 2020 mainly due to \$0.6 million lower interest income from lower average mortgages and loans receivable and lower effective interest rates and a \$0.5 million decrease in condominium interim occupancy fees related to interest.

RioCan's share of FFO from equity-accounted investments was \$22.0 million, \$7.5 million higher than the comparative period in 2020, primarily due to an increase in RioCan's ownership in the RioCan-HBC joint venture, and higher gains from other equity-accounted investments. RioCan's share of FFO from equity-accounted investments is a non-GAAP financial measure, refer to the *Non-GAAP Measures* section of this MD&A for more information. 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 gains of \$124.1 million on investment properties compared to fair value losses of \$526.8 million in the same period last year. The fair value losses recorded in 2020 reflect the estimated effects of the pandemic on property cash flows and capitalization rates. A portion of the fair value gains in 2021 is attributable to the reversal of a portion of the negative impact associated with the pandemic that was recorded in 2020. In addition, property values for necessity-based and grocery anchored shopping centres have shown strength based on the resilience of the asset type. Refer to the *Property Valuations* section of this MD&A for further details.

Investment and other income decreased by \$5.5 million over the same period in 2020. However, this was the net result of the following, of which changes in unrealized fair value on marketable securities do not impact FFO:

- \$11.1 million in lower realized gains on the sale of marketable securities and dividend income;
- \$4.6 million in lower other income mainly due to an investment in e2 (a development adjacent to ePlace) in Q1 2020, a fee earned in the prior year on the termination of a property forward agreement net of higher favourable post-close working capital and other transaction adjustments in 2021; partially offset by,
- \$10.2 million increase in the change in unrealized fair value on marketable securities in 2020.

Q4 2021

Interest income increased by \$0.3 million over the same period in 2020, mainly due to \$0.3 million higher interest income primarily from higher average 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 the three months ended December 31, 2021, RioCan's share of FFO from equity-accounted investments was \$5.5 million, \$2.0 million higher than the comparative period in 2020, primarily due to an increase in RioCan's ownership in the RioCan-HBC joint venture and higher gains from other equity-accounted investments. 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 gains of \$72.3 million on investment properties including assets held for sale for the quarter, compared to fair value losses of \$42.3 million in Q4 2020. Refer to the *Property Valuations* section of this MD&A for further details.

Investment and other income decreased by \$1.7 million over the comparable period in 2020 primarily due to an unfavourable post-close transaction adjustment in Q4 2021 and a settlement gain in Q4 2020.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Other Expenses

Interest Costs

<i>(thousands of dollars, except where otherwise noted)</i>	Three months ended December 31		Years ended December 31	
	2021	2020	2021	2020
Total interest	\$ 52,424	\$ 56,070	\$ 211,808	\$ 222,593
Interest costs capitalized (i)	(10,021)	(11,229)	(40,287)	(41,782)
Interest costs, net	\$ 42,403	\$ 44,841	\$ 171,521	\$ 180,811
Capitalized interest as percentage of total interest	19.1%	20.0%	19.0%	18.8%

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

Total interest costs decreased by \$3.6 million and \$10.8 million for the three months and year ended December 31, 2021, respectively, when compared to the same periods in 2020. Lower average costs of debt and lower average debt balances drove the decline in interest costs in Q4 2021. For the year, the decline was due to lower average cost of debt partially offset by higher average debt balances. As at December 31, 2021, the weighted average effective interest rate of our total debt is 3.00% (December 31, 2020 - 3.21%).

Interest capitalized to development properties decreased by \$1.2 million and \$1.5 million for the quarter and year, respectively, when compared to the same periods in 2020. The decrease in the quarter was due to the combined effect of lower interest rates and lower average debt allocated to development properties. This decrease for the year was primarily due to the net effect of lower interest rates and partially offset by continuing progress on existing and new active developments contributing to higher average debt allocated to development properties. Interest was capitalized to properties under development and residential inventory at a weighted average effective interest rate of 3.05% and 3.08% for the three months and year ended December 31, 2021, respectively (three months and year ended December 31, 2020 – 3.23% and 3.32%).

As a result of the changes in total interest costs and interest costs capitalized, net interest costs decreased by \$2.4 million and \$9.3 million, respectively, for the three months and year ended December 31, 2021, when compared to the same periods in 2020.

General and Administrative (G&A)

<i>(thousands of dollars, except where otherwise noted)</i>	Three months ended December 31		Years ended December 31	
	2021	2020	2021	2020
Non-recoverable salaries and benefits	\$ 10,525	\$ 9,849	\$ 43,769	\$ 37,046
Capitalized to development and residential inventory (i)	(2,619)	(2,312)	(10,158)	(9,440)
Internal leasing salaries and benefits	(2,439)	(2,205)	(9,788)	(7,895)
Non-recoverable salaries and benefits, net	5,467	5,332	23,823	19,711
Unit-based compensation expense	1,506	2,136	10,580	7,271
Depreciation and amortization	1,002	1,059	4,022	4,342
Other general and administrative expense (ii)	3,949	4,414	12,975	9,200
Total general and administrative expense	\$ 11,924	\$ 12,941	\$ 51,400	\$ 40,524
Total general and administrative expense as a percentage of rental revenue	4.5%	4.7%	4.8%	3.7%

(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.

The REIT participated in the Canadian federal government Canada Emergency Wage Subsidy (CEWS) program. First introduced in 2020 in response to COVID-19, CEWS subsidized up to 75% of eligible employee wages. The CEWS program ended on October 23, 2021 and was replaced with two new programs, the Tourism and Hospitality Recovery Program and the Hardest-Hit Business Recovery Program which offer wage and rent support, and which became effective on October 24, 2021.

Approximately 67% of the CEWS wage subsidy was passed back to the tenants through lower recoverable operating costs. The remaining 33% 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 diminished as cash revenues of the Trust improved and was nil and \$0.3 million, respectively, in net general and administrative expenses savings for the three months and year ended December 31, 2021 (three months and year ended December 31, 2020 - \$0.2 million and \$1.0 million).

MANAGEMENT'S DISCUSSION AND ANALYSIS

2021

For the year ended December 31, 2021, G&A expenses increased \$10.9 million over the comparable period in 2020 primarily due to:

- \$7.4 million increase in compensation costs including the accelerated expensing of certain unit-based compensation in Q1 and Q2 2021, of which \$6.1 million one-time compensation costs are not expected to recur in future quarters and the impact of the lower bonus accruals in the prior year; and
- \$3.8 million increase in other general and administrative expenses mainly as a result of a mark-to-market adjustment for cash-settled unit-based trustee costs in the prior year period.

Q4 2021

For the three months ended December 31, 2021, G&A expenses decreased \$1.0 million over the comparable period in 2020 primarily due to the net effect of the following:

- \$0.5 million decrease in compensation costs mainly due to lower unit-based compensation expense, partially offset by lower bonus accruals in the prior year same quarter; and
- \$0.5 million decrease in other general and administrative expenses mainly as a result of a \$1.3 million mark-to-market adjustment for cash-settled unit-based trustee costs in the prior year same quarter and \$0.8 million from the net increase of other expenses.

Internal Leasing Costs

Internal leasing costs are comprised of the payroll costs of our internal leasing department and related administration costs. For the three months and year ended December 31, 2021, internal leasing costs increased by \$0.1 million and \$1.6 million, respectively, compared to the same periods in 2020. The increases included the impact of a lower benefit from the CEWS program and the lower bonus accruals in 2020 as discussed in the *General and Administrative* section of this MD&A.

Transaction and Other Costs

Transaction and other costs increased by \$5.3 million and \$14.4 million for the three months and year ended December 31, 2021, respectively, compared to the same periods in 2020. The increases in both respective periods are primarily due to higher volume of dispositions in 2021.

During the three months and year ended December 31, 2021, the Trust incurred \$0.2 million and \$1.9 million of marketing costs (three months and year ended December 31, 2020 - \$0.4 million and \$1.1 million, respectively). Marketing costs include costs related to condominium and townhouse projects which are expensed as incurred before condominium sales revenues are recognized into income.

Debt Prepayment Costs

On January 15, 2021, RioCan redeemed the Series R unsecured debentures due December 13, 2021. The Trust recorded a prepayment cost of \$7.0 million, which includes a write-off of the Series R unamortized deferred financing costs.

On November 30, 2021, RioCan redeemed the Series V unsecured debentures due May 30, 2022. The Trust recorded a prepayment cost of \$3.8 million, which includes a write-off of the Series V unamortized deferred financing costs.

During the three months and year ended December 31, 2021, RioCan also prepaid \$344.5 million of mortgages and unwound the associated interest rate swap hedges for a net prepayment cost of \$0.1 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Net Income (Loss) Attributable to Unitholders

<i>(thousands of dollars, except per unit amounts)</i>	Three months ended December 31		Years ended December 31	
	2021	2020	2021	2020
Net income (loss) attributable to Unitholders	\$ 208,776	\$ 65,609	\$ 598,389	\$ (64,780)
Net income (loss) attributable to Unitholders (basic)	\$ 0.66	\$ 0.21	\$ 1.89	\$ (0.20)
Net income (loss) attributable to Unitholders (diluted)	\$ 0.66	\$ 0.21	\$ 1.89	\$ (0.20)

2021

Excluding \$650.8 million in 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 ended December 31, 2021 increased \$12.3 million or 2.7%. This increase was largely the net effect of the following:

- \$21.4 million increase in operating income primarily due to \$11.1 million higher NOI mainly from \$25.3 million lower pandemic-related provision for rent abatements and bad debts reduced by the effect of asset dispositions, and \$12.9 million higher inventory gains, net of \$1.8 million lower property management and other service fee revenue;
- \$10.7 million decrease in current and deferred income taxes; and
- \$8.8 million increase in other income (loss), primarily due to \$15.2 million higher income from equity-accounted investments net of \$5.5 million lower investment and other income primarily due to an investment in e2 (a development adjacent to ePlace) in Q1 2020 and a fee earned in the prior year on the termination of a property forward purchase agreement, net of higher favourable post-close working capital and other transaction adjustments in 2021; partially offset by,
- \$10.9 million increase in general and administration costs mainly due to increased compensation costs and favourable market-to-market adjustments in the prior year;
- \$10.9 million in prepayment costs on the early redemption of the Series R and Series V debentures and certain mortgages net of related swap settlement gains; and
- \$6.7 million higher other expenses, primarily from higher transaction and other costs and internal leasing costs, net of lower interest costs.

Q4 2021

Excluding \$114.5 million in 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 quarter increased \$28.6 million or 26.5%. This increase was largely the net effect of the following:

- \$21.2 million increase in operating income primarily due to \$22.8 million higher inventory gains mainly from the sale of a 75% interest in the condominium component of RioCan Leaside Centre mixed-use project in Toronto, net of \$1.2 million lower NOI primarily from asset dispositions and lower lease cancellation fees reduced by \$6.1 million lower pandemic-related provision for rent abatements and bad debts;
- \$8.5 million decrease in current and deferred income taxes;
- \$4.8 million increase in other income (loss), primarily due to \$6.1 million in higher income from equity-accounted investments net of \$1.7 million lower investment and other income primarily due to unfavourable post-close transaction adjustments in the current quarter and a settlement gain in Q4 2020; partially offset by,
- \$3.9 million in prepayment costs on the early redemption of the Series V debentures and certain mortgages net of related swap settlement gains; and
- \$1.9 million higher other expenses, primarily from higher transaction and other costs, internal leasing costs, net of lower G&A costs and interest costs.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Funds From Operations (FFO)

RioCan's method of calculating FFO is in compliance with the REALPAC whitepaper issued in February 2019 except that RioCan excludes unrealized fair value gains or losses on marketable securities in its calculation of FFO and continues to include realized gains or losses on marketable securities in FFO. Refer to the *Non-GAAP Measures* section of this MD&A for more information.

<i>(thousands of dollars, except where otherwise noted)</i>	Three months ended December 31		Years ended December 31	
	2021	2020	2021	2020
FFO	\$ 146,521	\$ 124,104	\$ 506,982	\$ 507,394
FFO (excluding net debt prepayment costs and one-time compensation costs)	\$ 150,417	\$ 124,104	\$ 523,953	\$ 507,394
FFO per unit - basic	\$ 0.46	\$ 0.39	\$ 1.60	\$ 1.60
FFO per unit - diluted	\$ 0.46	\$ 0.39	\$ 1.60	\$ 1.60
FFO per unit (excluding net debt prepayment costs and one-time compensation costs) - diluted	\$ 0.48	\$ 0.39	\$ 1.65	\$ 1.60
Weighted average number of Units - basic (in thousands)	315,534	317,739	317,201	317,725
Weighted average number of Units - diluted (in thousands)	315,733	317,739	317,284	317,725
FFO Payout Ratio (i)			62.6%	90.2%
FFO Payout Ratio (excluding net debt prepayment costs and one-time compensation costs) (i)			60.6%	90.2%

(i) 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

2021

FFO for the year ended December 31, 2021 decreased by \$0.4 million or 0.1% from the same period in 2020. FFO (excluding net debt prepayment costs and one-time compensation costs), which excludes the \$10.9 million net debt prepayment costs and \$6.1 million in one-time compensation costs, increased by \$16.6 million or by \$0.05 per unit or 3.1% on a diluted per unit basis over the comparable period.

The \$16.6 million increase was primarily the net effect of the following:

- \$25.3 million lower pandemic-related provision for rent abatements and bad debts;
- \$12.9 million higher residential inventory gains primarily from the gain from the sale of a 75% interest in the condominium component of RioCan Leaside Centre mixed-use project in Toronto, the sale of an 80% interest in Queensway Residential Lands in Toronto, partially offset by the 2020 gain from the sale of a 50% interest in Dufferin Plaza and the timing of condominium sales;
- \$9.3 million lower net interest costs primarily due to lower average cost of debt, which is more than offset by the impact of higher average debt balances;
- \$7.5 million higher FFO from equity-accounted investments primarily due to an increase in RioCan's ownership in the RioCan-HBC joint venture, and higher gains from other equity-accounted investments; partially offset by,
- \$11.1 million lower realized gains on the sale of marketable securities and dividend income;
- \$9.9 million lower commercial NOI mainly due to asset dispositions and the effect of the pandemic on property operations such as occupancy, net of \$5.7 million higher NOI from completed developments, and acquisitions;
- \$4.8 million higher general and administration expenses from a mark-to-market adjustment for cash-settled unit-based trustee costs in the prior year;
- \$4.7 million in lower other income primarily due to income in Q1 2020 from an investment in e2 (a development adjacent to ePlace) and a fee earned in the prior year on the termination of a property forward purchase agreement, net of higher favourable post-close working capital and other adjustments in 2021;
- \$4.2 million decrease in residential NOI primarily from the sale of a 50% non-managing interest in eCentral in Q1 2021 and losses during lease-up as recently completed buildings come on-line;
- \$1.8 million lower property management and other service fee revenue; and
- \$0.9 million lower interest income impact primarily from lower average mortgages and loans receivable and lower effective interest rates and lower condominium interim occupancy fees attributable to interest.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Q4 2021

FFO increased by \$22.4 million or 18.1% during the quarter when compared to the same period in 2020. FFO (excluding net debt prepayment costs and one-time compensation costs), which excludes the \$3.9 million net debt prepayment costs, increased by \$26.3 million or by \$0.09 per unit or 23.08% on a diluted per unit basis over the comparable period.

This \$26.3 million increase was primarily due to the net effect of the following:

- \$22.8 million higher residential inventory gains primarily from the sale of a 75% interest in the condominium component of RioCan Leaside Centre mixed-use project in Toronto, net of the gain from the sale of 50% interest in 2939-2943 Bloor Street West in Q4 2020 and the timing of condominium sales;
- \$6.1 million lower pandemic-related provision for rent abatements and bad debts;
- \$2.4 million lower net interest costs primarily due to lower average cost of debt and lower average debt balances;
- \$2.2 million higher NOI from completed developments;
- \$2.0 million higher FFO from equity-accounted investments primarily due to an increase in RioCan's ownership in the RioCan-HBC joint venture and higher gains from other equity-accounted investments; and
- \$1.0 million decrease in general and administration costs mainly due to lower compensation expense and mark-to-market adjustments for cash-settled unit-based trustee costs in 2020, net of increases in other expenses; partially offset by,
- \$5.1 million lower NOI due to asset dispositions;
- \$4.8 million lower lease cancellation fees; and
- \$0.9 million lower other income primarily from a settlement gain in Q4 2020.

FFO Payout Ratio

The FFO Payout Ratio was 62.6% for the twelve-month period ended December 31, 2021. The FFO Payout Ratio (excluding net debt prepayment costs and one-time compensation costs) was 60.6%, compared to 90.2% in 2020. The decline in each of the payout ratios relative to last year is mainly due to the one-third reduction in distributions effective January 2021 despite the benefit from Q1 2020 pre-pandemic FFO.

Adjusted Cashflow From Operations (ACFO)

ACFO is a non-GAAP financial measure. Refer to the *Non-GAAP Measures* section of this MD&A for more information. RioCan's method of calculating ACFO is in accordance with the REALPAC whitepaper issued in February 2019.

The following table presents cash provided by operating activities and ACFO:

<i>(thousands of dollars)</i>	Three months ended December 31		Years ended December 31	
	2021	2020	2021	2020
Cash provided by operating activities	\$ 169,537	\$ 182,472	\$ 490,397	\$ 552,584
ACFO	\$ 162,337	\$ 129,092	\$ 531,455	\$ 462,777
ACFO (excluding net debt prepayment costs and one-time compensation costs)	\$ 166,233	\$ 129,092	\$ 544,301	\$ 462,777
ACFO Payout Ratio (i)			59.7%	98.9%
ACFO Payout Ratio (excluding net debt prepayment costs and one-time compensation costs) (i)			58.3%	98.9%

(i) Calculated on a twelve-month trailing basis. Refer to the *Non-GAAP Measures* section of this MD&A for more information.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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:

<i>(thousands of dollars)</i>	Three months ended December 31		Years ended December 31	
	2021	2020	2021	2020
Working capital changes related to:				
Residential inventory	\$ 11,543	\$ (6,549)	\$ 11,071	\$ (68,205)
Interest costs, net of interest income	(2,315)	(3,862)	3,995	(10,613)
Realty taxes and insurance	(30,167)	(39,103)	(6,720)	(5,769)
Transaction related costs (i)	4,471	1,017	(1,987)	4,606
Other (ii)	86	1,726	(2,630)	3,513
Adjustments to working capital changes for ACFO	\$ (16,382)	\$ (46,771)	\$ 3,729	\$ (76,468)

(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:

<i>(thousands of dollars)</i>	Three months ended December 31		Years ended December 31	
	2021	2020	2021	2020
Adjustments for other changes in working capital items as reported on the consolidated statements of cash flows	\$ 37,708	\$ 63,212	\$ 25,603	\$ 77,524
Add: Adjustments to working capital changes for ACFO	(16,382)	(46,771)	3,729	(76,468)
Net working capital increase included in ACFO	\$ 21,326	\$ 16,441	\$ 29,332	\$ 1,056

ACFO Highlights

2021

ACFO for the year ended December 31, 2021 increased by \$68.7 million or 14.8% compared to the same period in 2020. Excluding the \$10.9 million net debt prepayment costs and \$1.9 million one-time compensation costs, ACFO (excluding net debt prepayment costs and one-time compensation costs) increased by \$81.5 million or 17.6% over the comparable period. The \$81.5 million increase was primarily the net effect of the following:

- \$51.9 million increase in cash distributions received from equity-accounted investments, particularly the RioCan-HBC JV;
- \$28.3 million in higher net working capital increases relating to property operations;
- \$25.3 million lower pandemic-related provision for rent abatements and bad debts;
- \$12.9 million higher residential inventory gains primarily from the gain from the sale of a 75% interest in the condominium component of RioCan Leaside Centre mixed-use project in Toronto, the sale of an 80% interest in Queensway Residential Lands in Toronto, partially offset by the 2020 gain from the sale of a 50% interest in Dufferin Plaza and the timing of condominium sales;
- \$9.3 million lower net interest costs primarily due to lower average cost of debt, which is more than offset by the impact of higher average debt balances; partially offset by,
- \$11.1 million in lower realized gains on the sale of marketable securities and dividend income;
- \$9.9 million lower commercial NOI mainly due to asset dispositions and the effect of the pandemic on property operations such as occupancy, net of \$5.7 million higher NOI from completed developments, and acquisition;
- \$5.8 million higher general and administration expenses primarily from an increase in compensation costs including a market-to-market adjustment for cash-settled, unit-based trustee costs in Q1 of 2020;
- \$5.0 million higher Normalized Capital Expenditures;
- \$4.7 million in lower other income primarily due to income in Q1 2020 from an investment in e2 (a development adjacent to ePlace) and a fee earned in the prior year on the termination of a property forward purchase agreement, net of higher favourable post-close working capital and other adjustments in 2021;
- \$4.2 million lower residential NOI primarily from the sale of a 50% non-managing interest in eCentral in Q1 2021 and losses during lease-up as recently completed buildings come on-line; and
- \$1.8 million lower property management and other service fee revenue.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Q4 2021

ACFO for the quarter increased by \$33.2 million or 25.8% compared to the same period in 2020. Excluding the \$3.9 million net debt prepayment costs, ACFO (excluding net debt prepayment costs and one-time compensation costs) increased by \$37.1 million or 28.8% over the comparable period. The \$37.1 million increase was primarily the net effect of the following factors:

- \$22.8 million higher residential inventory gains primarily from the sale of a 75% interest in the condominium component of RioCan Leaside Centre mixed-use project in Toronto, net of the gain from the sale of 50% interest in 2939-2943 Bloor Street West in Q4 2020 and the timing of condominium sales;
- \$10.9 million increase in cash distributions received from equity-accounted investments;
- \$6.1 million in lower pandemic-related provision for rent abatements and bad debts;
- \$4.9 million in higher net working capital increases relating to property operations;
- \$2.2 million higher NOI from completed developments;
- \$2.4 million lower net interest costs primarily due to lower average cost of debt and lower average debt balances; partially offset by,
- \$5.1 million lower NOI due to asset dispositions;
- \$4.8 million lower lease cancellation fees;
- \$1.3 million higher Normalized Capital Expenditures; and
- \$0.9 million in lower other income primarily from a settlement gain in Q4 2020.

ACFO Payout Ratio

The ACFO Payout Ratio for the year was 59.7%. Excluding the \$10.9 million net debt prepayment costs and \$1.9 million one-time compensation costs, the ACFO Payout Ratio (excluding net debt prepayment costs and one-time compensation costs) was 58.3%, 40.6% lower than that of 2020 year end.

The ACFO Payout Ratio is calculated on a rolling twelve-month basis. It decreased by 39.2% from the payout ratio as at December 31, 2020 mainly due to the one-third reduction in distributions effective January 2021 and higher distributions from equity-accounted investments.

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

PROPERTY VALUATIONS

Refer to Note 3 of the 2021 Annual Consolidated Financial Statements for the change in consolidated fair value IFRS carrying values of our investment 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 Chief Financial Officer, Chief Operating Officer, Chief Investment 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, 2021, the Trust obtained a total of 28 external property appraisals, (including 5 vacant land parcels) which supported an IFRS fair value of approximately \$1.6 billion or 11.7% of the Trust's investment property portfolio as at December 31, 2021. 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:

As at	Weighted average capitalization rate	
	December 31, 2021	December 31, 2020
Major markets (i)	5.10 %	5.22 %
Secondary markets	7.68 %	7.67 %
Total average portfolio capitalization rate	5.29 %	5.44 %

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

At December 31, 2021, the weighted average capitalization rate of the Trust's investment portfolio was 5.29%, which decreased by 13 basis points when compared to September 30, 2021 and decreased by 15 basis points compared to December 31, 2020.

Increased transaction activity in 2021 and demand and pricing for well-located high quality assets, predominantly in the GTA has remained strong and pricing for certain asset classes is at or higher than pre-pandemic levels. This resulted in a compression in the total average portfolio capitalization rate of 6 basis points over last year. The remaining compression in the overall weighted average capitalization rate resulted from the inclusion of The Well in the calculation as the project was moved to an income based methodology of valuation in Q4 2021.

MANAGEMENT'S DISCUSSION AND ANALYSIS

COVID-19 Pandemic and Its Impact on Investment Property Valuation

The Trust recorded a \$72.3 million net fair value gain for its investment properties for the three months ended December 31, 2021. For the year ended December 31, 2021, the Trust recorded a net fair value gain of \$124.1 million, representing 0.9% of the IFRS carrying value of investment properties as of December 31, 2020, including assets held for sale.

In 2020, the Trust wrote down \$526.8 million or 3.7% of its IFRS carrying value as of the beginning of 2020 to reflect the estimated effect of the pandemic on property cash flow and capitalization rates. In 2021, a component of the recognized fair value gains of \$124.1 million on investment properties is attributable to the reversal of a portion of the negative impact associated with the pandemic that was recorded in 2020.

For the three months and year ended December 31, 2021, the Trust estimated that no further major pandemic-related adjustments were warranted as the carrying value for its investment properties reflected its best estimate for the highest and best use as at December 31, 2021. The resiliency shown by shopping centres anchored by grocery stores and other necessity-based retailers during the pandemic has re-affirmed that this is a valuable asset class and pricing for such properties is very strong. The Trust's capital recycling program has also evidenced values across the portfolio. Pandemic-related adjustments made to enclosed mall and properties located in Alberta and secondary markets, however, have not yet been adjusted back to pre-pandemic levels. The factors underlying the estimated cash flows and capitalization rates used in the valuation process 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 any rent deferral and abatement arrangements, estimated vacancy allowances and the resulting re-tenancing costs.

The short and long-term impact of the pandemic on the Trust's investment property valuation remains difficult to assess and predict. 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 2021 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

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.

On April 7, 2021, RioCan completed the acquisition of an additional 10% of the air rights in The Well Building 6 (FourFifty The Well) for the net purchase price of \$5.6 million, including transaction costs. Following this transaction, RioCan owns 50% of FourFifty The Well air rights, increased from the previous 40% interest.

Subsequent to year end, on January 28, 2022, RioCan acquired a 100% interest in four properties located in Toronto, Ontario for the combined purchase price of \$19.4 million, including transaction costs.

Subsequent to year end on February 8, 2022, RioCan acquired a 90% interest in the first phase of Market, a new apartment complex in Montreal for a purchase price of \$46.8 million and capitalization rate of 4.06%. Subject to customary market conditions, RioCan will acquire, upon stabilization and at a pre-determined capitalization rate, a 90% interest in two future phases of Market that are currently under construction with an expected completion date in Q3 2023. Refer to the *Property Operations - Residential Rental* section of this MD&A for more information.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Dispositions

Despite the global pandemic, the Trust closed a number of dispositions during the year ended December 31, 2021 as summarized below:

<i>(in thousands of dollars or sq. ft., except where otherwise noted)</i>				Gross sales proceeds (at RioCan's interest)				Debt associated with property (iii)	NLA disposed at RioCan's Interest
Property name and location	Date disposed	Ownership interest disposed	Capitalization rate (i)	IPP	PUD (ii)	Residential Inventory (ii)	Total		
Q4 2021									
The Well (Building D), Toronto, ON	December 20, 2021	40.0 %	n/a	\$ —	\$ 15,856	\$ —	\$ 15,856	\$ —	—
Lethbridge Town Square, Lethbridge, AB	December 20, 2021	100.0 %	11.26 %	7,455	—	—	7,455	—	77
Kennedy Commons, Toronto, ON	December 14, 2021	50.0 %	4.49 %	107,500	—	—	107,500	—	195
Condominium component of RioCan Leaside Centre, Toronto, ON (iv) (ix)	December 1, 2021	75.0 %	n/a	—	—	54,441	54,441	—	—
Georgian Mall (Excess Lands), Barrie, ON	November 15, 2021	50.0 %	n/a	—	3,450	—	3,450	—	—
Sunnybrook Plaza, Toronto, ON (v)	November 5, 2021	50.0 %	n/a	—	30,021	—	30,021	—	—
Three-property portfolio disposition (vi) (ix)	October 13, 2021	50.0 %	4.16 %	149,378	—	—	149,378	—	218
Total Q4 2021 Dispositions				\$ 264,333	\$ 49,327	\$ 54,441	\$ 368,101	\$ —	490
Q3 2021									
Merivale Market, Ottawa, ON	September 17, 2021	75.0 %	5.03 %	\$ 24,645	\$ —	\$ —	\$ 24,645	\$ —	42
Centre Carnaval LaSalle, LaSalle, QC (vii)	August 19, 2021	50.0 %	2.09 %	35,000	—	—	35,000	—	104
Pine Plaza, Sault Ste Marie, ON	July 22, 2021	100.0 %	7.32 %	6,231	—	—	6,231	—	59
Windfields Farm (Excess Lands), Oshawa, ON	July 8, 2021	100.0 %	n/a	—	11,273	—	11,273	—	—
Impact Plaza, Surrey, BC	July 6, 2021	100.0 %	4.50 %	73,000	—	—	73,000	—	135
Total Q3 2021 Dispositions				\$ 138,876	\$ 11,273	\$ —	\$ 150,149	\$ —	340
Q2 2021									
Queensway Residential Lands, Toronto, ON (viii) (ix)	June 23, 2021	80.0 %	n/a	\$ —	\$ 2,289	\$ 28,107	\$ 30,396	\$ —	—
Colborne Place, Brantford, ON	June 16, 2021	100.0 %	8.35 %	11,150	—	—	11,150	—	70
The Well (Building E), Toronto, ON	June 11, 2021	40.0 %	n/a	—	23,789	—	23,789	—	—
Cherry Hill Centre, Fergus, ON	June 7, 2021	100.0 %	6.43 %	17,520	—	—	17,520	—	74
Huron Heights, London, ON	June 7, 2021	100.0 %	9.09 %	18,857	—	—	18,857	—	88
Charlottetown Mall, Charlottetown, PEI (v)	June 2, 2021	50.0 %	7.83 %	20,250	—	—	20,250	—	193
Keswick Marketplace, Keswick, ON	May 27, 2021	75.0 %	5.95 %	22,725	—	—	22,725	—	120
Cambrian Mall, Sault Ste. Marie, ON	April 16, 2021	100.0 %	11.00 %	9,050	—	—	9,050	—	135
Total Q2 2021 Dispositions				\$ 99,552	\$ 26,078	\$ 28,107	\$ 153,737	\$ —	680
Q1 2021									
Westgate - Phase One (Rhythm), Ottawa, ON (ix)	March 11, 2021	50.0 %	n/a	\$ —	\$ 17,574	\$ —	\$ 17,574	\$ —	—
Tanger Outlets St. Sauveur, St. Sauveur, QC	March 1, 2021	50.0 %	15.97 %	6,000	—	—	6,000	—	57
Windfields Farm - School Site, Oshawa, ON	January 22, 2021	100.0 %	n/a	—	3,400	—	3,400	—	—
ePlace, Toronto, ON (ix)	January 7, 2021	50.0 %	4.60 %	21,862	—	—	21,862	15,192	11
eCentral, Toronto, ON (ix)	January 7, 2021	50.0 %	3.56 %	127,746	—	—	127,746	67,444	145
Total Q1 2021 Dispositions				\$ 155,608	\$ 20,974	\$ —	\$ 176,582	\$ 82,636	213
Total 2021 Dispositions				\$ 658,369	\$ 107,652	\$ 82,548	\$ 848,569	\$ 82,636	1,723

(i) Capitalization rate is based on In-place NOI calculated on a trailing 12 month basis when the related sale agreement becomes firm, excluding the impact of pandemic-related provisions.

MANAGEMENT'S DISCUSSION AND ANALYSIS

- (ii) Includes cost recoveries of \$22.5 million, comprised of \$12.1 million related to Westgate - Phase One (Rhythm), \$4.8 million related to Sunnybrook Plaza, \$1.9 million related to The Well (Building E), \$1.9 million related to the condominium component of RioCan Leaside Centre mixed-use project, \$1.4 million related to The Well (Building D) and \$0.3 million cost recoveries at Queensway Development (Residential Lands). Total sales proceeds excluding cost recoveries was \$167.7 million for both PUD and residential inventory for the year.
- (iii) Excludes debt associated with property paid prior to or on closing.
- (iv) RioCan transferred its 100% in the condominium component of RioCan Leaside Centre mixed-use project to the RC (Leaside) LP - Class B as part of the consideration to obtain a 25.0% interest in the joint venture, which is treated as an equity-accounted investment (refer to the *Joint Arrangements* section of this MD&A).
- (v) RioCan provided a vendor take-back mortgage of \$23.7 million related to Sunnybrook Plaza and a \$3.0 million vendor take-back mortgage related to Charlottetown Mall transactions.
- (vi) Includes the 50% disposition of the non-managing interest in three properties located in the Greater Toronto Area, comprised of Pivot, multi-family residential rental property, and two grocery anchored retail assets, RioCentre Oakville and Spring Farm Marketplace. The blended capitalization rate is based on in-place NOI for the income-producing properties, and stabilized NOI for the residential property.
- (vii) The low capitalization rate reflects the redevelopment potential of the respective property.
- (viii) RioCan disposed its 100.0% ownership interest in the Queensway Residential Lands to the RC (Queensway) LP as part of the consideration to obtain a 20.0% interest in the joint venture, which is treated as an equity-accounted investment (refer to the *Joint Arrangements* section of this MD&A).
- (ix) The following represent partial interest dispositions. RioCan retained the remaining ownership interest in these properties.

In 2021, the Trust completed \$848.6 million of dispositions at a weighted average capitalization rate of 3.75%, a testament to the quality of and demand for the Trust's assets, which include \$658.4 million of income producing assets at a weighted average capitalization rate of 4.83% and \$190.2 million of development properties with no in-place income.

As of February 9, 2022, the Trust has firm or conditional deals that were in-place at or entered into after year end and deals that closed subsequent to year end to sell full or partial interests in a number of properties totaling \$98.0 million.

RioCan's disposition program permits, in some cases, the advantages of shedding low growth or vulnerable assets, but in all cases, is an effective means to raising capital that can be put to beneficial use to strengthen its balance sheet and fund development.

A number of these transactions involve the sale of partial interests in development properties as well as closing of prearranged air rights sales or future density which allows the Trust to not only realize inherent density value and recycle capital, 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.

JOINT ARRANGEMENTS

Joint arrangement 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 (co-ownership or joint operations) or ownership rights to the residual equity of a separate entity holding the property interests (joint ventures) that are accounted for as equity-accounted investments. RioCan has 44 properties with joint operations and 14 properties in 5 joint ventures.

The Trust's co-ownership arrangements are governed by co-ownership agreements with its various co-owners. The Trust's joint venture arrangements are typically governed by limited partnership agreements and/or shareholders' agreements. RioCan's standard joint arrangements 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 joint arrangements should the circumstances necessitate.

Generally, the Trust is only liable for its proportionate share of the obligations of the joint arrangements 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. The joint arrangement agreements will typically provide RioCan with an option to remedy any non-performance by a defaulting co-owner/partner. These credit risks are mitigated as the Trust has recourse against the assets under its joint arrangement agreements in the event of default by its co-owners/partners, in which case the Trust's claim would be against both the underlying real estate investments and the co-owners/partners that are in default. In addition to the matter noted above, RioCan has provided guarantees on debt totalling \$225.4 million as at December 31, 2021 on behalf of co-owners/partners (December 31, 2020 - \$139.9 million).

In addition to the 5 joint ventures, the Trust has significant influence over 5 limited partnerships, and, as a result, these are also equity-accounted investments.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Selected Financial Information of Joint Ventures and Other Equity-Accounted Investments

Total Assets

<i>(thousands of dollars)</i>	Income properties	PUD (i)	Residential inventory (ii)	Other (iii)	Total assets	Total assets as at December 31, 2020
As at December 31, 2021						
Joint operations:						
Total assets of proportionately consolidated joint operations	\$ 1,427,243	\$ 1,067,792	\$ 195,529	\$ 127,973	\$ 2,818,537	\$ 2,164,179
Equity-accounted joint ventures:						
HBC (RioCan-HBC JV)	\$ 398,403	\$ —	\$ —	\$ 33,236	\$ 431,639	\$ 254,241
Marketvest Corporation/Dale-Vest Corporation (Dawson-Yonge LP)	8,925	—	—	210	9,135	9,154
Bloor Street West (RioCan-Fieldgate LP)	—	1,809	14,237	383	16,429	16,503
RC (Queensway) LP	—	657	7,696	2,716	11,069	—
RC (Leaside) LP - Class B	—	—	10,235	—	10,235	—
Total assets of equity-accounted joint ventures (iv)	\$ 407,328	\$ 2,466	\$ 32,168	\$ 36,545	\$ 478,507	\$ 279,898
Other equity-accounted investments (iv)	—	—	89,123	7,935	97,058	77,725
Total assets of equity-accounted investments (iv)	\$ 407,328	\$ 2,466	\$ 121,291	\$ 44,480	\$ 575,565	\$ 357,623
Total joint operations and equity-accounted investments (iv)	\$ 1,834,571	\$ 1,070,258	\$ 316,820	\$ 172,453	\$ 3,394,102	\$ 2,521,802

- (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 Bloor Street West development with Fieldgate, the Queensway Residential Lands with RC (Queensway) LP and the condominium component of RioCan Leaside Centre mixed-use project with RC (Leaside) LP - Class B.
- (iii) Primarily includes finance lease receivable, cash and cash equivalents, rents receivable and other operating expenditures recoverable from tenants.
- (iv) This is a non-GAAP financial measure. Refer to the *Non-GAAP Measures* section in this MD&A for more information on each non-GAAP financial measure.

