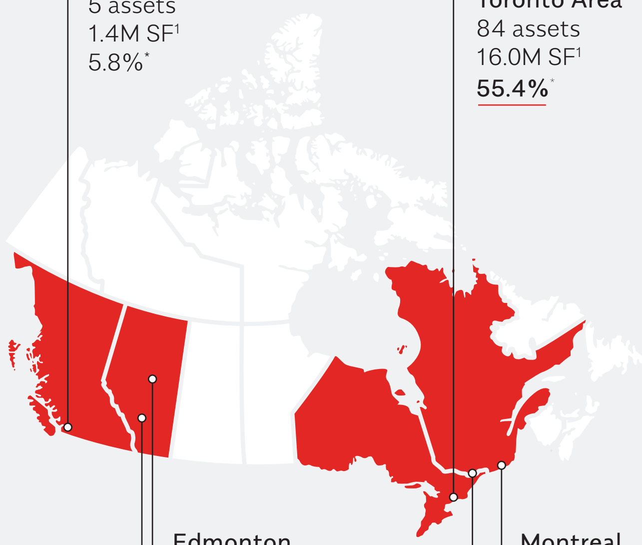
RIO CAN
REAL VISION, SOLID GROUND.

# QUALITY & GROWTH

ANNUAL REPORT **2022**


**Frontier & Latitude**
Ottawa, ON

# RIOCAN AT A **GLANCE**



**Vancouver**
5 assets
1.4M SF[1]
5.8%*

**Greater Toronto Area**
84 assets
16.0M SF[1]
**55.4%***

**Edmonton**
9 assets
1.8M SF[1]
5.2%*

**Montreal**
17 assets
1.8M SF[1]
2.9%*

**Calgary**
16 assets
3.6M SF[1]
12.2%*

**Ottawa**
36 assets
4.8M SF[1]
13.0%*

* Percentage of total fair value of income producing properties at RioCan's interest
1 Income producing properties at RioCan's interest

## FINANCIALS

| | | | |
|---|---|---|---|
| $236.8M<br>Net Income | $712.7M<br>Operating Income | $1.71<br>FFO/Unit[1,3] | 4.3%<br>SPNOI Growth[2,3] |
| 59.0%<br>FFO Payout Ratio[3] | $1.5B<br>In Available Liquidity[3,4] | $459.8M<br>Capital Recycling Activity<br>At capitalization rate of 7.74% | $8.3B<br>Unencumbered Assets[3,4] |

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, 2022.
4 RioCan's proportionate share

193
Properties

33.6M SF
of NLA

Located in Canada's most **in-demand markets**

97.4%
Committed occupancy

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, 2022, our portfolio is comprised of 193 properties with an aggregate net leasable area of approximately 33.6 million square feet (at RioCan's interest) including office, residential rental and 10 development properties.

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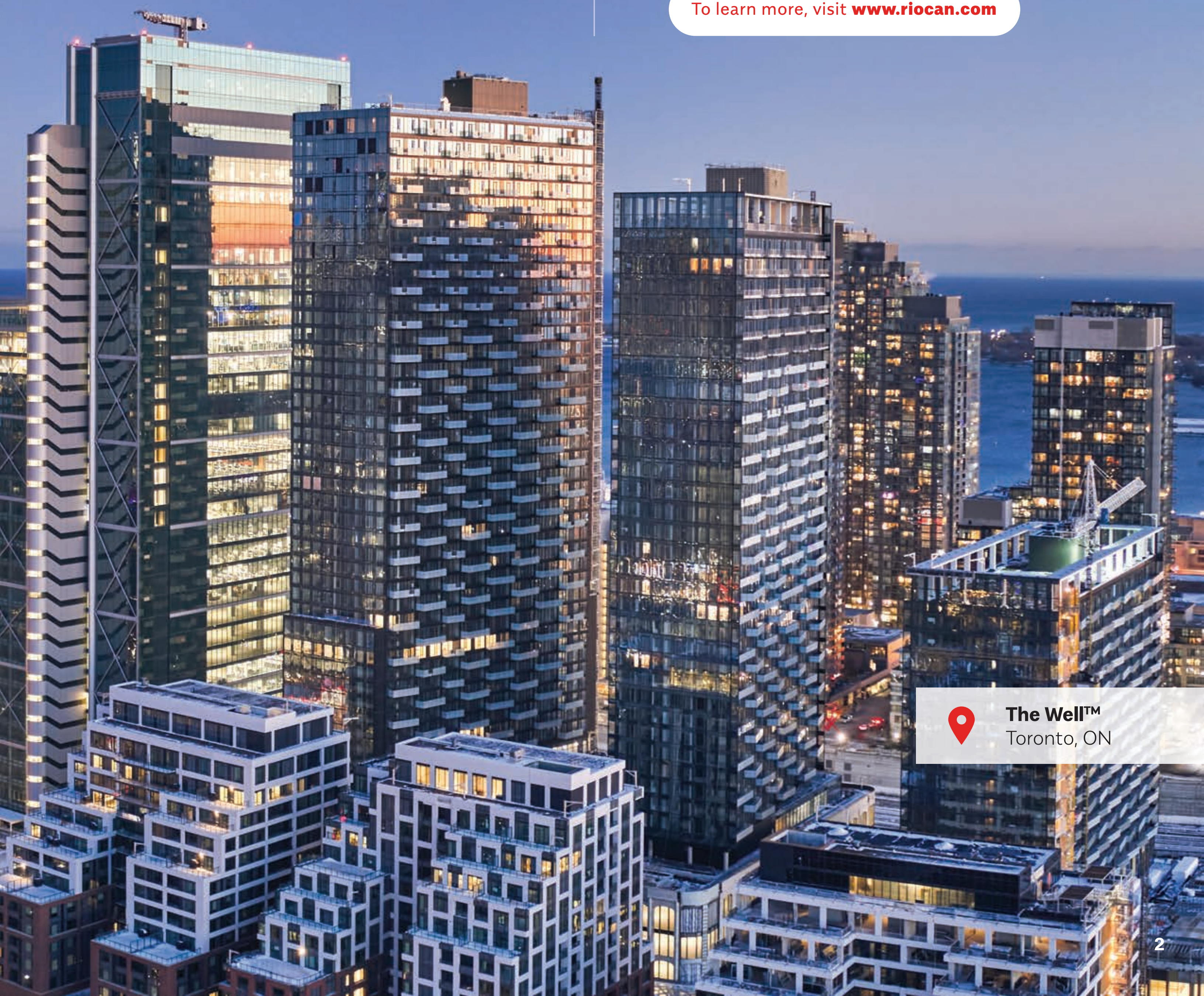
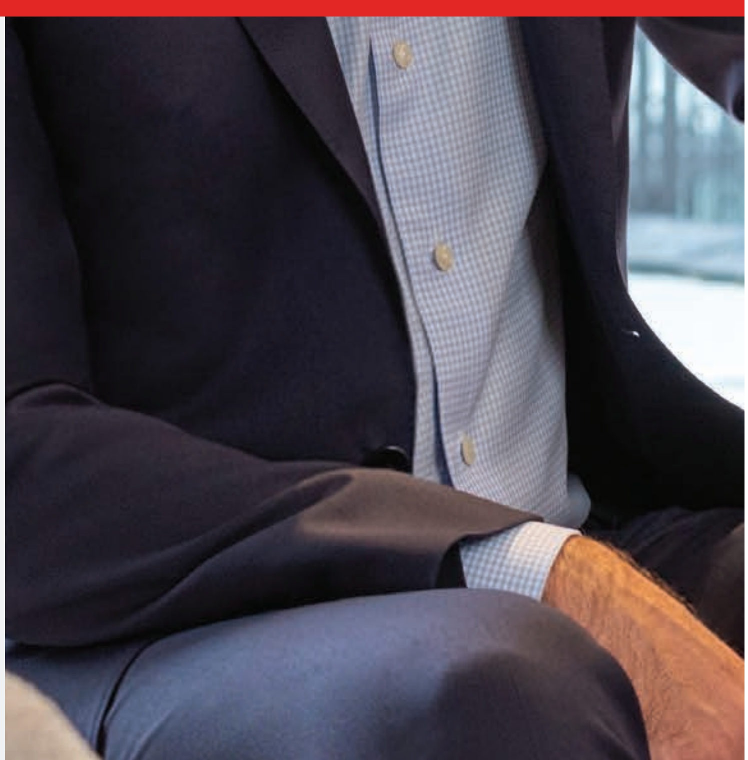
To learn more, visit **www.riocan.com**