The above includes 10 premier partners that are large real estate investors in our major markets. Working with these partners enables to uncover opportunities, finance our pipeline and earn fees.

Total NOI

NOI of proportionately consolidated joint operations and NOI of joint operations and equity-accounted investments are non-GAAP financial measures. Refer to the *Non-GAAP Measures* section of this MD&A for more information.

<i>(thousands of dollars)</i>	Three months ended December 31		Years ended December 31	
	2021	2020	2021	2020
Joint Operations:				
Total NOI from proportionately consolidated joint operations	\$ 17,078	\$ 16,333	\$ 64,444	\$ 61,088
Equity-accounted investments:				
Joint ventures (i):				
HBC (RioCan-HBC JV)	\$ 5,402	\$ 3,339	\$ 20,501	\$ 13,268
Marketvest Corporation/Dale-Vest Corporation (Dawson-Yonge LP)	97	127	403	465
Bloor Street West (RioCan-Fieldgate LP)	8	(21)	67	(21)
RC (Queensway) LP	50	—	105	—
RC (Leaside) LP - Class B	—	—	—	—
Total NOI of equity-accounted joint ventures	\$ 5,557	\$ 3,445	\$ 21,076	\$ 13,712
Other equity-accounted investments	115	(2)	350	(150)
Total NOI of equity-accounted investments	\$ 5,672	\$ 3,443	\$ 21,426	\$ 13,562
Total NOI of joint operations and equity-accounted investments	\$ 22,750	\$ 19,776	\$ 85,870	\$ 74,650

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

RioCan-HBC JV

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% (December 31, 2020 - 12.6%). The following tables present the financial results of the RioCan-HBC JV on a 100% basis:

Condensed Statements of Financial Position

(thousands of dollars)

As at	December 31, 2021		December 31, 2020	
Current assets	\$	7,840	\$	4,068
Non-current assets		1,993,503		1,990,538
Current liabilities (i)		486,103		313,707
Non-current liabilities (ii)		325,911		508,094
Net assets	\$	1,189,329	\$	1,172,805
RioCan's share of net assets in RioCan-HBC JV (iii)	\$	267,266	\$	150,578

(i) Includes accounts payable and other liabilities, and mortgages payable and lines of credit maturing within twelve months.

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

(iii) Represents RioCan's proportionate share of net assets and other acquisition-related costs.

Condensed Statements of Income

(thousands of dollars)

	Three months ended December 31		Years ended December 31	
	2021	2020	2021	2020
Rental revenue	\$ 35,918	\$ 35,470	\$ 142,429	\$ 142,409
Operating expenses	5,482	5,304	22,011	22,499
Fair value (losses) gains	7,318	(18,149)	(5,537)	(70,566)
Interest expense	8,776	8,968	35,342	36,632
Net income	\$ 28,978	\$ 3,049	\$ 79,539	\$ 12,712
RioCan's share of net income in RioCan-HBC JV	\$ 5,835	\$ 382	\$ 15,368	\$ 1,590
<i>Add back/(Deduct):</i>				
Fair value losses (gains) – RioCan-HBC JV	(1,481)	2,289	1,120	8,901
Operational lease revenue (expenses) from ROU assets in RioCan-HBC JV	(11)	(7)	(42)	(28)
RioCan's share of FFO in RioCan-HBC JV (i)	\$ 4,343	\$ 2,664	\$ 16,446	\$ 10,463

(i) This is a non-GAAP financial measure. Refer to the *Non-GAAP Measures* section of this MD&A for more information on each non-GAAP measure.

RioCan's share of net income and FFO in the JV increased by \$1.7 million and \$6.0 million for the quarter and the year when compared to the same periods in the prior year primarily due to ownership increase in Q1 2021.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 in order 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 geotechnical conditions are known before breaking ground, finalizing construction drawings 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 rental development allows the Trust to access Canadian Mortgage and Housing Corporation (CMHC) insured mortgages which diversifies the Trust's funding sources and provides a 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, 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 (herein referred to as the "Basket Ratio" with Adjusted Unitholders' Equity as defined in the Declaration). As at December 31, 2021, RioCan's investments in greenfield development and residential inventory as a percentage of consolidated Unitholders' equity is 4.4% and, therefore, the Trust is in compliance with this restriction.

In addition, RioCan's revolving unsecured operating line of credit and non-revolving unsecured credit facilities agreements require the Trust to maintain certain financial covenants, one of which includes a more restrictive covenant as it pertains to the Trust's development activities. As at December 31, 2021, 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 2021 Annual Consolidated Financial Statements for further details.

Development Pipeline

RioCan's development pipeline as at December 31, 2021 is estimated as follows:

(thousands of sq. ft.)	Number of Projects (ii)	Estimated Density (NLA) at RioCan's interest (i)					
		Total	Residential Inventory PUD (iii)	Residential Inventory (iv)	Components of PUD		
					Commercial	Residential Rental	Air Rights Sale (x)
A. Active projects with detailed cost estimates							
Greenfield Development (v)	2	438	438	—	438	—	—
Urban Intensification (vi)	9	2,816	2,605	211	995	535	1,075
	11	3,254	3,043	211	1,433	535	1,075
Expansion & Redevelopment (vii)	12	181	181	—	181	—	—
Subtotal	23	3,435	3,224	211	1,614	535	1,075
B. Active projects with cost estimates in progress(viii)	20	15,484	13,989	1,495	2,871	11,118	—
Total Active Projects	43	18,919	17,213	1,706	4,485	11,653	1,075
C. Future projects (ix)	17	24,170	23,859	311	2,901	20,958	—
Total development pipeline	60	43,089	41,072	2,017	7,386	32,611	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 should not be viewed as equivalent to the 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 1.0 million square feet of air rights that have been sold.
- (vii) Expansion and Redevelopment projects include approximately 0.1 million square feet of vacant NLA being redeveloped for future tenants.
- (viii) Active projects with cost estimates in progress include approximately 2.5 million square feet that are currently IPP.
- (ix) Future projects density includes approximately 2.6 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 in the above table have the same meanings for the same terms across this *Properties Under Development* section of this MD&A and therefore will not be repeated after each relevant table.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Approximately 6.7 million square feet of NLA out of the total estimated 43.1 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 36.4 million square feet as at December 31, 2021. When compared to December 31, 2020, the development pipeline has increased by 1.3 million square feet primarily due to the increase of expected development NLA based on proposed redevelopment plans for several Future projects and the Queen & Ashbridge project in Toronto under Active Projects with Costs Estimates in Progress. This increase was partially offset by the disposition of an 80% interest in The Queensway Residential Lands to a consortium of partners and the subsequent reclassification of the remaining 20% interest to equity-accounted investments during Q2 2021; the removal of Pivot in Toronto as the project is complete and is now in lease-up; the sale of a 50% non-managing interest in Rhythm in Ottawa; the removal of Impact Plaza in Surrey as the property was sold on July 6, 2021; the removal of Sunnybrook as our 50% interest in the property was sold on November 5, 2021, the sale of a 75% interest in the condominium component of RioCan Leaside Centre mixed-use project on December 1, 2021 and a subsequent reclassification of the remaining 25% interest to equity-accounted investments.

The creation of high value air rights is key to unlocking the inherent value in our development pipeline. Every step toward shovel ready as zoning, de-tenanting and environmental matters are addressed, incrementally increases the value of our properties. The following table details the Trust's development pipeline (at RioCan's interest) by zoning status.

<i>(thousands of sq. ft., unless otherwise noted)</i>	Number of Projects	% of square footage zoned	Estimated Density (NLA) at RioCan's interest					
			Total	PUD	Residential Inventory	Components of PUD		
						Commercial	Residential Rental	Air Rights Sale
Zoning approved	38	31.9 %	13,756	12,225	1,531	4,249	6,901	1,075
Zoning applications submitted	7	16.7 %	7,195	7,020	175	666	6,354	—
Zoning pending application	15	51.4 %	22,138	21,827	311	2,471	19,356	—
Total development pipeline	60	100.0 %	43,089	41,072	2,017	7,386	32,611	1,075

Zoned NLA decreased marginally by 0.3 million square feet when compared to the year ended December 31, 2020 for the same reasons as noted earlier for the change in total development pipeline except for the removal of Impact Plaza which was not previously zoned. Virtually all of the projects are located in the six major markets and are typically located in the vicinity of existing or planned substantive transit infrastructure with 76.3% of the development pipeline located in the GTA.

<i>(thousands of sq. ft., unless otherwise noted)</i>	Estimated Density (NLA) at RioCan's Interest		
	Number of projects	NLA	% of total NLA
Six Major Markets			
Greater Toronto Area	39	32,881	76.3 %
Ottawa	8	2,436	5.7 %
Calgary	5	2,943	6.8 %
Montreal	2	1,181	2.7 %
Edmonton	2	2,712	6.3 %
Vancouver	2	904	2.1 %
Total Six Major Markets	58	43,057	99.9 %
Other (i)	2	32	0.1 %
Total development pipeline	60	43,089	100.0 %

(i) Relates to smaller redevelopment projects.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 at December 31, 2021 for the 23 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 the *Residential Inventory* section in the 2021 Annual Consolidated Financial Statements and in this MD&A.

(thousands of dollars or thousands of sq. ft.)	Number of Projects	At RioCan's Interest					
		Total PUD NLA	Total Estimated Costs	Costs Incurred to Date			Estimated PUD Costs to Complete
				Completed (IPP)	PUD	Total	
Greenfield Development	2	438	\$ 204,966	\$ 125,291	\$ 44,737	\$ 170,028	\$ 34,938
Urban Intensification	9	2,605	1,464,947	166,471	887,241	1,053,712	411,235
	11	3,043	1,669,913	291,762	931,978	1,223,740	446,173
Expansion & Redevelopment (iii)	12	181	84,716	—	54,430	54,430	30,286
Active projects with detailed cost estimates	23	3,224	\$ 1,754,629	\$ 291,762	\$ 986,408	\$ 1,278,170	\$ 476,459
Development Lands and Other (i)		—	363,787	—	363,787	363,787	—
Projected proceeds from dispositions (ii)		—	(10,160)	—	—	—	(10,160)
Total			\$ 2,108,256	\$ 291,762	\$ 1,350,195	\$ 1,641,957	\$ 466,299
Fair Value to Date				\$ 285,056	\$ 1,457,302	\$ 1,742,358	

- (i) Development lands and other includes excess land and other properties that could be used for future developments.
- (ii) Represents firm or 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 are no longer included in the development pipeline or development costs, resulting in nil completed IPP in this table.

Total estimated costs for the 23 active projects with detailed cost estimates as at December 31, 2021 decreased by \$164.9 million when compared to December 31, 2020. This decrease was primarily due to the removal of Pivot from Urban Intensification as the project is complete, and the sale of a non-managing 50% interest in Rhythm, partially offset by an increase in total estimated costs at The Well and the addition of projects to the Expansion and Redevelopment category.

The above total estimated development costs as at December 31, 2021 are further broken down by committed and non-committed spending as follows:

(thousands of dollars)	At RioCan's Interest				
	Total Estimated Costs	Costs Incurred to Date			Estimated PUD Costs to Complete
		Completed (IPP)	PUD	Total	
Committed (i)	\$ 1,744,469	\$ 291,762	\$ 986,408	\$ 1,278,170	\$ 466,299
Non-committed	363,787	—	363,787	363,787	—
Total	\$ 2,108,256	\$ 291,762	\$ 1,350,195	\$ 1,641,957	\$ 466,299

- (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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Incremental Value Creation

For the 23 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 \$100.4 million of cumulative fair value gains as at December 31, 2021. Most of the recognized cumulative fair value gains are related to the benefit from air rights sales at The Well, increased valuations of excess land held for future development and fair value gains recognized upon sales of interests to partners.

As transactions continue to validate the inherent value of air rights, the Trust anticipates realizing substantial net value creation from its additional 17.5 million square feet of excess density that is either zoned or have zoning applications submitted as well as the 22.1 million square feet of future projects. As at December 31, 2021, nominal fair value gains or inventory gains have been recognized relating to these 39.6 million square feet of density.

Properties under Development Continuity

(thousands of dollars)	Three months ended December 31		Years ended December 31	
	2021	2020	2021	2020
Balance, beginning of period	\$ 1,516,602	\$ 1,489,164	\$ 1,353,982	\$ 1,260,382
Acquisitions (i)	—	2,110	5,563	36,149
Dispositions (i)	(49,327)	(48,157)	(107,652)	(84,610)
Development expenditures	79,457	129,801	365,120	457,109
Transfers PUD to IPP - cost	(64,271)	(290,194)	(192,049)	(386,630)
Transfers PUD to IPP - fair value (gains) losses	(6,770)	18,637	17,890	4,817
Transfers IPP to PUD	—	48,700	27,589	161,037
Transfers to residential inventory	(17,909)	(18,585)	(21,816)	(71,259)
Fair value gains (losses), net	(480)	19,616	7,087	(25,903)
Earn-out consideration	—	2,890	2,160	2,890
Other	—	—	(572)	—
Balance end of period	\$ 1,457,302	\$ 1,353,982	\$ 1,457,302	\$ 1,353,982

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

Completed Developments in 2021

During the year ended December 31, 2021, RioCan transferred 243,000 square feet of completed development projects to income producing properties. A summary of RioCan's NLA development completions during the year is as follows:

(thousands of sq. ft.)		NLA at RioCan's Interest					Tenants
		2021					
Property location	RioCan's % ownership	Total NLA	Q4	Q3	Q2	Q1	
Greenfield Development							
RioCan Windfields	100%	34		4	8	22	The Canadian Brewhouse, Tiny Hoppers Daycare, IDA Pharmacy, Petro-Canada, Chatime, Baskin-Robbins
Total Greenfield Development		34	—	4	8	22	
Urban Intensification							
Litho.	50%	89	75	—	14	—	LCBO, Farm Boy, Residential Tower
Total Urban Intensification		89	75	—	14	—	
Expansion and Redevelopment							
RioCan Shawnessy	100%	38		38	—	—	The Brick
Yonge Sheppard Centre Commercial	100%	10	—	10	—	—	Angus Valley Montessori
Burlington Centre	50%	11	11	—	—	—	PetSmart
Lincoln Fields Shopping Centre	100%	61	—	45	8	8	Pinecrest-Queensway Community Health Centre, Rexall, Metro
Total Expansion and Redevelopment		120	11	93	8	8	
Total Development Completion		243	86	97	30	30	

MANAGEMENT'S DISCUSSION AND ANALYSIS

Annual Development Spending and Completion Outlook

Annual development spending for 2022 is estimated in the \$475 million to \$525 million range, which are net of projected cost recovery and proceeds from air rights sales and includes spending on residential inventory within equity-accounted investments. The Trust also has between \$30 million to \$35 million of revenue enhancing capital expenditures planned for 2022 in support of its strategic objectives.

The following table provides a summary of the components for annual development spend including residential inventory projects and revenue enhancing capital expenditures. Inventory projects satisfy market demand for home ownership and enable the Trust to accelerate capital recycling to further fund its development program.

<i>(millions of dollars)</i>	2022 Estimated Development Spending and Revenue Enhancing Capital Expenditures
Properties under development	\$370 - \$410
Residential Inventory (i)	\$105 - \$115
Subtotal 2022 estimated development spending	\$475 - \$525
2022 estimated revenue enhancing capital expenditures	\$30 - \$35
Total spend across all categories	\$505 - \$560

(i) Includes estimated development spend for residential inventory within equity-accounted investments in the range of \$48 million - \$52 million.

The Trust's long-term goal is 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% or lower (except for short-term fluctuations as large projects are completed), despite the maximum of 15% permitted under the Trust's revolving unsecured operating line of credit and other credit facilities agreements. As at December 31, 2021, this metric was 11.0%. Refer to Note 26 of the 2021 Annual Consolidated Financial Statements for additional details. The 0.7% increase in this metric when compared to last year end was mainly driven by the timing of development spend and completions.

The Trust has been funding and will continue to fund its developments primarily through proceeds from dispositions, sales proceeds from residential inventory or air rights sales, strategic development partnerships with existing or new partners, as well as retained earnings or excess cash flows after maintenance capital expenditures and distributions have been paid.

The Trust's estimated development completions for 2021 to 2023 are summarized as follows:

<i>(thousands of dollars, unless otherwise noted)</i>	Projected Development Completions (at RioCan's Interest)				
	NLA Completion (SF)	IFRS Cost Transfers from PUD to IPP (i)	Adjustments to Cash Basis (ii)	Total Net Costs transfers from PUD to IPP (iii)	Incremental Stabilized Cash NOI (iv)
2021	243,045	\$ 170,716	\$ (14,212)	\$ 156,504	\$ 6,761
2022	750,259	695,782	(59,205)	636,578	28,250
2023	714,250	625,868	(48,088)	577,779	28,016

(i) Cost transfers include multiple projects, including The Well transfers to IPP during 2022 and 2023.

(ii) Adjustments to cash basis include applicable interim or fee income earned during the development period, proceeds from land sales recognized during the life of the project, capitalized interest on equity invested and fair value components that were included in initial amounts transferred into PUD.

(iii) This is a non-GAAP financial measure and forward-looking non-GAAP financial measure calculated based on expected IFRS cost transfers from PUD to IPP adjusted for items noted in (ii), and is a measure of the net cash cost of completed developments.

(iv) This is a forward-looking non-GAAP financial measure calculated based on proforma annualized Stabilized NOI. Refer to the *Non-GAAP Measures* section of this MD&A for more information on NOI.

The above project completion estimates are subject to changes due to risks and uncertainties as discussed in this MD&A. The IFRS cost transfers from PUD to IPP represent estimated IFRS project costs net of proceeds from sales of air rights including costs recoveries. Adjustments to cash basis which are deducted from the IFRS costs transfers so as to arrive at total net costs transfers from PUD to IPP include applicable interim or fee income earned during the development period, proceeds from land sales recognized during the life of the project, capitalized interest on invested equity and any fair value components that were included in initial amounts transferred into PUD.

Effective Q3 2021, the table above reflects expected development completions for The Well occurring in the year in which each tenant's fixturing period ends and are expected to largely coincide with the tenants' rent commencement dates. In previous quarters, expected development completions were reflected as occurring in the year of expected tenant possession i.e. at the beginning of the fixturing periods. This assumption underlying the expected dates of transfers of development completions for The Well takes into account the terms of the lease contracts, the overall scale and state of readiness of the project and the nature and extent of the leasehold improvements and has no impact on project cash flows. Assigning the expected end of the fixturing as the expected date of development completions has the effect of increasing the capitalization of development carrying costs up to the end of the fixturing period and delaying the recognition of straight-line rent. The Well's construction and deliveries are proceeding on schedule.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Mixed-Use Residential Development

RioCan remains committed to its residential development program. For risks related to the current COVID-19 health crisis and the inherent difficulty in predicting the long-term impact of the pandemic, 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 following table is as of February 9, 2022 and summarizes the number of residential units that have been completed, are under construction or are expected to be in different phases of development by 2023:

	Units (at 100%)			Number of projects
	Residential Rental	Condominium/ Townhouse (i)	Total Units	Total Projects (ii)
Completed (iii)	1,698	973	2,671	10
Under construction	1,054	1,194	2,248	7
Subtotal	2,752	2,167	4,919	17
Different phases under development by 2023 (iv)	1,330	4,799	6,129	17
Total by 2023	4,082	6,966	11,048	34

(i) Includes 242 units from one condominium project at Bloor Street West in Toronto, 532 condominium units from Verge Phase One and Phase Two in Toronto, and 643 units from the condominium component of RioCan Leaside Centre mixed-use project. All three projects are included in the equity-accounted investments under IFRS given the respective partnership structures.

(ii) One property could have more than one project. The number of projects should not be viewed as equivalent to number of properties.

(iii) Completed Residential Rental units does not include the 139 acquired units at the first phase of Market.

(iv) Residential Rental units included in different phases under development are only units that will be under construction by 2023.

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

				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)	2,614	1,198	1,198	—	765	—	433
The Well - (FourFifty The Well) (i)	Toronto, ON	50% (Woodbourne)	393	196	196	—	—	196	—
College & Manning (Strada) (i)	Toronto, ON	50% (Allied)	107	53	53	—	29	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	50% (Woodbourne)	165	83	83	—	10	73	—
Total active mixed-use residential projects with detailed cost estimates - 9 projects (ii)			5,056	2,816	2,605	211	995	535	1,075
B Active mixed-use residential projects with cost estimates in progress (iii)									
Approved Zoning									
Clarkson Village (i)	Mississauga, ON	100%	454	454	35	419	35	—	—
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%	538	538	538	—	67	471	—
RioCan Windfields / U.C. Tower / Towns (i) (v)	Oshawa, ON	100% of commercial, 50% of residential (Tribute)	1,806	1,249	693	556	693	—	—
Markington Square (i)	Toronto, ON	100%	893	893	893	—	79	814	—
RioCan Durham Centre (i)	Ajax, ON	100%	580	580	580	—	28	552	—
Dufferin Plaza (i)	Toronto, ON	50% (Maplelands)	447	224	8	216	8	—	—
Queen & Ashbridge (i)	Toronto, ON	50% (Context)	465	232	103	129	9	94	—
Strawberry Hill Residential (i)	Surrey, BC	100%	900	900	900	—	—	900	—
2955 Bloor Street (i)	Toronto, ON	100%	96	96	96	—	9	87	—
Zoning applications submitted			9,543	8,289	6,969	1,320	2,205	4,764	—
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%	817	817	817	—	199	618	—
RioCan Hall	Toronto, ON	100%	805	805	805	—	328	477	—
Sandalwood Square	Mississauga, ON	100%	1,167	1,167	1,167	—	—	1,167	—
Residential lands at Sandalwood Square (vi)	Mississauga, ON	50% (Marlin Spring)	381	190	15	175	15	—	—
2323 Yonge Street	Toronto, ON	50% (Streamliner)	299	149	149	—	36	113	—
Total active mixed-use residential projects with cost estimates in progress - 20 projects (iii)			17,079	15,484	13,989	1,495	2,871	11,118	—
Total active mixed-use residential projects - 29 projects			22,135	18,300	16,594	1,706	3,866	11,653	1,075
C Future projects (iv)									
Approved Zoning - 2 projects			2,032	2,032	2,032	—	430	1,602	—
Future mixed-use residential sites - 15 projects			26,787	22,138	21,827	311	2,471	19,356	—
Total future projects - 17 projects			28,819	24,170	23,859	311	2,901	20,958	—
Total mixed-use residential developments - 46 projects			50,954	42,470	40,453	2,017	6,767	32,611	1,075
Mixed-use residential developments as a percentage of total development pipeline				98.6 %	98.5 %	100.0 %	91.6 %	100.0 %	100.0 %

MANAGEMENT'S DISCUSSION AND ANALYSIS

- (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 1.0 million of air rights that have been sold.
- (iii) Active mixed-use projects with cost estimates in progress include approximately 2.5 million square feet that are currently IPP.
- (iv) Future projects density includes approximately 2.6 million square feet that is currently IPP.
- (v) Excludes Phase One of RioCan Windfields which includes 0.1 million square feet of commercial space. Refer to the *Greenfield Development* section of this MD&A for further details.
- (vi) Represents RioCan's 50% share of a redevelopment on a discrete parcel on the northwest corner of RioCan's Sandalwood Square.

Mixed-use residential projects account for approximately 98.6% or 42.5 million square feet of NLA of the Trust's total estimated development pipeline, of which 13.1 million square feet currently have zoning approvals, 7.2 million square feet currently have zoning applications submitted and 22.1 million square feet represent sites with future density. In comparison to Q4 2020 mixed-use residential projects increased by 1.3 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 82.9% or 35.7 million square feet of the Trust's current development pipeline.

Greenfield Development

As at December 31, 2021, RioCan's two active commercial greenfield development projects with detailed costs estimates are summarized as follows:

(thousands of dollars or thousands of sq. ft.)	RioCan's % Ownership	At RioCan's Interest									
		Total NLA Upon Project Completion			Total Estimated Costs	Costs incurred to date			Estimated PUD Costs to Complete	% Commercial Leased (i)	Anticipated Date of Development Completion
		Completed	PUD	Total		Completed	PUD	Total			
East Hills, Calgary, AB	40%	177	115	292	\$ 122,001	\$ 62,808	\$ 30,134	\$ 92,942	\$ 29,059	61%	2023
RioCan Windfields Phase One, Oshawa, ON (ii)	100%	123	23	146	82,965	62,483	14,603	77,086	5,879	95 %	2022
Total Estimated PUD Costs		300	138	438	\$ 204,966	\$ 125,291	\$ 44,737	\$ 170,028	\$ 34,938		
Fair Value to date						\$ 121,864	\$ 23,277	\$ 145,141			

- (i) Leasing activity includes leasing that is conditional on receiving municipal approvals and meeting construction deadlines. The percentage of commercial leasing activity is as of February 9, 2022.
- (ii) Excludes approximately 7 thousand square feet of planned but still undeveloped pads, 100% 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 9, 2022, approximately 314,000 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 \$22.86 per square foot.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 December 31, 2021, the Trust has nine active urban intensification projects with detailed cost estimates, which are summarized in the following table. Most of the nine projects are located in Toronto and Ottawa, except for one located in Calgary.

(thousands of dollars or thousands of sq. ft.)	RioCan's % Ownership	At RioCan's Interest									
		Total PUD NLA Upon Project Completion			Total Estimated Costs	Costs incurred to date			Estimated PUD Costs to Complete	% Commercial Leased (f)	Anticipated Date of Development Completion
		Completed (viii)	PUD	Total		Completed	PUD	Total			
Dupont Street (Litho), Toronto, ON (iv)	50 %	89	—	89	\$ 78,774	\$ 72,635	\$ —	\$ 72,635	\$ 6,139	100 %	2021
Fifth and Third East Village (5th & THIRD), Calgary, AB (iv) (vii)	100 %	774	21	795	95,453	84,669	8,291	92,960	2,493	89 %	2022
Yorkville (11 YV), Toronto, ON (iv) (vi)	50 %	—	40	40	47,835	—	19,948	19,948	27,887	n/a	2024
Gloucester - Phase Two (Latitude), Ottawa, ON (iv)	50 %	—	83	83	45,407	—	40,435	40,435	4,972	n/a	2022
College & Manning (Strada), Toronto, ON (iv)	50 %	27	27	54	42,810	9,167	31,526	40,693	2,117	100 %	2022
The Well, Toronto, ON (iii) (iv) (v)	50% of commercial 40% of residential air rights	359	839	1,198	909,595	—	644,267	644,267	265,328	90 %	2022-2023
The Well - (FourFifty The Well), Toronto, ON (iv) (ix)	50 %	—	196	196	146,873	—	71,106	71,106	75,767	n/a	2023
Elmvale Acres - Phase One (Luma), Ottawa, ON (iv)	50 %	—	68	68	46,525	—	36,978	36,978	9,547	n/a	2022
Westgate - Phase One (Rhythm), Ottawa, ON (iv)	50 %	—	82	82	51,675	—	34,690	34,690	16,985	n/a	2022
Total Estimated Costs (ii)		1,249	1,356	2,605	\$1,464,947	\$ 166,471	\$887,241	\$1,053,712	\$ 411,235		
Fair Value to date						\$ 163,192	\$957,249	\$1,120,441			

- (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 of February 9, 2022.
- (ii) Total Costs incurred to date exclude fair value gains of \$70.0 million for properties under development.
- (iii) The total estimated PUD costs for The Well are net of approximately \$54.0 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 were closed during Q4 2020, air rights sales for building F (FourFifty The Well) and building E were closed during Q2 2021 and the air rights sale for building D closed in Q4 2021. Over 99% of the hard costs have been tendered and 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 583,428 square feet at RioCan's share or 90% of total commercial square footage leased at The Well is based on committed leases, including extension rights, for office space only. Retail leasing has commenced at The Well, and currently there are committed leases for approximately 50% of the retail space.
Effective Q3 2021, expected development completions for The Well are assumed to occur when each tenants' fixturing period ends and are expected to largely coincide with the tenants' rent commencement dates. In previous quarters, expected development completions were assumed to occur at the expected tenant possession date i.e. at the beginning of the fixturing periods. This new assumption underlying the anticipated dates of development completions for The Well takes into account the terms of the lease contracts, the overall scale and state of readiness of the project and the nature and extent of the leasehold improvements and has no impact on project cash flows. Assigning the expected fixturing end date as the anticipated date of development completion, has the effect of increasing the capitalization of development carrying costs up to the end of the fixturing period and delaying the recognition of straight-line rent. As a result, an estimated \$37.0 million, at RioCan's share, of additional costs are expected to be capitalized. The Well's construction and deliveries are proceeding on schedule. See the *Annual Development Spending and Completion Outlook* section of this MD&A for further details.
- (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 16% of the total area. For information on the condominium component refer to the *Residential Inventory* section in the MD&A. Over 96% of the hard costs have been tendered and 91% awarded.
- (vii) Approximately \$32.1 million of air rights sale proceeds were received upon closing during 2020, which have been netted in total estimated and completed costs.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(viii) Completed NLA includes units transferred to IPP as well as NLA associated with air rights sold. As at December 31, 2021 RioCan has sold 1.0 million square feet of air rights.

(ix) On April 7, 2021, RioCan completed the acquisition of an additional 10% of the air rights in The Well Building 6 (FourFifty The Well) for the net purchase price of \$5.6 million, including transaction costs. Following this transaction, RioCan owns 50% of the air rights at FourFifty The Well. The cost of the initial 40% of the air rights was reallocated from The Well project during Q2 2021.

As of February 9, 2022, approximately 807,000 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 \$39.88 per square foot.

Expansion & Redevelopment

A summary of RioCan's expansion and redevelopment projects as at December 31, 2021 is as follows:

<i>(thousands of dollars or thousands of sq. ft.)</i>	RioCan's % Ownership	Total PUD NLA Upon Project Completion	Total Estimated Costs	At RioCan's Interest			Estimated PUD Cost to Complete
				Costs Incurred to Date			
				Costs Incurred to Date	Historical IPP Costs (iii)	Total	
Five Points Shopping Centre, Oshawa, ON	100 %	9	\$ 7,466	\$ 126	\$ 2,680	\$ 2,806	\$ 4,660
Place St Jean, Saint-Jean-sur-Richelieu, QC	100 %	2	1,273	1,030	—	1,030	243
Tanger Outlets - Kanata, Kanata, ON	50 %	18	7,991	2,583	1,314	3,897	4,094
Yonge Sheppard Centre Commercial, Toronto, ON	100 %	21	24,912	18,199	—	18,199	6,713
Heart Lake Town Centre, Toronto, ON	100 %	6	4,408	28	—	28	4,380
RioCan Shawnessy, Calgary, AB	100 %	77	23,518	4,173	15,834	20,007	3,511
Strawberry Hill Shopping Centre, Surrey, BC	100 %	4	1,622	103	—	103	1,519
Georgian Mall, Barrie, ON	50 %	2	694	34	—	34	660
University Plaza, Hamilton, ON	100 %	2	876	64	—	64	812
Properties with former Sears units (ii) - 3 projects		40	11,956	5,196	3,066	8,262	3,694
Total Estimated PUD Costs (i)		181	\$ 84,716	\$ 31,536	\$ 22,894	\$ 54,430	\$ 30,286
PUD Fair Value to date						\$ 44,784	

(i) Total estimated costs include carrying amounts transferred from IPP for redevelopment and exclude historical fair value losses of \$9.6 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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.

A summary of RioCan's residential inventory projects as at December 31, 2021 is as follows:

(thousands of dollars or thousands of sq. ft., except where otherwise noted)	RioCan's Ownership % (Partner)	Condominium/Townhouse Units Upon Project Completion (at 100%)			At RioCan's Interest									
		Completed (i)	Inventory	Total	Total Estimated Costs (ii)	Costs incurred to date				Estimated Costs to Complete (ii)	% Pre-sold (iii)	Inventory gain (\$ millions) (vi)	Anticipated Date of Completion (vii)	
						Completed	Inventory	Commissions (ii)	Total					
A. Active mixed-use residential inventory projects with detailed cost estimates completed and under construction														
U.C. Towns, Oshawa, ON	50% (Tribute)	170	—	170	\$ 35,066	\$ 35,066	\$ —	\$ —	\$ 35,066	\$ —	100.0%	\$13.0	2020	
U.C. Uptowns, Oshawa, ON	50% (Tribute)	48	105	153	32,408	10,151	9,107	486	19,744	12,664	100.0%	\$4.0	2021-2022	
U.C. Tower, Oshawa, ON	50% (Tribute)	—	503	503	71,928	—	44,498	1,981	46,479	25,449	100.0%	\$17.5 - \$18.5	2022	
Yorkville (11 YV), Toronto, ON	50% (CD Capital / Metropia)	—	586	586	254,952	—	99,380	5,695	105,075	149,877	99.0%	\$72.0 - \$76.0	2024-2025	
Subtotal		218	1,194	1,412	\$ 394,354	\$ 45,217	\$152,985	\$ 8,162	\$206,364	\$ 187,990		\$106.5 - \$111.5		
B. Active mixed-use residential inventory projects with detailed cost estimates in progress released for sale or pending release														
U.C. Towns 2, Oshawa, ON	50% (Tribute)	—	65	65	\$ 16,055	\$ —	\$ 719	\$ 1	\$ 720	\$ 15,335	100.0%	\$9.5 - \$10.5	2023	
U.C. Tower 2, Oshawa, ON (iv)	50% (Tribute)	—	993	993	208,667	—	1,995	6	2,001	206,666	89.6%	\$36.0 - \$38.0	2025-2027	
Subtotal		—	1,058	1,058	\$ 224,722	\$ —	\$ 2,714	\$ 7	\$ 2,721	\$ 222,001		\$45.5 - \$48.5		
C. Active mixed-use residential inventory projects with detailed cost estimates in progress														
U.C. Towns Future Phases, Oshawa, ON	50% (Tribute)	—	39	39	TBD	\$ —	\$ —	\$ —	\$ —	TBD	n.a	TBD	2025-2027	
Dufferin Plaza, Toronto, ON	50% (Maplelands)	—	606	606	TBD	—	17,865	—	17,865	TBD	n.a	TBD	2027	
Shoppers World Brampton Phase One, Brampton, ON	100 %	—	300	300	TBD	—	2,778	—	2,778	TBD	n.a	TBD	2025	
Clarkson Village, Mississauga, ON	100 %	—	470	470	TBD	—	18,957	—	18,957	TBD	n.a	TBD	2024+	
Queen & Ashbridge, Toronto, ON (v)	50% (Context)	—	399	399	TBD	—	—	—	—	TBD	95.4%	\$38.0 - \$40.0	2025	
Les Galeries Lachine, Lachine, QC	50% (Harden)	—	TBD	TBD	TBD	—	3,981	—	3,981	TBD	n.a	TBD	TBD	
Residential lands at Sandalwood Square, Mississauga, ON	50% (Marlin Spring)	—	510	510	TBD	—	17,763	—	17,763	TBD	n.a	TBD	2025+	
Subtotal		—	2,324	2,324	TBD	\$ —	\$ 61,344	\$ —	\$ 61,344	TBD	n.a	TBD		
Total		218	4,576	4,794	TBD	\$ 45,217	\$217,043	\$ 8,169	\$270,429	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) The pre-sold percentage is as of February 9, 2022. For U.C. Tower 2, Oshawa, ON, the project consists of 588 condominium units across two towers and 18 townhomes totalling 606 units. The pre-sold percentage is calculated on the total 606 units in phase one
- (iv) The proforma and inventory gain amounts include both the first and second phase of U.C. Tower 2, Oshawa, ON. The second phase of U.C. Tower 2, Oshawa, ON is expected to be released for sale in April 2022.

MANAGEMENT'S DISCUSSION AND ANALYSIS

- (v) Queen & Ashbridge inventory gain is an estimate that is based on a very preliminary proforma which is currently under review by the partners.
- (vi) U.C. Uptowns includes \$1.0 million of inventory gain recognized in 2021.
- (vii) Anticipated completion dates are based on expected interim occupancy by the condo buyers.

During 2021, the following new projects were added to residential inventory:

- **Residential lands at Sandalwood Square** - This is a 50/50 joint venture project with Marlin Spring. During the quarter, RioCan's 50% partner, Boardwalk REIT, sold its co-ownership interest in a discrete parcel of RioCan's Sandalwood Square redevelopment, located in Mississauga, Ontario to condominium developer, Marlin Spring.
Sandalwood Square is located within close proximity of the new Hurontario Light Rail Transit. The location is also within walking distance of schools, parks, retail and workplaces, and a network of major highways are easily accessible from the site. Redevelopment of the entire site will be over a number of different phases. The first phase of the redevelopment which is on a discrete parcel on the northwest quadrant of the property will be developed by the joint venture and will be comprised of approximately 400,000 square feet of GFA (at 100%) including condominiums in two towers connected by a podium. Site plan applications are in process and marketing of the project is expected to commence mid-2022. This project is another example of RioCan's ability to unlock the intrinsic value in its portfolio and attract strong partners through its exceptionally well-located properties.
- **Les Galeries Lachine** - This is a 50/50 joint venture project with Harden to develop condominiums on a discrete portion of the existing retail property. The property is located on Remembrance Street in Lachine, a borough of Montreal situated 15 km southwest from the downtown core.
- **Queen & Ashbridge** - This is a 50/50 joint venture project with Context and in collaboration with the City of Toronto and Toronto Community Housing Corporation (TCHC), to develop a mixed-use master plan community on 3.5 acres of land located on the southwest corner of Queen Street East and Coxwell Avenue in Toronto. With convenient access to public transit and steps from waterfront Lake Ontario and Ashbridges Bay in Toronto East, this mixed-use project will contribute to the revitalization of the neighbourhood, provide much-needed housing for all income levels, introduce vital retail amenities to serve this growing neighbourhood and will be contributing more than \$0.9 million towards the City's Community and Economic Development Initiative.
- **U.C. Tower 2 and U.C. Towns 2** - U.C. Tower 2 is a high-rise condominium tower project and consists of two phases, located in Oshawa, Ontario. The first phase is comprised of a total of 588 condo tower units and 18 townhomes, for a total of 606 units. The second phase of 387 condominium units is expected to be released for sale in April 2022. U.C. Towns 2 consists of 65 townhouses. Sales commenced in August 2021, and 89.6% for the first phase of U.C. Tower 2 are pre-sold and all U.C. Towns 2 townhouses sold out as of February 9, 2022.

One strategy that RioCan can use in developing its RioCan Living mixed-use residential condominium projects is forming new partnership structures to enable RioCan to leverage its pipeline of prime locations and established development platform and expertise to efficiently raise capital, mitigate development risk and earn management fees along with a promote and participate in condominium sales profits. Overall, in addition to the 1,194 condominium or townhouse units currently under construction, the Trust has an estimated 4,799 units across 11 projects in various stages of development, including three projects that are included in equity-accounted investments as shown in the following table:

(thousands of dollars or thousands of sq. ft., except where otherwise noted)	RioCan's Ownership % (Partner)	Condominium Units Upon Project Completion (at 100%)			Total Estimated Costs (i)	At RioCan's Interest				Estimated Costs to Complete (i)	% Pre-sold (ii)	Inventory gain (\$ millions) (iii)	Anticipated Date of Completion
		Completed	Inventory	Total		Costs incurred to date							
						Completed	Inventory	Commissions (i)	Total				
Bloor Street West, Toronto, ON	50% (Fieldgate)	—	242	242	TBD	\$ —	\$ 14,237	\$ —	\$ 14,237	TBD	TBD	TBD	TBD
Verge (Phase One), Toronto, ON	20% (Various partners)	—	197	197	TBD	—	7,696	82	7,778	TBD	97.3 %	\$8.0 - \$10.0	2025
Verge (Phase Two), Toronto, ON	20% (Various partners)	—	335	335	TBD	—	—	—	—	TBD	94.6 %	—	—
Condominium component of RioCan Leaside Centre, Toronto, ON	25% (Metropia)	—	643	643	TBD	—	10,235	—	10,235	TBD	TBD	TBD	TBD
		—	1,417	1,417		\$ —	\$ 32,168	\$ 82	\$ 32,250	TBD		\$8.0 - \$10.0	

- (i) 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.
- (ii) The pre-sold percentage is as of February 9, 2022. Pre-sold units for Verge (Phase one) and Verge (Phase two) are based on released units for sale of 184 and 276, respectively.
- (iii) Verge (Phase One) and (Phase Two) inventory gain is an estimate that is based on a very preliminary proforma which is currently under review by the partners.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Expected proceeds per annum for the next five years from in-construction sales of condominium and townhouses is as follows:

(thousands of dollars, unless otherwise noted)

Year	NLA ('000s)	Number of units on final closing (i)	Expected proceeds from condominium and townhouse sales (ii)
2022	100	153	\$30,938
2023	127	503	76,916
2024	—	—	—
2025	211	586	280,258
2026	—	—	—

(i) Based on 100% ownership.

(ii) Expected proceeds exclude deposits received prior to construction and are based on the anticipated time of final closings for the U.C. Uptowns, U.C. Tower and 11YV projects.

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

<i>(thousands of dollars)</i>	Three months ended December 31		Years ended December 31	
	2021	2020	2021	2020
Balance, beginning of period	\$ 233,489	\$ 168,880	\$ 214,181	\$ 108,956
Acquisitions	—	18,987	—	18,987
Dispositions (ii) (iii)	(38,973)	(1,693)	(65,032)	(19,143)
Development expenditures	14,330	11,604	62,351	36,304
Transfers from investment properties (i)	17,909	18,585	21,816	71,259
Transfers to equity-accounted investments (ii) (iii)	(9,712)	(2,182)	(16,273)	(2,182)
Balance, end of period	\$ 217,043	\$ 214,181	\$ 217,043	\$ 214,181

(i) During the year ended December 31, 2021, a portion of Les Galeries Lachine and the residential portion of the discrete parcel under redevelopment at Sandalwood Square was transferred to residential inventory from investment property as appropriate evidence of a change in use was established.

(ii) In Q2 2021, RioCan formed a new joint venture, RC (Queensway) LP, with four investors for the development of Verge Phase One and Phase Two. The transaction involved the sale of Queensway Residential Lands by RioCan to the joint venture, generating a \$2.0 million inventory gain.

(iii) On December 1, 2021, RioCan transferred 100% of the RioCan Leaside Centre to the RC (Leaside) LP - Class B. Subsequently, RioCan disposed 75% of its ownership interest in its condominium component of RioCan Leaside Centre mixed-use project, RC (Leaside) LP - Class B units, to a joint venture partner and generated a \$25.3 million inventory gain.

MANAGEMENT'S DISCUSSION AND ANALYSIS

MORTGAGES AND LOANS RECEIVABLE

Contractual mortgages and loans receivable as at December 31, 2021 and December 31, 2020 are comprised of the following:

(thousands of dollars)	Contractual interest rates		Effective interest rates		December 31, 2021	December 31, 2020
	Low	High	Weighted average (i)	Weighted average (i)		
As at						
Mezzanine financing to co-owners	5.00%	6.35%	5.87%	5.87%	\$ 178,230	\$ 128,884
Vendor-take-back and other	1.62%	6.35%	4.00%	5.36%	59,560	31,762
Total	1.62%	6.35%	5.40%	5.74%	\$ 237,790	\$ 160,646

(i) Information presented as at December 31, 2021.

All of the \$237.8 million of mortgages and loans receivable as at December 31, 2021 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, 2021, 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; and
- 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 2021 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 or sale of partial interests in developments or air rights, 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.

RioCan's refined objectives related to managing total debt, are to change the weighting of unsecured to secured debt to 70%/30% and to extend the weighted average term to maturity of the total debt portfolio beyond the current 3.92 years as evidenced by the 7 year senior unsecured \$450.0 million of Series AE senior unsecured green bond debentures issued in 2021.

Total Capital

RioCan uses both debt and equity in its capital structure, which is summarized as follows as at December 31, 2021:

(thousands of dollars)	IFRS basis		RioCan's proportionate share (i)	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
As at				
Total debt	\$ 6,610,618	\$ 6,927,883	\$ 6,825,035	\$ 7,064,936
Total equity	7,911,344	7,734,973	7,911,344	7,734,973
Total capital	\$ 14,521,962	\$ 14,662,856	\$ 14,736,379	\$ 14,799,909

(i) This is a non-GAAP financial measure. Refer to the *Non-GAAP Measures* section in this MD&A for more information on each non-GAAP financial measure.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Debt Metrics

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

	Targeted Ratios	Rolling 12 months ended			
		IFRS basis		RioCan's proportionate share (i)	
		December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Total assets		\$ 15,229,418	\$ 15,209,486	\$ 15,447,692	\$ 15,348,368
Total debt		\$ 6,773,147	\$ 6,667,444	\$ 6,965,951	\$ 6,795,714
Total Adjusted Debt to Total Adjusted Assets (i)	38.0%-42.0%	43.3%	44.5%	43.9%	45.0%
Adjusted EBITDA (i)		705,093	691,152	713,218	705,525
Adjusted Debt to Adjusted EBITDA (i)	8.0x - 9.0x	9.44	9.49	9.59	9.47
Interest Coverage (i)	>3.00x	3.33	3.11	3.26	3.10
Debt Service Coverage (i)	>2.25x	2.71	2.60	2.64	2.60
Ratio of floating rate debt to total debt (ii)	<15.0%	8.9%	1.3%	9.6%	1.9%
Weighted average term to maturity (in years) (iii)		3.92	3.86	3.69	3.83
Weighted average contractual interest rate (iii)		2.92%	3.13%	2.95%	3.14%
Weighted average effective interest rate (iii)		3.00%	3.21%	3.03%	3.22%

(i) This is a non-GAAP financial measure. Refer to the *Non-GAAP Measures* section of this MD&A for more information on each non-GAAP financial measure.

(ii) \$363.7 million of floating rate debt pertains to revolving unsecured operating line of credit. Excluding this, the ratio of floating rate debt to total debt at RioCan's proportionate share would be 4.3%.

(iii) Information is as of respective period end.

The Trust's Total Adjusted Debt to Total Adjusted Assets at RioCan's proportionate share improved from December 31, 2020 mainly due to lower total debt and improvement in the Trust's operations and valuations. The Trust remains committed to maintaining a strong balance sheet and maintains its goal to lower this metric to its long-term target range of between 38.0% - 42.0%.

The Trust's Adjusted Debt to Adjusted EBITDA at RioCan's proportionate share increased to 9.59x for the rolling twelve months ended December 31, 2021 when compared to December 31, 2020. The increase was primarily due to the net impact of higher average Total Adjusted Debt balances, partially offset by higher Adjusted EBITDA as a result of higher residential inventory gains and lower pandemic-related provision, net of lower realized gains on the sale of marketable securities, and higher general and administrative costs in 2021 for reasons set out in the *Other Expenses* section of this MD&A. The Trust's goal remains to lower this metric to its long-term target range of 8.0x-9.0x.

The Trust expects disposition sale proceeds, continuous operations improvements and Adjusted EBITDA contributions from development completions to lower the leverage ratio and Adjusted Debt to Adjusted EBITDA in the near to medium term.

The Interest Coverage ratio at RioCan's proportionate share for the rolling twelve months ended December 31, 2021 is above the Trust's target of 3.0x and increased compared to December 31, 2020, mainly due to lower interest costs from the net impact of lower average cost of debt and higher average total debt balances and higher Adjusted EBITDA, as noted above. Debt Service Coverage at RioCan's proportionate share for the rolling twelve months ended December 31, 2021 also increased from December 31, 2020 and remained above its target of 2.25x due to higher Adjusted EBITDA as noted above and lower interest costs as noted above, partially offset by higher scheduled principal amortization.

The floating interest rate debt exposure increased from December 31, 2020 mainly because of timing. The prior year end ratio was unusually low due to the issuance of the \$500 million green bond in December 2020. These green bond proceeds were used to redeem the \$250.0 million fixed rate Series R unsecured senior debenture in January 2021 and the \$300.0 million Series Z debenture in April 2021. The Trust's 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, acquisitions and development spend.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Credit Ratings

RioCan intends to maintain strong interest and debt service 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 June 4, 2021, S&P confirmed its rating of BBB and changed the outlook from stable to negative. A credit rating of BBB- or higher by S&P and BBB (low) or higher by DBRS is considered an investment-grade rating. On December 1, 2021, DBRS changed its ratings to BBB from BBB (high) and returned the trends on the ratings to Stable from Negative.

The following table summarizes RioCan's credit ratings as at December 31, 2021:

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

(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)	Contractual principal maturities and interest rates							
	Debt	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 debt	Weighted average contractual interest rate
Year of debt maturity								
2022	\$ 300,000	2.83%	\$ 54,386	2.81%	\$ 94,073	1.65%	\$ 448,459	2.58%
2023	500,000	3.42%	308,193	3.44%	263,278	2.96%	1,071,471	3.31%
2024	300,000	3.29%	235,582	3.39%	519,540	3.31%	1,055,122	3.32%
2025	500,000	2.58%	522,504	3.31%	45,715	1.65%	1,068,219	2.89%
2026	600,000	2.64%	132,692	3.50%	365,919	1.92%	1,098,611	2.50%
Thereafter	800,000	2.62%	1,085,150	2.98%	—	—%	1,885,150	2.83%
Total Contractual Debt (i)	\$ 3,000,000	2.84%	\$ 2,338,507	3.18%	\$ 1,288,525	2.66%	\$ 6,627,032	2.92%
Unamortized debt financing costs, premiums and discounts on origination and debt assumed, and modifications	(9,308)		(4,491)		(2,615)		(16,414)	
Total debt	\$ 2,990,692		\$ 2,334,016		\$ 1,285,910		\$ 6,610,618	

(i) This is a non-GAAP financial measure. Refer to the *Non-GAAP Measures* section of this MD&A for more information on each non-GAAP financial measure.

The Total Contractual Debt continuity schedule for the year ended December 31, 2021 is as follows:

(thousands of dollars)	Debt	Mortgages	Lines of Credit	Total
Year ended December 31, 2021	Payable	Payable	and Other Bank Loans	
Total Contractual Debt, beginning of year	\$ 3,350,000	\$ 2,801,848	\$ 792,854	\$ 6,944,702
Borrowings	450,000	391,500	495,671	1,337,171
Scheduled amortization	—	(48,817)	—	(48,817)
Repayments	(800,000)	(723,388)	—	(1,523,388)
Disposed on the sale of properties	—	(82,636)	—	(82,636)
Total Contractual Debt, end of year	\$ 3,000,000	\$ 2,338,507	\$ 1,288,525	\$ 6,627,032

Debentures Payable

Issuance

On November 8, 2021, RioCan issued \$450.0 million of Series AE senior unsecured green bond debentures. These debentures were issued at par, carry a coupon rate of 2.829% per annum and will mature on November 8, 2028.

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 their 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 total prepayment costs of \$7.0 million, which includes the redemption price in excess of the face amount and the write-off of the related unamortized deferred financing costs.

RioCan redeemed, in full, its \$300.0 million, 2.194% Series Z unsecured debentures upon maturity on April, 9, 2021.

MANAGEMENT'S DISCUSSION AND ANALYSIS

On November 30, 2021, RioCan redeemed, in full, its \$250.0 million, 3.746% Series V unsecured debentures due May 30, 2022 in accordance with their terms, at a total redemption price of \$253.8 million, plus accrued and unpaid interest of \$4.7 million, up to but excluding the redemption date. The Trust recorded total prepayment costs of \$3.8 million, which includes the redemption price in excess of the face amount and the write-off of the related unamortized deferred financing costs.

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

(thousands of dollars)

Series	Maturity date	Coupon rate	Interest payment frequency	December 31, 2021	December 31, 2020
Z	April 9, 2021	2.19%	Semi-annual	\$ —	\$ 300,000
R	December 13, 2021	3.72%	Semi-annual	—	250,000
V	May 30, 2022	3.75%	Semi-annual	—	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	500,000
AC	March 10, 2027	2.36%	Semi-annual	350,000	350,000
AE	November 8, 2028	2.83%	Semi-annual	450,000	—
Contractual obligations				\$ 3,000,000	\$ 3,350,000
Unamortized debt financing costs				(9,308)	(9,722)
Balance, end of year				\$ 2,990,692	\$ 3,340,278

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, 2021	December 31, 2020
Fixed rate mortgages (i) (ii)	\$ 2,334,016	\$ 2,797,066

(i) Includes hedged floating rate mortgages.

(ii) Amount outstanding deducts a total of \$4.5 million as at December 31, 2021 (December 31, 2020 - \$4.8 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.

At the outset of 2021, RioCan had \$380.0 million of mortgage principal maturing in 2021 at a weighted average contractual interest rate of 4.23%. For the year ended December 31, 2021, RioCan completed new term mortgage borrowings of \$391.5 million and renewed maturity balances of \$21.8 million at a combined weighted average interest rate of 2.35% and a weighted average term of six years, repaid \$772.2 million of mortgage balances and scheduled amortization and disposed of \$82.6 million of mortgages on the sale of investment properties.

Included in the amounts repaid above, RioCan prepaid certain mortgages of \$344.5 million and unwound the associated interest rate swap hedges for a net prepayment cost of \$0.1 million.

Included in mortgages payable at December 31, 2021 are CMHC insured mortgages for Pivot, Frontier and eCentral and the retail component ePlace in the aggregate net carrying amount of \$190.2 million (at RioCan's interest), at a weighted average effective interest rate of 2.53% and a weighted average remaining term of 8.6 years. The slight decrease in CMHC financing over the prior year end was primarily because of the sale of a 50% non-managing interest in eCentral and the retail component of ePlace partially offset by the addition of Pivot. 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. The Trust follows this policy as it generally results in lower interest rates for the Trust.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2021	December 31, 2020
Revolving unsecured operating line of credit (i) (ii)	\$ 363,732	\$ (1,648)
Non-revolving unsecured credit facilities (i)	699,573	699,333
Construction lines and other bank loans	222,605	92,854
	\$ 1,285,910	\$ 790,539

(i) Amount outstanding deducts a total of \$2.6 million as at December 31, 2021 (December 31, 2020 - \$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) The negative balance shown for the 2020 year end represents unamortized financing costs.

Revolving Unsecured Operating Line of Credit

As at December 31, 2021, RioCan had a drawn balance of \$365.9 million and \$634.1 million of credit available to be drawn from this revolving unsecured operating line of credit compared to \$1.0 billion of undrawn credit availability as at December 31, 2020. The weighted average contractual interest rate on amounts drawn under this facility was 1.90% as at December 31, 2021 (December 31, 2020 - nil).

On April 23, 2021, the Trust exercised its option to extend the maturity on its operating line of credit by two years to May 31, 2026. All other material terms and conditions remained the same. The spread for this credit facility is based on the Trust's credit ratings.

On February 2, 2022, the Trust increased the credit limit on its revolving unsecured operating line of credit by \$250.0 million to \$1.25 billion.

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% (December 31, 2020 - 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% (December 31, 2020 - 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% (December 31, 2020 - 3.34%).

As at December 31, 2021, all of the Trust's non-revolving unsecured credit facilities are fully drawn. The underlying spreads for the unsecured credit facilities were based on the Trust's credit ratings. Effective January 2022, the all-in fixed interest rates of these facilities will increase 25 basis points due to changes in the credit spread as a result of a credit rating change on December 1, 2021.

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 and acquisition facilities for the funding of certain development properties. At December 31, 2021, these facilities have an aggregate maximum borrowing capacity of \$464.5 million (December 31, 2020 - \$384.2 million) and mature between 2022 and 2025, of which the Trust had drawn \$222.6 million (December 31, 2020 - \$92.9 million). The weighted average contractual interest rate on the aggregate amounts outstanding is 1.75% (December 31, 2020 - 1.97%).

Letter of Credit Facilities and Surety Bonds

The Trust has aggregate letter of credit facilities with certain Schedule I banks totalling \$94.9 million (December 31, 2020 - \$93.6 million). As at December 31, 2021, the Trust's outstanding letters of credit under these facilities was \$58.1 million (December 31, 2020 - \$66.8 million).

The Trust is contingently liable for surety bonds that have been provided to support condominium developments and warranties in the amount of \$110.5 million (December 31, 2020 - \$68.8 million).

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2021, RioCan had approximately \$1.0 billion of liquidity as summarized in the following table:

<i>(thousands of dollars, except where otherwise noted)</i>	IFRS basis		RioCan's proportionate share (i)	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
As at				
Cash and cash equivalents	\$ 77,758	\$ 238,456	\$ 86,871	\$ 240,659
Undrawn revolving unsecured operating line of credit	634,080	1,000,000	634,080	1,000,000
Undrawn construction lines and other bank loans	241,883	291,332	289,524	336,030
Liquidity (i)	\$ 953,721	\$ 1,529,788	\$ 1,010,475	\$ 1,576,689
Total Contractual Debt (i)	\$ 6,627,032	\$ 6,944,702	\$ 6,841,835	\$ 7,082,049
Percentage of Total Contractual Debt:				
Liquidity (i)	14.4%	22.0%	14.8%	22.3%
Unsecured Debt (i)	61.4%	58.3%	59.4%	57.2%
Secured Debt (i)	38.6%	41.7%	40.6%	42.8%

(i) This is a non-GAAP financial measure. Refer to the *Non-GAAP Measures* section of this MD&A for more information on each non-GAAP financial measure.

The \$566.2 million decrease in liquidity on a proportionate share basis over the prior year end was primarily due to the timing of the \$500.0 million green bond issue in December 2020 and the timing of the use of the proceeds for the early redemption of the \$250.0 million Series R debenture on January 15, 2021 and redemption upon maturity of the \$300.0 million Series Z debenture on April 9, 2021. In addition, the early redemption of the \$250.0 million Series V debenture on November 30, 2021, the prepayment of \$344.5 million of mortgages in Q4 2021 together with the continuing construction progress net of the impact of the issuance of the \$450.0 million green bond in November 2021 contributed to the lower liquidity.

Subsequent to December 31, 2021, the Trust increased the credit limit on its revolving unsecured operating line of credit by \$250.0 million. Including the impact of the additional \$250.0 million of available credit, RioCan's liquidity on a proportionate share basis would have been approximately \$1.3 billion or 18.4% as a percentage of Total Contractual Debt. Refer to the *Non-GAAP Measures* section of this MD&A for more information.

RioCan has unencumbered investment properties with a fair value of \$9.4 billion on a proportionate share basis as at December 31, 2021, which gives 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.

Over the long-term, the Trust's target of its Unsecured/Secured Debt composition is 70/30 (59/41 as at December 31, 2021 on a proportionate share basis). This transition is going to take time and will be balanced with credit rating implications, cost of debt, debt ladder composition, and liquidity needs.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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:

<i>(thousands of dollars)</i>	2022	2023	2024	2025	2026	Thereafter	Total
Contractual obligations:							
Lines of credit and other bank loans	\$ 94,073	\$ 263,278	\$ 519,540	\$ 45,715	\$ 365,919	\$ —	\$ 1,288,525
Mortgages payable	54,386	308,193	235,582	522,504	132,692	1,085,150	2,338,507
Unsecured debentures	300,000	500,000	300,000	500,000	600,000	800,000	3,000,000
Lease liabilities (i)	6,727	1,668	1,669	1,655	1,706	24,550	37,975
Other operating lease obligations	377	415	350	21	22	—	1,185
	\$ 455,563	\$ 1,073,554	\$ 1,057,141	\$ 1,069,895	\$ 1,100,339	\$ 1,909,700	\$ 6,666,192
Committed developments:							
Total estimated costs to complete - PUD (ii)	304,317	133,688	19,192	9,102	—	—	466,299
Total estimated costs to complete - residential inventory (ii)	54,268	37,263	48,220	48,238	—	—	187,989
	\$ 358,585	\$ 170,951	\$ 67,412	\$ 57,340	\$ —	\$ —	\$ 654,288
Total	\$ 814,148	\$ 1,244,505	\$ 1,124,553	\$ 1,127,235	\$ 1,100,339	\$ 1,909,700	\$ 7,320,480

- (i) Represents the discounted minimum lease payments of lease liabilities under IFRS 16.
- (ii) The amounts are for active projects with detailed costs estimates, net of projected proceeds from dispositions including air rights sale proceeds related to a portion of The Well in Toronto, Ontario. 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.
- (iii) The table above exclude unfunded investment commitments of \$105.3 million relating to equity-accounted investments of which timing is unknown.

The Trust's contractual debt obligations and projected development spending 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. As of February 9, 2022, \$9.3 million of RioCan's mortgage maturities for 2022 have yet to be refinanced or do not have refinancing commitments in place. They are all expected to be refinanced in due course.

RioCan has also entered into purchase obligations to acquire certain interests from its partners as further described in Note 3 in the 2021 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, if it is beneficial to do so.

Unencumbered Assets

At RioCan's proportionate share, unencumbered investment property assets as at December 31, 2021 have an estimated fair value of \$9.4 billion, which represents 64.9% of the total fair value of investment properties and generate 64.9% of Annual Normalized NOI at RioCan's proportionate share. Refer to the *Non-GAAP Measures* section of this MD&A for more information. The increase in the unencumbered assets from December 31, 2020 was due to the aforementioned prepayment of mortgages net of the impact of asset dispositions.

The table below summarizes RioCan's Unencumbered Assets and Unsecured Debt:

<i>(thousands of dollars, except where otherwise noted)</i>	Targeted Ratios	IFRS basis		RioCan's proportionate share (i)	
		December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
As at					
Unencumbered Assets		\$ 9,332,833	\$ 8,685,469	\$ 9,392,266	\$ 8,727,354
Unsecured Debt to Total Debt (i)	70.0%	61.4%	58.3%	59.4%	57.2%
Unencumbered Assets to Unsecured Debt (i)	> 200%	230%	214%	231%	215%
Percentage of Normalized NOI Generated from Unencumbered Assets (i)	> 50.0%	66.7%	58.7%	64.9%	57.8%

- (i) This is a non-GAAP financial measure. Refer to the *Non-GAAP Measures* section of this MD&A for more information on each non-GAAP financial measure.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Guarantees

As at December 31, 2021, 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 \$255.4 million (December 31, 2020 - \$195.1 million), with expires between 2022 and 2030.

As at and for the year ended December 31, 2021, 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 2021 Annual Consolidated Financial Statements.

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

(thousands of dollars)

As at	December 31, 2021	December 31, 2020
Partners and co-owners		
Woodbourne	\$ 119,033	\$ 18,968
HBC (RioCan-HBC JV)	—	41,187
Metropia and Capital Developments	45,715	36,635
Bayfield	21,700	23,100
Other	38,904	20,019
	\$ 225,352	\$ 139,909
Assumption of mortgages by purchasers on property dispositions	30,019	55,207
	\$ 255,371	\$ 195,116

Hedging Activities

Interest Rate Risk

As at December 31, 2021, the outstanding notional amount of floating-to-fixed interest rate swaps was \$1.0 billion (December 31, 2020 – \$1.3 billion) with the term to maturity of these swap agreements ranging from December 2022 to November 2028.

On December 14, 2021, the Trust entered into bond forward contracts to sell on September 15, 2022 \$300.0 million Government of Canada Bonds due June 1, 2029 with an effective bond yield of 1.46%, to hedge its exposure to movements in underlying risk-free interest rates on the anticipated refinancing of the \$300.0 million Series Y debentures maturing on October 3, 2022.

Subsequent to year end, on February 1, 2022, the Trust entered into bond forward contracts to sell on April 28, 2022 \$200.0 million Government of Canada Bonds due June 1, 2029 with an effective bond yield of 1.71%, to hedge its exposure to movements in underlying risk-free interest rates on a highly probable anticipated debenture issuance.

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, 2021. Refer to Note 25 of the 2021 Annual Consolidated Financial Statements for further details.

EQUITY

Trust Units

As at December 31, 2021, there are 309.8 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, 2021 and 2020, we issued and repurchased Units as follows:

(in thousands)	Three months ended December 31		Years ended December 31	
	2021	2020	2021	2020
Units outstanding, beginning of period (i)	317,768	317,723	317,748	317,710
Units issued:				
Direct purchase plan	2	13	16	26
Exchangeable limited partnership units	—	12	6	12
Units repurchased and cancelled	(7,973)	—	(7,973)	—
Units outstanding, end of period (i)	309,797	317,748	309,797	317,748

(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 investment properties acquired by RioCan (December 31, 2021 – 499,754 LP units, December 31, 2020 – 493,476 LP units).

As of February 9, 2022, there are 309.8 million Units issued and 7.3 million Unit options issued and outstanding under the Trust's incentive Unit option plan.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Senior Executive Restricted Equity Unit Plan (Senior Executive REU Plan)

As at December 31, 2021, 434,621 Senior Executive REUs are outstanding (December 31, 2020 - 251,899), of which 100,905 are vested (December 31, 2020 - 55,720).

During the year ended December 31, 2021, the Trust granted 212,111 REUs under its Senior Executive REU Plan. The weighted average grant date price was \$18.58 per unit, with each grant price 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 \$3.9 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 (the Settlement Date). Settlement of vested REUs and accumulated distribution equivalents 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.

Employee Restricted Equity Unit Plan (Employee REU Plan)

As at December 31, 2021, 351,943 Employee REUs are unvested and outstanding (December 31, 2020 - 279,342).

During the year ended December 31, 2021, the Trust granted 151,414 REUs under its Employee REU Plan. The weighted average grant date price was \$18.40 per unit, with each grant price 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 \$2.8 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, 2021, 502,770 PEUs are unvested and outstanding (December 31, 2020 - 449,641).

During the year ended December 31, 2021, the Trust granted 193,221 PEUs under its PEU Plan at a weighted average grant date fair value of \$21.25 per unit resulting in an aggregate fair value of \$4.1 million.

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).

Units Purchased for Settlement

During the three months and year ended December 31, 2021, RioCan purchased 696 and 109,953 units at an average price of \$22.32 and \$18.84, in satisfaction of RioCan's existing obligations under the REU and PEU Plan.

Incentive Unit Option Plan

As at December 31, 2021, 11.9 million Unit options remain available to be granted under the Plan (December 31, 2020 - 12.5 million Unit options). Pursuant to a board resolution in October 2021, the Board has committed to no longer issue unit options as part of RioCan's long-term incentive plan ("LTIP") or as special awards.

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.

Options granted prior to February 2021 have a contractual life of ten years and vest at 25% per annum commencing on the first anniversary of the grant date, and become fully vested after four years. On February 23, 2021, 1.3 million of Unit options were granted to senior management (year ended December 31, 2020 - nil) with a contractual life of seven years and the following vesting conditions:

- 500,000 Unit options with time-based vesting conditions that will vest 50% on April 1, 2022 and 50% on April 1, 2023; and
- 800,000 Unit options have vesting conditions that are 50% time-based service condition only (Time-Based Options) and 50% with a time-based service condition and market-based performance condition (Performance Options). The Time-Based Options will vest 50% on February 23, 2023 and 50% on February 23, 2025. Vesting of the Performance Options depends on achieving certain performance measures based on 20 consecutive trading days (the 20-day VWAP) and only when certain time-vesting conditions are also met as follows: (i) 50% of the Performance Options shall be exercisable on or after the second anniversary of the Grant Date provided that the 20-day VWAP is equal to or greater than \$20, at any point during the seven-year term; and (ii) 50% of the Performance Options shall be exercisable on or after the fourth anniversary of the Grant Date provided that the 20-day VWAP is equal to or greater than \$24, at any point during the seven-year term.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Trustee Deferred Unit Plan (DU Plan)

As at December 31, 2021, there are 549,807 deferred Units vested and outstanding (December 31, 2020 - 452,368).

During the year ended December 31, 2021, 73,026 deferred Units were granted at a weighted average grant price of \$21.18 per unit, with each grant price based on the five-day volume weighted average market price of RioCan's Units traded on the TSX prior to each grant date, resulting in an aggregate fair value of \$1.5 million, and no deferred Units were exercised (year ended December 31, 2020 - 100,760 deferred Units granted and no deferred Units exercised).

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 (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.

On October 15, 2021, RioCan received TSX approval of its notice of intention to renew its NCIB (the 2021/2022 NCIB), to acquire up to a maximum of 31,616,150 Units, or approximately 10% of the public float as at October 13, 2021, 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, 2021.

The number of Units that can be purchased pursuant to the 2021/2022 NCIB is subject to a current daily maximum of 241,695 Units (which is equal to 25% of 966,783, being the average daily trading volume during the last six months), subject to RioCan's ability to make one block purchase of Units per calendar week that exceeds such limits. RioCan intends to fund the purchases out of its available cash and undrawn credit facilities.

During the year ended December 31, 2021, the Trust acquired and cancelled 7,973,045 units at a weighted average purchase price of \$22.32 per unit, for a total cost of \$178.1 million. The excess of the purchase price over the carrying amount of the units purchased, representing the unit price increase over the weighted average historical unit issuance price, was recorded as a reduction to retained earnings of \$57.2 million.

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 2021 was \$0.08 per unit compared to \$0.12 in 2020. Distributions declared to Unitholders were as follows:

<i>(thousands of dollars)</i>	Three months ended December 31		Years ended December 31	
	2021	2020	2021	2020
Distributions declared to Unitholders	\$ 75,362	\$ 114,387	\$ 304,153	\$ 457,525

Total distributions declared decreased for the three months and year ended December 31, 2021 when compared to the same periods in the prior year due to the one-third distribution reduction effective in January 2021.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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:

<i>(thousands of dollars)</i>	Three months ended December 31		Years ended December 31	
	2021	2020	2021	2020
Cash flows provided by operating activities	\$ 169,537	\$ 182,472	\$ 490,397	\$ 552,584
Add / (deduct) the (increase) / decrease in non-cash working capital items	(37,708)	(63,212)	(25,603)	(77,524)
Cash flows provided by operating activities, excluding non-cash working capital items (i)	131,829	119,260	464,794	475,060
Less: Distributions declared to Unitholders	(75,362)	(114,387)	(304,153)	(457,525)
Excess cash flows provided by operating activities excluding non-cash working capital, net of distributions declared (ii)	\$ 56,467	\$ 4,873	\$ 160,641	\$ 17,535

(i) Includes an expense for net debt prepayment costs of \$3.9 million and \$10.9 million for the three months and year ended December 31, 2021, respectively.

(ii) This is a non-GAAP financial measure. Refer to *Non-GAAP Measures* section of this MD&A for more information.

For the three months ended December 31, 2021, cash flows provided by operating activities, excluding non-cash working capital items, were higher than distributions declared to Unitholders during the period by \$56.5 million.

For the year ended December 31, 2021, cash flows provided by operating activities, excluding non-cash working capital items, were higher than distributions declared to Unitholders during the period by \$160.6 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 was effective for the Trust's January 2021 distribution, payable in February 2021. The additional capital of approximately \$152 million per annum resulting from a targeted 60% payout ratio was 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.

Distribution increase effective February 2022

RioCan's Board of Trustees has approved an increase to its monthly distributions to Unitholders of 6.25% to \$0.085 cents per unit commencing with the February 2022 distribution, payable in March 2022. This increase brings RioCan's annualized distribution to \$1.02 per unit. This increase is in keeping with the Trust's objectives to provide sustainable distribution increases supported by FFO per Unit growth while maintaining a consistent FFO Payout Ratio of approximately 55% to 65% over the long term with retained cash flow used to support future growth. With a FFO per unit target of 5% to 7% for 2022, the Trust expects to achieve its payout ratio objective.

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. 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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.

As at December 31, 2021, the Trust's key management personnel include each of the Trustees and the following individuals: President and Chief Executive Officer, Jonathan Gitlin; Chief Financial Officer, Dennis Blasutti; Chief Investment Officer, Andrew Duncan. Effective January 1, 2022, Mr. John Ballantyne was appointed as Chief Operating Officer of RioCan and will subsequently be included as key management personnel. Refer to below for key management changes during 2021.

Senior executive management and Board changes

Effective April 1, 2021, following his retirement as Chief Executive Officer of the Trust on March 31, 2021, RioCan's founder, Mr. Edward Sonshine, transitioned to Non-Executive Chairman of the Board. Mr. Jonathan Gitlin, previously the Trust's President and Chief Operating Officer, succeeded Mr. Sonshine as President and Chief Executive Officer. Concurrently with Mr. Gitlin's appointment to the role of President and Chief Executive Officer, the Board appointed Mr. Gitlin as an additional Trustee to the Board. Effective April 1, 2021, Mr. Paul V. Godfrey stepped down as Chairman of the Board and served as Lead Trustee until his retirement effective December 10, 2021. Following the retirement of Mr. Paul V. Godfrey, Mr. Siim Vanaselja, Chair of RioCan's Audit Committee, immediately succeeded Mr. Godfrey as Lead Trustee of the Board.

Effective May 26, 2021, Ms. Sharon Sallows retired as a Trustee. Ms. Janice Fukakusa was elected as a Trustee at RioCan's annual meeting held on May 26, 2021.

On March 2, 2021, RioCan announced the resignation of Ms. Qi Tang as Senior Vice President, and Chief Financial Officer, effective May 12, 2021. Ms. Franca Smith, who served as RioCan's Vice President Finance since 2017, was appointed as Interim Chief Financial Officer, effective May 12, 2021 until Mr. Dennis Blasutti was appointed as the Chief Financial Officer of the Trust, effective September 7, 2021.

On March 11, 2021, Mr. Andrew Duncan, RioCan's former Senior Vice President Development, was appointed to the newly created position of Chief Investment Officer of RioCan, effective April 1, 2021.

On November 25, 2021, Mr. John Ballantyne, RioCan's former Senior Vice President Asset Management, was appointed as Chief Operating Officer of RioCan, effective January 1, 2022.