**The Well™**
Toronto, ON

# LETTER FROM THE **PRESIDENT & CEO**



**Dear Fellow Unitholders,**

In 2022, RioCan's fundamentals strengthened and our high-quality portfolio performed remarkably in a year where Omicron dominated headlines early on before giving way to intense inflation and corresponding interest rate increases.

RioCan's continuous evolution to address macro trends and market dynamics have culminated in a leading portfolio of premium assets located in areas with exceptional demographic profiles. The quality of our portfolio, tenant mix, demand-driven development pipeline, dedicated management team, and growth trajectory are industry leading. We complement our competitive advantages with a balance sheet that is prudently managed to perform well in all economic conditions.

RioCan is poised to succeed in any environment, and importantly, benefits from the favourable supply / demand dynamics of our core business: retail real estate in Canada. The Canadian retail business continues to thrive, particularly for physical stores as retailers re-prioritize brick and mortar locations in critical omni-channel strategies and service a growing population driven by Canada's focus on immigration. Well-located retail centres, such as RioCan's, are exceptionally attractive with demand outstripping supply due to the lack of new open-air retail centre construction over the last decade. This condition is exacerbated by high replacement costs.

While we find ourselves in a period of heightened uncertainty, RioCan is well-positioned to overcome the current volatility while staying the course to drive future growth and value creation. With positive momentum and reinforced confidence in our competitive advantages, our Board of Trustees has approved RioCan's distribution increase of 6% effective with our February 2023 distribution.

## Building from a quality foundation

At the start of 2022, we announced our strategic roadmap with five-year financial growth targets. We set ambitious goals, and I am pleased to state that, despite ongoing economic headwinds, our performance in 2022 puts us on the right track to achieve our targets.

We closed the year with our seventh consecutive quarter of Same Property NOI growth and delivered a year-over-year increase of 4.3% in 2022. We achieved the higher end of our guidance range with FFO per unit of $1.71, representing an increase of 7%. Our FFO payout ratio was 59.0%, consistent with our 55% to 65% target, leading to excess cash flow of $154.8 million, and contributed to our established cadence of development deliveries. This year, our development spend was $427.1 million while the value of development deliveries totaled $688.2 million.

In addition to producing strong financial results, we continue to see the transactional value of our portfolio. We overachieved on our capital recycling objectives and raised $459.8 million in equity through asset sales.

Capital repatriated from asset dispositions combined with proceeds from the sale of condominium and townhomes enable us to self-fund higher valued, mixed-used development projects; strengthen our balance sheet; and opportunistically repurchase RioCan units at attractive levels with excess proceeds.

Our balance sheet also remains strong. We ended the year with $1.5 billion in liquidity and an $8.3 billion unencumbered asset pool. We tactically leveraged this unencumbered pool and refinanced with secured mortgages for the most cost-effective capital.

We enter 2023 with signs pointing to an economic slowdown. Balancing heightened uncertainty with the strength of our foundation and continued demand for our prime locations, we expect our FFO per unit to range between $1.77 - $1.80 for the year. This is in line with our five-year compounded annual growth target of 5-7%.

## A strong plan for growth

The current macroeconomic volatility will pass, as it always does. At the same time, the supply and demand trends in the Canadian real estate market will endure and provide long-term tailwinds for our business. Within this landscape, RioCan remains keenly focused on the future. Our four strategic pillars: Resilient Retail; Intelligent Diversification; Customer Centrism; and Responsible Growth, are designed to improve our quality, deliver growth and create value. We showcase our achievements against our strategic initiatives in the following pages of this annual report but I will highlight each of the pillars here.

**Resilient Retail** is the core of our business, and we will continue to tailor our tenant base to offer consumers a compelling mix of convenience and necessity-based goods and services. In addition, as we sell lower growth assets, we expect to further improve our property mix and demographics to enhance the quality of our income.

Managed by our RioCan Living™ team and developed by our exceptional in-house development group, our growing residential rental portfolio is a key component of our **Intelligent Diversification** pillar. With the delivery of four new projects this year, RioCan now operates 10 buildings totaling more than 2,200 rental units generating income with high growth potential. Given our large and advanced pipeline of 15.0 million square feet of fully entitled excess density, we have established a cadence of new income generation. We strategically stagger project starts to mitigate risk. Our in-progress projects, which are reflected in our five-year plan targets, embed downside protection with fixed prices negotiated during the early stages of these developments. Additionally, we have the competitive advantage to postpone breaking ground on new projects and still benefit from in-place income provided by functional retail properties. As always, RioCan will exercise a high degree of discretion backed up by in-depth analysis before construction of each new project is commenced.

We will continue to take a prudent and balanced approach to capital allocation. Our sources of capital include cash flow generation, conservative leverage and capital recycling, which includes over $860 million in sales revenue over the next four years from pre-sold condominiums. Our two-pronged capital recycling program prevents us from solely relying on dispositions, particularly during periods of uncertainty.

Committed to **Customer Centrism**, we launched our new property design program in 2022 to optimize our assets to cater to the specific needs of tenants across our portfolio. We are setting a new RioCan standard to elevate the consumer experience at our sites while enhancing RioCan brand recognition. We will continue to invest in our income producing centres, utilizing our expertise and experience to further bolster our SPNOI potential.

When it comes to **Responsible Growth**, RioCan benefits significantly from our dedicated ESG program. Our ESG initiatives are a significant component of our commitment to enhance our employee experience, our responsible citizenship, and the quality of our portfolio to drive long-term value. In 2022, we unveiled a new ESG strategy and a plan to introduce science-based targets for our operations. We are proud to lead the way in integrating ESG best practices in everything we do. Not only will our efforts lead to immediate results, but they will also continue to bolster RioCan's future success.

## Committed to creating long-term value

We have seen many peaks and valleys in the economy since our inception as a publicly traded REIT in 1994 and have proven our ability to withstand volatility. The strength and stability of our foundation allows us to look beyond short-term turbulence and focus on enduring, sustainable outcomes. Simply put, our portfolio is on solid ground and poised for growth. RioCan's strong performance and fundamentals, combined with favourable Canadian real estate market dynamics, empowers us to maintain a positive outlook and remain committed to our five-year plan.