Remuneration of the Trust's Trustees and Key Executives during the three months and years ended December 31, 2021 and 2020 is as follows:

	Three months ended December 31				Years ended December 31			
	Trustees		Key Executives		Trustees		Key Executives	
	2021	2020	2021	2020	2021	2020	2021	2020
<i>(thousands of dollars)</i>								
Compensation and benefits	\$ 62	\$ 44	\$ 942	\$ 1,126	\$ 249	\$ 175	\$ 6,367	\$ 5,349
Unit-based compensation	248	1,577	695	1,662	1,966	(919)	7,496	4,971
Post-employment benefit costs	—	—	47	33	—	—	175	129
	\$ 310	\$ 1,621	\$ 1,684	\$ 2,821	\$ 2,215	\$ (744)	\$ 14,038	\$ 10,449

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. The increase for the year ended December 31, 2021 in Key Executive costs over the comparable period was primarily due to the one-time \$6.1 million general and administrative expenses relating to the executive transitions including the accelerated expensing of certain unit-based compensation. For further details on related party transactions, refer to Note 30 of the 2021 Annual Consolidated Financial Statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

SELECTED QUARTERLY RESULTS AND TREND ANALYSIS

(millions of dollars, except where otherwise noted)	2021				2020			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
As at and for the quarter ended (i)								
Revenue	\$ 336	\$ 264	\$ 298	\$ 277	\$ 285	\$ 302	\$ 270	\$ 286
Net income (loss) attributable to Unitholders	\$ 209	\$ 138	\$ 145	\$ 107	\$ 66	\$ 118	\$ (351)	\$ 103
NOI (ii)	\$ 166	\$ 165	\$ 167	\$ 165	\$ 167	\$ 158	\$ 154	\$ 174
FFO (ii)	\$ 147	\$ 127	\$ 128	\$ 106	\$ 124	\$ 129	\$ 110	\$ 145
FFO (excluding net debt prepayment costs and one-time compensation costs) (ii)	\$ 150	\$ 127	\$ 128	\$ 119	\$ 124	\$ 129	\$ 110	\$ 145
ACFO (ii)	\$ 162	\$ 111	\$ 148	\$ 111	\$ 129	\$ 147	\$ 78	\$ 108
ACFO (excluding net debt prepayment costs and one-time compensation costs) (ii)	\$ 166	\$ 111	\$ 148	\$ 120	\$ 129	\$ 147	\$ 78	\$ 108
Unitholder distributions	\$ 75	\$ 76	\$ 76	\$ 76	\$ 114	\$ 114	\$ 114	\$ 114
Weighted average Units outstanding – diluted (in thousands)	315,733	317,961	317,882	317,758	317,739	317,728	317,721	317,725
Per unit basis (diluted)								
Net income (loss) attributable to Unitholders	\$ 0.66	\$ 0.43	\$ 0.46	\$ 0.34	\$ 0.21	\$ 0.37	\$ (1.10)	\$ 0.32
FFO (ii)	\$ 0.46	\$ 0.40	\$ 0.40	\$ 0.33	\$ 0.39	\$ 0.41	\$ 0.35	\$ 0.46
FFO (excluding net debt prepayment costs and one-time compensation costs) (ii)	\$ 0.48	\$ 0.40	\$ 0.40	\$ 0.37	\$ 0.39	\$ 0.41	\$ 0.35	\$ 0.46
Unitholder distributions	\$ 0.24	\$ 0.24	\$ 0.24	\$ 0.24	\$ 0.36	\$ 0.36	\$ 0.36	\$ 0.36
Net book value per unit	\$ 25.54	\$ 25.00	\$ 24.78	\$ 24.53	\$ 24.34	\$ 24.48	\$ 24.45	\$ 25.92
Closing market price per unit	\$ 22.94	\$ 21.64	\$ 22.08	\$ 19.46	\$ 16.75	\$ 14.06	\$ 15.36	\$ 16.13
Key Performance Indicator Ratios								
FFO Payout Ratio (ii)	62.6%	73.4%	81.0%	92.2%	90.2%	86.2%	83.2%	77.4%
FFO Payout Ratio (excluding net debt prepayment costs and one-time compensation costs) (ii)	60.6%	71.5%	78.9%	89.7%	90.2%	86.2%	83.2%	77.4%
ACFO Payout Ratio (ii)	59.7%	71.4%	73.7%	92.9%	98.9%	97.7%	97.2%	85.0%
ACFO Payout Ratio (excluding net debt prepayment costs and one-time compensation costs) (ii)	58.3%	70.2%	72.5%	91.1%	98.9%	97.7%	97.2%	85.0%
Total assets	\$ 15,177	\$ 15,292	\$ 15,236	\$ 15,175	\$ 15,268	\$ 15,128	\$ 15,071	\$ 15,393
Total debt	\$ 6,611	\$ 6,740	\$ 6,764	\$ 6,824	\$ 6,928	\$ 6,743	\$ 6,670	\$ 6,606
Total Adjusted Debt to Total Adjusted Assets (ii)	43.3%	43.7%	44.0%	44.7%	44.5%	44.4%	44.0%	42.6%
Total Adjusted Debt to Total Adjusted Assets (RioCan's Proportionate Share) (ii)	43.9%	44.4%	44.7%	45.3%	45.0%	44.8%	44.4%	43.0%
Adjusted Debt to Adjusted EBITDA (RioCan's Proportionate Share) (ii)	9.59	9.97	9.87	10.02	9.47	9.13	8.80	8.22
Other								
Total portfolio NLA (in thousands)	36,355	36,886	37,220	37,976	38,260	38,394	38,647	38,623
Number of properties	207	210	214	223	223	221	221	222
Number of employees	600	570	574	587	586	585	587	605
Residency of Unitholders (iii)								
– Canadian	66.6%	71.2%	73.1%	74.6%	74.4%	77.2%	73.1%	66.3%
– Non-resident	33.4%	28.8%	26.9%	25.4%	25.6%	22.8%	26.9%	33.7%

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

(ii) This is a non-GAAP financial measure. Refer to the *Non-GAAP Measures* section of this MD&A for more information on each non-GAAP financial measure.

(iii) 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 the demand for space, occupancy levels and consequently, the Trust's revenue, financial performance and property valuations.

The Trust's quarterly changes in revenue, FFO, ACFO and net income were primarily impacted by acquisitions and dispositions, the timing and magnitude of its residential condominium and townhouse projects closings, the magnitude and pace of development expenditures and project completions, and from Q2 2020 to Q4 2021, 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 2021 in particular, driven primarily by the timing of the collection of contractual rents receivable as a result of the pandemic.

Net income was 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Unaudited Consolidated Statements of Income

(thousands of dollars, except per unit amounts)

Three months ended December 31	2021	2020
Revenue		
Rental revenue	\$ 266,899	\$ 276,422
Residential inventory sales	65,620	4,712
Property management and other service fees	3,920	4,050
	336,439	285,184
Operating costs		
Rental operating costs		
Recoverable under tenant leases	93,346	95,452
Non-recoverable costs	9,019	14,995
Residential inventory cost of sales	39,286	1,143
	141,651	111,590
	194,788	173,594
Operating income		
Other income (loss)		
Interest income	3,842	3,500
Income from equity-accounted investments	6,503	421
Fair value gain (loss) on investment properties, net	72,255	(42,286)
Investment and other income (loss)	(696)	967
	81,904	(37,398)
Other expenses		
Interest costs, net	42,403	44,841
General and administrative	11,924	12,941
Internal leasing costs	2,982	2,901
Transaction and other costs	6,779	1,510
Debt prepayment costs, net	3,896	—
	67,984	62,193
	208,708	74,003
Income before income taxes		
Current income tax recovery	(68)	(711)
Deferred income tax expense	—	9,105
	208,776	65,609
Net income		
	\$ 208,776	\$ 65,609
Net income		
Unitholders	\$ 208,776	\$ 65,609
	\$ 208,776	\$ 65,609
Net income per unit:		
Basic	\$ 0.66	\$ 0.21
Diluted	\$ 0.66	\$ 0.21
Weighted average number of units (in thousands):		
Basic	315,534	317,739
Diluted	315,733	317,739

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 financial 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 contained within this MD&A to the most comparable IFRS measure. Non-GAAP financial measures are not standardized financial measures under IFRS, and might not be comparable to similar financial measures disclosed by other issuers. 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 Financial Measure	Description	Quantitative Reconciliation
<i>RioCan's Proportionate Share</i>	<p>All references to "RioCan's Proportionate Share" refer to a non-GAAP financial measure representing RioCan's proportionate interest of the financial position and results of operations of its entire portfolio, including equity-accounted investments. Management considers certain results presented on a proportionate share basis to be a meaningful measure because it is consistent with how RioCan and its partners assess the operating performance of each of its co-owned and equity-accounted properties. The Trust currently accounts for its investments in joint ventures and associates using the equity method of accounting.</p> <p>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. Measures 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.</p>	<i>(i) RioCan's Proportionate Share</i>
<i>Net Operating Income (NOI), In-place NOI and Stabilized NOI</i>	<p>NOI is a non-GAAP financial measure and is defined by RioCan as rental revenue from income properties less property operating costs.</p> <p>In-place NOI is a non-GAAP financial measure calculated based on the last twelve-months of NOI generated from tenant-occupied units.</p> <p>Stabilized NOI is a forward-looking non-GAAP financial measure 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 Stabilized NOI.</p> <p>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.</p> <p>Management believes that NOI is a useful non-GAAP financial 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 non-GAAP financial measure to report the operating performance of our income producing properties.</p> <p>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 property portfolio.</p>	<i>(ii) NOI</i>

MANAGEMENT'S DISCUSSION AND ANALYSIS

Non-GAAP Financial Measure	Description	Quantitative Reconciliation
<i>NOI Margin</i>	<p>NOI Margin is a non-GAAP ratio calculated based on NOI as a percentage of rental revenue excluding the impact of lease cancellation fees.</p> <p>Management believes that NOI Margin is a meaningful supplementary measure of operating performance of the Trust's income producing properties.</p> <p>NOI Margin is an important measure of the percentage of income generated from the income producing properties and is used by the Trust in evaluating the performance of the portfolio.</p>	<i>(ii) NOI</i>
<i>Same Property NOI</i>	<p>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.</p>	<i>(iii) Same Property NOI</i>
<p><i>Funds From Operations (FFO)</i></p> <p>and</p> <p><i>FFO (excluding net debt prepayment costs and one-time compensation costs)</i></p>	<p>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.</p> <p>FFO (excluding net debt prepayment costs and one-time compensation costs) starts with FFO but adds back net debt prepayment costs and one-time compensation costs since these costs are not indicative of recurring operating performance. Debt prepayment costs include yield maintenance, write-off of deferred financing costs and discounts/premiums, and related swap settlements. One-time compensation costs include the acceleration of certain unit-based compensation amortization expense.</p> <p>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.</p> <p>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.</p>	<i>(iv) FFO</i>
<p><i>Adjusted Cashflow From Operations (ACFO)</i></p> <p>and</p> <p><i>ACFO (excluding net debt prepayment costs and one-time compensation costs)</i></p>	<p>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.</p> <p>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.</p> <p>ACFO (excluding net debt prepayment costs and one-time compensation costs) starts with ACFO but adds back debt prepayment costs since these costs are not indicative of sustainable economic cash flow for distributions. Debt prepayment costs include yield maintenance, write-off of deferred financing costs and discounts/premiums, and related swap settlements.</p> <p>ACFO should not be construed as an alternative to cash flows provided by or used in operating activities determined in accordance with IFRS.</p>	<i>(v) ACFO</i>

MANAGEMENT'S DISCUSSION AND ANALYSIS

Non-GAAP Financial Measure	Description	Quantitative Reconciliation
<p><i>FFO and ACFO Payout Ratios</i></p> <p>and</p> <p><i>FFO and ACFO Payout Ratios (excluding net debt prepayment costs and one-time compensation costs)</i></p>	<p>FFO and ACFO Payout Ratios, and FFO and ACFO Payout Ratios (excluding net debt prepayment costs and one-time compensation costs) are supplementary non-GAAP measures of a REIT's distribution paying capacity. These 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, FFO (excluding net debt prepayment costs and one-time compensation costs) and ACFO (excluding net debt prepayment costs and one-time compensation costs), respectively, over the same period.</p> <p>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.</p>	<p>(iv) FFO and (v) ACFO</p>
<p><i>Normalized Capital Expenditures</i></p>	<p>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 factors 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, a portfolio assessment to prioritize assets and the type of capital expenditures, a 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.</p> <p>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.</p> <p>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.</p> <p>For 2021, the Trust determined that \$45.0 million was a reasonable estimate for its Normalized Capital Expenditures. This Normalized Capital Expenditures estimate for 2021 does not include capital expenditures for mixed-use residential projects given these are newly constructed buildings. The Trust's normalized capital expenditures for 2022 reflects its pursuit of its strategic objectives of reimaging retail and better serving its tenants. The Trust has determined that \$50.0 million is a reasonable Normalized Capital Expenditures estimate for 2022 although quarterly fluctuations between the \$12.5 million quarterly Normalized Capital Expenditures spend and actual spend are expected.</p>	<p><i>Capital Expenditures on Income Properties section</i></p>
<p><i>Development Spending or Total Development Spending</i></p>	<p>Development Spending or Total Development Spending is a non-GAAP financial measure defined as the sum of total development expenditures incurred for various properties under development and for residential inventory. Development spending is a useful measure of development progress and investment in properties under development and residential inventory.</p>	<p>(vi) <i>Development Spending</i></p>

MANAGEMENT'S DISCUSSION AND ANALYSIS

Non-GAAP Financial Measure	Description	Quantitative Reconciliation
<p><i>Total Contractual Debt</i></p> <p>and</p> <p><i>Total Debt (RioCan's Proportionate Share) and Total Contractual Debt (RioCan's Proportionate Share)</i></p>	<p>Total Contractual Debt is a non-GAAP financial measure defined as the sum of contractual obligations (excluding unamortized deferred financing costs and discounts/premiums) of mortgages payable, lines of credit and other bank loans, mortgages on properties held for sale and debentures payable.</p> <p>Total Debt (RioCan's Proportionate Share) and Total Contractual Debt (RioCan's Proportionate Share) are non-GAAP financial measures that include RioCan's proportionate interest in the total debt and Total Contractual Debt of its entire portfolio, including equity-accounted investments.</p> <p>Total debt and Total Contractual Debt and Total Debt (RioCan's Proportionate Share) and Total Contractual Debt (RioCan's proportionate share) are a useful measures of the total debt outstanding used in measuring leverage.</p>	<p>(vii) <i>Total debt and Total Contractual Debt</i></p>
<p><i>Adjusted EBITDA</i></p> <p>and</p> <p><i>Adjusted EBITDA (RioCan's Proportionate Share)</i></p>	<p>Adjusted EBITDA and Adjusted EBITDA (RioCan's Proportionate Share) are a non-GAAP financial measures that are 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.</p> <p>Adjusted EBITDA (RioCan's Proportionate Share) includes RioCan's proportionate interest in Adjusted EBITDA of its entire portfolio, including equity-accounted investments.</p> <p>Adjusted EBITDA and Adjusted EBITDA (RioCan's Proportionate Share) are used as an alternative to IFRS net income, because they exclude 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), net debt prepayment costs and one-time or non-recurring items (including, but not limited to, one-time cash compensation costs).</p>	<p>(xii) <i>Adjusted EBITDA and Coverage Ratios</i></p>
<p><i>Total Adjusted Debt to Total Adjusted Assets</i></p> <p>and</p> <p><i>Total Adjusted Debt to Total Adjusted Assets (RioCan's Proportionate Share)</i></p>	<p>Total Adjusted Debt to Total Adjusted Assets is a non-GAAP ratio 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.</p> <p>Total Adjusted Debt to Total Adjusted Assets (RioCan's Proportionate Share) or Leverage Ratio (RioCan's Proportionate Share) is a non-GAAP ratio that uses RioCan's proportionate interest in total debt net of cash and cash equivalents and total assets net of cash and cash equivalents of its entire portfolio when calculating the leverage ratio, including equity-accounted investments.</p> <p>These ratios are useful measures of leverage.</p>	<p>(viii) <i>Total Adjusted Debt to Total Adjusted Assets</i></p>
<p><i>Adjusted Debt to Adjusted EBITDA</i></p> <p>and</p> <p><i>Adjusted Debt to Adjusted EBITDA (RioCan's Proportionate Share)</i></p>	<p>Adjusted Debt to Adjusted EBITDA is a non-GAAP ratio of our financial leverage calculated on a trailing twelve-month basis and is defined as our quarterly average Total Adjusted Debt divided by Adjusted EBITDA.</p> <p>Adjusted Debt to Adjusted EBITDA (RioCan's Proportionate Share) is a non-GAAP ratio, calculated on a trailing twelve-month basis and is defined as our quarterly average Total Adjusted Debt (RioCan's Proportionate Share) divided by Adjusted EBITDA (RioCan's Proportionate Share).</p> <p>These ratios are useful measures of the Trust's ability to satisfy debt obligations.</p>	<p>(xii) <i>Adjusted EBITDA and Coverage Ratios</i></p>

MANAGEMENT'S DISCUSSION AND ANALYSIS

Non-GAAP Financial Measure	Description	Quantitative Reconciliation
<p><i>Debt Service Coverage</i></p> <p>and</p> <p><i>Debt Service Coverage (RioCan's Proportionate Share)</i></p>	<p>Debt Service Coverage is a non-GAAP ratio 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.</p> <p>Debt Service Coverage (RioCan's Proportionate Share) is a non-GAAP ratio calculated on a trailing twelve-month basis and is defined as Adjusted EBITDA (RioCan's Proportionate Share) divided by the sum of total interest costs (including interest that has been capitalized) and scheduled mortgage principal amortization both at RioCan's proportionate share (RioCan's proportionate interest of its entire portfolio, including equity-accounted investments).</p> <p>These ratios are useful measures of the Trust's ability to meet our debt service obligations on a trailing twelve-month basis.</p>	<p>(xii) <i>Adjusted EBITDA and Coverage Ratios</i></p>
<p><i>Interest Coverage</i></p> <p>and</p> <p><i>Interest Coverage (RioCan's Proportionate Share)</i></p>	<p>Interest Coverage is a non-GAAP ratio calculated on a trailing twelve-month basis and is defined as Adjusted EBITDA divided by total interest costs (including interest that has been capitalized).</p> <p>Interest Coverage (RioCan's Proportionate Share) is a non-GAAP ratio calculated on a trailing twelve-month basis and is defined as Adjusted EBITDA (RioCan's Proportionate Share) divided by total interest costs (including interest that has been capitalized) at RioCan's proportionate share (RioCan's proportionate interest of its entire portfolio, including equity-accounted investments).</p> <p>These ratios are useful measures of the Trust's ability to meet its interest cost obligations on a trailing twelve-month basis.</p>	<p>(xii) <i>Adjusted EBITDA and Coverage Ratios</i></p>
<p><i>Ratio of Floating Rate Debt to Total Debt (RioCan's Proportionate Share) and Ratio of Fixed Rate Debt to Total Debt (RioCan's Proportionate Share)</i></p>	<p>Ratio of Floating Rate Debt to Total Debt (RioCan's Proportionate Share) is a non-GAAP ratio calculated as total floating rate debt at RioCan's Proportionate Share (RioCan's proportionate interest of its entire portfolio, including equity-accounted investments) divided by Total Debt (RioCan's Proportionate Share).</p> <p>Ratio of Fixed Rate Debt to Total Debt (RioCan's Proportionate Share) is a non-GAAP ratio calculated as total fixed rate debt at RioCan's proportionate share (RioCan's proportionate interest of its entire portfolio, including equity-accounted investments) divided by total debt (RioCan's proportionate share).</p> <p>These ratios are useful measures of the Trust's relative exposure to fixed and floating rate debt.</p>	<p>(ix) <i>Floating Rate Debt and Fixed Rate Debt</i></p>

MANAGEMENT'S DISCUSSION AND ANALYSIS

Non-GAAP Financial Measure	Description	Quantitative Reconciliation
<p><i>Liquidity and Liquidity as percentage of Total Contractual Debt</i></p> <p>and</p> <p><i>Liquidity (RioCan's proportionate share) and Liquidity as percentage of Total Contractual Debt (RioCan's Proportionate Share)</i></p>	<p>Liquidity is a non-GAAP measure calculated based on the sum of total cash and cash equivalents, undrawn revolving unsecured operating line of credit and undrawn construction lines and other bank loans.</p> <p>Liquidity as percentage of Total Contractual Debt is a non-GAAP ratio defined as Liquidity divided by Total Contractual Debt.</p> <p>Liquidity (RioCan's proportionate share) is a non-GAAP measure calculated based on the sum of total cash and cash equivalents, undrawn revolving unsecured operating line of credit and undrawn construction lines and other bank loans all at RioCan's proportionate share (RioCan's proportionate interest of its entire portfolio, including equity-accounted investments).</p> <p>Liquidity as percentage of Total Contractual Debt (RioCan's Proportionate Share) is a non-GAAP ratio defined as Liquidity (RioCan's proportionate share) divided by Total Contractual Debt (RioCan's Proportionate Share).</p> <p>These ratios are a useful measure of the Trust's cash resources and credit available under committed credit facilities.</p>	<p>(xi) Liquidity</p>
<p><i>Ratio of Unsecured Debt to Total Contractual Debt and Ratio of Secured Debt to Total Contractual Debt</i></p> <p>and</p> <p><i>Ratio of Unsecured Debt to Total Contractual Debt (RioCan's Proportionate Share) and Ratio of Secured Debt to Total Contractual Debt (RioCan's Proportionate Share)</i></p>	<p>Ratio of Unsecured Debt is a non-GAAP ratio calculated as total Unsecured Debt divided by Total Contractual Debt.</p> <p>Ratio of Secured Debt is a non-GAAP ratio calculated as total Secured Debt divided by Total Contractual Debt.</p> <p>Ratio of Unsecured Debt to Total Contractual Debt (RioCan's Proportionate Share) is a non-GAAP ratio calculated as total Unsecured Debt at RioCan's proportionate share (RioCan's proportionate interest of its entire portfolio, including equity-accounted investments) divided by Total Contractual Debt (RioCan's Proportionate Share).</p> <p>Ratio of Secured Debt to Total Contractual Debt (RioCan's Proportionate Share) is a non-GAAP ratio calculated as total Secured Debt at RioCan's proportionate share (RioCan's proportionate interest of its entire portfolio, including equity-accounted investments) divided by Total Contractual Debt (RioCan's Proportionate Share).</p> <p>These ratios are useful measures of the Trust's relative exposure to Secured and Unsecured Debt.</p>	<p>(x) Unsecured Debt and Secured Debt</p>
<p><i>Ratio of Unencumbered Assets to total investment properties</i></p> <p>and</p> <p><i>Ratio of Unencumbered Assets to total investment properties (RioCan's Proportionate Share)</i></p>	<p>Ratio of Unencumbered Assets to total investment properties is a non-GAAP ratio calculated as the carrying value of all investment properties that have not been pledged as security for debt divided by total fair value of investment properties.</p> <p>Ratio of Unencumbered Assets to total investment properties (RioCan's Proportionate Share) is a non-GAAP ratio calculated as the carrying value of all investment properties that have not been pledged as security for debt divided by total fair value of investment properties both at RioCan's proportionate share (RioCan's proportionate interest of its entire portfolio, including equity-accounted investments).</p> <p>These ratios are useful measures of investment properties that can be mortgaged to increase liquidity.</p>	<p>(xiii) Unencumbered Assets</p>

MANAGEMENT'S DISCUSSION AND ANALYSIS

Non-GAAP Financial Measure	Description	Quantitative Reconciliation
<p><i>Percentage of Normalized NOI Generated from Unencumbered Assets</i></p> <p>and</p> <p><i>Percentage of Normalized NOI Generated from Unencumbered Assets (RioCan's Proportionate Share)</i></p>	<p>Percentage of Normalized NOI Generated from Unencumbered Assets is a non-GAAP ratio defined as the annual NOI excluding lease cancellation fees, miscellaneous revenue and percentage rent (or Annual Normalized NOI) from unencumbered assets as of the end of a reporting period divided by total Annual Normalized NOI as of the end of the same reporting period. Unencumbered assets are investment properties that have not been pledged as security for debt.</p> <p>Percentage of Normalized NOI Generated from Unencumbered Assets (RioCan's Proportionate Share) is a non-GAAP ratio defined as the Annual Normalized NOI from unencumbered assets as of the end of a reporting period divided by total Annual Normalized NOI as of the end of the same reporting period both at RioCan's proportionate share (RioCan's proportionate interest of its entire portfolio, including equity-accounted investments).</p> <p>These ratios are useful measures of the NOI that is not subject to debt servicing obligations.</p>	<p>(xiii) <i>Unencumbered Assets</i></p>
<p><i>Unencumbered Assets to Unsecured Debt</i></p> <p>and</p> <p><i>Unencumbered Assets to Unsecured Debt (RioCan's Proportionate Share)</i></p>	<p>Unencumbered Assets to Unsecured Debt is a non-GAAP ratio calculated as the carrying value of all investment properties that have not been pledged as security for debt divided by total unsecured indebtedness.</p> <p>Unencumbered Assets to Unsecured Debt (RioCan's proportionate share) is a non-GAAP ratio calculated as the carrying value of all investment properties that have not been pledged as security for debt divided by total unsecured indebtedness both at RioCan's proportionate share (RioCan's proportionate interest of its entire portfolio, including equity-accounted investments).</p> <p>These ratios are useful measures of the investment properties available to satisfy Unsecured Debt obligations.</p>	<p>(xiii) <i>Unencumbered Assets</i></p>
<p><i>Excess cash flows provided by operating activities excluding non-cash working capital, net of distributions declared</i></p>	<p>This is a non-GAAP measure calculated as total cash flows provided by operating activities excluding non-cash working capital items less the distributions declared to Unitholders.</p> <p>This is a useful measure of the excess cash the Trust has retained to fund operations, investments and capital activities.</p>	<p><i>Distributions to Unitholders section</i></p>
<p><i>Total joint operations and equity-accounted investments - Income properties, PUD, Residential inventory, Other, Total assets, Total NOI</i></p>	<p>These is a non-GAAP measure which represents the sum of RioCan's interest of joint operations and proportionate share of equity-accounted investments.</p> <p>This is a useful measure of indicating the amount of Income properties, PUD, Residential inventory, Other, Total assets and Total NOI that are jointly controlled or where RioCan has significant influence.</p>	<p><i>Joint Arrangements section</i></p>

MANAGEMENT'S DISCUSSION AND ANALYSIS

Below are quantitative reconciliations for all non-GAAP measures indicated:

(i) RioCan's Proportionate Share

The following table reconciles the consolidated balance sheet from IFRS to RioCan's proportionate share basis as at December 31, 2021 and 2020:

As at	December 31, 2021			December 31, 2020		
(in thousands)	IFRS basis	Equity-accounted investments	RioCan's proportionate share	IFRS basis	Equity-accounted investments	RioCan's proportionate share
Assets						
Investment properties	\$ 14,021,338	\$ 409,794	\$ 14,431,132	\$ 14,063,022	\$ 243,677	\$ 14,306,699
Equity-accounted investments	327,335	(327,335)	—	209,676	(209,676)	—
Mortgages and loans receivable	237,790	—	237,790	160,646	—	160,646
Residential inventory	217,043	121,291	338,334	214,181	82,331	296,512
Assets held for sale	47,240	—	47,240	198,094	—	198,094
Receivables and other assets	248,959	35,367	284,326	183,633	28,202	211,835
Cash and cash equivalents	77,758	9,113	86,871	238,456	2,203	240,659
Total assets	\$ 15,177,463	\$ 248,230	\$ 15,425,693	\$ 15,267,708	\$ 146,737	\$ 15,414,445
Liabilities						
Debentures payable	\$ 2,990,692	\$ —	\$ 2,990,692	\$ 3,340,278	\$ —	\$ 3,340,278
Mortgages payable	2,334,016	166,368	2,500,384	2,797,066	108,337	2,905,403
Lines of credit and other bank loans	1,285,910	48,049	1,333,959	790,539	28,716	819,255
Accounts payable and other liabilities	655,501	33,813	689,314	604,852	9,684	614,536
Total liabilities	\$ 7,266,119	\$ 248,230	\$ 7,514,349	\$ 7,532,735	\$ 146,737	\$ 7,679,472
Equity						
Unitholders' equity	7,911,344	—	7,911,344	7,734,973	—	7,734,973
Total liabilities and equity	\$ 15,177,463	\$ 248,230	\$ 15,425,693	\$ 15,267,708	\$ 146,737	\$ 15,414,445

MANAGEMENT'S DISCUSSION AND ANALYSIS

RioCan's Proportionate Share (continued)

The following table reconciles the consolidated balance sheet from IFRS to RioCan's proportionate share basis as at December 31, 2019:

As at	December 31, 2019		
<i>(in thousands)</i>	IFRS basis	Equity-accounted investments	RioCan's proportionate share
Assets			
Investment properties	\$ 14,359,127	\$ 250,147	\$ 14,609,274
Deferred tax assets	12,045	—	12,045
Equity-accounted investments	190,508	(190,508)	—
Mortgages and loans receivable	175,951	—	175,951
Residential inventory	108,956	45,271	154,227
Assets held for sale	21,800	—	21,800
Receivables and other assets	226,423	21,014	247,437
Cash and cash equivalents	93,516	3,048	96,564
Total assets	\$ 15,188,326	\$ 128,972	\$ 15,317,298
Liabilities			
Debentures payable	\$ 2,891,648	\$ —	\$ 2,891,648
Mortgages payable	2,412,451	101,727	2,514,178
Lines of credit and other bank loans	1,086,719	19,386	1,106,105
Accounts payable and other liabilities	492,297	7,859	500,156
Total liabilities	\$ 6,883,115	\$ 128,972	\$ 7,012,087
Equity			
Unitholders' equity	8,305,211	—	8,305,211
Total liabilities and equity	\$ 15,188,326	\$ 128,972	\$ 15,317,298

MANAGEMENT'S DISCUSSION AND ANALYSIS

RioCan's Proportionate Share (continued)

The following tables reconcile the consolidated statements of income (loss) from IFRS to RioCan's proportionate share basis for three months and years ended December 31, 2021, 2020 and year ended December 31, 2019:

(thousands of dollars)	Three months ended December 31, 2021			Three months ended December 31, 2020		
	IFRS basis	Equity-accounted investments	RioCan's proportionate share	IFRS basis	Equity-accounted investments	RioCan's proportionate share
Revenue						
Rental revenue	\$ 266,899	\$ 7,071	\$ 273,970	\$ 276,422	\$ 4,300	\$ 280,722
Residential inventory sales	65,620	965	66,585	4,712	831	5,543
Property management and other service fees	3,920	—	3,920	4,050	—	4,050
	336,439	8,036	344,475	285,184	5,131	290,315
Operating costs						
Rental operating costs						
Recoverable under tenant leases	93,346	588	93,934	95,452	400	95,852
Non-recoverable costs	9,019	609	9,628	14,995	331	15,326
Residential inventory cost of sales	39,286	289	39,575	1,143	270	1,413
	141,651	1,486	143,137	111,590	1,001	112,591
Operating income	194,788	6,550	201,338	173,594	4,130	177,724
Other income (loss)						
Interest income	3,842	566	4,408	3,500	347	3,847
Income from equity-accounted investments	6,503	(6,503)	—	421	(421)	—
Fair value gain (loss) on investment properties, net	72,255	1,480	73,735	(42,286)	(2,852)	(45,138)
Investment and other income (loss)	(696)	(144)	(840)	967	(19)	948
	81,904	(4,601)	77,303	(37,398)	(2,945)	(40,343)
Other expenses						
Interest costs, net	42,403	1,819	44,222	44,841	1,173	46,014
General and administrative	11,924	16	11,940	12,941	10	12,951
Internal leasing costs	2,982	—	2,982	2,901	—	2,901
Transaction and other costs	6,779	114	6,893	1,510	2	1,512
Debt prepayment costs, net	3,896	—	3,896	—	—	—
	67,984	1,949	69,933	62,193	1,185	63,378
Income before income taxes	\$ 208,708	\$ —	\$ 208,708	\$ 74,003	\$ —	\$ 74,003
Current income tax recovery	(68)	—	(68)	(711)	—	(711)
Deferred income tax expense	—	—	—	9,105	—	9,105
Net income	\$ 208,776	\$ —	\$ 208,776	\$ 65,609	\$ —	\$ 65,609

MANAGEMENT'S DISCUSSION AND ANALYSIS

RioCan's Proportionate Share (continued)

(thousands of dollars)	Year ended December 31, 2021			Year ended December 31, 2020		
	IFRS basis	Equity-accounted investments	RioCan's proportionate share	IFRS basis	Equity-accounted investments	RioCan's proportionate share
Revenue						
Rental revenue	\$ 1,066,562	\$ 26,836	\$ 1,093,398	\$ 1,090,732	\$ 17,162	\$ 1,107,894
Residential inventory sales	93,727	6,474	100,201	36,347	6,718	43,065
Property management and other service fees	14,772	—	14,772	16,584	—	16,584
	1,175,061	33,310	1,208,371	1,143,663	23,880	1,167,543
Operating costs						
Rental operating costs						
Recoverable under tenant leases	367,297	2,089	369,386	377,787	1,495	379,282
Non-recoverable costs	40,753	2,544	43,297	64,751	1,599	66,350
Residential inventory cost of sales	65,346	2,371	67,717	20,842	3,567	24,409
	473,396	7,004	480,400	463,380	6,661	470,041
Operating income	701,665	26,306	727,971	680,283	17,219	697,502
Other income (loss)						
Interest income	13,666	2,160	15,826	14,602	1,383	15,985
Income from equity-accounted investments	19,189	(19,189)	—	3,985	(3,985)	—
Fair value gain (loss) on investment properties, net	124,052	(1,113)	122,939	(526,775)	(9,613)	(536,388)
Investment and other income (loss)	2,743	(806)	1,937	8,216	(166)	8,050
	159,650	(18,948)	140,702	(499,972)	(12,381)	(512,353)
Other expenses						
Interest costs, net	171,521	7,026	178,547	180,811	4,788	185,599
General and administrative	51,400	60	51,460	40,524	42	40,566
Internal leasing costs	11,807	—	11,807	10,192	—	10,192
Transaction and other costs	17,343	272	17,615	2,934	8	2,942
Debt prepayment costs, net	10,914	—	10,914	—	—	—
	262,985	7,358	270,343	234,461	4,838	239,299
Income (loss) before income taxes	\$ 598,330	\$ —	\$ 598,330	\$ (54,150)	\$ —	\$ (54,150)
Current income tax recovery	(59)	—	(59)	(275)	—	(275)
Deferred income tax expense	—	—	—	10,905	—	10,905
Net income (loss)	\$ 598,389	\$ —	\$ 598,389	\$ (64,780)	\$ —	\$ (64,780)

MANAGEMENT'S DISCUSSION AND ANALYSIS

RioCan's Proportionate Share (continued)

<i>(thousands of dollars)</i>	Year ended December 31, 2019		
	IFRS basis	Equity-accounted investments	RioCan's proportionate share
Revenue			
Rental revenue	\$ 1,093,727	\$ 17,749	\$ 1,111,476
Residential inventory sales	208,965	7,250	216,215
Property management and other service fees	23,633	—	23,633
	1,326,325	24,999	1,351,324
Operating costs			
Rental operating costs			
Recoverable under tenant leases	384,404	1,393	385,797
Non-recoverable costs	20,621	1,435	22,056
Residential inventory cost of sales	172,688	935	173,623
	577,713	3,763	581,476
Operating income	748,612	21,236	769,848
Other income			
Interest income	16,916	1,364	18,280
Income from equity-accounted investments	10,051	(10,051)	—
Fair value gain on investment properties, net	247,624	(8,330)	239,294
Investment and other income	7,732	911	8,643
	282,323	(16,106)	266,217
Other expenses			
Interest costs, net	182,780	5,091	187,871
General and administrative	46,814	29	46,843
Internal leasing costs	11,309	—	11,309
Transaction and other costs	12,833	10	12,843
	253,736	5,130	258,866
Income before income taxes	\$ 777,199	\$ —	\$ 777,199
Current income tax recovery	(699)	—	(699)
Deferred income tax expense	2,064	—	2,064
Net income	\$ 775,834	\$ —	\$ 775,834

MANAGEMENT'S DISCUSSION AND ANALYSIS

(ii) NOI

The following table reconciles operating income to NOI and calculates NOI Margin for the three months ended December 31, 2021 and 2020 and years ended December 31, 2021, 2020 and 2019:

<i>(thousands of dollars, except where otherwise noted)</i>	Three months ended December 31		Years ended December 31		
	2021	2020	2021	2020	2019
Operating Income	\$ 194,788	\$ 173,594	\$ 701,665	\$ 680,283	\$ 748,612
<i>Adjusted for the following:</i>					
Property management and other service fees	(3,920)	(4,050)	(14,772)	(16,584)	(23,633)
Residential inventory gains	(26,334)	(3,569)	(28,381)	(15,505)	(36,277)
Operational lease revenue and (expenses) from ROU assets	1,264	1,065	4,799	3,983	3,003
NOI	\$ 165,798	\$ 167,040	\$ 663,311	\$ 652,177	\$ 691,705
Less: Lease cancellation fees	(394)	(5,199)	(6,457)	(6,284)	(7,903)
NOI - excluding lease cancellation fees	165,404	161,841	656,854	645,893	683,802
Add: Pandemic-related provision	2,900	8,998	17,214	42,499	—
NOI - excluding lease cancellation fees and provision	\$ 168,304	\$ 170,839	\$ 674,068	\$ 688,392	\$ 683,802
Rental revenue	\$ 266,899	\$ 276,422	\$ 1,066,562	\$ 1,090,732	\$ 1,093,727
<i>Adjust the following:</i>					
Operational lease revenue from ROU assets	1,524	1,325	5,880	5,013	4,044
Lease cancellation fees	(394)	(5,199)	(6,457)	(6,284)	(7,903)
Rental revenue (excluding lease cancellation fees)	\$ 268,029	\$ 272,548	\$ 1,065,985	\$ 1,089,461	\$ 1,089,868
NOI Margin	61.7 %	59.4 %	61.6 %	59.3 %	62.7 %
NOI Margin (excluding the pandemic-related provision)	62.8 %	62.7 %	63.2 %	63.2 %	62.7 %

NOI for equity-accounted investments

The following table reconciles operating income to NOI for equity-accounted investments for the three months and years ended December 31, 2021 and 2020:

<i>(thousands of dollars)</i>	Three months ended December 31		Years ended December 31	
	2021	2020	2021	2020
Operating Income	\$ 6,550	\$ 4,130	\$ 26,306	\$ 17,219
<i>Adjusted for the following:</i>				
Property management and other service fees	—	—	—	—
Residential inventory gains	(676)	(561)	(4,103)	(3,151)
Operational lease revenue and (expenses) from ROU assets	(202)	(126)	(777)	(506)
NOI for equity-accounted investments	\$ 5,672	\$ 3,443	\$ 21,426	\$ 13,562

MANAGEMENT'S DISCUSSION AND ANALYSIS

(iii) Same Property NOI

The following table reconciles Same Property NOI to NOI for the three months and years ended December 31, 2021 and 2020:

<i>(thousands of dollars)</i>	Three months ended December 31		Years ended December 31	
	2021	2020	2021	2020
Same Property NOI	\$ 156,439	\$ 149,120	\$ 612,463	\$ 592,196
NOI from income producing properties:				
Acquired (i)	39	7	3,479	2,727
Disposed (i)	1,104	6,234	15,002	25,637
	1,143	6,241	18,481	28,364
NOI from completed properties under development	3,755	1,591	9,925	4,198
NOI from properties under de-leasing under development	1,153	1,461	4,999	5,715
Lease cancellation fees	394	5,199	6,457	6,284
Straight-line rent adjustment	1,050	1,458	6,928	7,177
NOI from residential rental	1,864	1,970	4,058	8,243
NOI (ii)	\$ 165,798	\$ 167,040	\$ 663,311	\$ 652,177

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

(ii) Refer to (ii) NOI of this section for reconciliation from NOI to operating income.

Same Property NOI including completed PUD

<i>(thousands of dollars)</i>	Three months ended December 31		Years ended December 31	
	2021	2020	2021	2020
Same Property NOI	\$ 156,439	\$ 149,120	\$ 612,463	\$ 592,196
Add:				
NOI from completed properties under development	3,755	1,591	9,925	4,198
Same Property NOI including completed PUD	\$ 160,194	\$ 150,711	\$ 622,388	\$ 596,394

Same Property NOI excluding the pandemic-related provision

<i>(thousands of dollars)</i>	Three months ended December 31		Years ended December 31	
	2021	2020	2021	2020
Same Property NOI	\$ 156,439	\$ 149,120	\$ 612,463	\$ 592,196
Add:				
Same property pandemic-related provision	2,962	8,663	16,856	40,715
Same Property NOI excluding the pandemic-related provision	\$ 159,401	\$ 157,783	\$ 629,319	\$ 632,911

MANAGEMENT'S DISCUSSION AND ANALYSIS

(iv) FFO

The following table reconciles net income (loss) attributable to Unitholders to FFO for the three months and years ended December 31, 2021 and 2020:

<i>(thousands of dollars, except where otherwise noted)</i>	Three months ended December 31		Years ended December 31	
	2021	2020	2021	2020
Net income (loss) attributable to Unitholders	\$ 208,776	\$ 65,609	\$ 598,389	\$ (64,780)
<i>Add back/(Deduct):</i>				
Fair value (gains) losses, net	(72,255)	42,286	(124,052)	526,775
Fair value (gains) losses included in equity-accounted investments	(1,480)	2,852	1,113	9,613
Deferred income tax expense	—	9,105	—	10,905
Internal leasing costs	2,982	2,901	11,807	10,192
Transaction losses on investment properties, net (i)	901	121	402	503
Transaction costs on sale of investment properties	6,324	1,003	14,391	768
Change in unrealized fair value on marketable securities	—	—	—	10,219
Current income tax recovery	(68)	(711)	(59)	(275)
Operational lease revenue from ROU assets	887	710	3,308	2,572
Operational lease expenses from ROU assets in equity-accounted investments	(11)	(7)	(42)	(28)
Capitalized interest on equity-accounted investments (ii)	465	235	1,725	930
FFO	\$ 146,521	\$ 124,104	\$ 506,982	\$ 507,394
<i>Add back:</i>				
Debt prepayment costs, net	3,896	—	10,914	—
One-time compensation costs	—	—	6,057	—
FFO (excluding net debt prepayment costs and one-time compensation costs)	\$ 150,417	\$ 124,104	\$ 523,953	\$ 507,394
FFO per unit - basic	\$ 0.46	\$ 0.39	\$ 1.60	\$ 1.60
FFO per unit - diluted	\$ 0.46	\$ 0.39	\$ 1.60	\$ 1.60
FFO per unit (excluding net debt prepayment costs and one-time compensation costs) - diluted	\$ 0.48	\$ 0.39	\$ 1.65	\$ 1.60
Weighted average number of Units - basic (in thousands)	315,534	317,739	317,201	317,725
Weighted average number of Units - diluted (in thousands)	315,733	317,739	317,284	317,725

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

(ii) Refer to table below.

FFO from equity-accounted investments

The following table reconciles income from equity-accounted investments to FFO from equity-accounted investments for the three months and years ended December 31, 2021 and 2020:

<i>(thousands of dollars, except per unit amounts)</i>	Three months ended December 31		Years ended December 31	
	2021	2020	2021	2020
Income from equity-accounted investments	\$ 6,503	\$ 421	\$ 19,189	\$ 3,985
Fair value (gains) losses included in equity-accounted investments	(1,480)	2,852	1,113	9,613
Transaction costs on sale of investment properties	26	—	28	—
Operational lease expenses from ROU assets in equity-accounted investments	(11)	(7)	(42)	(28)
Capitalized interest on equity-accounted investments (i)	465	235	1,725	930
FFO from equity-accounted investments	\$ 5,503	\$ 3,501	\$ 22,013	\$ 14,500

(i) 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, WhiteCastle New Urban Fund 4, LP, WhiteCastle New Urban Fund 5, LP, RioCan-Fieldgate JV, RC (Queensway) LP and RC (Leaside) LP- Class B. This amount is not capitalized to properties under development under IFRS, but is allowed as an adjustment under REALPAC's definition of FFO.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Quarterly FFO, FFO (excluding net debt prepayment costs and one-time compensation costs) and Payout Ratio and FFO Payout Ratio (excluding net debt prepayment costs and one-time compensation costs)

The following tables reconcile quarterly net income (loss) attributable to Unitholders to FFO for the years ended December 31, 2021 and 2020 and for the year ended December 31, 2019:

<i>(thousands of dollars, except per unit amounts)</i>	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Twelve months ended December 31, 2021
Net income (loss) attributable to Unitholders	\$ 208,776	\$ 137,610	\$ 145,274	\$ 106,729	\$ 598,389
<i>Add back/(Deduct):</i>					—
Fair value gains, net	(72,255)	(20,002)	(22,929)	(8,866)	(124,052)
Fair value (gains) losses included in equity-accounted investments	(1,480)	1,386	695	512	1,113
Deferred income tax expense	—	—	—	—	—
Internal leasing costs	2,982	3,206	2,767	2,852	11,807
Transaction losses (gains) on investment properties, net	901	234	(888)	155	402
Transaction costs on sale of investment properties	6,324	2,751	1,678	3,638	14,391
Change in unrealized fair value on marketable securities	—	—	—	—	—
Current income tax expense (recovery)	(68)	479	(307)	(163)	(59)
Operational lease revenue (expenses) from ROU assets	887	834	824	763	3,308
Operational lease revenue (expenses) from ROU assets in equity-accounted investments	(11)	(11)	(11)	(9)	(42)
Capitalized interest on equity-accounted investments	465	421	414	425	1,725
FFO	\$ 146,521	\$ 126,908	\$ 127,517	\$ 106,036	\$ 506,982
<i>Add back:</i>					
Debt prepayment costs, net	3,896	—	—	7,018	10,914
One-time compensation costs	—	—	211	5,846	6,057
FFO (excluding net debt prepayment costs and one-time compensation costs)	\$ 150,417	\$ 126,908	\$ 127,728	\$ 118,900	\$ 523,953
Distribution paid	\$ 76,000	\$ 76,262	\$ 76,264	\$ 88,971	\$ 317,497
FFO for last 4 quarters	\$ 506,982	\$ 484,565	\$ 486,461	\$ 468,847	
FFO (excluding net debt prepayment costs and one-time compensation costs) for last 4 quarters	\$ 523,953	\$ 497,640	\$ 499,536	\$ 481,711	
Distributions for last 4 quarters	\$ 317,497	\$ 355,882	\$ 393,998	\$ 432,121	
FFO Payout Ratio					62.6%
FFO Payout Ratio (excluding net debt prepayment costs and one-time compensation costs)					60.6%

MANAGEMENT'S DISCUSSION AND ANALYSIS

Quarterly FFO, FFO (excluding net debt prepayment costs and one-time compensation costs) and Payout Ratio and FFO Payout Ratio (excluding net debt prepayment costs and one-time compensation costs) (continued)

<i>(thousands of dollars, except per unit amounts)</i>	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Twelve months ended December 31, 2020
Net income (loss) attributable to Unitholders	\$ 65,609	\$ 117,559	\$ (350,770)	\$ 102,822	\$ (64,780)
Add back/(Deduct):					—
Fair value losses, net	42,286	8,529	451,707	24,253	526,775
Fair value losses included in equity-accounted investments	2,852	338	5,953	470	9,613
Deferred income tax expense (recovery)	9,105	1,600	(800)	1,000	10,905
Internal leasing costs	2,901	2,029	2,219	3,043	10,192
Transaction losses (gains) on investment properties, net	121	(616)	980	18	503
Transaction costs (recoveries) on sale of investment properties	1,003	(1,137)	323	579	768
Change in unrealized fair value on marketable securities	—	—	—	10,219	10,219
Current income tax expense (recovery)	(711)	(300)	(548)	1,284	(275)
Operational lease revenue (expenses) from ROU assets	710	567	612	683	2,572
Operational lease revenue (expenses) from ROU assets in equity-accounted investments	(7)	(7)	(8)	(6)	(28)
Capitalized interest on equity-accounted investments	235	242	235	218	930
FFO	\$ 124,104	\$ 128,804	\$ 109,903	\$ 144,583	\$ 507,394
FFO (excluding net debt prepayment costs and one-time compensation costs)	\$ 124,104	\$ 128,804	\$ 109,903	\$ 144,583	\$ 507,394
Distribution paid	\$ 114,385	\$ 114,378	\$ 114,387	\$ 114,371	\$ 457,521
FFO for last 4 quarters	\$ 507,394	\$ 529,391	\$ 543,403	\$ 578,204	
FFO (excluding net debt prepayment costs and one-time compensation costs)) for last 4 quarters	\$ 507,394	\$ 529,391	\$ 543,403	\$ 578,204	
Distributions for last 4 quarters	\$ 457,521	\$ 456,421	\$ 452,267	\$ 447,478	
FFO Payout Ratio					90.2%
FFO Payout Ratio (excluding net debt prepayment costs and one-time compensation costs)					90.2%

MANAGEMENT'S DISCUSSION AND ANALYSIS

Quarterly FFO, FFO (excluding net debt prepayment costs and one-time compensation costs) and Payout Ratio and FFO Payout Ratio (excluding net debt prepayment costs and one-time compensation costs) (continued)

<i>(thousands of dollars, except per unit amounts)</i>	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Twelve months ended December 31, 2019
Net income (loss) attributable to Unitholders	\$ 150,786	\$ 177,554	\$ 252,972	\$ 194,522	\$ 775,834
<i>Add back/(Deduct):</i>					
Fair value gains, net	(23,274)	(39,475)	(120,824)	(64,051)	(247,624)
Fair value losses included in equity-accounted investments	5,605	769	785	1,171	8,330
Deferred income tax expense (recovery)	(216)	—	1,000	1,280	2,064
Internal leasing costs	3,017	2,896	2,491	2,905	11,309
Transaction losses (gains) on investment properties, net	(98)	612	(35)	586	1,066
Transaction costs on sale of investment properties	2,595	2,560	367	2,467	7,989
Change in unrealized fair value on marketable securities	7,395	(2,802)	7,816	3,228	15,637
Current income tax expense (recovery)	(273)	167	(295)	(298)	(699)
Operational lease revenue (expenses) from ROU assets	570	541	423	428	1,963
Operational lease revenue (expenses) from ROU assets in equity-accounted investments	(6)	(6)	4	(16)	(24)
FFO	\$ 146,101	\$ 142,816	\$ 144,704	\$ 142,222	\$ 575,845
<i>Add back:</i>					
Debt prepayment costs, net	—	—	—	—	—
One-time compensation costs	—	—	—	—	—
FFO (excluding net debt prepayment costs and one-time compensation costs)	\$ 146,101	\$ 142,816	\$ 144,704	\$ 142,222	\$ 575,845
Distribution paid	\$ 113,285	\$ 110,224	\$ 109,598	\$ 109,846	\$ 442,953
FFO Payout Ratio					76.9%
FFO Payout Ratio (excluding net debt prepayment costs and one-time compensation costs)					76.9%

MANAGEMENT'S DISCUSSION AND ANALYSIS

(v) ACFO

The following table reconciles cash provided by operating activities to ACFO for the three months and years ended December 31, 2021 and 2020:

<i>(thousands of dollars)</i>	Three months ended December 31		Years ended December 31	
	2021	2020	2021	2020
Cash provided by operating activities	\$ 169,537	\$ 182,472	\$ 490,397	\$ 552,584
<i>Add back/(Deduct):</i>				
Adjustments to working capital changes for ACFO (i)	(16,382)	(46,771)	3,729	(76,468)
Distributions received from equity-accounted investments	12,739	1,854	62,510	10,619
Transaction costs on sale of investment properties	6,324	1,003	14,391	768
Normalized Capital Expenditures (ii):				
Leasing commissions and tenant improvements	(6,750)	(4,000)	(27,000)	(16,000)
Maintenance capital expenditures recoverable from tenants	(3,000)	(4,500)	(12,000)	(18,000)
Maintenance capital expenditures not recoverable from tenants	(1,500)	(1,500)	(6,000)	(6,000)
Realized gain on disposition of marketable securities	—	—	—	11,097
Internal leasing costs related to development properties	550	535	2,179	1,880
Taxes related to non-operating activities (iii)	(68)	(711)	(59)	(275)
Operational lease revenue and expenses from ROU assets	887	710	3,308	2,572
ACFO	\$ 162,337	\$ 129,092	\$ 531,455	\$ 462,777
<i>Add back:</i>				
Debt prepayment costs, net	3,896	—	10,914	—
One-time compensation costs	—	—	1,932	—
ACFO (excluding net debt prepayment costs and one-time compensation costs)	\$ 166,233	\$ 129,092	\$ 544,301	\$ 462,777

- (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 from 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 to ACFO based on the REALPAC February 2019 whitepaper.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Quarterly ACFO, ACFO Payout Ratio and ACFO Payout Ratio (excluding net debt prepayment costs and one-time compensation costs)

The following tables reconcile quarterly cash provided by operating activities to ACFO for the years ended December 31, 2021 and 2020 and for the year ended December 31, 2019:

<i>(thousands of dollars)</i>	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Twelve months ended December 31, 2021
Cash provided by operating activities	\$ 169,537	\$ 94,885	\$ 145,327	\$ 80,648	\$ 490,397
<i>Add back/(Deduct):</i>					
Adjustments to working capital changes for ACFO	(16,382)	18,947	(2,099)	3,263	3,729
Distributions received from equity-accounted investments	12,739	3,367	12,918	33,486	62,510
Transaction costs on sale of investment properties	6,324	2,751	1,678	3,638	14,391
Normalized Capital Expenditures:					
Leasing commissions and tenant improvements	(6,750)	(6,750)	(6,750)	(6,750)	(27,000)
Maintenance capital expenditures recoverable from tenants	(3,000)	(3,000)	(3,000)	(3,000)	(12,000)
Maintenance capital expenditures not recoverable from tenants	(1,500)	(1,500)	(1,500)	(1,500)	(6,000)
Internal leasing costs related to development properties	550	592	511	526	2,179
Taxes related to non-operating activities	(68)	479	(307)	(163)	(59)
Operational lease revenue and expenses from ROU assets	887	834	824	763	3,308
ACFO	\$ 162,337	\$ 110,605	\$ 147,602	\$ 110,911	\$ 531,455
<i>Add back:</i>					
Debt prepayment costs, net	3,896	—	—	7,018	10,914
One-time compensation costs	—	—	—	1,932	1,932
ACFO (excluding net debt prepayment costs and one-time compensation costs)	\$ 166,233	\$ 110,605	\$ 147,602	\$ 119,861	\$ 544,301
Distributions paid	\$ 76,000	\$ 76,262	\$ 76,264	\$ 88,971	\$ 317,497
ACFO last 4 quarters	\$ 531,455	\$ 498,210	\$ 534,603	\$ 465,257	
ACFO (excluding net debt prepayment costs and one-time compensation costs) for last 4 quarters	\$ 544,301	\$ 507,160	\$ 543,553	\$ 474,207	
Distributions last four quarters	\$ 317,497	\$ 355,882	\$ 393,998	\$ 432,121	
ACFO Payout Ratio					59.7%
ACFO Payout Ratio (excluding net debt prepayment costs and one-time compensation costs)					58.3%

MANAGEMENT'S DISCUSSION AND ANALYSIS

Quarterly ACFO, ACFO Payout Ratio and ACFO Payout Ratio (excluding net debt prepayment costs and one-time compensation costs) (continued)

<i>(thousands of dollars)</i>	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Twelve months ended December 31, 2020
Cash provided by operating activities	\$ 182,472	\$ 131,295	\$ 122,015	\$ 116,802	\$ 552,584
<i>Add back/(Deduct):</i>					
Adjustments to working capital changes for ACFO	(46,771)	21,656	(37,002)	(14,351)	(76,468)
Distributions received from equity-accounted investments	1,854	4,543	2,447	1,775	10,619
Transaction costs on sale of investment properties	1,003	(1,137)	323	579	768
Normalized Capital Expenditures :					
Leasing commissions and tenant improvements	(4,000)	(4,000)	(4,000)	(4,000)	(16,000)
Maintenance capital expenditures recoverable from tenants	(4,500)	(4,500)	(4,500)	(4,500)	(18,000)
Maintenance capital expenditures not recoverable from tenants	(1,500)	(1,500)	(1,500)	(1,500)	(6,000)
Realized gain on disposition of marketable securities	—	—	—	11,097	11,097
Internal leasing costs related to development properties	535	374	409	562	1,880
Taxes related to non-operating activities	(711)	(300)	(548)	1,284	(275)
Operational lease revenue and expenses from ROU assets	710	567	612	683	2,572
ACFO	\$ 129,092	\$ 146,998	\$ 78,256	\$ 108,431	\$ 462,777
ACFO (excluding net debt prepayment costs and one-time compensation costs)	\$ 129,092	\$ 146,998	\$ 78,256	\$ 108,431	\$ 462,777
Distributions paid	\$ 114,385	\$ 114,378	\$ 114,387	\$ 114,371	\$ 457,521
ACFO last 4 quarters	\$ 462,777	\$ 467,277	\$ 465,183	\$ 526,412	
ACFO (excluding net debt prepayment costs and one-time compensation costs) for last 4 quarters	\$ 462,777	\$ 467,277	\$ 465,183	\$ 526,412	
Distributions last four quarters	\$ 457,521	\$ 456,421	\$ 452,267	\$ 447,478	
ACFO Payout Ratio					98.9%
ACFO Payout Ratio (excluding net debt prepayment costs and one-time compensation costs)					98.9%

MANAGEMENT'S DISCUSSION AND ANALYSIS

Quarterly ACFO, ACFO Payout Ratio and ACFO Payout Ratio (excluding net debt prepayment costs and one-time compensation costs) (continued)

<i>(thousands of dollars)</i>	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Twelve months ended December 31, 2019
Cash provided by operating activities	\$ 170,274	\$ 234,620	\$ 84,756	\$ 79,236	\$ 568,886
<i>Add back/(Deduct):</i>					
Adjustments to working capital changes for ACFO	(40,058)	(85,724)	56,310	14,694	(54,778)
Distributions received from equity-accounted investments	2,712	1,486	1,783	10,401	16,382
Transaction costs on sale of investment properties	2,595	2,560	367	2,467	7,989
Normalized Capital Expenditures :					
Leasing commissions and tenant improvements	(4,000)	(4,000)	(4,000)	(4,000)	(16,000)
Maintenance capital expenditures recoverable from tenants	(4,500)	(4,500)	(4,500)	(4,500)	(18,000)
Maintenance capital expenditures not recoverable from tenants	(1,500)	(1,500)	(1,500)	(1,500)	(6,000)
Realized gain on disposition of marketable securities	7,215	720	5,681	10,051	23,667
Internal leasing costs related to development properties	557	534	460	536	2,087
Taxes related to non-operating activities	(273)	167	(295)	(298)	(699)
Operational lease revenue and expenses from ROU assets	570	541	423	429	1,963
ACFO	\$ 133,592	\$ 144,904	\$ 139,485	\$ 107,516	\$ 525,497
ACFO (excluding net debt prepayment costs and one-time compensation costs)	\$ 133,592	\$ 144,904	\$ 139,485	\$ 107,516	\$ 525,497
Distributions paid	\$ 113,285	\$ 110,224	\$ 109,598	\$ 109,846	\$ 442,953
ACFO Payout Ratio					84.3%
ACFO Payout Ratio (excluding net debt prepayment costs and one-time compensation costs)					84.3%

(vi) Development Spending

<i>(thousands of dollars)</i>	Three months ended December 31		Years ended December 31	
	2021	2020	2021	2020
Development expenditures:				
Properties under development	\$ 79,457	\$ 129,801	\$ 365,120	\$ 457,109
Residential inventory	14,330	11,604	62,351	36,304
Total Development Spending	\$ 93,787	\$ 141,405	\$ 427,471	\$ 493,413

MANAGEMENT'S DISCUSSION AND ANALYSIS

(vii) Total debt and Total Contractual Debt

RioCan uses both debt and equity in its capital structure, which is summarized as follows as at December 31, 2021 and 2020:

As at	December 31, 2021			December 31, 2020		
(thousands of dollars)	IFRS basis	Equity-accounted investments	RioCan's proportionate share	IFRS basis	Equity-accounted investments	RioCan's proportionate share
Debentures payable	\$ 2,990,692	\$ —	\$ 2,990,692	\$ 3,340,278	\$ —	\$ 3,340,278
Mortgages payable	2,334,016	166,368	2,500,384	2,797,066	108,337	2,905,403
Lines of credit and other bank loans	1,285,910	48,049	1,333,959	790,539	28,716	819,255
Total debt	\$ 6,610,618	\$ 214,417	\$ 6,825,035	\$ 6,927,883	\$ 137,053	\$ 7,064,936
Total equity	7,911,344	—	7,911,344	7,734,973	—	7,734,973
Total capital	\$ 14,521,962	\$ 214,417	\$ 14,736,379	\$ 14,662,856	\$ 137,053	\$ 14,799,909

As at	December 31, 2021			December 31, 2020		
(thousands of dollars)	IFRS basis	Equity-accounted investments	RioCan's proportionate share	IFRS basis	Equity-accounted investments	RioCan's proportionate share
Total debt	\$ 6,610,618	\$ 214,417	\$ 6,825,035	\$ 6,927,883	\$ 137,053	\$ 7,064,936
Less:						
Unamortized debt financing costs, premiums and discounts on origination and debt assumed, and modifications	(16,414)	(386)	(16,800)	(16,819)	(294)	(17,113)
Total Contractual Debt	\$ 6,627,032	\$ 214,803	\$ 6,841,835	\$ 6,944,702	\$ 137,347	\$ 7,082,049

(viii) Total Adjusted Debt to Total Adjusted Assets

As at	December 31, 2021			December 31, 2020		
(thousands of dollars)	IFRS basis	Equity-accounted investments	RioCan's proportionate share	IFRS basis	Equity-accounted investments	RioCan's proportionate share
Total debt	\$ 6,610,618	\$ 214,417	\$ 6,825,035	\$ 6,927,883	\$ 137,053	\$ 7,064,936
Cash and cash equivalents	77,758	9,113	86,871	238,456	2,203	240,659
Total Adjusted Debt	\$ 6,532,860	\$ 205,304	\$ 6,738,164	\$ 6,689,427	\$ 134,850	\$ 6,824,277
Total assets	\$ 15,177,463	\$ 248,230	\$ 15,425,693	\$ 15,267,708	\$ 146,737	\$ 15,414,445
Cash and cash equivalents	77,758	9,113	86,871	238,456	2,203	240,659
Total Adjusted Assets	\$ 15,099,705	\$ 239,117	\$ 15,338,822	\$ 15,029,252	\$ 144,534	\$ 15,173,786
Total Adjusted Debt to Total Adjusted Assets	43.3%		43.9%	44.5%		45.0%

As at	December 31, 2019		
(thousands of dollars)	IFRS basis	Equity-accounted investments	RioCan's proportionate share
Total debt	\$ 6,390,818	\$ 121,113	\$ 6,511,931
Cash and cash equivalents	93,516	3,048	96,564
Total Adjusted Debt	\$ 6,297,302	\$ 118,065	\$ 6,415,367
Total assets	\$ 15,188,326	\$ 128,972	\$ 15,317,298
Cash and cash equivalents	93,516	3,048	96,564
Total Adjusted Assets	\$ 15,094,810	\$ 125,924	\$ 15,220,734
Total Adjusted Debt to Total Adjusted Assets	41.7%		42.1%

MANAGEMENT'S DISCUSSION AND ANALYSIS

(ix) Floating Rate Debt and Fixed Rate Debt

As at	December 31, 2021			December 31, 2020		
	IFRS basis	Equity-accounted investments	RioCan's proportionate share	IFRS basis	Equity-accounted investments	RioCan's proportionate share
Total fixed rate debt	\$ 6,024,281	\$ 142,383	\$ 6,166,664	\$ 6,836,677	\$ 90,904	\$ 6,927,581
Total floating rate debt	586,337	72,034	658,371	91,206	46,149	137,355
Total debt	\$ 6,610,618	\$ 214,417	\$ 6,825,035	\$ 6,927,883	\$ 137,053	\$ 7,064,936
Ratio of floating rate debt to total debt	8.9%		9.6%	1.3%		1.9%
Total floating rate debt	586,337	72,034	658,371			
Less:						
Revolving unsecured operating line of credit	363,732	—	363,732			
Total floating rate debt to total debt (excluding revolving unsecured operating line of credit)	222,605	72,034	294,639			
Ratio of floating rate debt to total debt (excluding revolving unsecured operating line of credit)			4.3%			

(x) Unsecured Debt and Secured Debt

The following table reconciles total Unsecured and Secured Debt to Total Contractual Debt as at December 31, 2021 and 2020:

As at	December 31, 2021			December 31, 2020		
	IFRS basis	Equity-accounted investments	RioCan's proportionate share	IFRS basis	Equity-accounted investments	RioCan's proportionate share
<i>(thousands of dollars, except where otherwise noted)</i>						
Total Unsecured Debt	\$ 4,065,920	\$ —	\$ 4,065,920	\$ 4,050,000	\$ —	\$ 4,050,000
Total Secured Debt	2,561,112	214,803	2,775,915	2,894,702	137,347	3,032,049
Total Contractual Debt	\$ 6,627,032	\$ 214,803	\$ 6,841,835	\$ 6,944,702	\$ 137,347	\$ 7,082,049
Percentage of Total Contractual Debt:						
Unsecured Debt	61.4%		59.4%	58.3%		57.2%
Secured Debt	38.6%		40.6%	41.7%		42.8%

MANAGEMENT'S DISCUSSION AND ANALYSIS

(xi) Liquidity

As at December 31, 2021, RioCan had approximately \$1.0 billion of Liquidity as summarized in the following table:

As at <i>(thousands of dollars, except where otherwise noted)</i>	December 31, 2021			December 31, 2020		
	IFRS basis	Equity-accounted investments	RioCan's proportionate share	IFRS basis	Equity-accounted investments	RioCan's proportionate share
Undrawn revolving unsecured operating line of credit	\$ 634,080	\$ —	\$ 634,080	\$ 1,000,000	\$ —	\$ 1,000,000
Undrawn construction lines and other bank loans	241,883	47,641	289,524	291,332	44,698	336,030
Cash and cash equivalents	77,758	9,113	86,871	238,456	2,203	240,659
Liquidity	\$ 953,721	\$ 56,754	\$ 1,010,475	\$ 1,529,788	\$ 46,901	\$ 1,576,689
Total Contractual Debt	\$ 6,627,032	\$ 214,803	\$ 6,841,835	\$ 6,944,702	\$ 137,347	\$ 7,082,049
Liquidity as percentage of Total Contractual Debt	14.4%		14.8%	22.0%		22.3%
Liquidity as of December 31, 2021	\$ 953,721	\$ 56,754	\$ 1,010,475			
<i>Increase subsequent to year end:</i>						
Borrowing capacity in revolving unsecured operating line of credit	250,000	—	250,000			
Liquidity as of February 9, 2022	\$ 1,203,721	\$ 56,754	\$ 1,260,475			
Liquidity as percentage of Total Contractual Debt as of February 9, 2022	18.2%		18.4%			

(xii) Adjusted EBITDA and Coverage Ratios

The following table reconciles consolidated net income (loss) attributable to Unitholders to Adjusted EBITDA:

As at <i>(thousands of dollars)</i>	12 months ended					
	December 31, 2021			December 31, 2020		
	IFRS basis	Equity-accounted investments	RioCan's proportionate share	IFRS basis	Equity-accounted investments	RioCan's proportionate share
Net income (loss) attributable to Unitholders	\$ 598,389	\$ —	\$ 598,389	\$ (64,780)	\$ —	\$ (64,780)
<i>Add (deduct) the following items:</i>						
Income tax expense (recovery):						
Current	(59)	—	(59)	(275)	—	(275)
Deferred	—	—	—	10,905	—	10,905
Fair value losses (gains) on investment properties, net	(124,052)	1,113	(122,939)	526,775	9,613	536,388
Change in unrealized fair value on marketable securities (i)	—	—	—	10,219	—	10,219
Internal leasing costs	11,807	—	11,807	10,192	—	10,192
Non-cash unit-based compensation expense	12,546	—	12,546	9,120	—	9,120
Interest costs, net	171,521	7,026	178,547	180,811	4,788	185,599
Debt prepayment costs, net	10,914	—	10,914	—	—	—
One-time cash compensation costs	1,932	—	1,932	—	—	—
Depreciation and amortization	4,022	—	4,022	4,342	—	4,342
Transaction losses on the sale of investment properties, net (ii)	402	—	402	503	—	503
Transaction costs on investment properties	14,363	28	14,391	768	—	768
Operational lease revenue and expenses from ROU assets	3,308	(42)	3,266	2,572	(28)	2,544
Adjusted EBITDA	\$ 705,093	\$ 8,125	\$ 713,218	\$ 691,152	\$ 14,373	\$ 705,525

- (i) The fair value gains on marketable securities 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.
- (ii) Includes transaction gains and losses realized on the disposition of investment properties.

MANAGEMENT'S DISCUSSION AND ANALYSIS

As at rolling 12 months ended	December 31, 2019		
<i>(thousands of dollars)</i>	IFRS basis	Equity- accounted investments	RioCan's proportionate share
Net income attributable to Unitholders	\$ 775,834	\$ —	\$ 775,834
<i>Add (deduct) the following items:</i>			
Income tax expense (recovery):			
Current	(699)	—	(699)
Deferred	2,064	—	2,064
Fair value losses (gains) on investment properties, net	(247,624)	8,330	(239,294)
Change in unrealized fair value on marketable securities (i)	15,637	—	15,637
Internal leasing costs	11,309	—	11,309
Non-cash unit-based compensation expense	6,478	—	6,478
Interest costs, net	182,780	5,091	187,871
Depreciation and amortization	4,381	—	4,381
Transaction losses on the sale of investment properties, net (ii)	1,066	—	1,066
Transaction costs on investment properties	7,989	—	7,989
Operational lease revenue and expenses from ROU assets	1,963	(24)	1,939
Adjusted EBITDA	\$ 761,178	\$ 13,397	\$ 774,575

(i) The fair value gains on marketable securities 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.

(ii) Includes transaction gains and losses realized on the disposition of investment properties.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Adjusted EBITDA Ratios

Adjusted Debt to Adjusted EBITDA, Interest Coverage and Debt Service Coverage ratios are calculated as follows:

As at	12 months ended					
	December 31, 2021			December 31, 2020		
(thousands of dollars)	IFRS basis	Equity-accounted investments	RioCan's proportionate share	IFRS basis	Equity-accounted investments	RioCan's proportionate share
Adjusted Debt to Adjusted EBITDA						
Average total debt outstanding	\$ 6,773,147	\$ 192,804	\$ 6,965,951	\$ 6,667,444	\$ 128,270	\$ 6,795,714
Less: average cash and cash equivalents	(119,400)	(5,639)	(125,039)	(111,487)	(1,920)	(113,407)
Average Total Adjusted Debt	\$ 6,653,747	\$ 187,165	\$ 6,840,912	\$ 6,555,957	\$ 126,350	\$ 6,682,307
Adjusted EBITDA	\$ 705,093	\$ 8,125	\$ 713,218	\$ 691,152	\$ 14,373	\$ 705,525
Adjusted Debt to Adjusted EBITDA	9.44		9.59	9.49		9.47
Interest Coverage						
Adjusted EBITDA	\$ 705,093	\$ 8,125	\$ 713,218	\$ 691,152	\$ 14,373	\$ 705,525
Interest costs, net	\$ 171,521	\$ 7,026	\$ 178,547	\$ 180,811	\$ 4,788	\$ 185,599
Interest expense capitalized to PUD	40,287	53	40,340	41,782	—	41,782
Gross interest costs	\$ 211,808	\$ 7,079	\$ 218,887	\$ 222,593	\$ 4,788	\$ 227,381
Interest Coverage	3.33		3.26	3.11		3.10
Debt Service Coverage						
Adjusted EBITDA	\$ 705,093	\$ 8,125	\$ 713,218	\$ 691,152	\$ 14,373	\$ 705,525
Gross interest costs	\$ 211,808	\$ 7,079	\$ 218,887	\$ 222,593	\$ 4,788	\$ 227,381
Scheduled mortgage principal amortization	48,817	2,046	50,863	42,786	1,372	44,158
Debt service costs	\$ 260,625	\$ 9,125	\$ 269,750	\$ 265,379	\$ 6,160	\$ 271,539
Debt Service Coverage	2.71		2.64	2.60		2.60

As at 12 months ended	December 31, 2019		
(thousands of dollars)	IFRS basis	Equity-accounted investments	RioCan's proportionate share
Adjusted Debt to Adjusted EBITDA			
Average total debt outstanding	\$ 6,206,562	\$ 117,829	\$ 6,324,391
Less: average cash and cash equivalents	(75,705)	(2,894)	(78,599)
Average Total Adjusted Debt	\$ 6,130,857	\$ 114,935	\$ 6,245,792
Adjusted EBITDA	\$ 761,178	\$ 13,397	\$ 774,575
Adjusted Debt to Adjusted EBITDA	8.05		8.06
Interest Coverage			
Adjusted EBITDA	\$ 761,178	\$ 13,397	\$ 774,575
Interest costs, net	\$ 182,780	\$ 5,091	\$ 187,871
Interest expense capitalized to PUD	33,469	—	33,469
Gross interest costs	\$ 216,249	\$ 5,091	\$ 221,340
Interest Coverage	3.52		3.50

MANAGEMENT'S DISCUSSION AND ANALYSIS

(xiii) Unencumbered Assets

The table below summarizes RioCan's Unencumbered Assets, Unsecured Debt and NOI generated from Unencumbered Assets as at December 31, 2021 and 2020:

As at	December 31, 2021			December 31, 2020			
(thousands of dollars, except where otherwise noted)	Targeted Ratios	IFRS basis	Equity-accounted investments	RioCan's proportionate share	IFRS basis	Equity-accounted investments	RioCan's proportionate share
Unencumbered Assets		\$ 9,332,833	\$ 59,433	\$ 9,392,266	\$ 8,685,469	\$ 41,885	\$ 8,727,354
Total Unsecured Debt		\$ 4,065,920	\$ —	\$ 4,065,920	\$ 4,050,000	\$ —	\$ 4,050,000
Unencumbered Assets to Unsecured Debt	> 200%	230%		231%	214%		215%
Annual Normalized NOI - total portfolio (i)		\$ 649,208	\$ 22,688	\$ 671,896	\$ 631,652	\$ 13,772	\$ 645,424
Annual Normalized NOI - Unencumbered Assets (i)		\$ 432,820	\$ 3,440	\$ 436,260	\$ 370,736	\$ 2,396	\$ 373,132
Percentage of Normalized NOI Generated from Unencumbered Assets	> 50.0%	66.7%		64.9%	58.7%		57.8%

(i) Annual normalized NOI are reconciled in the table below.