Underpinning our strategy is an experienced management team dedicated to delivering long-term value for unitholders. Our efforts have set RioCan up for success, and our team is focused on leveraging opportunities to pursue our growth initiatives while managing risk.

I want to thank our invaluable RioCan team for your commitment and hard work, and our Unitholders for your ongoing dedication to RioCan. Your trust and confidence motivate us every day.

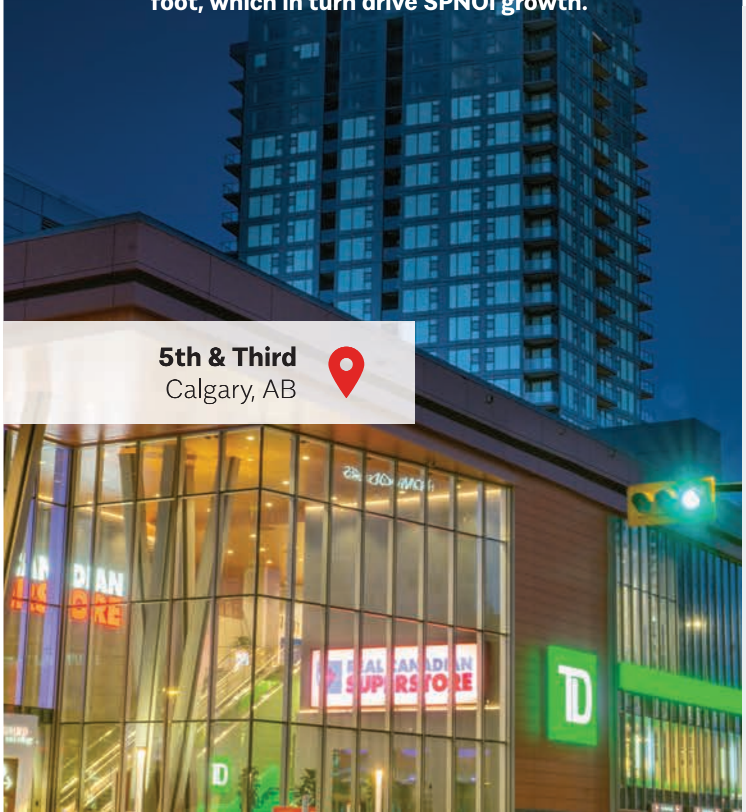
**Jonathan Gitlin**
President and Chief Executive Officer

RESILIENT
# RETAIL

In an ever-changing Canadian retail landscape, RioCan's retail portfolio has proven resilient. Our properties are in high demand as retailers rely on physical stores as part of their multi-channel approach to reach customers. Over the past decade, very little new retail supply has been created, so quality spaces are scarce and highly coveted. Supply is further constrained by high retail replacement costs, particularly in the major markets where RioCan is primarily located.

RioCan's retail core is poised to deliver reliable income and achieve steady growth despite challenging market dynamics. Our strategically curated portfolio offers an asset mix of accessible retail centres located in Canada's most populated and fastest growing metropolitan areas. Through targeted leasing, we have a roster of strong and stable tenants that can reliably pay rent in any business environment. We focus on improving our portfolio attributes – and we will not stop leveraging our experience and expertise to further enrich our retail business.

**Our improving demographic profile, property and tenant mix served to drive positive occupancy trends, solid leasing spreads, and higher average rent per square foot, which in turn drive SPNOI growth.**



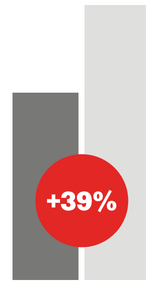

**5th & Third**
Calgary, AB

## HIGH-QUALITY PORTFOLIO

### LOCATED IN PRIME, IN-DEMAND AND GROWING MARKETS

**Dense population***

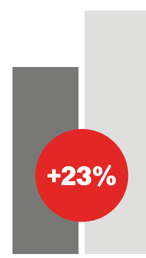
~180,000
**people in 2017**




~250,000
**people in 2022**

**Strong household incomes***

~$110,000
**avg. household income in 2017**

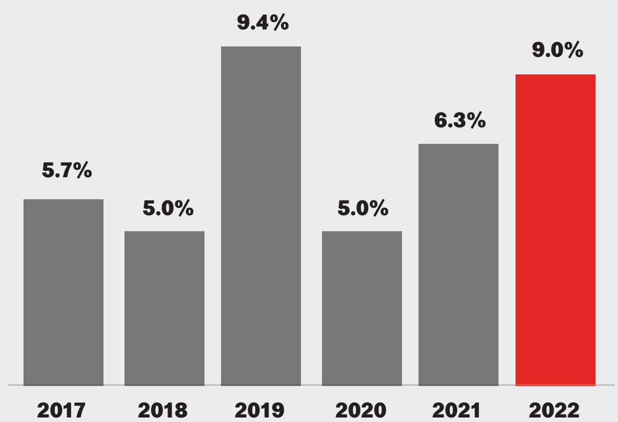



~$135,000
**avg. household income in 2022**

* Within 5km radius
Source: DemoStats - 2022 - Trends, 2022 Environics Analytics

## QUALITY DRIVEN RESULTS

**Solid Leasing Spread***
(blended leasing spread)




* Weighted average net rent leasing spread for both renewal leasing and new leasing

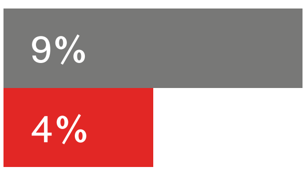
# PROPERTY MIX BY FAIR VALUE*

2017 2022

### Target Property Type[1]


1 Includes Grocery Anchored, Mixed-Use Urban and Open Air Centre

### Enclosed Centre




* Percentage of total fair value of income producing properties at RioCan's interest

# TENANT MIX BY REVENUE[2]

19.2%
Grocery/Pharmacy/Liquor
**(-1.9% vs. 2017)**

14.0%
Essential Personal Services
**(+1.4% vs. 2017)**

14.9%
Specialty Retailers
**(+1.1% vs. 2017)**

10.9%
Value Retailers
**(+0.8% vs. 2017)**

9.5%
Furniture & Home
**(-0.1% vs. 2017)**

8.3%
Other Personal Services
**(+0.8% vs. 2017)**

7.2%
Quick Service Restaurants
**(+1.6% vs. 2017)**

5.9%
Sit-Down Restaurants
**(-0.1% vs. 2017)**

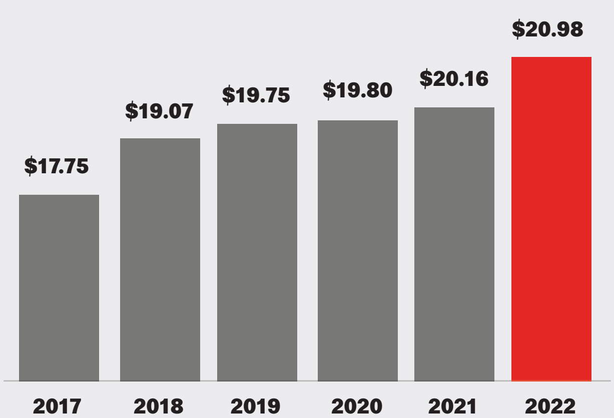
5.7%
Apparel
**(-3.1% vs. 2017)**

4.3%
Movie Theatres
**(-0.3% vs. 2017)**

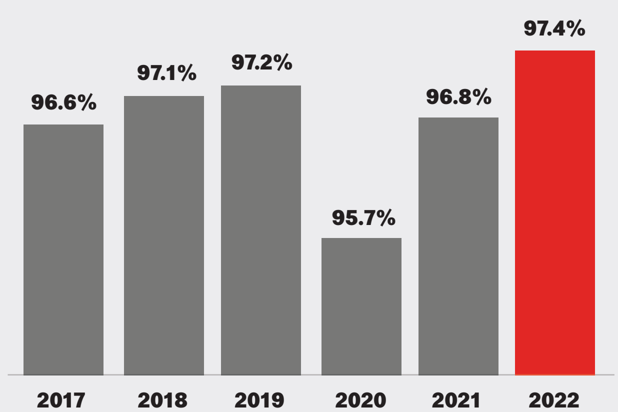
0.1%
Department Stores
**(-0.2% vs. 2017)**