As at	December 31, 2021			December 31, 2020		
(thousands of dollars, except where otherwise noted)	IFRS basis	Equity-accounted investments	RioCan's proportionate share	IFRS basis	Equity-accounted investments	RioCan's proportionate share
Unencumbered Assets	\$ 9,332,833	\$ 59,433	\$ 9,392,266	\$ 8,685,469	\$ 41,885	\$ 8,727,354
Encumbered assets	4,735,745	350,361	5,086,106	5,575,647	201,792	5,777,439
Investment properties, including assets held for sale	\$ 14,068,578	\$ 409,794	\$ 14,478,372	\$ 14,261,116	\$ 243,677	\$ 14,504,793
Ratio of Unencumbered Assets to total investment properties	66.3%		64.9%	60.9%		60.2%

(thousands of dollars, except where otherwise noted)	Three months ended December 31, 2021			Three months ended December 31, 2020		
	IFRS basis	Equity-accounted investments	RioCan's proportionate share	IFRS basis	Equity-accounted investments	RioCan's proportionate share
NOI (i)	\$ 165,798	\$ 5,672	\$ 171,470	\$ 167,040	\$ 3,443	\$ 170,483
<i>Adjust the following:</i>						
Miscellaneous revenue	(540)	—	(540)	(1,154)	—	(1,154)
Percentage rent	(2,562)	—	(2,562)	(2,774)	—	(2,774)
Lease cancellation fees	(394)	—	(394)	(5,199)	—	(5,199)
Normalized NOI - total portfolio	\$ 162,302	\$ 5,672	\$ 167,974	\$ 157,913	\$ 3,443	\$ 161,356
Annual Normalized NOI - total portfolio(ii)	\$ 649,208	\$ 22,688	\$ 671,896	\$ 631,652	\$ 13,772	\$ 645,424
NOI from Unencumbered Assets (i)	\$ 110,517	\$ 860	\$ 111,377	\$ 94,956	\$ 599	\$ 95,555
<i>Adjust the following:</i>						
Miscellaneous revenue- Unencumbered Assets	(253)	—	(253)	(545)	—	(545)
Percentage rent- Unencumbered Assets	(1,852)	—	(1,852)	(1,553)	—	(1,553)
Lease cancellation fees- Unencumbered Assets	(207)	—	(207)	(174)	—	(174)
Normalized NOI -Unencumbered Assets	\$ 108,205	\$ 860	\$ 109,065	\$ 92,684	\$ 599	\$ 93,283
Annual Normalized NOI - unencumbered assets (ii)	\$ 432,820	\$ 3,440	\$ 436,260	\$ 370,736	\$ 2,396	\$ 373,132

(i) Refer to (ii) NOI of this section for reconciliation from NOI to operating income.

(ii) Applied a factor of 4 to Annual Normalized NOI.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Selected Quarterly Non-GAAP measures

NOI

(thousands of dollars)	2021				2020			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Three months ended								
Operating Income	\$ 194,788	\$ 167,970	\$ 171,805	\$ 167,102	\$ 173,594	\$ 175,836	\$ 155,539	\$ 175,318
Adjusted for the following:								
Property management and other service fees	(3,920)	(3,945)	(3,731)	(3,175)	(4,050)	(7,442)	(2,694)	(2,402)
Residential inventory gains	(26,334)	—	(2,048)	—	(3,569)	(11,392)	(171)	(373)
Operational lease revenue and (expenses) from ROU assets	1,264	1,209	1,221	1,105	1,065	919	963	1,036
NOI	\$ 165,798	\$ 165,234	\$ 167,247	\$ 165,032	\$ 167,040	\$ 157,921	\$ 153,637	\$ 173,579

Total Adjusted Debt to Total Adjusted Assets at RioCan's proportionate share

As at	2021				2020			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
(thousands of dollars)								
IFRS basis:								
Total debt	\$ 6,610,618	\$ 6,739,530	\$ 6,763,918	\$ 6,823,788	\$ 6,927,883	\$ 6,743,302	\$ 6,669,558	\$ 6,605,661
Cash and cash equivalents	77,758	102,715	98,386	79,685	238,456	59,930	80,458	85,075
Total Adjusted Debt	\$ 6,532,860	\$ 6,636,815	\$ 6,665,532	\$ 6,744,103	\$ 6,689,427	\$ 6,683,372	\$ 6,589,100	\$ 6,520,586
Add equity-accounted investments:								
Total debt	\$ 214,417	\$ 207,725	\$ 203,531	\$ 201,294	\$ 137,053	\$ 131,360	\$ 128,882	\$ 122,942
Cash and cash equivalents	9,113	5,776	3,891	7,214	2,203	1,371	1,151	1,829
Total Adjusted Debt	\$ 205,304	\$ 201,949	\$ 199,640	\$ 194,080	\$ 134,850	\$ 129,989	\$ 127,731	\$ 121,113
Total Adjusted Debt - RioCan's proportionate share	\$ 6,738,164	\$ 6,838,764	\$ 6,865,172	\$ 6,938,183	\$ 6,824,277	\$ 6,813,361	\$ 6,716,831	\$ 6,641,699
IFRS basis:								
Total assets	\$15,177,463	\$15,291,760	\$15,235,628	\$15,174,530	\$15,267,708	\$15,127,844	\$15,070,648	\$15,392,902
Cash and cash equivalents	77,758	102,715	98,386	79,685	238,456	59,930	80,458	85,075
Total Adjusted Assets	\$15,099,705	\$15,189,045	\$15,137,242	\$15,094,845	\$15,029,252	\$15,067,914	\$14,990,190	\$15,307,827
Add equity-accounted investments:								
Total assets	\$ 248,230	\$ 232,001	\$ 235,369	\$ 229,035	\$ 146,737	\$ 147,214	\$ 140,494	\$ 130,993
Cash and cash equivalents	9,113	5,776	3,891	7,214	2,203	1,371	1,151	1,829
Total Adjusted Assets	\$ 239,117	\$ 226,225	\$ 231,478	\$ 221,821	\$ 144,534	\$ 145,843	\$ 139,343	\$ 129,164
Total Adjusted Assets - RioCan's proportionate share	\$15,338,822	\$15,415,270	\$15,368,720	\$15,316,666	\$15,173,786	\$15,213,757	\$15,129,533	\$15,436,991
Total Adjusted Debt to Total Adjusted Assets - IFRS basis	43.3%	43.7%	44.0%	44.7%	44.5%	44.4%	44.0%	42.6%
Total Adjusted Debt to Total Adjusted Assets - RioCan's proportionate share	43.9%	44.4%	44.7%	45.3%	45.0%	44.8%	44.4%	43.0%

MANAGEMENT'S DISCUSSION AND ANALYSIS

Adjusted Debt to Adjusted EBITDA at RioCan's proportionate share

As at (thousands of dollars)	2021				2020			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net income (loss) attributable to Unitholders	\$ 598,389	\$ 455,222	\$ 435,171	\$ (60,873)	\$ (64,780)	\$ 20,397	\$ 80,392	\$ 684,134
<i>Add (deduct) the following items:</i>								
Income tax expense (recovery):								
Current	(59)	(702)	(1,481)	(1,722)	(275)	163	630	883
Deferred	—	9,105	10,705	9,905	10,905	1,584	(16)	1,784
Fair value losses (gains) on investment properties, net	(124,052)	(9,511)	19,020	493,656	526,775	461,215	413,211	(159,320)
Change in unrealized fair value on marketable securities	—	—	—	—	10,219	17,614	14,811	22,628
Internal leasing costs	11,807	11,726	10,549	10,001	10,192	10,308	11,175	11,447
Non-cash unit-based compensation expense	12,546	13,476	13,832	14,053	9,120	8,133	7,800	6,817
Interest costs, net	171,521	173,959	176,600	179,332	180,811	181,185	182,762	183,394
Debt prepayment costs, net	10,914	7,018	7,018	7,018	—	—	—	—
One-time cash compensation costs	1,932	—	—	—	—	—	—	—
Depreciation and amortization	4,022	4,079	4,143	4,256	4,342	4,407	4,431	4,412
Transaction losses on the sale of investment properties, net	402	(382)	(1,232)	636	503	288	1,517	502
Transaction costs on investment properties	14,363	9,069	5,179	3,826	768	2,360	6,058	6,101
Operational lease revenue and expenses from ROU assets	3,308	3,131	2,864	2,652	2,572	2,432	2,408	2,218
Adjusted EBITDA - IFRS basis	\$ 705,093	\$ 676,190	\$ 682,368	\$ 662,740	\$ 691,152	\$ 710,086	\$ 725,179	\$ 765,000
<i>Add: equity-accounted investments</i>								
Fair value losses (gains) on investment properties	1,113	5,447	4,397	9,657	9,613	12,366	12,797	7,627
Interest costs, net	7,026	6,381	5,724	5,058	4,788	4,899	4,992	5,150
Transaction costs on investment properties	28	1	1	1	—	—	—	—
Operational lease revenue and expenses from ROU assets	(42)	(37)	(33)	(31)	(28)	(27)	(26)	(14)
Adjusted EBITDA - RioCan's proportionate share	\$ 713,218	\$ 687,982	\$ 692,457	\$ 677,425	\$ 705,525	\$ 727,324	\$ 742,942	\$ 777,763
IFRS basis:								
Average total debt outstanding	\$ 6,773,147	\$ 6,799,684	\$ 6,785,690	\$ 6,754,038	\$ 6,667,444	\$ 6,604,414	\$ 6,500,468	\$ 6,352,887
Less: average cash and cash equivalents	(119,400)	(115,834)	(111,383)	(108,721)	(111,487)	(85,247)	(83,896)	(77,780)
Average Total Adjusted Debt	\$ 6,653,747	\$ 6,683,850	\$ 6,674,307	\$ 6,645,317	\$ 6,555,957	\$ 6,519,167	\$ 6,416,572	\$ 6,275,107
<i>Add: equity-accounted investments</i>								
Average total debt outstanding	\$ 192,804	\$ 176,193	\$ 160,424	\$ 144,307	\$ 128,270	\$ 124,865	\$ 122,377	\$ 119,694
Less: average cash and cash equivalents	(5,639)	(4,091)	(3,166)	(2,753)	(1,920)	(2,108)	(2,203)	(2,762)
Average Total Adjusted Debt	187,165	172,102	157,258	141,554	126,350	122,757	120,174	116,932
Average Total Adjusted Debt - RioCan's proportionate share	\$ 6,840,912	\$ 6,855,952	\$ 6,831,565	\$ 6,786,871	\$ 6,682,307	\$ 6,641,924	\$ 6,536,746	\$ 6,392,039
Adjusted Debt to Adjusted EBITDA - RioCan's proportionate share	9.59	9.97	9.87	10.02	9.47	9.13	8.80	8.22

MANAGEMENT'S DISCUSSION AND ANALYSIS

ACCOUNTING POLICIES AND ESTIMATES

Our significant accounting policies are described in Note 2 of RioCan's 2021 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 2021 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, 2021. The significant estimates and assumptions that are most impacted by COVID-19 are those 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 2021 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, 2022, 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 applicable as indicated in Note 2 of the 2021 Annual Consolidated Financial Statements and further described below.

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 addresses issues that may 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 allows 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 hedge designations and hedge documentation to be updated by the end of the reporting period in which a replacement takes place. The IBOR Reform Phase 2 amendments are effective for annual periods beginning on or after January 1, 2021, with earlier application permitted.

As at December 31, 2021 and December 31, 2020, all of RioCan's interest rate swaps designated in hedging relationships are based on the 1-month Canadian Dollar Offered Rate (CDOR), which is expected to continue as a benchmark rate until June 30, 2024. As a result, these amendments did not immediately impact the Trust's consolidated financial statements upon adoption. The Trust will update its hedge documentation and adjust effective interest rates as the new benchmark rates are implemented in 2024.

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 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

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2021, RioCan had 28 properties including 5 land parcels (year ended December 31, 2020 - 29 properties including 5 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) 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 are 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.

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.

Leases - Determination of lease term of contracts

The Trust determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised by the lessee, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised by the lessee, including purchase options. The Trust determines the lease commencement date as the date on which the underlying asset is made available for use by the lessee, which is based on the terms of the lease contract, the type and extent of tenant improvements, and for properties under development the state of completion of the property. At commencement date, the Trust determines as lessee or as lessor whether there is reasonable certainty that options to extend or cancel a lease will be exercised. To make this analysis, the Trust takes into account the extension terms of the contract including whether the extension is likely to be below market rent, the cost to cancel a lease and significant investments made on the property. After the commencement date, the Trust revises the lease term when an extension or termination option is exercised and it was not previously included in the lease term.

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).

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 2021 Annual Consolidated Financial Statements for the year ended December 31, 2021, 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.

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.

Amendments to IAS 8, Definition of Accounting Estimates

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective January 1, 2023, with early adoption permitted. Management is currently assessing the impact of these amendments.

Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to account policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their "significant" accounting policies with a requirement to disclose their "material" accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments are applicable January 1, 2023, with early adoption permitted. Management is currently assessing the impact of these amendments.

Amendments to IFRS 9 Financial Instruments, Fees in the '10 per cent' test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to the IFRS standards process the IASB issued an amendment to IFRS 9. The amendment clarifies the types of fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. The amendment specifies that only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf, should be included. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective January 1, 2022 with earlier adoption permitted. The Trust will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Trust.

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 filings 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, 2021, 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, 2021 based on the criteria set forth in *Internal Control - Integrated Framework (2013)*

MANAGEMENT'S DISCUSSION AND ANALYSIS

issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that assessment, it was determined that, as at December 31, 2021, 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, 2021 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.

Climate-Related Financial Disclosures

Commitment to Climate Change

Climate change poses environmental, social and business risks. RioCan understands that investing in climate-resilient real estate is essential to sustainable growth, delivering on the UN Sustainable Development Goals and reducing climate-related risks. We rely on the recommendations of the Financial Stability Board's Task Force on Climate-Related Financial Disclosures (TCFD) to guide us in addressing our climate change-related risks. We also continue to monitor the development of applicable laws in this area and the evolution of disclosure requirements for public issuers such as RioCan, including the proposed National Instrument NI 51-107 – Disclosure of Climate-related Matters.

Governance

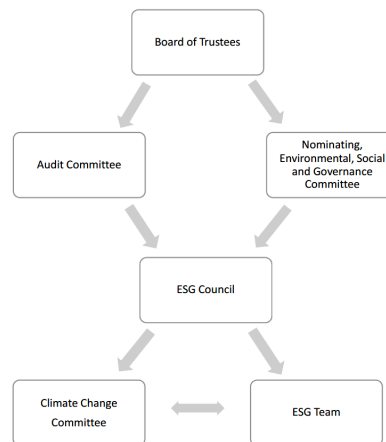
Board Oversight

The Board of Trustees has ultimate oversight for risk management and receives updates, at least annually, on ESG-related issues, including climate change. The Board of Trustees has delegated the responsibility of overseeing ESG performance, including climate change and resilience to the Nominating, Environmental, Social and Governance Committee. Significant and emerging risks, including those related to climate change, are escalated to the Audit Committee, which also oversees environmental compliance. RioCan has committed to addressing climate change risk, in part, by adopting and aligning our climate change program with the recommendations of the TCFD.

Management

Our President and Chief Executive Officer holds overall senior executive accountability for ESG, risk management and climate change. Our Chief Operating Officer is responsible for reporting on ESG goals, plans and performance, including those related to climate change and resiliency. In 2016, RioCan established an ESG Council to oversee its ESG strategy implementation and drive performance improvements. The Council is comprised of members of our executive and senior leadership teams from key functional areas of our business. Council members ensure that ESG considerations including climate change are systematically embedded in RioCan's decision making and enable performance evaluation. ESG Council members are briefed on emerging issues and strategic planning, including plan and approach for climate action.

In 2021, RioCan established a Climate Change Committee that reports to the ESG Council and consists of subject matter experts from different business functions. The objective of this committee is to advance climate change considerations within RioCan's objectives for resource efficient and climate-resilient current and future growth.



MANAGEMENT'S DISCUSSION AND ANALYSIS

Strategy

In 2020, RioCan conducted a preliminary climate change and resilience assessment under the Intergovernmental Panel on Climate Change Representative Concentration Pathway 8.5. The goal of the assessment was to provide an understanding of how well RioCan is managing climate-related risks and opportunities.

The assessment identified the following priority risks: (i) Physical impacts of climate extremes and changes in climate over the next three decades; (ii) the specific increase in the average number of heating degree days that we may expect to experience each year in the future climate; and (iii) the risk that governments will impose more stringent carbon policies and regulations on business.

To complement this work, in 2021, RioCan identified key drivers, risks and business impacts and directional initiatives related to climate change which will enable RioCan to establish our climate action plan over the short, medium and long term. The table below outlines certain risks, opportunities and potential impacts of climate change:

Risks and Potential Impacts

Key climate-related risks include:

- **Physical Risks** are the risks from longer-term shifts in climate patterns and extreme weather events such as flash and urban floods, extreme storms and winds.
- **Policy and Legal Risks** are the risks from policies and legislation that target climate change mitigation or enforce climate change adaptation.
- **Technology Risks** are the risks from new technology replacing old systems and disrupting part of the economic system.
- **Market and Reputation Risks** are the risks from shifts in supply, demand, products and services and changing stakeholder perceptions as climate-related risks and opportunities are increasingly considered.

Climate change may reduce RioCan's Net Operating Income if, for example, an investment property becomes non-operational due to severe weather events or the cost to recover/repair a property following inclement weather or a natural disaster increases significantly. Climate-related events also pose a risk to the health and safety of people and communities, including our on-site staff, tenants and customers. We also face the potential of increased costs to insure our properties against natural disasters and severe weather events, increased utility costs from grid decarbonisation and hikes in carbon prices. Finally, the marketability of our properties may be affected by more stringent government carbon policies and regulations.

Opportunities and Potential Impacts

Examples of opportunities arising from the transition to a low-carbon economy and adapting to changes in the physical climate include, but are not limited to, enhanced resilience of portfolio, staying ahead of regulations and reduced costs. Assessing portfolio exposure to climate change and implementing resilience features may result in:

- Reduced operational costs, build and retrofit above evolving performance standards (e.g., Toronto new builds net-zero by 2030);
- Strengthened risk management, strengthened competency and oversight at Board and senior management levels and integrate climate risk considerations across business units; and
- Reduced insurance costs due to resilient assets.

Risk Management

Management has identified climate change as an enterprise risk. In 2021, RioCan continues to manage its climate change risk by:

- conducting climate management training;
- identifying opportunities to strengthen climate management;
- commencing work on climate strategy;
- certifying assets to BOMA BEST to standardize ESG performance in the portfolio; and
- establishing the Climate Change Committee.

Metrics and Targets

RioCan tracks key performance indicators related to transitional risks, such as Scope 1 and Scope 2 emissions, as well as select Scope 3 emissions and physical risks, such as total floor area of properties located in 100-year floodplain zones. RioCan has also established targets for GHG emissions and resources, including energy, water and waste, for select RioCan sites. For details, please refer to the 2021 ESG Report and 2021 ESG Supplement.

Additionally, RioCan monitors metrics such as:

- RioCan is in compliance with Ontario's Energy and Water Reporting and Benchmarking (EWRB) regulation;
- Over 60% of the assets are BOMA BEST certified to standardize ESG performance in portfolio; and
- \$1.3 billion of Green Bonds raised to contribute to green projects as defined under RioCan's Green Bond Framework.

RioCan will continue to add new metrics in the future.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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.

RioCan's Declaration of Trust has incorporated rights afforded to Unitholders which align with governance best practices. These rights 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 Canadian Business Corporation Act. As such, there is no certainty how these rights, remedies or procedures may be treated by the courts in the non-corporate context or that a Unitholder will be able to enforce the rights and remedies in the manner contemplated by the 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

With global vaccination programs well underway, governments in Canada and several other jurisdictions eased restrictive measures that were previously imposed to varying degrees, in an effort to contain the spread of COVID-19, in the latter half of 2021. While the number of vaccinations has steadily increased, the Omicron variant of the virus has led to the re-imposition of certain restrictive measures, to varying degrees, in Canada and other parts of the world. Nevertheless, there is a continued expectation that any future necessary restrictive measures in Canada will continue to be more targeted as various levels of government will attempt to avoid full-scale shut downs of the economy. As the latter half of 2021 demonstrated, the easing of restrictions generally leads to a resurgence of activity in the global and domestic economies. COVID-19 imposes additional risks and uncertainties to RioCan's business, operations and financial performance as discussed throughout this MD&A.

The Trust has implemented certain 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 continues to evolve, the Trust will continue to act according to directions provided by the Federal and respective Provincial and Municipal governments. At the current stage, 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 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 properties; 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 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 and rents and yields achieved upon development completion, as well as the pace of maintenance capital expenditures; domestic and global supply chains; labor supply and demand; the capitalization rates that arm's length buyers and sellers are willing to transact on properties; and risks associated with cyber security, information technology systems and networks, which in turn could impact the Trust's business and operations.

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. Refer to Note 3 of the 2021 Annual Consolidated Financial Statements for a sensitivity analysis of investment property valuations.

The spread, duration and severity of COVID-19 and subsequent variants could adversely affect global economies, including credit and capital markets, which could potentially increase the difficulty and cost of accessing capital. It could also potentially impact RioCan's current credit ratings, total return and distribution 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

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2021, 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. Confirmed closures represent 0.1% and 0.8% of the total portfolio in 2021 and 2020, respectively, on a total annualized contractual gross rent basis, which is in line with RioCan's pre-pandemic levels. 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, 2021, RioCan had a commercial NLA, at its interest, of 34,283,000 square feet of income producing properties and a portfolio in-place occupancy rate of 96.1%. Based on our current annualized portfolio weighted average commercial rental revenue of approximately \$31.11 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 \$10.7 million annually.

RioCan's aggregate net rental revenue from leases expiring over the next five years is \$423.3 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. 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 passed legislation that froze residential rents in 2021 at 2020 levels until December 31, 2021 for the vast majority of residential rental units in the province. As at January 1, 2022, the guideline on rent increases for 2022 in Ontario is 1.2%.

Any reintroduction of rent control legislation in the future and/or prolonged rent freezes under the pandemic could impact not 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 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.

Inclusionary zoning is a land-use planning tool in the Province of Ontario which permits municipalities to require new developments or redevelopments to dedicate or maintain a portion of new residential units as affordable housing. In Q4 2021, the City of Toronto approved its new inclusionary zoning framework. RioCan's existing held developmental lands and projects in the City of Toronto, including those intended for re-development, will be subject to the requirements in the City's inclusionary zoning framework commencing September 18, 2022. The City of Toronto inclusionary zoning policy is being phased in, based on each projects application status. The financial impact of the new requirements on the originally contemplated development plans remains unknown, particularly if other municipalities move forward with their own inclusionary zoning frameworks.

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 pandemic and vaccine efficacy. 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 flow of immigration to Canada could be disrupted and immigration levels over the next two years could fall short of targets, despite the Canadian government meeting its 2021 immigration target. 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2021, RioCan's total debt had a 3.69 year weighted average term to maturity bearing interest at a weighted average contractual interest rate of 2.95% 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, 2021, 9.6% 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 its exposure to interest rate risk on debt with floating interest rates. The Trust may also enter into bond forward contracts to hedge its exposure to movements in interest rates from the time it determines it will refinance or issue a debenture and the time the debenture is issued at the time of refinancing or financing. The intent is to use the bond forwards to manage the change in cash flows of the future interest payments on the anticipated debenture. As at December 31, 2021, the carrying value of our floating rate debt, not subject to a hedging strategy, is \$586.3 million. A 50 basis point increase in market interest rates would result in a \$2.9 million decrease in our net income.

Credit Ratings

Real or anticipated changes in credit ratings on our debentures or preferred units may affect the market value thereof. In addition, such changes can affect the cost at which we can access the debenture or preferred unit market, and the credit spreads on unsecured lines of credit, 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

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Climate change poses environmental, social and business risks. RioCan believes that climate-related risks and opportunities should be identified, assessed and managed. To that end RioCan has aligned our climate change strategy and disclosures with TCFD. For details, refer to the *Climate-Related Financial Disclosures* section of this MD&A.

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, active monitoring of security events, 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 President and Chief Executive Officer, Jonathan Gitlin, our Chief Financial Officer, Dennis Blasutti, our Chief Operating Officer, John Ballantyne and our Chief Investment Officer, Andrew Duncan 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

MANAGEMENT'S DISCUSSION AND ANALYSIS

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.

**Audited Annual Consolidated Financial Statements
for the Years Ended December 31, 2021 and 2020**

TABLE OF CONTENTS

Management's Responsibility for Financial Reporting	127
Independent Auditor's Report	128
Consolidated Balance Sheets	131
Consolidated Statements of Income (Loss)	132
Consolidated Statements of Comprehensive Income (Loss)	133
Consolidated Statements of Changes in Equity	134
Consolidated Statements of Cash Flows	135
Notes to Consolidated Financial Statements	136

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, 2021, 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 2021 and 2020 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) Jonathan Gitlin

(signed) Dennis Blasutti

Jonathan Gitlin
President & Chief Executive Officer

Dennis Blasutti
Chief Financial Officer

Toronto, Canada
February 9, 2022

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, 2021 and 2020, 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, 2021 and 2020, 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.

INDEPENDENT AUDITOR'S REPORT (continued)

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 \$14.0B which represents 92% of total assets at December 31, 2021.

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.

How our audit addressed the key audit matter

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 the Trust or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

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.

The logo for Ernst & Young LLP, featuring the company name in a stylized, handwritten-style font.

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
February 9, 2022

RIOCAN REAL ESTATE INVESTMENT TRUST
CONSOLIDATED BALANCE SHEETS

(In thousands of Canadian dollars)

As at	Note	December 31, 2021	December 31, 2020
Assets			
Investment properties	3, 8	\$ 14,021,338	\$ 14,063,022
Equity-accounted investments	4	327,335	209,676
Mortgages and loans receivable	5	237,790	160,646
Residential inventory	6	217,043	214,181
Assets held for sale	3	47,240	198,094
Receivables and other assets	7, 8	248,959	183,633
Cash and cash equivalents		77,758	238,456
Total assets		\$ 15,177,463	\$ 15,267,708
Liabilities			
Debentures payable	12	\$ 2,990,692	\$ 3,340,278
Mortgages payable	11	2,334,016	2,797,066
Lines of credit and other bank loans	10	1,285,910	790,539
Accounts payable and other liabilities	8, 13	655,501	604,852
Total liabilities		\$ 7,266,119	\$ 7,532,735
Equity			
Unitholders' equity		7,911,344	7,734,973
Total liabilities and equity		\$ 15,177,463	\$ 15,267,708

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) Jonathan Gitlin
Jonathan Gitlin
President and 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	2021	2020
Revenue			
Rental revenue	17	\$ 1,066,562	\$ 1,090,732
Residential inventory sales	6, 17	93,727	36,347
Property management and other service fees	17	14,772	16,584
		1,175,061	1,143,663
Operating costs			
Rental operating costs			
Recoverable under tenant leases		367,297	377,787
Non-recoverable costs		40,753	64,751
Residential inventory cost of sales	6	65,346	20,842
		473,396	463,380
		701,665	680,283
Operating income			
Other income (loss)			
Interest income	19	13,666	14,602
Income from equity-accounted investments	4	19,189	3,985
Fair value gain (loss) on investment properties, net	3	124,052	(526,775)
Investment and other income, net	18	2,743	8,216
		159,650	(499,972)
Other expenses			
Interest costs, net	20	171,521	180,811
General and administrative	21	51,400	40,524
Internal leasing costs		11,807	10,192
Transaction and other costs	22	17,343	2,934
Debt prepayment costs, net	11, 12	10,914	—
		262,985	234,461
		598,330	(54,150)
Income (loss) before income taxes			
Current income tax recovery		(59)	(275)
Deferred income tax expense		—	10,905
		\$ 598,389	\$ (64,780)
Net income (loss)			
Net income (loss)			
Unitholders	23	\$ 598,389	\$ (64,780)
		\$ 598,389	\$ (64,780)
Net income (loss) per unit			
Basic	23	\$ 1.89	\$ (0.20)
Diluted	23	\$ 1.89	\$ (0.20)

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	2021	2020
Net income (loss)		\$ 598,389	\$ (64,780)
Other comprehensive income (loss)			
Items that may be reclassified subsequently to income (loss), net of tax:			
Interest rate swap agreements:			
Unrealized gain (loss) during the year	14, 25	20,459	(64,550)
Reclassified during the year to income	14, 25	21,665	16,469
Unrealized loss on bond forward agreements	14, 25	(1,751)	—
Other comprehensive income (loss) from equity-accounted investments	4, 14	206	(333)
Item that is not to be reclassified to income, net of tax:			
Actuarial gain (loss) on pension plan	14	1,222	(2,650)
Other comprehensive income (loss), net of tax		41,801	(51,064)
Comprehensive income (loss), net of tax		\$ 640,190	\$ (115,844)

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, 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

	Note	Trust Units	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss)	Total equity
Balance, December 31, 2020	\$	4,815,230	\$ 38,066	\$ 2,950,019	\$ (68,342)	\$ 7,734,973
Changes during the year:						
Net income		—	—	598,389	—	598,389
Other comprehensive income	14	—	—	—	41,801	41,801
Unit-based compensation exercises, net of Units repurchased for settlement of Unit exercises	14	2,004	(6,389)	—	—	(4,385)
Units issued, net of issuance costs	14	428	—	—	—	428
Units purchased and cancelled	14	(120,877)	—	(57,185)	—	(178,062)
Unit-based compensation awards	14	—	22,353	—	—	22,353
Distributions to Unitholders	16	—	—	(304,153)	—	(304,153)
Balance, December 31, 2021	\$	4,696,785	\$ 54,030	\$ 3,187,070	\$ (26,541)	\$ 7,911,344

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	2021	2020
Operating activities			
Net income (loss)		\$ 598,389	\$ (64,780)
Items not affecting cash:			
Depreciation and amortization	21	4,022	4,342
Amortization of straight-line rent	17	(6,928)	(7,177)
Unit-based compensation expense	14	12,546	9,120
Income from equity-accounted investments	4	(19,189)	(3,985)
Fair value (gain) loss on investment properties, net	3	(124,052)	526,775
Deferred income tax expense		—	11,645
Fair value gains on marketable securities	18	—	(878)
Transaction (gains) losses, net on disposition of investment properties		6	(2)
Adjustments for changes in other working capital items	29	25,603	77,524
Cash provided by operating activities		490,397	552,584
Investing activities			
Acquisitions of investment properties		(17,177)	(86,329)
Construction expenditures on properties under development		(385,923)	(455,042)
Capital expenditures on income properties		(77,956)	(61,592)
Proceeds from sale of investment properties		659,979	98,115
Earn-outs on investment properties		(1,323)	(3,003)
Contributions to equity-accounted investments	4	(149,562)	(18,924)
Distributions received from equity-accounted investments	4	62,510	10,619
Advances of mortgages and loans receivable		(53,218)	(44,874)
Repayments of mortgages and loans receivable		48,107	70,027
Proceeds from investment maturity		5,500	—
Proceeds from sale of marketable securities, net of selling costs	18	—	19,001
Lease payments received from finance lease receivables		3,455	2,664
Cash provided by (used in) investing activities		94,392	(469,338)
Financing activities			
Proceeds from mortgage financing, net of issue costs		388,216	797,862
Repayments of mortgage principal		(772,204)	(416,173)
Advances from bank credit lines, net of issue costs		492,553	308,702
Repayment of bank credit lines		—	(609,040)
Proceeds from issuance of debentures, net of issue costs	12	447,623	845,737
Repayment of unsecured debentures	12	(800,000)	(400,000)
Distributions paid to Unitholders	28	(317,497)	(457,521)
Units repurchased under normal course issuer bid		(178,062)	—
Units repurchased for settlement of Unit compensation exercises and proceeds received from issuance of Units, net of issue costs		(4,108)	(5,778)
Repayment of lease liabilities		(2,008)	(2,095)
Cash (used in) provided by financing activities		(745,487)	61,694
Net change in cash and cash equivalents		(160,698)	144,940
Cash and cash equivalents, beginning of year		238,456	93,516
Cash and cash equivalents, end of year		\$ 77,758	\$ 238,456
Supplemental cash flow information	28		

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

TABLE OF CONTENTS

1. General Information	137	18. Investment and Other Income	171
2. Significant Accounting Policies	137	19. Interest Income	171
3. Investment Properties	150	20. Interest Costs	171
4. Equity-accounted Investments and Joint Arrangements	155	21. General and Administrative	171
5. Mortgages and Loans Receivable	157	22. Transaction and Other Costs	171
6. Residential Inventory	157	23. Net Income (Loss) per Unit	172
7. Receivables and Other Assets	158	24. Fair Value Measurement	172
8. Leases	159	25. Risk Management	173
9. Income Taxes	161	26. Capital Management	176
10. Lines of Credit and Other Bank Loans	161	27. Subsidiaries	178
11. Mortgages Payable	162	28. Supplemental Cash Flow Information	178
12. Debentures Payable	163	29. Changes in Other Working Capital Items	179
13. Accounts Payable and Other Liabilities	164	30. Related Party Transactions	179
14. Unitholders' Equity	165	31. Employee Benefits	180
15. Unit-based Compensation Plans	166	32. Segmented Information	180
16. Distributions to Unitholders	169	33. Contingencies and Other Commitments	180
17. Revenue	170	34. Events after the Balance Sheet Date	181

RIOCAN REAL ESTATE INVESTMENT TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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

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 portfolios of retail-focused and 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 annual audited consolidated financial statements of the Trust for the years ended December 31, 2021 and 2020 were authorized for issue by RioCan's Board of Trustees on February 9, 2022.

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 International Financial Reporting Standards (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 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.

RIOCAN REAL ESTATE INVESTMENT TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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

Leases - Determination of lease term of contracts

The Trust determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised by the lessee, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised by the lessee, including purchase options. The Trust determines the lease commencement date as the date on which the underlying asset is made available for use by the lessee, which is based on the terms of the lease contract, the type and extent of tenant improvements, and for properties under development the state of completion of the property. At commencement date, the Trust determines as lessee or as lessor whether there is reasonable certainty that options to extend or cancel a lease will be exercised. To make this analysis, the Trust takes into account the extension terms of the contract including whether the extension is likely to be below market rent, the cost to cancel a lease and significant investments made on the property. After the commencement date, the Trust revises the lease term when an extension or termination option is exercised and it was not previously included in the lease term.

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 almost two years ago, 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. Most recently, governments have been focused on rolling out vaccination programs to slow the spread. The frequency, type and severity of measures used to fight the virus and variants that continue to surface, depend on a number of variables including but not limited to number and nature of variants, level and efficacy of vaccinations 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 annual audited consolidated financial statements are based on the latest reliable information available to management at the time the annual audited consolidated financial statements were prepared where that information reflects conditions at the date of the annual audited 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, 2021 (Note 3).

RIOCAN REAL ESTATE INVESTMENT TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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

Contractual rents and other tenant receivables - allowance for doubtful accounts

Contractual rents and other tenant receivables are 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.

RIOCAN REAL ESTATE INVESTMENT TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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

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 to 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 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.

RIOCAN REAL ESTATE INVESTMENT TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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

(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.

RIOCAN REAL ESTATE INVESTMENT TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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

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.

Base rent

The Trust classifies leases with its tenants as operating leases when it has not transferred substantially all of the risks and rewards of ownership of its investment properties. Revenue recognition under a lease commences when the tenant has the right to use the leased asset, which is typically when the tenant takes possession of, or controls, the physical use of the leased property. Generally, this occurs on the lease commencement date. When RioCan is required to make additions to the

RIOCAN REAL ESTATE INVESTMENT TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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

property in the form of tenant improvements that enhance the value of the property or when the property is still under development, revenue recognition begins upon substantial completion of such additions or when the development is substantially complete and in a state that can be used in the manner intended.

Tenant incentives are recognized as a reduction of rental revenue on a straight-line basis over the term of the lease contract where it is determined that the tenant fixturing has no benefit to RioCan beyond the existing tenancy.

Realty tax and insurance recoveries

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

Straight-line rent

Certain lease contracts contain rent escalation clauses or provide for tenant occupancy during periods for which no rent is due. Certain lease contracts or lease modifications may also include lease termination options and payments. RioCan records the total rental income on a straight-line basis, inclusive of lease termination payments if it is reasonably certain the tenant will exercise the lease termination option, over the full term of the lease contract or modified lease contract, including the tenant fixturing period. An accrued straight-line rent receivable is recorded from tenants for the difference between the straight-line rent and the rent that is contractually owing.

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

Percentage rent

Percentage rent is typically calculated based on a percentage of tenant sales over a specified threshold, which is in addition to base rent. Percentage rents are recognized once the specified threshold has been achieved in accordance with each tenant lease.

Common area maintenance (CAM) services

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

Lease cancellation fees

Amounts payable by tenants to terminate their lease prior to the contractual expiry date are included in rental revenue as lease cancellation fees at the date the tenant ceases to have the right to use the asset, if the lease termination payment was not included in the straight-line rent noted above.

Parking revenue

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

(ii) Residential inventory

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

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

Directly attributable marketing and disposition costs are expensed as incurred.

RIOCAN REAL ESTATE INVESTMENT TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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

(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 and trustees. The cost of these unit-based payments equals the fair value of each tranche of awards at their grant date. The cost of the unit-based equity settled awards is recognized on a proportionate basis consistent with the vesting features of each tranche of the grant.

Prior to January 1, 2021, RioCan had unit-based cash-settled compensation plans for independent trustees. The cost of these unit-based payments was measured at fair value and expensed over the vesting period with the recognition of a corresponding liability. The liability was remeasured at fair value at each reporting period date with the vested changes in fair value recorded in the consolidated statements of income (loss). Effective January 1, 2021, the unit-based cash-settled compensation plan for independent trustees was amended and each trustee provided irrevocable elections such that all units granted, vested and outstanding shall be redeemed and settled only by the issuance of Units, and as such, this became a unit-based equity-settled award.

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, cash held for banker's acceptance 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, cash collateralized banker's acceptance, bond forward agreement 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 are recognized in OCI. See Note 2.19 for further discussion regarding hedge accounting policies.

RIOCAN REAL ESTATE INVESTMENT TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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

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
Bond forward agreement (v)	FVTPL
Accounts payable and other liabilities (vi)	Amortized cost

- (i) As at December 31, 2021 cash equivalent was \$Nil (December 31, 2020 - cash equivalent included a Guaranteed Investment Certificate in the amount of \$40.0 million).
- (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, other receivables and cash held for banker's acceptance settlement.
- (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) The bond forward agreement is a derivative financial instrument that is recorded at fair value on the consolidated balance sheet as bond forward asset or bond forward liability. The effective portion of the fair value gains (losses) is recorded in other comprehensive income (loss) as it is designated in an effective cash flow hedging relationship.
- (vi) 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 and leasing commissions, trade payables and accruals, deposits received from customers on residential inventory, and cash collateralized banker's acceptance.

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.

RIOCAN REAL ESTATE INVESTMENT TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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

(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 all other financial assets measured at amortized cost. 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 receivable, 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.

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.

ECLs for all other financial assets measured at amortized cost 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 (if applicable). Any changes in impairment are recognized in net income (loss). For interest bearing financial assets, 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.

Financial assets 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, which 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 or bond forward contracts 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.

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. For the Trust's purposes of hedge accounting, interest rate swap hedges and bond forward contract hedges are classified as cash flow hedges.

RIOCAN REAL ESTATE INVESTMENT TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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

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 (loss).

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, carryforward 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.

RIOCAN REAL ESTATE INVESTMENT TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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

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, 2021 as follows:

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 addresses issues that may 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 allows 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 hedge designations and hedge documentation to be updated by the end of the reporting period in which a replacement takes place. The IBOR Reform Phase 2 amendments are effective for annual periods beginning on or after January 1, 2021, with earlier application permitted.

As at December 31, 2021 and December 31, 2020, all of RioCan's interest rate swaps designated in hedging relationships are based on the 1-month Canadian Dollar Offered Rate (CDOR), which is expected to continue as a benchmark rate until June 30, 2024. As a result, these amendments did not immediately impact the Trust's consolidated financial statements upon adoption. The Trust will update its hedge documentation and adjust effective interest rates as the new benchmark rates are implemented in 2024.

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.

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.

RIOCAN REAL ESTATE INVESTMENT TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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

Amendments to IAS 8, Definition of Accounting Estimates

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective January 1, 2023, with early adoption permitted. Management is currently assessing the impact of these amendments.

Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to account policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their "significant" accounting policies with a requirement to disclose their "material" accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments are applicable January 1, 2023, with early adoption permitted. Management is currently assessing the impact of these amendments.

Amendments to IFRS 9 Financial Instruments, Fees in the '10 per cent' test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to the IFRS standards process the IASB issued an amendment to IFRS 9. The amendment clarifies the types of fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. The amendment specifies that only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf, should be included. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective January 1, 2022 with earlier adoption permitted. The Trust will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Trust.

RIOCAN REAL ESTATE INVESTMENT TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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

3. INVESTMENT PROPERTIES

As at	December 31, 2021		December 31, 2020
Income properties	\$	12,573,286	\$ 12,740,959
Properties under development		1,448,052	1,322,063
	\$	14,021,338	\$ 14,063,022

Year ended December 31, 2021	Income properties	Properties under development	Total (iv)
Balance, beginning of year	\$ 12,907,134	\$ 1,353,982	\$ 14,261,116
Acquisitions	11,482	5,563	17,045
Dispositions	(658,369)	(107,652)	(766,021)
Development expenditures	—	365,120	365,120
Capital expenditures:			
Recoverable and non-recoverable expenditures	34,240	—	34,240
Leasing commissions and tenant improvements	53,577	—	53,577
Transfers, net (i)	146,570	(146,570)	—
Transfers to residential inventory (ii)	—	(21,816)	(21,816)
Fair value gain, net	116,965	7,087	124,052
Straight-line rent (iii)	6,928	—	6,928
Transfers to finance lease receivables	(5,148)	—	(5,148)
Other changes	(2,103)	(572)	(2,675)
Earn-out consideration	—	2,160	2,160
Balance, end of year	\$ 12,611,276	\$ 1,457,302	\$ 14,068,578
Investment properties	\$ 12,573,286	\$ 1,448,052	\$ 14,021,338
Properties held for sale	37,990	9,250	47,240
	\$ 12,611,276	\$ 1,457,302	\$ 14,068,578

- (i) During the year ended December 31, 2021, transfers to income properties from properties under development totalled \$174.2 million, reflecting completed developments. Transfers from income properties to properties under development totalled \$27.6 million, reflecting the commencement of active development on certain income properties during the year.
- (ii) During the year ended December 31, 2021, a portion of Les Galeries Lachine and the residential portion of the discrete parcel under redevelopment at Sandalwood Square were transferred to residential inventory from investment property as appropriate evidence of a change in use was established.
- (iii) Included in investment properties is \$119.1 million of net rents receivable arising from the recognition of rental revenue on a straight-line basis over the lease term (December 31, 2020 - \$116.5 million).
- (iv) Included in investment properties are 12 properties held as ROU assets as at December 31, 2021 (December 31, 2020 - 12 properties). Refer to Note 8.

RIOCAN REAL ESTATE INVESTMENT TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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

Year ended December 31, 2020	Income properties		Properties under development		Total (v)
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 losses, 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.

Acquisitions

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

As at December 31,	Income properties		Properties under development	
	2021	2020	2021	2020
Properties acquired during the year:				
Total consideration	\$ 11,482	\$ 74,070	\$ 5,563	\$ 36,149
Debt assumed	—	(15,701)	—	—
Total consideration, net of debt assumed	\$ 11,482	\$ 58,369	\$ 5,563	\$ 36,149

Investment properties 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.

On April 7, 2021, RioCan completed the acquisition of an additional 10% of the air rights in The Well Building 6 (FourFifty The Well) for the net purchase price of \$5.6 million, including transaction costs. Following this transaction, RioCan owns 50% of FourFifty The Well air rights, increased from the previous 40% interest.

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.

RIOCAN REAL ESTATE INVESTMENT TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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

Dispositions

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

As at December 31,	Income properties		Properties under development	
	2021	2020	2021	2020
Properties disposed during the year:				
Total consideration	\$ 658,369	\$ 66,250	\$ 107,652	\$ 84,610
Mortgages associated with investment property dispositions	(82,636)	(12,112)	—	—
Vendor take-back mortgages receivable on dispositions	(3,000)	(25,000)	(23,720)	—
Other accounts receivable	—	(4,056)	—	(675)
Total consideration, net of related debt	\$ 572,733	\$ 25,082	\$ 83,932	\$ 83,935

Investment properties dispositions

Property name and location	Date disposed	Interest disposed	IPP sales proceeds	PUD sales proceeds (i)
Q4 2021				
The Well (Building D), Toronto, ON	December 20, 2021	40 %	\$ —	\$ 15,856
Lethbridge Town Square, Lethbridge, AB	December 20, 2021	100 %	7,455	—
Kennedy Commons, Toronto, ON	December 14, 2021	50 %	107,500	—
Georgian Mall (Excess Lands), Barrie, ON	November 15, 2021	50 %	—	3,450
Sunnybrook Plaza, Toronto, ON (ii)	November 5, 2021	50 %	—	30,021
Three-property portfolio disposition (iii) (vii)	October 13, 2021	50 %	149,378	—
Total dispositions for the three months ended December 31, 2021			\$ 264,333	\$ 49,327
Q3 2021				
Merivale Market, Ottawa, ON	September 17, 2021	75 %	\$ 24,645	\$ —
Centre Carnaval LaSalle, LaSalle, QC	August 19, 2021	50 %	35,000	—
Pine Plaza, Sault Ste Marie, ON	July 22, 2021	100 %	6,231	—
Windfields Farm (Excess Lands), Oshawa, ON	July 8, 2021	100 %	—	11,273
Impact Plaza, Surrey, BC	July 6, 2021	100 %	73,000	—
Total dispositions for the three months ended September 30, 2021			\$ 138,876	\$ 11,273
Q2 2021				
Queensway Residential Lands, Toronto, ON (iv) (vii)	June 23, 2021	80 %	\$ —	\$ 2,289
Colborne Place, Brantford, ON	June 16, 2021	100 %	11,150	—
The Well (Building E), Toronto, ON	June 11, 2021	40 %	—	23,789
Cherry Hill Centre, Fergus, ON	June 7, 2021	100 %	17,520	—
Huron Heights, London, ON	June 7, 2021	100 %	18,857	—
Charlottetown Mall, Charlottetown, PEI (v)	June 2, 2021	50 %	20,250	—
Keswick Marketplace, Keswick, ON	May 27, 2021	75 %	22,725	—
Cambrian Mall, Sault Ste. Marie, ON	April 16, 2021	100 %	9,050	—
Total dispositions for the three months ended June 30, 2021			\$ 99,552	\$ 26,078
Q1 2021				
Westgate - Phase One (Rhythm), Ottawa, ON (vii)	March 11, 2021	50 %	\$ —	\$ 17,574
Tanger Outlets St. Sauveur, St. Sauveur, QC	March 1, 2021	50 %	6,000	—
Windfields Farm - School Site, Oshawa, ON	January 22, 2021	100 %	—	3,400
ePlace, Toronto, ON (vi) (vii)	January 7, 2021	50 %	21,862	—
eCentral, Toronto, ON (vi) (vii)	January 7, 2021	50 %	127,746	—
Total dispositions for the three months ended March 31, 2021			\$ 155,608	\$ 20,974
Total dispositions for the year ended December 31, 2021			\$ 658,369	\$ 107,652

(i) Includes cost recoveries of \$20.3 million, comprised of \$12.1 million related to Westgate - Phase One (Rhythm), \$4.8 million related to Sunnybrook Plaza, \$1.9 million related to The Well (Building E), \$1.4 million related to The Well (Building D) and nominal cost recoveries at Queensway Development (Residential Lands). Total PUD sales proceeds excluding cost recoveries was \$87.4 million on a year-to-date basis.

RIOCAN REAL ESTATE INVESTMENT TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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

- (ii) RioCan provided a vendor take-back mortgage of \$23.7 million related to this transaction.
- (iii) Includes the 50% disposition of the non-managing interest in three properties located in the Greater Toronto Area, comprised of Pivot, multi-family residential rental property, and two grocery anchored retail assets, RioCentre Oakville and Spring Farm Marketplace.
- (iv) RioCan disposed 100% ownership interest of Queensway Residential Lands to the RC (Queensway) LP (Note 4) as part of the consideration to obtain a 20.0% interest in the joint venture. The disposition included both properties under development assets and residential inventory, and the net sales proceeds including cost recoveries were allocated as \$2.3 million and \$28.1 million, respectively.
- (v) RioCan provided a vendor take-back mortgage of \$3.0 million related to this transaction.
- (vi) Upon disposition of ePlace and eCentral, the purchaser assumed \$82.6 million of debt.
- (vii) The following represent partial interest dispositions. RioCan retained the remaining ownership interest in these properties.

Properties held for sale

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

As at	December 31, 2021	December 31, 2020
Assets		
Income properties	\$ 37,990	\$ 166,175
Properties under development	9,250	31,919
Total assets held for sale	\$ 47,240	\$ 198,094

As at December 31, 2021, RioCan has five investment properties held for sale with a carrying value of \$47.2 million. As at December 31, 2020, RioCan had 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 Chief Investment Officer, Chief Operating Officer, the Chief Financial Officer, and other executive members.

RioCan measures the vast majority of its investment properties, including co-owned properties, using valuations prepared by its internal valuation team. This team consists of individuals who are knowledgeable and have specialized industry experience in real estate valuations and report directly to a senior member of the Trust's management. The internal valuation team's processes and results are reviewed and approved by the Valuations Committee on a quarterly basis, in line with the Trust's quarterly reporting dates.

External valuations

Depending on the property asset type and location, management may opt to obtain independent third-party valuations from firms that employ experienced valuation professionals having the required qualifications in property appraisals for purposes of adopting such appraised values in the case of land parcels or assessing the reasonableness of its internal investment property valuations. The internal valuation team also verifies all major inputs used by the external valuator in preparing the valuation report, assesses changes to fair value by comparing the current year fair value against the fair value determined in the prior year valuation report, and holds discussions with the external valuator.

During the year, the Trust obtained a total of 28 external property appraisals (including 5 vacant land parcels), which supported an IFRS fair value of approximately \$1.6 billion, or 11.7% of the Trust's investment property portfolio (at 100% interest), as at December 31, 2021. In 2022, the Trust intends to select approximately six income properties for external appraisal on a quarterly basis.

RIOCAN REAL ESTATE INVESTMENT TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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

Valuation techniques

Income properties

The internal valuation team estimates the fair value of each income property based on a valuation technique known as the direct capitalization income approach. The fair value is determined by applying a capitalization rate to stabilized net operating income (SNOI). The significant unobservable inputs are based on the following:

- SNOI is based on budgeted rents and expenses and supported by the terms of any existing lease, other contracts or external evidence such as current market rents for similar properties, adjusted to incorporate allowances for estimated vacancy rates, management fees and structural reserves for capital expenditures based on current and expected future market conditions after expiry of any current lease and expected maintenance costs. The resulting capitalized value is then adjusted for non-recoverable capital expenditures as well as other costs, including leasing costs, inherent in achieving and maintaining SNOI.
- The capitalization rate is based on the location and quality of the properties and takes into account market data at the valuation date.

Properties under development

Management uses an internal valuation process to estimate the fair value of properties under development that consist of undeveloped land on a land value per acre basis using the particular attributes of the project with respect to zoning and pre-development work performed on the site. Where a site is partially developed and meets certain thresholds, the direct capitalization method is applied to capitalize the pro forma net operating income (NOI), stabilized with market allowances, from which the costs to complete the development are deducted. The significant unobservable inputs are based on the following:

- Pro forma SNOI is based on the location, type and quality of the properties and supported by the terms of actual or anticipated future leases, other contracts or external evidence such as current market rents for similar properties, adjusted for estimated vacancy rates based on expected future market conditions and estimated maintenance costs, which are consistent with internal budgets, based on management's experience and knowledge of the market conditions.
- Costs to complete are derived from internal budgets based on management's experience and knowledge of the market conditions.
- The capitalization rate is based on the location and quality of the properties and takes into account market data at the valuation date.

The primary method of valuation for land acquired for development is the comparable sales approach, which considers recent sales activity for similar land parcels in the same or similar markets. Land values are estimated using either a per acre or per buildable square foot basis based on highest and best use. Such values are applied to RioCan's properties after adjusting for factors specific to the site, including its location, intended use, zoning, servicing and configuration.

For certain properties under development with multi-phased and mixed-use attributes, the Trust employs a corroborative approach using a discounted cash flow valuation method.

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, 2021, the weighted average capitalization rate for the Trust's investment properties and properties held for sale is 5.29% (December 31, 2020 - 5.44%).

The Trust has reviewed the valuation of its properties in light of the impact of the COVID-19 pandemic on property cash flows and capitalization rates. The carrying value of the Trust's investment properties reflects its best estimate for the highest and best use as at December 31, 2021.

RIOCAN REAL ESTATE INVESTMENT TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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

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 properties valuations. As events associated with the pandemic continue to unfold, 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 properties valuations.

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%)	4.29%	\$ 3,757,183
(0.75%)	4.54%	2,559,378
(0.50%)	4.79%	1,597,853
(0.25%)	5.04%	753,168
December 31, 2021	5.29%	—
0.25%	5.54%	(677,437)
0.50%	5.79%	(1,292,002)
0.75%	6.04%	(1,850,322)
1.00%	6.29%	(2,361,392)

A 0.25% increase in capitalization rate would result in a lower portfolio fair value of \$677.4 million. A 0.25% decrease in capitalization rate would result in a higher portfolio fair value of \$753.2 million. In addition, a 1% increase in SNOI would result in a higher portfolio fair value of \$141.4 million. A 1% decrease in SNOI would result in a lower portfolio fair value of \$140.2 million. A 1% increase in SNOI coupled with a 0.25% decrease in capitalization rates would result in a higher portfolio fair value of \$902.3 million. A 1% decrease in SNOI coupled with a 0.25% increase in capitalization rates would result in a lower portfolio fair value of \$811.7 million. A 1% increase in costs to complete for the development properties would result in a lower portfolio fair value of \$4.4 million, and a 1% decrease in costs to complete for the development properties would result in a higher portfolio fair value of \$4.4 million.

4. EQUITY-ACCOUNTED INVESTMENTS AND JOINT ARRANGEMENTS

Equity-accounted investments

The Trust has certain equity-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, 2021	December 31, 2020
RioCan-Fieldgate LP	Development and sale of residential inventory	50.0 %	50.0 %
Dawson-Yonge LP	Owns and operates an income property	40.0 %	40.0 %
RioCan-HBC JV	Owns and operates income properties	20.2 %	12.6 %
RC (Queensway) LP	Development and sale of residential inventory	20.0 %	— %
RC (Leaside) LP - Class B	Development and sale of residential inventory	25.0 %	— %
WhiteCastle New Urban Fund, LP (WNUF 1)		14.2 %	14.2 %
WhiteCastle New Urban Fund 2, LP (WNUF 2)		19.3 %	19.3 %
WhiteCastle New Urban Fund 3, LP (WNUF 3)	Development and sale of residential inventory	20.0 %	20.0 %
WhiteCastle New Urban Fund 4, LP (WNUF 4)		18.4 %	18.4 %
WhiteCastle New Urban Fund 5, LP (WNUF 5)		14.2 %	— %

RIOCAN REAL ESTATE INVESTMENT TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(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:

Years ended December 31,	2021		2020	
Balance, beginning of year	\$	209,676	\$	190,508
Contributions		159,274		26,261
Share of net income		19,189		3,985
Distributions		(62,510)		(10,619)
Other comprehensive gain (loss) from equity-accounted investments		206		(333)
Other		1,500		(126)
Balance, end of year	\$	327,335	\$	209,676

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, 2021			December 31, 2020		
	RioCan-HBC JV	Other	Total	RioCan-HBC JV	Other	Total
Current assets	\$ 7,840	\$ 674,138	\$ 681,978	\$ 4,068	\$ 460,917	\$ 464,985
Non-current assets (i)	1,993,503	29,218	2,022,721	1,990,538	25,565	2,016,103
Current liabilities (ii)	486,103	153,377	639,480	313,707	88,957	402,664
Non-current liabilities (iii)	325,911	229,788	555,699	508,094	156,310	664,404
Net assets	\$ 1,189,329	\$ 320,191	\$ 1,509,520	\$ 1,172,805	\$ 241,215	\$ 1,414,020
Equity-accounted investments	\$ 267,266	\$ 60,069	\$ 327,335	\$ 150,578	\$ 59,098	\$ 209,676

Years ended December 31,	2021			2020		
	RioCan-HBC JV	Other	Total	RioCan-HBC JV	Other	Total
Revenue	\$ 142,429	\$ 27,808	\$ 170,237	\$ 142,409	\$ 23,959	\$ 166,368
Operating expenses	22,011	7,411	29,422	22,499	8,693	31,192
Fair value (losses) gains	(5,537)	18	(5,519)	(70,566)	(1,779)	(72,345)
Interest expense	35,342	411	35,753	36,632	418	37,050
Net income	\$ 79,539	\$ 20,004	\$ 99,543	\$ 12,712	\$ 13,069	\$ 25,781
Income from equity-accounted investments	\$ 15,368	\$ 3,821	\$ 19,189	\$ 1,590	\$ 2,395	\$ 3,985

- (i) RioCan-HBC JV non-current assets include ten 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 89.1% of the JV's investment property portfolio.
- (ii) As at December 31, 2021, total current liabilities include \$556.1 million of mortgages payable and other loans (December 31, 2020 - \$365.9 million).
- (iii) As at December 31, 2021, total non-current liabilities include \$487.4 million of mortgages payable and lines of credit with maturities beyond twelve months (December 31, 2020 - \$588.9 million).

RC (Leaside) LP - Class B

On December 1, 2021, RioCan formed a new joint venture, RC (Leaside) LP - Class B, with one other partner for the development of the residential component of the RioCan Leaside Centre into two residential condominium towers. In forming the joint venture, RioCan sold a 75% interest in the residential condominium component of RC (Leaside) LP, the Class B units, to the partner, generating a \$25.3 million inventory gain. RioCan retained a 25% interest in the RC (Leaside) LP - Class B units for \$9.7 million.

WNUF 5

On September 15, 2021, RioCan committed up to \$40.0 million in capital contributions in consideration for an approximate 14.2% limited partner interest in WNUF 5. Amounts to be funded are callable by the general partner at any point prior to the expiration of the investment period on September 14, 2031. As at December 31, 2021, RioCan has contributed cash of \$0.4 million to the fund.

RC (Queensway) LP

On June 23, 2021, RioCan formed a new joint venture, RC (Queensway) LP, with four investors for the development of the Queensway Residential Lands into two residential condominium buildings. In exchange for units in the joint venture, RioCan sold its property at Queensway Residential Lands to the joint venture, generating a \$2.0 million inventory gain. RioCan retained a 20% interest in the limited partnership through Class A units for \$3.4 million. In addition, RioCan holds Class B units, which are entitled to distributions in excess of the Class A preferred returns.

RIOCAN REAL ESTATE INVESTMENT TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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

RioCan-HBC Joint Venture

On February 5, 2021, RioCan contributed the remaining investment commitment of \$140.1 million, which increased RioCan's ownership interest to 20.2%.

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, 2021, the Trust had 44 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.

5. MORTGAGES AND LOANS RECEIVABLE

As at December 31,		2021		2020
Current	\$	90,110	\$	65,613
Non-current		147,680		95,033
Mortgages and loans receivable measured at amortized cost	\$	237,790	\$	160,646

As at December 31, 2021, mortgages and loans receivable bear interest at a weighted average effective and contractual rate of 5.74% and 5.40% per annum, respectively (December 31, 2020 - 5.65% and 5.65%, respectively) and mature between 2022 and 2028.

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

2022	\$	90,110
2023		24,449
2024		3,000
2025		5,771
2026		39,874
Thereafter		74,586
	\$	237,790

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,		2021		2020
Balance, beginning of year	\$	214,181	\$	108,956
Acquisitions		—		18,987
Dispositions (ii) (iii)		(65,032)		(19,143)
Development expenditures		62,351		36,304
Transfers from investment properties (i)		21,816		71,259
Transfers to equity-accounted investments (ii) (iii)		(16,273)		(2,182)
Balance, end of year	\$	217,043	\$	214,181

- (i) During the year ended December 31, 2021, a portion of Les Galeries Lachine and the residential portion of the discrete parcel under redevelopment at Sandalwood Square was transferred to residential inventory from investment property as appropriate evidence of a change in use was established. 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.
- (ii) On June 23, 2021, RioCan formed a new joint venture, RC (Queensway) LP, with four investors for the development of Verge Phase One and Phase Two. The transaction involved the sale of Queensway Residential Lands by RioCan to the joint venture, generating a \$2.0 million inventory gain. Refer to Note 4 for further details.
- (iii) On December 1, 2021, RioCan transferred 100% of the RioCan Leaside Centre to the RC (Leaside) LP - Class B. Subsequently, RioCan disposed 75% of its ownership interest in its condominium component of RioCan Leaside Centre mixed-use project, RC (Leaside) LP - Class B units, to a joint venture partner and generated a \$25.3 million inventory gain. Refer to Note 4 for further details.

RIOCAN REAL ESTATE INVESTMENT TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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

The following table provides detail on residential inventory gains for years ended December 31, 2021 and 2020:

Years ended December 31,		2021	2020
Residential inventory sales	\$	93,727	\$ 36,347
Residential inventory cost of sales:			
Dispositions		65,032	19,143
Commission cost and other		314	1,699
Residential inventory cost of sales		65,346	20,842
Residential inventory gains	\$	28,381	\$ 15,505

7. RECEIVABLES AND OTHER ASSETS

The following table details the Trust's receivables and other assets as at December 31, 2021 and December 31, 2020:

As at	December 31, 2021			December 31, 2020		
	Current	Non-current	Total	Current	Non-current	Total
Prepaid expenses and other assets	\$ 30,218	\$ 18,124	\$ 48,342	\$ 25,649	\$ 27,014	\$ 52,663
Net contractual rents and other tenant receivables	29,011	—	29,011	43,676	—	43,676
Finance lease receivables	3,961	38,197	42,158	3,273	37,192	40,465
Amounts due on condominium final closings	10,168	—	10,168	1,038	—	1,038
Other receivables (i)	16,610	15,263	31,873	15,947	17,540	33,487
Funds held in trust	29,685	—	29,685	2,557	9,747	12,304
Interest rate swaps agreements	42	52	94	—	—	—
Cash held for banker's acceptance settlement (ii)	57,628	—	57,628	—	—	—
	\$ 177,323	\$ 71,636	\$ 248,959	\$ 92,140	\$ 91,493	\$ 183,633

(i) Other receivables primarily include fees and cost reimbursements receivable from partners, and disposition proceeds receivable, including \$11.3 million of proceeds to be received related to the Q3 2020 50% interest disposition in Dufferin Plaza, which is expected to be paid upon the completion of several pre-construction development phases.

(ii) The Trust prepaid an amount due on January 4, 2022, to settle an outstanding banker's acceptance. The liability was extinguished on the maturity date subsequent to the balance sheet date.

Prepaid expenses and other assets

Prepaid expenses and other assets primarily include 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,		2021	2020
Balance, beginning of year	\$	7,447	\$ 522
Additions		3,479	6,925
Selling commissions expensed during the year		(314)	—
Balance, end of year	\$	10,612	\$ 7,447

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 \$16.6 million as at December 31, 2021 (December 31, 2020 - \$12.5 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.

RIOCAN REAL ESTATE INVESTMENT TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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

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 October 9, 2020, the Government of Canada announced a new commercial rent relief program, the Canada Emergency Rent Subsidy (CERS) to replace the Government of Canada's Canada Emergency Commercial Rent Assistance (CECRA) program post September 2020. Subsidies under the CERS program, are provided directly to tenants without any landlord participation and are comprised of (i) a subsidy for eligible expenses including rent that is available to organizations that continue to endure declining revenues, and (ii) an additional top-up, i.e. a lockdown support for those entities that must either close or significantly restrict their activities due to a public health order. Claims for the subsidy are based on four-week qualifying claim periods. Tenants in Ontario who qualify for the base rent subsidy and notify the landlord of such will be protected from eviction during the 12 weeks following approval of a claim. The CERS program was extended from June 5, 2021 to October 23, 2021 with amended qualification requirements and declining maximum subsidy rates, which vary depending on the extent of revenue reduction.

In effect from October 24, 2021 to at least May 7, 2022, two new federal government programs, the Tourism and Hospitality Recovery Program (the "THRP") and the Hardest-Hit Business Recovery Program (the "HHBRP") were introduced. Tenants that are subject to public health restrictions and that experience prescribed reductions in revenue will be eligible for wage and rent subsidies subject to the impact of the pandemic on their businesses on a relative basis. The amount of available subsidies under both programs will be decreased by half effective March 13, 2022. In response to the latest COVID-19 variant, the Federal government introduced temporary changes to expand the eligibility requirements and temporarily lower the current month revenue decline threshold effective December 19, 2021 to February 12, 2022.

The Trust accrued \$17.2 million provision for rent abatements and bad debts, which has been included in non-recoverable operating costs for the year ended December 31, 2021, as a result of the COVID-19 pandemic.

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

Years ended December 31,		2021	2020
Allowance for doubtful accounts, beginning of year	\$	12,515	\$ 1,360
Provision for credit losses		17,214	42,499
Write-offs		(17,708)	(33,702)
Recoveries of previous write-offs and other		4,583	2,358
Allowance for doubtful accounts, end of year	\$	16,604	\$ 12,515

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, 2021 (December 31, 2020 - 12 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 \$250.6 million (December 31, 2020 - \$266.7 million). The corresponding lease liability in accounts payable and other liabilities is \$38.0 million (December 31, 2020 - \$40.7 million).

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

Years ended December 31,		2021	2020
Balance, beginning of year	\$	40,725	\$ 35,380
Renewal of leases of properties held under lease and other changes in estimates		(742)	7,440
Repayments of lease liabilities		(2,008)	(2,095)
Balance, end of year	\$	37,975	\$ 40,725

RIOCAN REAL ESTATE INVESTMENT TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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

Future lease payments under these leases are as follows:

As at December 31,		2021
Within twelve months	\$	8,461
Two to five years		12,674
Over five years		60,018
Total future lease payments (inclusive of renewal options) (i)	\$	81,153
Less: Future interest costs		43,178
Present value of lease payments (inclusive of renewal options)	\$	37,975

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

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

Years ended December 31,		2021		2020
Revenue from subleasing ROU assets (i)	\$	22,613	\$	22,661
Interest expense on lease liabilities		(1,885)		(1,905)
Office equipment lease payments		(1,175)		(1,256)

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

During the year ended December 31, 2021, the Trust had total cash outflows for leases of \$6.2 million (December 31, 2020 - \$6.5 million), including office equipment lease payments and variable lease payments of \$2.4 million (December 31, 2020 - \$2.5 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,		2021		2020
Balance, beginning of year	\$	40,465	\$	39,119
New sublease arrangements classified as finance leases		5,148		4,010
Repayments of finance lease receivables		(3,455)		(2,664)
Balance, end of year	\$	42,158	\$	40,465

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

As at December 31,		2021
2022	\$	6,282
2023		6,416
2024		6,601
2025		6,655
2026		6,734
Thereafter		20,112
Total minimum lease payments	\$	52,800
Less: Future interest income		10,642
Present value of minimum lease payments	\$	42,158

RIOCAN REAL ESTATE INVESTMENT TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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

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,		2021
2022	\$	669,979
2023		592,306
2024		510,336
2025		414,066
2026		330,924
Thereafter		1,306,105
Total	\$	3,823,716

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,		2021	2020
Variable lease payments from realty tax and insurance recoveries (i)	\$	203,384	\$ 217,957
Variable lease payments from percentage and contractual rent credits (i)		6,585	4,782
Interest income from finance subleases		2,425	2,349

(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.

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, 2021	December 31, 2020
Revolving unsecured operating line of credit (i)	\$	363,732	\$ (1,648)
Non-revolving unsecured credit facilities		699,573	699,333
Construction lines and other bank loans		222,605	92,854
	\$	1,285,910	\$ 790,539
Current	\$	94,073	\$ 50,125
Non-current		1,191,837	740,414
	\$	1,285,910	\$ 790,539

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

RIOCAN REAL ESTATE INVESTMENT TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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

Revolving unsecured operating line of credit

As at December 31, 2021, RioCan had a drawn balance of \$365.9 million and \$634.1 million of credit available to be drawn from this revolving unsecured operating line of credit (December 31, 2020 - \$1.0 billion). The weighted average contractual interest rate on amounts drawn under this facility was 1.90% as at December 31, 2021 (December 31, 2020 - nil).

On April 23, 2021, the Trust exercised its option to extend the maturity on its operating line of credit to May 31, 2026. All other terms and conditions remained the same.

Non-revolving unsecured credit facilities

The Trust has a \$200 million non-revolving unsecured credit facility with two financial institutions (consisting of a Schedule I and a Schedule III bank), with a maturity date of January 31, 2023 and a weighted average annual all-in fixed interest rate of 3.28% (December 31, 2020 - 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% (December 31, 2020 - 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% (December 31, 2020 - 3.34%).

As at December 31, 2021, all of the Trust's non-revolving unsecured credit facilities are fully drawn. The underlying spreads for the unsecured credit facilities are based on the Trust's credit ratings. Effective January 2022, the all-in fixed interest rates of these facilities will increase 25 basis points due to changes in the credit spread as a result of a credit rating change on December 1, 2021.

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.

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 and acquisition facilities for the funding of certain development properties. As at December 31, 2021, these facilities have an aggregate maximum borrowing capacity of \$464.5 million (December 31, 2020 - \$384.2 million) and mature between 2022 and 2025, of which the Trust had drawn \$222.6 million (December 31, 2020 - \$92.9 million). The weighted average contractual interest rate on amounts outstanding is 1.75% (December 31, 2020 - 1.97%).

11. MORTGAGES PAYABLE

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

As at	December 31, 2021	December 31, 2020
Current	\$ 9,300	\$ 335,034
Non-current	2,324,716	2,462,032
	\$ 2,334,016	\$ 2,797,066

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
2022	2.81%	\$ 45,086	\$ 9,300	\$ 54,386
2023	3.44%	45,548	262,645	308,193
2024	3.39%	41,087	194,495	235,582
2025	3.31%	34,614	487,890	522,504
2026	3.50%	30,121	102,571	132,692
Thereafter	2.98%	66,926	1,018,224	1,085,150
	3.18%	\$ 263,382	\$ 2,075,125	\$ 2,338,507
Unamortized debt financing costs, net of premiums, discounts, market interest rate differential on debt assumed and debt modification losses				(4,491)
				\$ 2,334,016

RIOCAN REAL ESTATE INVESTMENT TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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

As at December 31, 2021, total mortgages payable bear interest at a weighted average contractual interest rate of 3.18% and a weighted average effective interest rate of 3.22% (December 31, 2020 - 3.37% and 3.40%, respectively), and mature between 2022 and 2034.

During the year ended December 31, 2021, RioCan completed new term mortgage borrowings of \$391.5 million and renewed maturity balances of \$21.8 million at a combined weighted average interest rate of 2.35% and a weighted average term of six years. During the year ended December 31, 2021, repayments of mortgage balances and scheduled amortization amounted to \$772.2 million, and mortgages disposed on the sale of investment properties were \$82.6 million.

The repayments of mortgage balances above include the prepayment of certain mortgages of \$344.5 million and the settlement of the associated interest rate swap hedges for which a net prepayment cost of \$0.1 million was incurred.

Pledged properties

As at December 31, 2021, \$5.0 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, 2020 - \$5.8 billion).

12. DEBENTURES PAYABLE

As at	December 31, 2021		December 31, 2020	
Current	\$	300,000	\$	550,000
Non-current		2,690,692		2,790,278
	\$	2,990,692	\$	3,340,278

As at December 31, 2021, total debentures payable bear interest at weighted average contractual interest rates of 2.84% and a weighted average effective interest rate of 2.97% (December 31, 2020 - 2.91% and 3.06%, respectively).

Issuance and redemption activity

On November 8, 2021, RioCan issued \$450.0 million of Series AE senior unsecured green bond debentures. These debentures were issued at par, carry a coupon rate of 2.829% per annum and will mature on November 8, 2028.

On November 30, 2021, RioCan redeemed, in full, its \$250.0 million, 3.746% Series V unsecured debentures due May 30, 2022 in accordance with their terms, at a total redemption price of \$253.8 million, plus accrued and unpaid interest of \$4.7 million, up to but excluding the redemption date. The Trust recorded total prepayment costs of \$3.8 million, which includes the redemption price in excess of the face amount and the write-off of the related unamortized deferred financing costs.

On April, 9, 2021, RioCan redeemed, in full, its \$300.0 million, 2.194% Series Z unsecured debentures upon maturity.

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 their 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 total prepayment costs of \$7.0 million, which includes the redemption price in excess of face amount and the write-off of the related unamortized deferred financing costs.