2 Percentage of annualized net rental revenue

### Rent Growth
(average net rent per occupied square foot)




### High Occupancy
(average rate of committed occupancy)



# INTELLIGENT **DIVERSIFICATION**

RioCan diversifies its tenant mix, asset base and cash flow streams to bolster our portfolio's quality and income growth potential. Our development pipeline is a key source of diversification and growth as we intensify our existing income producing properties with mixed-use residential development.

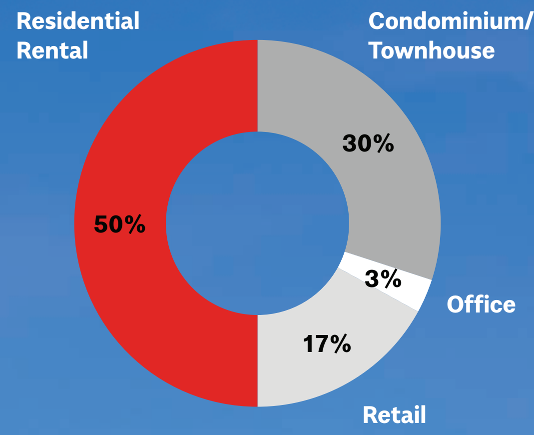
**From 2019 to 2022, RioCan completed the construction of more than 700,000* square feet of residential rental space. We now operate 10 rental buildings across Canada, which drive traffic to our existing retail sites bolstering our high-quality income in high-density, transit-oriented areas.**

Building on our success over the past three years, our deep development pipeline provides RioCan with valuable growth opportunities for years to come. In 2023, we expect to deliver 633,000* square feet of new developments including FourFifty The Well, the 46-storey, 592-unit residential tower at The Well in Toronto.  RioCan self-funds its development program through retained earnings, conservative leverage and capital recycling, while our condominium and townhome projects address ownership demand. RioCan's pipeline also provides an avenue to diversify our capital sources through air rights sales and partnerships with recognized investors.

* At RioCan's interest

## 15.0 MILLION OF ZONED DENSITY

Expected to deliver diversification of cash flows and enhanced income growth potential




## PIPELINE FUNDED BY:

- **Retained Earnings**
- **Project Financing**
- **Capital Recycling**

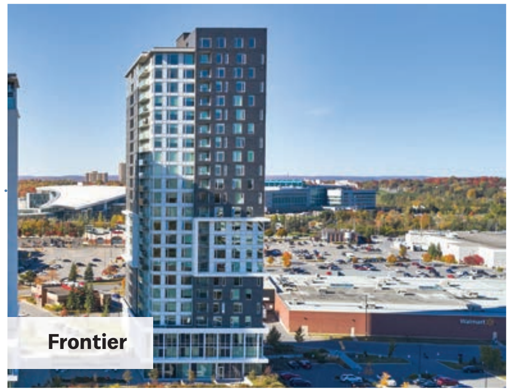
Supported by **over $860M** in revenue from sale of condominiums over the next four years


**Luma / Elmvale**
Ottawa, ON

# GROWING RESIDENTIAL RENTAL PORTFOLIO WITH IN-HOUSE EXPERTISE

2,219 RENTAL UNITS BUILT SINCE 2019

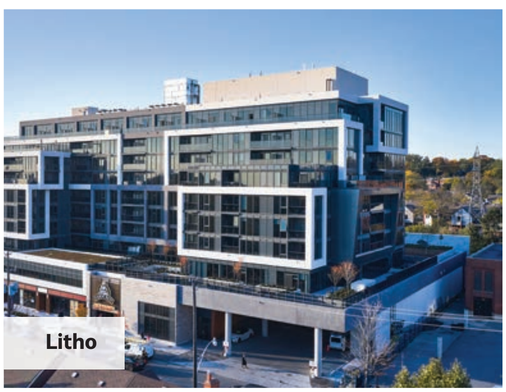
2019


2020

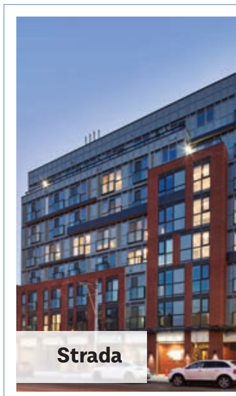


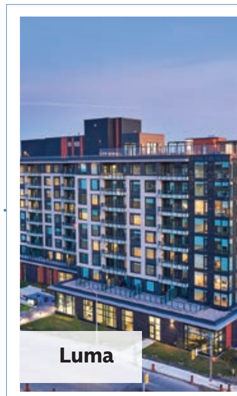
2021

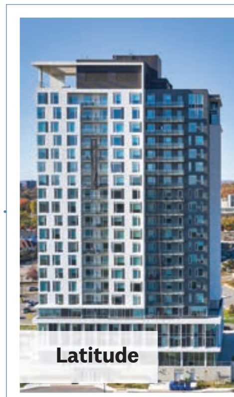


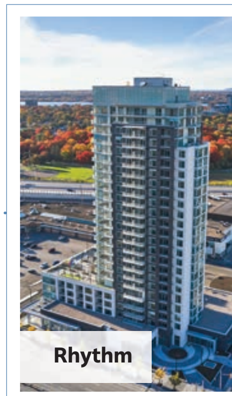


2022



CUSTOMER
# CENTRISM

WITH NEARLY 5,000 TENANTS ACROSS THE RIOCAN PORTFOLIO, WE ARE KEENLY FOCUSED ON REMAINING THE LANDLORD OF CHOICE IN CANADA.


**RioCan Durham**
Greater Toronto, ON

## We continually invest in our great locations to provide quality space and support for tenants at all stages of their growth and evolution.

To anchor our customer-centric approach, we developed a RioCan property standard, which is designed to bring our brand to the forefront and elevate the retail experience for our tenants and shoppers alike. From the highly-visible pylons that showcase our high-quality tenants, branded bike racks and benches, to touchless entrances.

In 2022, we officially kicked off the RioCan Property Design Program with 20 projects nationally. The new RioCan property standard is a purposeful initiative that differentiates our shopping centres. Our ongoing investments will drive foot traffic and translate into increased revenue by attracting new tenants and retaining existing ones for the long term.