The Trust has the following series of senior unsecured debentures outstanding as at December 31, 2021 and 2020:

(thousands of dollars)

As at				December 31,		December 31,	
Series	Maturity date	Coupon rate	Interest payment frequency	2021		2020	
Z	April 9, 2021	2.19 %	Semi-annual	\$	—	\$	300,000
R	December 13, 2021	3.72 %	Semi-annual		—		250,000
V	May 30, 2022	3.75 %	Semi-annual		—		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		500,000
AC	March 10, 2027	2.36 %	Semi-annual		350,000		350,000
AE	November 8, 2028	2.83 %	Semi-annual		450,000		—
Contractual obligations				\$	3,000,000	\$	3,350,000

RIOCAN REAL ESTATE INVESTMENT TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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

Future repayments are as follows:

		Weighted average contractual interest rate	Principal maturities
Years ending December 31:	2022	2.83 % \$	300,000
	2023	3.42 %	500,000
	2024	3.29 %	300,000
	2025	2.58 %	500,000
	2026	2.64 %	600,000
	Thereafter	2.62 %	800,000
Contractual obligations			3,000,000
Unamortized debt financing costs			(9,308)
		\$	2,990,692

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, 2021, 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, 2021			December 31, 2020		
	Current	Non-current	Total	Current	Non-current	Total
Property operating costs (i)	\$ 92,253	\$ 36,506	\$ 128,759	\$ 86,542	\$ 31,505	\$ 118,047
Capital expenditures and leasing commissions:						
Properties under development	120,102	—	120,102	136,696	—	136,696
Income properties	34,342	—	34,342	24,466	—	24,466
Deferred revenue	55,435	97,050	152,485	36,256	67,075	103,331
Unitholder distributions payable	24,781	—	24,781	38,125	—	38,125
Interest payable	28,879	—	28,879	31,184	—	31,184
Lease liability (ii)	6,727	31,248	37,975	7,856	32,869	40,725
Income taxes payable	13,504	—	13,504	13,563	—	13,563
Unfunded employee future benefits	—	13,568	13,568	—	14,798	14,798
Unit-based compensation payable	—	—	—	—	7,641	7,641
Contingent consideration	—	—	—	1,386	—	1,386
Interest rate swap agreements	—	21,530	21,530	1,001	62,560	63,561
Bond forward agreement	1,751	—	1,751	—	—	—
Other trade payables and accruals	20,197	—	20,197	11,329	—	11,329
Cash collateralized banker's acceptance (iii)	57,628	—	57,628	—	—	—
	\$ 455,599	\$ 199,902	\$ 655,501	\$ 388,404	\$ 216,448	\$ 604,852

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

(ii) Refer to Note 8 for further details.

(iii) Refer to Note 7 for further details.

RIOCAN REAL ESTATE INVESTMENT TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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

Deferred revenue

Deferred revenue consists of the following:

As at	December 31, 2021	December 31, 2020
Deposits received on residential inventory sales (contract liabilities)	\$ 118,288	\$ 70,105
Other deferred revenue (i)	34,197	33,226
	\$ 152,485	\$ 103,331

(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, 2021	December 31, 2020
Balance, beginning of year	\$ 70,105	\$ 21,897
Amounts deferred from new contracts with customers during the year	49,951	48,893
Recognized as revenue during the year	(1,768)	(685)
Balance, end of year	\$ 118,288	\$ 70,105

During the year ended December 31, 2021, \$1.8 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, 2020 - \$0.7 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.

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 Unitholders' equity, for the years ended December 31, 2021 and 2020:

Years ended December 31,	2021		2020	
	Units	\$	Units	\$
Balance, beginning of year	317,748	\$ 4,815,230	317,710	\$ 4,814,097
Units issued:				
Unit-based compensation exercises, net of Units repurchased for settlement of Unit exercises	—	2,004	—	484
Direct purchase plan	16	327	26	462
Exchangeable limited partnership units	6	101	12	187
Units repurchased and cancelled	(7,973)	(120,877)	—	—
Balance, end of year	309,797	\$ 4,696,785	317,748	\$ 4,815,230

Included in Units outstanding as at December 31, 2021 are exchangeable limited partnership Units totalling 0.5 million (December 31, 2020 - 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.

On October 15, 2021, RioCan received TSX approval of its notice of intention to renew its NCIB (the 2021/2022 NCIB), to acquire up to a maximum of 31,616,150 Units, or approximately 10% of the public float as at October 13, 2021, 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, 2021.

RIOCAN REAL ESTATE INVESTMENT TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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

The number of Units that can be purchased pursuant to the 2021/2022 NCIB is subject to a current daily maximum of 241,695 Units (which is equal to 25% of 966,783, being the average daily trading volume during the last six months), subject to RioCan's ability to make one block purchase of Units per calendar week that exceeds such limits. RioCan intends to fund the purchases out of its available cash and undrawn credit facilities.

During the year ended December 31, 2021, the Trust acquired and cancelled 7,973,045 units at a weighted average purchase price of \$22.32 per unit, for a total cost of \$178.1 million. The excess of the purchase price over the carrying amount of the units purchased, representing the unit price increase over the weighted average historical unit issuance price, was recorded as a reduction to retained earnings amounting to \$57.2 million.

Contributed surplus

Awards under the restricted equity unit plans and performance equity unit plan of RioCan and its consolidated subsidiaries 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, 2021, RioCan recorded \$14.7 million in unit-based compensation costs (year ended December 31, 2020 - \$9.1 million and \$0.4 million deferred tax expense). In addition, \$7.6 million of previously recognized unit-based compensation costs were derecognized from unit-based compensation payable and recorded to contributed surplus as a result of an amendment to the Deferred Unit Plan, refer to Note 15.

Accumulated other comprehensive income (loss)

Accumulated other comprehensive income (loss) as at December 31, 2021 and 2020 consists of the following amounts:

	Actuarial loss on pension plan	Interest rate swap agreements (hedge reserve)	Equity-accounted investments	Bond forward agreement (hedge reserve)	Total
As at December 31, 2020	\$ (4,739)	\$ (63,070)	\$ (533)	\$ —	\$ (68,342)
Other comprehensive income (loss)	1,222	42,124	206	(1,751)	41,801
As at December 31, 2021	\$ (3,517)	\$ (20,946)	\$ (327)	\$ (1,751)	\$ (26,541)

15. UNIT-BASED COMPENSATION PLANS

Restricted Equity Unit Plans (REU Plans)

Senior Executive REU Plan

As at December 31, 2021, 434,621 Senior Executive REUs are outstanding (December 31, 2020 - 251,899), of which 100,905 are vested (December 31, 2020 - 55,720). The Senior Executive REU Plan provides for the allotment of REUs to the President and Chief Executive Officer (CEO), Chief Investment Officer, Chief Operating Officer, and 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 People, Culture, 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.

During the year ended December 31, 2021, the Trust granted 212,111 REUs under its Senior Executive REU Plan. The weighted average grant date price was \$18.58 per unit, with each grant price 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 \$3.9 million.

Employee REU Plan

As at December 31, 2021, 351,943 Employee REUs are unvested and outstanding (December 31, 2020 - 279,342). 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.

RIOCAN REAL ESTATE INVESTMENT TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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

During the year ended December 31, 2021, the Trust granted 151,414 REUs under its Employee REU Plan. The weighted average grant date price was \$18.40 per unit, with each grant price 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 \$2.8 million.

Performance Equity Unit Plan (PEU Plan)

As at December 31, 2021, 502,770 PEUs are unvested and outstanding (December 31, 2020 - 449,641). 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 February 23, 2021, the Trust granted 189,231 PEUs under its PEU Plan at a fair value of \$4.0 million.

On September 7, 2021, the Trust granted 3,990 PEUs under its PEU Plan at a fair value of \$0.1 million.

The grant date fair value assumptions using a Monte-Carlo simulation model are as follows:

Years ended December 31,		2021	2020
Fair value of PEUs granted	\$	4,106	\$ 2,865
PEUs granted (in thousands)		193	120
Weighted average grant date fair value per unit	\$	21.25	\$ 23.95
Weighted average expected risk-free interest rate (i)		0.3%	1.2%
Weighted average expected unit price volatility (ii)		30.5%	11.0%
Weighted average initial total Unitholder return (iii)		10.9%	(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. For the February grant, the volatility is 50% for first year and 12% per annum thereafter. Average volatility is 30.5% over the three-year period. For the September grant, the volatility is 31.6%.
- (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 three one-year internal funds from operations growth performance hurdles and half are subject to a relative total Unitholder return (TUR) performance hurdle over a three-year performance period where vesting is dependent upon RioCan's TUR performance relative to a comparative group of peer companies' weighted TUR based on market capitalization. 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, 2021 to February 23, 2021 for the February grant and from January 1, 2021 to September 7, 2021 for the September grant.

Units Purchased for Settlement

During the year ended December 31, 2021, RioCan purchased 109,953 units at an average price of \$18.84, for satisfying RioCan's existing obligations under the REU and PEU Plans.

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, 2021, 11.9 million Unit options remain available to be granted under the Plan. Pursuant to a board resolution in October 2021, the Board has committed to no longer issue unit options as part of RioCan's long-term incentive plan ("LTIP") or as special awards.

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.

Options granted prior to February 2021 have a contractual life of ten years and vest at 25% per annum commencing on the first anniversary of the grant date, and become fully vested after four years. On February 23, 2021, 1.3 million Unit options were granted to senior management (year ended December 31, 2020 - nil).

RIOCAN REAL ESTATE INVESTMENT TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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

The Unit options granted on February 23, 2021 have a term of seven years and the following vesting conditions:

- 500,000 Unit options have vesting conditions that are time-based and will vest 50% on April 1, 2022 and 50% on April 1, 2023; and
- 800,000 Unit options have vesting conditions that are 50% time-based service condition only (Time-Based Options) and 50% with a time-based service condition and market-based performance condition (Performance Options). The Time-Based Options will vest 50% on February 23, 2023 and 50% on February 23, 2025. Vesting of the Performance Options depends on achieving certain performance measures based on 20 consecutive trading days (the 20-day VWAP) and only when certain time-vesting conditions are also met as follows: (i) 50% of the Performance Options shall be exercisable on or after the second anniversary of the Grant Date provided that the 20-day VWAP is equal to or greater than \$20, at any point during the seven-year term; and (ii) 50% of the Performance Options shall be exercisable on or after the fourth anniversary of the Grant Date provided that the 20-day VWAP is equal to or greater than \$24, at any point during the seven-year term.

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, 2021, there were 1.3 million Unit options granted to senior management (December 31, 2020 - nil).

The assumptions used in the calculation of the fair value of the Unit options granted for the year ended December 31, 2021, using a Monte-Carlo simulation model are as follows:

Year ended December 31,		2021
Fair value of unit options granted	\$	2,509
Unit options granted (in thousands)		1,300
Unit option exercise price	\$	18.13
Unit price on grant date	\$	18.55
Expected risk-free interest rate (i)		0.17% to 0.85%
Expected distribution yield (ii)		6.0 %
Expected unit price volatility (iii)		50% in year 1, 12% per annum thereafter
Contractual life (years)		7
Post-vesting withdrawal rate (iv)		— %
Early exercise provision (multiple of exercise price) (v)		2x

(i) Determined using the yield on Government of Canada bonds and treasury bills under the following terms: 1 year - 0.17%; 2 years - 0.23%; 3 years - 0.31%; 5 years - 0.67%; and 7 years - 0.85%.

(ii) Based on historical and future annual distribution yield estimates.

(iii) Percent per annum has been estimated by considering the near-term impact of COVID-19 and the longer-term historical unit price volatility.

(iv) The valuation assumes there are no post-vesting early exercises due to the termination of employment.

(v) To allow for the effects of early exercise, it is assumed that the holder will exercise the options after vesting date and prior to option expiry date when the share price is twice the exercise price.

Unvested unit options granted prior to January 1, 2021, which remain outstanding under the existing plan, will continue to be expensed over the vesting period over which all specified vesting conditions are satisfied.

The following summarizes the changes in Unit options outstanding during the years ended December 31, 2021 and 2020:

Years ended December 31,	2021		2020	
	Units (in thousands)	Weighted average exercise price	Units (in thousands)	Weighted average exercise price
Options				
Outstanding, beginning of year	6,367	\$ 26.71	6,367	\$ 26.71
Granted	1,300	18.13	—	—
Expired	(301)	24.74	—	—
Forfeited and/or cancelled	(30)	27.17	—	—
Outstanding, end of year	7,336	\$ 25.27	6,367	\$ 26.71
Options exercisable at end of year	5,698	\$ 26.88	5,792	\$ 26.85
Average fair value per unit of options granted during the year		\$ 1.93		\$ —

RIOCAN REAL ESTATE INVESTMENT TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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

The following table summarizes the Trust's outstanding options and related exercise price ranges of units granted under the plan:

Exercise price range (\$/unit)	Number of Units issuable (in thousands)	Outstanding options		Vested options	
		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, 2021					
18.13 to 21.07	1,300	\$ 18.13	6.1	—	\$ —
21.08 to 26.14	1,864	25.25	4.7	1,726	25.35
26.15 to 27.03	1,330	26.53	3.2	1,130	26.54
27.04 to 27.60	1,581	27.34	1.4	1,581	27.34
27.61 to 29.31	1,261	28.70	2.4	1,261	28.70
	7,336	\$ 25.27	3.6	5,698	\$ 26.88

Trustee Unit Plan

Deferred Unit Plan (DU Plan)

The Deferred Unit Plan was introduced in 2014 for non-employee Trustees of the Trust (Trustees). Trustees may be awarded deferred Units, each of which 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. Unit distributions paid during the period from grant date until settlement date will be credited to each DU Plan participant in the form of additional deferred Units.

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. As a result, the deferred unit liability of \$7.6 million was derecognized from unit-based compensation payable and \$7.6 million was recognized in contributed surplus.

As at December 31, 2021, there are 549,807 deferred Units vested and outstanding (December 31, 2020 - 452,368).

During the year ended December 31, 2021, 73,026 deferred Units were granted at weighted average grant price of \$21.18 per unit, with each grant price based on the five-day volume weighted average market price of RioCan's Units traded on the TSX prior to each grant date, resulting in an aggregate fair value of \$1.5 million, and no deferred Units were exercised (year ended December 31, 2020 - 100,760 deferred Units granted and no deferred Units exercised).

16. DISTRIBUTIONS TO UNITHOLDERS

Total distributions declared to Unitholders are as follows:

Years ended December 31,	2021	2020
Distributions declared to Unitholders	\$ 304,153	\$ 457,525
Distributions per unit	\$ 0.9600	\$ 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 was effective for the Trust's January 2021 distribution, payable in February 2021.

On January 17, 2022, RioCan declared a distribution payable of \$0.08 per unit for the month of January 2022, which was paid on February 7, 2022 to Unitholders of record as at January 31, 2022.

RIOCAN REAL ESTATE INVESTMENT TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(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,		2021		2020
Base rent	\$	681,333	\$	697,006
Realty tax and insurance recoveries		203,384		217,957
Common area maintenance recoveries		159,980		155,879
Percentage rent		6,579		4,874
Straight-line rent		6,928		7,177
Lease cancellation fees		6,457		6,284
Parking revenue		1,901		1,555
Rental revenue	\$	1,066,562	\$	1,090,732

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,		2021		2020
Common area maintenance recoveries	\$	159,980	\$	155,879
Property management and other service fees		14,772		16,584
Parking revenue		1,901		1,555
Residential inventory sales		93,727		36,347
Revenue from contracts with customers	\$	270,380	\$	210,365

Property management and other service fees

Property management and other service fees consist of the following:

Years ended December 31,		2021		2020
Property management fees (i)	\$	2,754	\$	2,720
Construction and development fees (i)		6,782		6,998
Leasing fees (ii)		342		383
Financing arrangement fees (ii)		1,607		2,939
Other (iii)		3,287		3,544
Property management and other service fees	\$	14,772	\$	16,584

(i) Recognized over time.

(ii) Recognized at a point in time.

(iii) During the year ended December 31, 2021, \$1.8 million is recognized over time and \$1.5 million is recognized at a point in time (December 31, 2020 - \$3.5 million and nil, 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, 2021 and 2020:

As at		December 31, 2021		December 31, 2020
Within one year	\$	115,708	\$	22,055
More than one year		645,191		422,110
Total	\$	760,899	\$	444,165

RIOCAN REAL ESTATE INVESTMENT TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(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,		2021		2020
Fair value gains on marketable securities	\$	—	\$	878
Transaction gains and other income, net		2,743		7,338
	\$	2,743	\$	8,216

The following table breaks down the fair value gains on marketable securities for the years ended December 31, 2021 and 2020:

Years ended December 31,		2021		2020
Realized gains on sale of marketable securities during the year	\$	—	\$	11,097
Change in unrealized fair value on marketable securities during the year		—		(10,219)
Fair value gains on marketable securities during the year	\$	—	\$	878

19. INTEREST INCOME

Years ended December 31,		2021		2020
Interest income measured at amortized cost	\$	10,664	\$	11,263
Other interest income (i)		3,002		3,339
	\$	13,666	\$	14,602

(i) Includes interest from finance subleases of \$2.4 million for the year ended December 31, 2021 (December 31, 2020 - \$2.3 million).

20. INTEREST COSTS

Years ended December 31,		2021		2020
Total interest (i)	\$	211,808	\$	222,593
Less: Interest capitalized		(40,287)		(41,782)
	\$	171,521	\$	180,811

(i) Includes interest from lease liabilities of \$1.9 million for the year ended December 31, 2021 (December 31, 2020 - \$1.9 million).

For the year ended December 31, 2021, interest was capitalized to properties under development and residential inventory at a weighted average effective interest rate of 3.08% (December 31, 2020 - 3.32%).

21. GENERAL AND ADMINISTRATIVE

Years ended December 31,		2021		2020
Salaries and benefits	\$	23,823	\$	19,711
Unit-based compensation expense		10,580		7,271
Depreciation and amortization		4,022		4,342
Other general and administrative expense		12,975		9,200
	\$	51,400	\$	40,524

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, 2021, transaction and other costs primarily include property acquisition and disposition costs totalling \$17.3 million (December 31, 2020 - \$2.9 million).

RIOCAN REAL ESTATE INVESTMENT TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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

23. NET INCOME (LOSS) PER UNIT

Net income (loss) per basic and diluted unit is calculated based on net income 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,	2021		2020	
Net income (loss) attributable to Unitholders	\$	598,389	\$	(64,780)
Weighted average number of Units outstanding (in thousands):				
Basic		317,201		317,725
Dilutive effect of Unit options (i)		83		—
Diluted		317,284		317,725
Net income (loss) per unit (basic)	\$	1.89	\$	(0.20)
Net income (loss) per unit (diluted)	\$	1.89	\$	(0.20)

(i) The calculation of diluted weighted average number of Units outstanding excludes 6.2 million Unit options for the year ended December 31, 2021 (year ended December 31, 2020 - 6.4 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:

As at	December 31, 2021			December 31, 2020		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets measured at fair value:						
Other investments	\$ —	\$ —	\$ 7,521	\$ —	\$ 5,390	\$ 6,900
Investment properties:						
Income properties	—	—	12,573,286	—	—	12,740,959
Properties under development	—	—	1,448,052	—	—	1,322,063
Properties held for sale	—	—	47,240	—	—	198,094
Interest rate swaps	—	94	—	—	—	—
Total assets measured at fair value	\$ —	\$ 94	\$ 14,076,099	\$ —	\$ 5,390	\$ 14,268,016
Liabilities measured at fair value:						
Interest rate swaps	—	21,530	—	—	63,561	—
Bond forward agreement	—	1,751	—	—	—	—
Total liabilities measured at fair value	\$ —	\$ 23,281	\$ —	\$ —	\$ 63,561	\$ —

For assets and liabilities measured at fair value as at December 31, 2021, there were no transfers between Level 1, Level 2 and Level 3 during the year ended December 31, 2021. 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.

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.

RIOCAN REAL ESTATE INVESTMENT TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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

As at	December 31, 2021		December 31, 2020	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets:				
Other investments	\$ 7,521	\$ 7,521	\$ 12,290	\$ 12,290
Finance lease receivables	42,158	42,158	40,465	40,465
Mortgages and loans receivable	237,790	241,956	160,646	163,365
Interest rate swap assets	94	94	—	—
Financial liabilities:				
Mortgages payable	\$ 2,334,016	\$ 2,366,442	\$ 2,797,066	\$ 2,953,765
Debentures payable	2,990,692	3,036,020	3,340,278	3,458,445
Lines of credit and other bank loans	1,285,910	1,285,910	790,539	790,539
Interest rate swap liabilities	21,530	21,530	63,561	63,561
Bond forward agreement	1,751	1,751	—	—

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 sheets 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.

Bond forward agreement

The fair values of the bond forward agreement reported in accounts payable and other liabilities on the consolidated balance sheets 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.

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, 2021, approximately 8.9% (December 31, 2020 - 1.3%) 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 its exposure to interest rate risk on debt with floating interest rates. The Trust may also enter into bond forward contracts to hedge its exposure to movements in interest rates from the time it determines it will refinance or issue a debenture and the time the debenture is issued at the time of refinancing or financing. The intent is to use the bond forwards to manage the change in cash flows of the future interest payments on the anticipated debenture.

RIOCAN REAL ESTATE INVESTMENT TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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

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 or at a ratio of 1:1 for the specific portion of forecasted debenture issuance.

The Trust enters into floating-for-fixed interest rate swap 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. For bond forward contracts, sources of ineffectiveness include differences in the timing of duration and maturities, and 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, 2021. The Trust's hedged items and hedging instruments for interest rate swaps 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 until June 30, 2024. The Trust will update its hedge documentation and adjust effective interest rates as the new benchmark rate is implemented in 2024.

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. 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, 2021, the outstanding notional amount of the floating-for-fixed interest rate swaps is \$1.0 billion (December 31, 2020 - \$1.3 billion) and the term to maturity of these agreements ranges from December 2022 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
2022	\$ 9,300	1.88 %
2023	395,078	3.45 %
2024	526,448	3.35 %
2025	—	— %
2026	—	— %
Thereafter	100,000	3.94 %
	\$ 1,030,826	

On December 14, 2021, the Trust entered into bond forward contracts to sell on September 15, 2022 \$300.0 million Government of Canada Bonds due June 1, 2029 with an effective bond yield of 1.46%, to hedge its exposure to movements in underlying risk-free interest rates on the anticipated refinancing of the \$300.0 million Series Y debentures maturing on October 3, 2022.

Subsequent to year end, on February 1, 2022, the Trust entered into bond forward contracts to sell on April 28, 2022 \$200 million Government of Canada Bonds due June 1, 2029 with an effective bond yield of 1.71%, to hedge its exposure to movements in underlying risk-free interest rates on a highly probable anticipated debenture issuance

The Trust assessed the effectiveness of its hedging relationships and determined all such designated hedging relationships were effective as at December 31, 2021. As at December 31, 2021, the fair value of the interest rate swaps and bond forwards is, in aggregate, a net financial liability of approximately \$23.2 million (December 31, 2020 - financial liability of approximately \$63.6 million).

As at December 31, 2021, the carrying value of the Trust's floating rate debt that is not subject to a hedging strategy is \$586.3 million and a 50 basis point increase in market interest rates would result in an annualized decrease of \$2.9 million in the Trust's net income (loss).

RIOCAN REAL ESTATE INVESTMENT TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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

The amounts relating to items designated as hedging instruments and hedge ineffectiveness were as follows:

	2021				During the year - 2021			
	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 gain recognized in profit or loss	Amounts reclassified from the hedge reserve to profit or loss	Line item in profit or loss affected by reclassification/ineffectiveness
		Assets	Liabilities					
Interest rate swaps	\$1,030,826	\$94	\$21,530	Receivables and other assets (assets), Accounts payable and other liabilities (liabilities)	\$20,459	\$2,680	\$21,665	Interest costs/ Debt prepayment costs, net
Bond forward agreement	\$300,000	\$—	\$1,751	Receivables and other assets (assets), Accounts payable and other liabilities (liabilities)	\$(1,751)	\$—	\$—	Interest costs

	2020				During the year - 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 gain 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 swaps	\$1,327,091	\$—	\$63,561	Receivables and other assets (assets), Accounts payable and other liabilities (liabilities)	\$(64,550)	\$—	\$16,469	Interest costs
Bond forward agreement	\$—	\$—	\$—	Receivables and other assets (assets), Accounts payable and other liabilities (liabilities)	\$—	\$—	\$—	Interest costs

The amounts at the reporting date relating to items designated as hedged items were as follows:

	2021			2020		
	Fair value gain (loss) used for calculating hedge ineffectiveness during the year	Cash flow hedge (loss) reserve for continuing hedges	Balance in cash flow hedge reserve for discontinued hedges	Fair value gain (loss) used for calculating hedge ineffectiveness during the year	Cash flow hedge (loss) reserve for continuing hedges	Balance in cash flow hedge reserve for discontinued hedges
Interest rate risk						
Variable rate mortgages and lines of credit and the bank loans	\$20,459	\$(20,946)	\$—	\$(64,550)	\$(63,070)	\$—
Bond forward agreement	\$(1,751)	\$(1,751)	\$—	\$—	\$—	\$—

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.

RIOCAN REAL ESTATE INVESTMENT TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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

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 commercial rent relief program, which was in effect up to September 2020, for eligible tenants at its properties. Post September 2020, the Government of Canada replaced CECRA with the CERS program, which was in effect until October 23, 2021. CERS provides payments directly to qualifying tenants without requiring the participation of landlords. On October 21, 2021, the Government of Canada proposed targeted new financial support mechanisms via The Tourism and Hospitality Recovery Program and The Hardest-Hit Business Recovery Program, which are expected to be in effect until May 7, 2022. For a further discussion of the CECRA, CERS and the new financial support programs, see Note 7.

The Trust continues to work with its tenants on a case-by-case basis while protecting its rights and financial position. As at December 31, 2021 and December 31, 2020, the allowance for doubtful accounts totals \$16.6 million and \$12.5 million, respectively. RioCan holds approximately \$33.1 million of security deposits and approximately \$4.1 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 sheets 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.

RIOCAN REAL ESTATE INVESTMENT TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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

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, 2021. 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, 2021, the Trust was in compliance with these covenants.

The following table presents RioCan's capital structure:

As at December 31,	Note	2021	2020
Debentures payable	12	\$ 2,990,692	\$ 3,340,278
Mortgages payable	11	2,334,016	2,797,066
Lines of credit and other bank loans	10	1,285,910	790,539
Total debt		6,610,618	6,927,883
Unitholders' equity		7,911,344	7,734,973
Total capital		\$ 14,521,962	\$ 14,662,856

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, 2021, 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, 2021
Total indebtedness (i) (vi)	< 60%	46.9 %
Secured indebtedness (ii) (vi)	< 40%	18.3 %
Debt service coverage (iii) (vi)	> 1.5x	2.5 x
Minimum unitholders' equity (in millions)	> \$5,000	\$7,911
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%	11.0 %

- (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.

RIOCAN REAL ESTATE INVESTMENT TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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

27. SUBSIDIARIES

The subsidiaries listed below are wholly owned and reflect significant entities of the Trust and are located in Canada:

Name	Name
RioCan Management (BC) Inc.	RC Elmvale Acres LP
RioCan Management Inc.	RC Westgate LP
RioCan (KS) Management LP	RC Lincoln Fields LP
RioCan Yonge Eglinton LP	RC Strawberry Hills LP
RioCan (Festival Hall) Trust	RC Yonge Roehampton LP
Timmins Square Limited Partnership	RC Dufferin LP
Shoppers World Brampton Investment Trust	RC Mill Woods LP
RioCan Realty Investments Partnership Four LP	RC 3180 Dufferin LP
RioCan Realty Investments Partnership Seven LP	RC 2290 Lawrence (White Shield) LP
RioCan Realty Investments Partnership Ten LP	Resale Air Right LP
RioCan Realty Investments Partnership Eleven LP	RC Well Commercial LP
RioCan Realty Investments Partnership Twelve LP	RC Well Residential LP
RioCan Realty Investments Partnership Thirteen LP	RC Kirkland Trust
RioCan Realty Investments Partnership Fourteen LP	RC Eglinton Avenue LP
RioCan Realty Investments Partnership Fifteen LP	RC Pivot LP
RioCan Realty Investments Partnership Sixteen LP	RC Sheppard Centre LP
RioCan (GH) Limited Partnership	RC Condo Management LP
RioCan Property Services Trust	RC Durham Centre LP
RioCan White Shield Limited Partnership	RC Grand Park LP
RioCan (GTA Marketplace) LP	RC Scarborough Centre LP
RioCan Realty Investments Partnership Seventeen LP	RioCan (Bloor/St. Thomas) LP
RioCan Realty Investments Partnership Twenty-Two LP	RC Clarkson LP
RC NA Property 4 LP	RC (Leaside) LP - Class A, C, D, E, F and G
RC NA Property 5 LP	RC Yorkville LP
RioCan Realty Investments Partnership Twenty-Three LP	RC Windfield Farms LP
RioCan Realty Investments Partnership Twenty-Four LP	RC Lachine Trust
RioCan Realty Investments Partnership Twenty-Five LP	RC Sandalwood LP
RioCan Realty Investments Partnership Twenty-Eight LP	

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, RC (Queensway) LP, RC (Leaside) LP - Class B, 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), WhiteCastle New Urban Fund 5, LP (WNUF 5), which are the Trust's 10 associates and joint ventures that are accounted for using the equity method as at December 31, 2021.

28. SUPPLEMENTAL CASH FLOW INFORMATION

Investing activities

The following table provides a reconciliation of capital expenditures on income properties:

Years ended December 31,	2021	2020
Recoverable and non-recoverable costs	35,121	20,171
Tenant improvements and external leasing commissions	42,835	41,421
Capital expenditures on income properties	77,956	61,592

Financing activities

Years ended December 31,	2021	2020
Interest received	\$ 11,128	\$ 21,615
Interest paid	214,113	220,462
Distributions paid:		
Distributions declared during the year	\$ (304,153)	\$ (457,525)
Distributions declared in the prior year paid in the current year	(38,125)	(38,121)
Distributions declared in current year paid in the next year	24,781	38,125
Distributions paid	\$ (317,497)	\$ (457,521)

RIOCAN REAL ESTATE INVESTMENT TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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

The following provides a reconciliation of liabilities arising from financing activities:

Year ended December 31, 2021	Mortgages payable	Lines of credit and other bank loans	Debentures
Balance, beginning of year	\$ 2,797,066	\$ 790,539	\$ 3,340,278
Proceeds/advances, net	388,216	492,553	447,623
Repayments	(772,204)	—	(800,000)
Non-cash changes:			
Deferred financing costs and premiums and discounts	3,574	2,818	2,791
Contractual principal assumed (disposed) on acquisition/disposition, net	(82,636)	—	—
Balance, end of year	\$ 2,334,016	\$ 1,285,910	\$ 2,990,692

29. CHANGES IN OTHER WORKING CAPITAL ITEMS

Years ended December 31,	2021	2020
Receivables and other assets	\$ (70,085)	\$ 21,063
Mortgage receivable interest	(1,810)	8,304
Residential inventory	(33,744)	(27,375)
Accounts payable and other liabilities	122,755	72,236
Other	8,487	3,296
Net change in other working capital items	\$ 25,603	\$ 77,524

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.

As at December 31, 2021, the Trust's key management personnel include each of the Trustees and the following individuals: President and Chief Executive Officer, Jonathan Gitlin; Chief Financial Officer, Dennis Blasutti; Chief Investment Officer, Andrew Duncan. Effective January 1, 2022, Mr. John Ballantyne was appointed as Chief Operating Officer of RioCan and will subsequently be included as key management personnel. As at December 31, 2020, the Trust's key management personnel included the following: Chief Executive Officer, Edward Sonshine, President and Chief Operating Officer, Jonathan Gitlin; and Senior Vice President and Chief Financial Officer, Qi Tang.

Remuneration of the Trust's Trustees and Key Executives during the years ended December 31, 2021 and 2020 is as follows:

	Trustees		Key Executives	
	2021	2020	2021	2020
Compensation and benefits	\$ 249	\$ 175	\$ 6,367	\$ 5,349
Unit-based compensation	1,966	(919)	7,496	4,971
Post-employment benefit costs	—	—	175	129
	\$ 2,215	\$ (744)	\$ 14,038	\$ 10,449

RIOCAN REAL ESTATE INVESTMENT TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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

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 plan provides 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, 2021, RioCan's contributions to the defined contribution plan were \$2.8 million (December 31, 2020 - \$3.0 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, 2021 is \$3.6 million (December 31, 2020 - \$3.5 million). The recognized pension obligation (net of plan assets) as at December 31, 2021 is \$13.6 million (December 31, 2020 - \$14.8 million). Pension costs, net of recoveries, of \$0.3 million were recorded in net income (loss) for the year ended December 31, 2021 (pension costs for the year ended December 31, 2020 - \$0.4 million). The discount rate used was 2.9% (December 31, 2020 - 2.4%), the compensation growth rate was 4.0% (December 31, 2020 - 4.0%) and the expected long-term rate of return on plan assets was 2.9% (December 31, 2020 - 2.4%).

Actuarial gains and losses for the defined benefit plans are recognized in full in the period in which they occur in OCI. Such actuarial gains and losses are also immediately recognized in retained earnings and are not reclassified to income in subsequent periods.

32. SEGMENTED INFORMATION

RioCan primarily owns, develops, manages and operates retail-focused properties and mixed-use developments located in Canada. In measuring its performance, the Trust does not distinguish or group its operations on a geographical or 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 President and 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, 2021, RioCan is contingently liable, as guarantor for debt, for approximately \$255.4 million (December 31, 2020 - \$195.1 million), which expires between 2022 and 2030, and which includes guarantees of \$225.4 million (December 31, 2020 - \$139.9 million) on behalf of co-owners. Debt guaranteed by RioCan that relates to the assumption of mortgages on property dispositions is \$30.0 million (December 31, 2020 - \$55.2 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:

2022	\$	97,504
2023		31,329
2024		—
2025		45,715
2026		—
Thereafter		80,823
Total	\$	255,371

RIOCAN REAL ESTATE INVESTMENT TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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

Letters of credit and surety bonds

The Trust has aggregate letter of credit facilities with certain Schedule I banks totalling \$94.9 million (December 31, 2020 - \$93.6 million). As at December 31, 2021, the Trust's outstanding letters of credit under these facilities were \$58.1 million (December 31, 2020 - \$66.8 million).

The Trust is contingently liable for surety bonds that have been provided to support condominium developments and warranties in the amount of \$110.5 million (December 31, 2020 - \$68.8 million).

Investment commitments

As at December 31, 2021, the Trust has total unfunded investment commitments of \$105.3 million relating to equity-accounted investments (December 31, 2020 - \$203.6 million).

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 and dispositions

On January 28, 2022, RioCan acquired a 100% interest in four properties located in Toronto, Ontario, for the combined purchase price of \$19.4 million including transaction costs.

On February 8, 2022, RioCan acquired a 90% interest in the first phase of Market, a new apartment complex in the heart of Laval, Montreal's largest suburban area, for the purchase price of \$46.8 million excluding transaction costs.

On January 24, 2022, RioCan disposed 40% of the air rights at The Well building C located in Toronto, Ontario, for sales proceeds of \$14.5 million including cost reimbursements.

Financing activities

On February 2, 2022, the Trust increased the credit limit on its revolving unsecured operating line of credit by \$250.0 million to \$1.25 billion.

Distributions

Commencing with the February 2022 distribution, payable on March 7, 2022, the Trust increased its monthly distribution by \$0.005 per unit to \$0.085 per unit or \$1.02 per unit on an annualized basis.

CORPORATE INFORMATION

Senior Management

Jonathan Gitlin, President & Chief Executive Officer
Dennis Blasutti, Chief Financial Officer
John Ballantyne, Chief Operating Officer
Andrew Duncan, Chief Investment Officer
Terri Andrianopoulos, Senior Vice President, People & Brand
Oliver Harrison, Senior Vice President, Operations
Jeff Ross, Senior Vice President, Leasing & Tenant Construction
Franca Smith, Senior Vice President, Finance
Jennifer Suess, Senior Vice President, General Counsel & Corporate Secretary

Board of Trustees

Edward Sonshine O.Ont., Q.C.
Chairman, RioCan Real Estate Investment Trust
Chairman, Chesswood Group Limited
Siim A. Vanaselja^{(1),(2)}
Lead Trustee
Director & Chair of the Board of TC Energy Corporation
Director of Power Corporation
Director of Great-West Lifeco Inc.
Bonnie R. Brooks, C.M.^{(3),(4)}
Executive Chair of the Board of Directors of Chico's FAS Inc. (CHS: NYSE)
Former CEO & President, Hudson's Bay Company and Chico's FAS Inc.
Richard Dansereau^{(1),(2)*}
President, Global Head of Fiera Real Estate

Janice Fukakusa, C.M.^{(1),(2)}
Chancellor, Ryerson University and Corporate Director
Jonathan Gitlin
President & Chief Executive Officer, RioCan Real Estate Investment Trust
Dale H. Lastman, C.M., O.Ont.
Chair & Partner, Goodmans LLP
Jane Marshall^{(2),(3),(4)*}
Trustee, Plaza Retail REIT
Former COO, Choice Properties REIT
Charles M. Winograd^{(3),(4)}
President, Winograd Capital Inc. and Corporate Director

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

Transfer Agent and Registrar

TSX Trust Company
P.O. Box 700, Station B
Montreal, Quebec H3B 3K3
Canada and United States: 1 (800) 387-0825
Outside North America: 1 (416) 682-3860
Fax: 1 (888) 486-7660 or 1 (514) 285-8457
Website: www.tsxtrust.com | Email: shareholderinquiries@tmx.com

Investor Contact

Kim Lee, Vice President, Investor Relations
Tel: (416) 646-8326 | Email: klee@riocan.com

Auditors

Ernst & Young LLP

Stock Exchange Listing

The Toronto Stock Exchange
Trading Symbol: Trust Units – REI.UN

1 Member of the Audit Committee
2 Member of the People, Culture and Compensation Committee
3 Member of the Nominating and Environmental, Social and Governance Committee
4 Member of the Investment Committee
* Committee Chair

RIO CAN

REAL VISION, SOLID GROUND.

Head Office
RioCan Yonge Eglinton Centre
2300 Yonge Street, Suite 500
P.O. Box 2386
Toronto, Ontario M4P 1E4