# RESPONSIBLE
## GROWTH

RioCan aspires to grow responsibly by operating a resilient business, forming strategic partnerships, and creating a positive impact for our environment and communities. In 2022, we refined RioCan's ESG strategy, which guides our company-wide approach to ESG and serves as a blueprint to track and report our commitments and progress. We continuously refine our ESG strategy to address emerging trends and incorporate evolving materiality topics.

We believe that responsible growth is incumbent on not only RioCan and its management, but also our employees, contractors, suppliers, and partners. Our strategy serves to help us consistently collaborate and share best practices with our stakeholders so they can operate as sustainably as possible.

RioCan is proud to lead the way in ESG for Canadian real estate. Our investments in technology and ESG are critical parts of our business, empowering us to grow responsibly and enhance our long-term value in the process.

## KEY 2022 ESG ACHIEVEMENTS

- **SECTOR LEADER**
  2022 GRESB Real Estate Assessment-Standing Investments

- **GOLD RECOGNITION**
  2022 Green Lease Leader Designation

- **TOP 100 EMPLOYERS**
  One of Greater Toronto's Top Employers

- **GREENEST EMPLOYER**
  One of Canada's Greenest Employers for 2022


**Burlington Centre**
Greater Toronto, ON

# RIOCAN'S ESG COMMITMENTS

## Resilient Business

Future-proofing RioCan through best-in-class governance and climate-resilient assets

- **Climate:** ensure our operations, portfolio and developments are resilient to the effects of climate change and contribute to the transition to a low-carbon economy
- **Governance:** operate with leading ESG governance and risk management practices and continuously provide high-quality and transparent reporting
- **Finance:** use sustainable strategies to generate long-term value for our investors and gain access to new sources of capital

## Purposeful Impact

Pursuing sustainable economic growth by purposefully creating value and impact for our environment, people and communities

- **Environment:** design and operate high-quality assets that not only limit the environmental footprint, but enhance it
- **People:** attract, retain and develop a diverse and talented workforce and create a workplace where all employees are valued, included and empowered to do their best work
- **Community:** enhance the communities in which we operate through purposeful design and economic and social growth initiatives

## Strategic Partnerships

Collaborating with RioCan's partners to address the pertinent challenges facing our society

- **Tenants:** continuously enhance tenant experience, wellbeing and safety, and identify opportunities to engage them to identify and achieve mutual ESG objectives
- **Supplier:** apply procurement and partner selection criteria that support positive environmental and social change and supply chain resilience
- **Industry:** collaborate and advocate with industry initiatives and groups to collectively address material ESG challenges facing our industry

**For more information on RioCan's ESG program and to read our 2022 ESG Report visit the Corporate Responsibility section at www.riocan.com**

# FINANCIAL REVIEW


**Yonge Eglinton Centre**
Toronto, ON

RIO CAN
REAL VISION, SOLID GROUND.

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# KEY PERFORMANCE INDICATORS

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

## FINANCIAL

### Rental Revenue

| Q4 2022 | | | Year 2022 | | |
|---|---|---|---|---|---|
| **$268,864** | | | **$1,074,192** | | |
| Q4 2021 | $266,899 | **+0.7%** | Year 2021 | $1,066,562 | **+0.7%** |

Base rent for the year and the quarter exceeded last year due to higher occupancy, rental growth, acquisitions, development completions, net recoveries and percentage rent, net of the impact from dispositions and a reduction in straight-line rent.

### Same Property NOI (i) (vii)

| Q4 2022 | | | Year 2022 | | |
|---|---|---|---|---|---|
| **$149,771** | | | **$600,529** | | |
| Q4 2021 | $146,405 | **+2.3%** | Year 2021 | $575,707 | **+4.3%** |

SPNOI increased by 4.3% and 2.3% on a year and quarter basis, respectively primarily due to increases in occupancy, rent growth from contractual rent steps, increases in rent upon renewal and a lower pandemic-related provision.

### Operating Income

| Q4 2022 | | | Year 2022 | | |
|---|---|---|---|---|---|
| **$175,421** | | | **$712,692** | | |
| Q4 2021 | $194,788 | **-9.9%** | Year 2021 | $701,665 | **+1.6%** |

Operating income improvement for the year was driven by higher SPNOI and net operating income (NOI)(i) from completed developments, partially offset by the impact of properties sold in the current and prior year. Residential NOI also improved over the prior year. Residential inventory gains were lower for both the year and the quarter due to timing, causing the year-over-year decline in operating income in the quarter.

### FFO Per Unit - Diluted (i)

| Q4 2022 | | | Year 2022 | | |
|---|---|---|---|---|---|
| **$0.42** | | | **$1.71** | | |
| Q4 2021 | $0.46 | **-8.7%** | Year 2021 | $1.60 | **+6.9%** |

FFO per unit was $0.11 higher for the year when compared to the same period last year. Improved property fundamentals drove SPNOI higher. Higher NOI from residential properties and completed developments also added to the increase. Higher interest expense was partially offset by higher interest and other income. The current year NOI impact of asset dispositions was mostly offset by the accretive benefit of unit buybacks. The $0.04 lower FFO per unit for the quarter when compared to the same period last year was mainly due to lower inventory gains due to timing.

### FFO Payout Ratio (i) / AFFO Payout Ratio (i)

| FFO Payout Ratio (i) | | | AFFO Payout Ratio (i) | | |
|---|---|---|---|---|---|
| Q4 2022 | | | Q4 2022 | | |
| **59.0%** | | | **67.1%** | | |
| Q4 2021 | 62.6% | **-3.6%** | Q4 2021 | 71.6% | **-4.5%** |

The FFO Payout Ratio is within the Trust's long-term target range of 55-65%. Despite the increase in distributions per unit in 2022, the FFO Payout Ratio decreased when compared to the same period last year mainly due to a higher FFO and a lower number of outstanding units from unit buybacks. RioCan's Board of Trustees approved a 6% increase to its per unit monthly distributions $0.085 to $0.090 beginning with the distribution declared in February 2023, bringing RioCan's annualized distribution to $1.08 per unit.

### Net Income (Loss)

| Q4 2022 | | | Year 2022 | | |
|---|---|---|---|---|---|
| **$(4,961)** | | | **$236,772** | | |
| Q4 2021 | $208,776 | **-102.4%** | Year 2021 | $598,389 | **-60.4%** |

The decrease in net income over the same periods last year is mainly due to net fair value losses on investment properties in 2022 compared to fair value gains in 2021. The current year fair value loss of $241.1 million was driven by increased capitalization rate assumptions, an impact of $408.5 million loss, partially offset by the positive impact of $167.4 million from higher property level NOI due to strong leasing.

# 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 Occupancy(iii) Q4 2022 | | | In-Place Occupancy (iii) Q4 2022 | | |
|---|---|---|---|---|---|
| 97.4% | | | 96.8% | | |
| Q4 2021 | 96.8% | **+0.6%** | Q4 2021 | 96.1% | **+0.7%** |

The increase in committed and in-place occupancy was driven by higher retail occupancy. Retail committed occupancy of 97.9% exceeds pre-pandemic levels and reflects the strong demand for the Trust's quality retail assets.

### New Leasing Spread (iv)

| Q4 2022 | | | Year 2022 | | |
|---|---|---|---|---|---|
| 11.8% | | | 12.3% | | |
| Q4 2021 | 3.8% | **+8.0%** | Year 2021 | 8.6% | **+3.7%** |

Average net rent per square foot for new leasing for the year and quarter were approximately $7.32 and $3.12 above our portfolio average net rent per occupied square foot. The Trust generated positive new leasing spreads for the quarter due to strong demand from tenants for the high-quality locations that are found in RioCan's portfolio.

### Renewal Leasing Spread (iv)

| Q4 2022 | | | Year 2022 | | |
|---|---|---|---|---|---|
| 8.3% | | | 8.2% | | |
| Q4 2021 | 5.0% | **+3.3%** | Year 2021 | 5.4% | **+2.8%** |

For the year, the renewal leasing spread was strong despite having a large number of fixed rate renewals with larger national and anchor tenants. In Q4 2022, the retention ratio reached a new high at 93.5%, with the majority of renewals at market rates resulting in a strong renewal leasing spread.

### Blended Leasing Spread (iv)

| Q4 2022 | | | Year 2022 | | |
|---|---|---|---|---|---|
| 8.8% | | | 9.0% | | |
| Q4 2021 | 4.6% | **+4.2%** | Year 2021 | 6.3% | **+2.7%** |

Strong double digit new leasing spreads, together with strong renewal spreads, resulted in a high single digit 2022 blended leasing spread.

## DEVELOPMENT

### Development Spending (i)(v)

| Q4 2022 | | | Year 2022 | | |
|---|---|---|---|---|---|
| $114,552 | | | $427,068 | | |
| Q4 2021 | $95,406 | **+20.1%** | Year 2021 | $437,927 | **-2.5%** |

Full year Development Spending of $427.1 million was at the low end of the anticipated range for 2022 of $425 million to $475 million, net of expected cost recoveries and air rights sales mainly as a result of timing.

### Development NLA Completions (sq. ft.) (vi)

| Q4 2022 | | | Year 2022 | | |
|---|---|---|---|---|---|
| 258,000 | | | 651,000 | | |
| Q4 2021 | 86,000 | **+200.0%** | Year 2021 | 243,000 | **+167.9%** |

The 651,000 square feet of property under development completions for 2022 were largely in line with expectations and included four residential buildings which added a combined 246,000 square feet or 650 residential units to the RioCan Living™ portfolio. In addition, 168 condo units were completed in the quarter, bringing the 2022 completions to 608 units, generating revenue of $118.7 million. In Q4 2022, 151,000 commercial square feet at The Well™ were completed, bringing the 2022 transfers to 292,000 square feet.

## KEY PERFORMANCE INDICATORS

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

### Balance Sheet

| Liquidity (i)(ii)(iii) | | | Unencumbered Assets (i)(ii)(iii) | | | |
|---|---|---|---|---|---|---|
| **Q4 2022** | | | **Q4 2022** | | | The increase in Liquidity from Q4 2021 is mainly due to a $250 million higher limit on our revolving unsecured operating line, new construction lines, and $250 million of senior unsecured debentures issued in 2022 which were used to repay certain ordinary course debt including the replenishment of the operating line of credit. |
| **$1,548,237** | | | **$8,256,508** | | | The Unencumbered Assets decreased from Q4 2021 due to mortgage financing obtained on certain formerly unencumbered assets, given the more favourable pricing on secured financing, new construction lines relating to residential development projects and dispositions, net of acquisitions of unencumbered assets. Unencumbered Assets generated 55.9% of RioCan's Annual Normalized NOI(i) and provided 2.18x coverage over its Unsecured Debt(i). |
| Q4 2021 | $1,010,475 | **+53.2%** | Q4 2021 | $9,392,266 | **-12.1%** | |

| Total Adjusted Debt to Total Adjusted Assets (i)(ii)(iii) | | | Adjusted Debt to Adjusted EBITDA (i)(ii) | | | |
|---|---|---|---|---|---|---|
| **Q4 2022** | | | **Q4 2022** | | | Total Adjusted Debt to Total Adjusted Assets increased from Q4 2021 mainly due to development activities being partially funded with incremental debt, which was mitigated to some extent by the continued investment in development-related assets and hedging instrument fair value gains. |
| **45.2%** | | | **9.51x** | | | |
| Q4 2021 | 43.9% | **+1.3%** | Q4 2021 | 9.59x | **-0.08x** | The improvement in Adjusted Debt to Adjusted EBITDA was mainly driven by higher Adjusted EBITDA . |

(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.
(v) Effective Q1 2022, the definition of Development Spending was revised to include RioCan's share of Development Spending from equity-accounted joint ventures, accordingly, the comparative period has been restated.
(vi) NLA for development completions includes properties under development (PUD) only and excludes residential inventory.
(vii) For commercial portfolio only.

# INTRODUCTION

## About this Management's Discussion and Analysis

This Management’s Discussion and Analysis (MD&A) for the three months and year ended December 31, 2022 ("Q4 2022 and YTD 2022", respectively) is dated February 15, 2023 and should be read in conjunction with the annual audited consolidated financial statements and related notes for the year ended December 31, 2022 (2022 Annual Consolidated Financial Statements). Unless the context indicates otherwise, references to "RioCan", "the Trust", "we", "us" and "our" in this MD&A refer to RioCan Real Estate Investment Trust and its consolidated operations. Unless otherwise specified, all amounts are based on financial statements prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). These documents, as well as additional information relating to RioCan, including our most recently filed Annual Information Form (AIF), have been filed electronically with Canadian securities regulators through the System for Electronic Document Analysis and Retrieval (SEDAR) and may be accessed through the SEDAR website at www.sedar.com or RioCan's website at www.riocan.com.

In addition to using performance measures determined in accordance with IFRS, RioCan also measures performance using certain additional non-IFRS performance measures and provides these measures in this MD&A so that investors may do the same. Such measures do not have any standardized definitions prescribed under IFRS generally accepted accounting principles (GAAP) and, therefore, may not be comparable to similar measures presented by other real estate investment trusts or enterprises. Refer to the *Non-GAAP Measures* section of this MD&A for a list of defined Non-GAAP financial measures and reconciliations.

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. 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. This information includes, but is not limited to, statements made in the *Key Performance Indicators, Our Business and Our Business Environment, Property Portfolio Overview, Asset Profile, Development Program* and *Capital Resources and Liquidity* sections in this MD&A. This MD&A includes, but is not limited to, forward-looking statements regarding increases to RioCan’s SPNOI due to development activities; expected Annual Development Spending and capital expenditure during 2023; completion of construction and estimated project costs in connection with Properties Under Development (“PUDs”); estimated FFO per unit growth and the FFO Payout Ratio; continued demand for space in our target markets; the expected effect of the global pandemic and consequent economic disruption; RioCan’s internal forecast; the creation of future value; NOI and growth from PUDs; RioCan’s property and tenant mix; return on investments; market trends and anticipated demand for retail and residential properties; our expectations regarding development of potential incremental density; anticipated net leasing activity and rental rates; management’s expectations regarding future distributions; completion of future financings and availability of capital; 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. 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 about future events and financial trends, which RioCan believes may affect its financial condition, business and operations, and financial results, including, but not limited to: a gradual recovery and growth of the retail environment; a rising interest rate environment; 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; continued access to equity and debt capital markets to meet the Trust’s current and future financing needs; and the availability of investment opportunities for growth in Canada. Risks and uncertainties which could cause actual events or results to differ materially from the forward-looking information contained in this MD&A include those described under the *Risks and Uncertainties* section in this MD&A and the Trust's AIF, as well as those related to: the duration and impact of the COVID-19 pandemic on the business, operations and financial condition of RioCan and its tenants, as well as on consumer behaviours and the economy in general; financial and liquidity risks; interest rate and financing risk; inflation risk; 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; joint ventures and partnerships; the Trust's ability to utilize the capital gain refund mechanism; changes in income tax legislation; 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.

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.

# OUR BUSINESS AND OUR BUSINESS ENVIRONMENT

## Business Overview

RioCan is an unincorporated “closed-end” trust governed by the laws of the Province of Ontario constituted pursuant to the amended and restated declaration of Trust dated June 2, 2020 ( 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 $13.4 billion as at December 31, 2022.

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 property portfolio includes Mixed-Use / Urban, Grocery Anchored centres and Open Air centres which are defined in the *Property Portfolio Overview* section of this MD&A.

As at December 31, 2022, the portfolio was comprised of 100% owned and co-owned properties as follows:

| | | Property Count | | |
|---|---|---|---|---|
| | NLA | Income producing properties | Properties under development | Total |
| 100% owned properties | 28,664 | 146 | 2 | 148 |
| Co-owned properties (i) | 4,963 | 37 | 8 | 45 |
| **Total** | **33,627** | **183** | **10** | **193** |

In addition, the Trust owns partial interests in 15 properties through six joint ventures. RioCan enters into co-ownership arrangements and joint ventures to leverage its robust pipeline of prime locations to efficiently raise capital, mitigate development and concentration risk and earn management fees for its expertise in managing income producing properties and development projects. As at December 31, 2022, our retail portfolio accounts for 88.5% of the Trust's annualized contractual gross rent, followed by office at 8.5% and residential at 3.0%.

## 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 quality of its portfolio, the fundamental strength of its tenants and its embedded development pipeline. RioCan assets are primarily located in Canada’s most populated and fastest growing cities; the average population within five kilometres of the Trust’s properties is 250,000 with an average household income of $135,000. Anchored by tenants servicing consumers’ everyday needs, RioCan has a roster of strong and stable tenants that can reliably pay rent through different economic cycles. RioCan's large development pipeline includes 15.0 million square feet of zoned excess density, of which 100% is located in Canada’s six major markets. The Trust's well-positioned portfolio and resilient base 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 expanding net asset value and increasing total Unitholder return, RioCan's strategy is anchored on the four pillars described below, which are 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.

### *Resilient Retail*

Physical retail spaces have proven to be critical to retailers' omni-channel strategies by offering in-person experiences that augment and support the merging of physical and online 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, provide a consistent customer experience at each one of our shopping environments, and support our tenants as they continue to expand their customer channels. Building on its well-established portfolio, RioCan will continue to invest in select properties to enhance Same Property NOI potential and divest slower growth assets.

### *Intelligent Diversification*

To further enhance the quality, stability and growth of its income, RioCan is intelligently diversifying its asset base, tenants and income sources.

Development is one of the key drivers of diversification, particularly with respect to asset type and income streams. RioCan is diversifying its asset base by primarily growing its residential portfolio in combination with great retail to elevate its residential tenant experience and in turn drive traffic for its onsite retail tenants. The Trust’s dedicated RioCan Living team is executing on a robust pipeline of active development projects that are concentrated in Canada’s fastest growing markets. As a means to supplement the expansion of the RioCan Living portfolio, the Trust will evaluate and pursue opportunities to acquire selective sites that are suitable for development, to assemble properties adjacent to existing prospective development lands or to acquire multi-unit residential operating rental properties. In addition, the Trust's residential inventory serves specific market demand for housing ownership as opposed to rental and enables 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.

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. Where applicable, the Trust will utilize its 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.

***Customer Centrism***

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 as well as by driving traffic to its shopping centres, through supporting retailers’ E-commerce logistics and elevating the retail experience with enhanced RioCan brand standards from pylons to touchless door ways. 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, which resulted in enhanced leasing spreads and occupancy rates. RioCan also offers a dedicated asset manager to each partnership who regularly engages with respective partner and provides relevant support and requisite reporting.

***Responsible Growth***

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.

## Operating Environment

***Canadian Retail Environment***

The retail industry continues to evolve at an accelerated pace. Increasingly, retailers recognize the importance of human interaction and of brick and mortar stores in the retail landscape and are looking to create a seamless customer experience between digital and in-store offerings. Despite an increase in online shopping, retailers, necessity-based or otherwise, continue to evolve their infrastructure to accommodate a variety of delivery models including curbside pick-up and buy-online-pickup-in-store. Increased in-person visits to necessity-based retailers such as grocery and pharmacies during the pandemic demonstrated that E-commerce does not fully accommodate the Canadian consumers' demand for goods and services, validating the importance of physical stores as part of a robust omni-channel model.

Retailers recognize the vital necessity of offering customers the ability to control their own shopping experience by providing multiple shopping channels and adapting store sizes, layout and product mix to better meet consumer demands. RioCan shares the belief that shopping centres will continue to provide a cost-effective distribution channel for retailers given Canada’s geographic dispersion, the high cost of “last kilometre” deliveries and high barriers to establishing distribution centres in urban settings. Physical store networks, that are deeply penetrated in well-populated neighbourhoods, are forms of last kilometre distribution or facilitation centres and can serve as an efficient and convenient mechanism to put goods into the hands of consumers. 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 flexibility and, through this process, will continue to provide relevant and resilient shopping environments.

Relative to other countries, Canada has low retail space per capita, a limited number of retailers within each retail category, tight building zoning controls and high costs of new construction that keep supply in check. Very little new retail space is being built, making our well-positioned portfolio that much more desirable. The increasing scarcity of well-positioned retail space together with retailers' bricks and mortar expansion plans is resulting in positive tension in lease negotiations. In addition, Canada's population growth is expected to be fueled by immigration. The Canadian federal government recently announced a plan to take in 500,000 immigrants a year by 2025, many of whom are expected to land in or migrate to urban markets, especially the Greater Toronto Area (GTA).

All of the above factors contribute to a resilient base of quality retail centres. The current high level of inflation will impact retail tenants to varying degrees. While there may be some short-term volatility, the majority of our tenants are considered to be strong and stable and are largely comprised of national, necessity-based retailers with strong covenants. We believe that these well-established tenants are poised to navigate through this inflationary environment. Strong, well-positioned retail assets, such as those owned by RioCan, have proven and will continue to prove resilient. The attributes of RioCan's portfolio, such as proximity to transit, an exceptional demographic profile and high visibility at key intersection and major thoroughfares, will not lose their prominence.

Over its 28-year history, RioCan's experienced management team, recognized for its leadership and adaptability, has successfully managed through various challenges and economic cycles by continually assessing and adapting its strategies to changing market dynamics.

***Development Environment and Residential Real Estate Market***

The Trust remains vigilant in monitoring market trends and continues to adapt its development program to the changing market conditions. With population growth and a limited supply of land available for development, Canada's six major markets have experienced a persistently high level of development and construction activity over the last few years mainly in non-retail sectors. Most recently, labour shortages, supply chain disruptions, higher interest costs and increasing development charges by municipalities have presented new challenges for developers.

RioCan's in-house development experts employ a variety of techniques to navigate through this changing development environment. The design, budget and contracts of new projects are subject to a high level of scrutiny. Developments are prioritized and undertaken selectively, based on opportunities within the major markets that RioCan's portfolio is situated in. RioCan can choose to start projects only after costs are locked down or pause those not in active construction without harm to the Trust as the underlying lands are typically active and productive retail properties. Furthermore, RioCan benefits from a low invested land cost as many of its projects are situated on land acquired years ago and its advanced pipeline primarily located in the GTA provides the Trust with diminished zoning risk thus easing certain return pressures.

RioCan often shares development risk with reputable, outside investors whose ownership interest can be as high as 80% for certain condominium and townhouse projects. RioCan Living developments have a diverse range of rental and home ownership offerings, located near or on Canada's prominent transit corridors. Through due diligence and market research RioCan ensures that the target-market appeal is maximized in every project. For earlier-stage residential projects, RioCan has the added flexibility of being able to pivot between its purpose-built rental and condominium/townhouse projects. Our condominium/townhouse projects are pre-sold, with those under construction achieving 95% of pro forma gross revenue, and significant deposits provide security against default by homebuyers.

Recently, rising interest rates have subdued the demand for homeownership and are keeping would-be buyers in the rental market. Therefore fundamental supply/demand imbalance for housing persists and may worsen in the face of interest rate and cost headwinds. If, in the face of these headwinds, higher required return expectations by industry participants do not materialize, deferred or cancelled projects could ultimately be the result. Housing demand from immigration, the return of international students to in-class learning and return to work in urban centres further exacerbates the supply/demand imbalance.

The federal and provincial governments recognize this housing supply/demand imbalance and have introduced several initiatives to address this issue which generally aim to speed up the planning and delivery of housing and increase the supply and choice of housing, including affordable housing. The Trust is monitoring developments both at the federal and provincial level as details of these initiatives emerge.

Over the long-term, RioCan is confident that its high-quality residential offering, which is overseen internally by a dedicated team of residential experts, will be in high demand given its design, amenities, community focus, professional management and access to strong retail offerings. RioCan is confident in its mixed-use residential development strategy and long-term NAV growth potential which will create value for its Unitholders.

Refer to the *Development Program* section of this MD&A for further details regarding the development pipeline.

***Economic Environment***

Market volatility driven by high inflation prevailed in 2022. While still at elevated levels, inflation seems to have peaked as the effects of sharp increases in interest rates during the past year and steady improvements in supply chains have begun to take hold. The Bank of Canada (BOC) overnight lending rate of 4.5% is the highest rate in Canada in 15 years. The BOC expects the economy to slow as the impact of higher interest rates is absorbed into the economy allowing the supply to catch up with demand, despite the continuing tight labour market. Longer term Government of Canada benchmark rates have also increased significantly. Funding in the Canadian financial markets continues to be available, albeit at a higher cost.

RioCan's balance sheet, portfolio and market position provides the Trust with the flexibility needed to navigate volatile economic conditions. With well-located real estate that is part of the fabric of vibrant communities, RioCan is positioned to attract top tenants who are able to absorb higher net rents as their revenues increase with inflation. Our strong and stable tenants are less susceptible to economic uncertainty, and necessity-based goods and services tenants are less affected by changes in discretionary spending. The supply/demand imbalance of quality retail real estate resulting from a lack of investment over the past few years will become more prevalent with increasing replacement costs that are generally well above market values. This imbalance creates positive tension in lease negotiations and can result in increased rental rates and property values. It has also resulted in higher retention ratios as existing tenants have fewer alternatives, and even when alternative space is available, the expense of fitting out this space has become prohibitive. Relocation is disruptive to retail businesses since their customers value the convenience and familiarity of incumbent locations and are loath to break their existing shopping patterns. Our RioCan Living residential portfolio provides another diversified source of revenue, and the short-term nature of the leases allow rents to keep pace with annual inflation. For a discussion on the impact of increasing interest rates on the residential real estate market, see the *Development Environment and Residential Real Estate Market* section above.

Higher interest rates lead to increased cost of capital and could lower expected returns on projects which could slow investment volumes and put upward pressure on capitalization rates. To date, solid operating fundamentals, buyers’ expectations for robust NOI growth on a post-pandemic recovery and a limited supply of high-quality assets has served as an offset to these rising interest rate pressures. We have also yet to fully reverse the IFRS value reductions that were recorded in 2020 as a result of the pandemic. Furthermore, our existing development projects are largely insulated from inflation as the majority of costs are already secured with fixed-rate contracts, and for the majority of our next wave of projects, we will be developing on lands that we already own with in-place income which gives us the ability to maintain discipline.

RioCan has proactively employed a variety of financial tactics to protect against rising interest rates, namely maintaining a low proportion of floating rate debt, locking in long-term fixed rate debt and maintaining a well-distributed debt maturity profile. Ample Liquidity of $1.5 billion and Unencumbered Assets of $8.3 billion, provide additional financial flexibility to the Trust in the current economic environment.

***COVID-19***

The majority of public health and workplace safety measures have been lifted. Tenants are open and operating under minimal restrictions and employees are increasingly being required to return to offices. As successive waves of the variant arise, governments are taking a more balanced, longer-term approach to managing the impact of the virus and relying more heavily on vaccines and antivirals. Therefore, the expectation is that any future waves of the virus will result in fewer economic disruptions, if any. The Trust continues to monitor and follow public health guidelines to ensure the safety of its tenants, customers and employees. As a result, our expectation is that we will no longer be reporting on COVID-19 in our 2023 disclosure.

## Outlook

RioCan manages its portfolio and capital structure to focus on long-term growth and deliver on its commitment to optimize Total Unitholder Return. By focusing on the quality of our portfolio and the build out of our development pipeline, we will continue to generate resilient income and grow FFO to support sustainable and growing distributions and increase net asset value.

For 2023, we anticipate FFO per unit to be within the range of $1.77 to $1.80, SPNOI growth of 3%, and an FFO Payout Ratio of between 55% to 65%. Development Spending for 2023 is expected to be between $400 million to $450 million.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) INITIATIVES

RioCan 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 net asset value growth for Unitholders;
- drives the 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 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 has revised its strategy 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 ensure transparency and continuous improvement. The Trust published its fourth annual ESG report in 2022 in accordance with Global Reporting Initiative (GRI) Standards and the report includes indicators from the Sustainability Accounting Standards Board (SASB) Real Estate sub-sector and recommended disclosures from the Financial Stability Board (FSB) and 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 Trust's ESG strategy implementation and drive performance improvements. In addition, RioCan has a dedicated ESG team, led by the SVP, General Counsel, ESG & Corporate Secretary, 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. To review RioCan's ESG policy and for additional information, please visit RioCan's website.

RioCan launched its ESG program in 2016. Key accomplishments for 2022 include the following:

## Environmental

- RioCan ranked first among its Canadian peers in the 2022 GRESB Real Estate Assessment - Standing Investments;
- Maintained its first place rank among its Canadian peers in the GRESB Public Disclosure Assessment with an 'A' rating for a fourth consecutive year;
- Increased its 2022 GRESB Development Assessment score by five points;
- Increased the number of properties achieving Building Owners and Managers Association Building Environmental Standards (BOMA BEST) certifications. Over 65% of gross leasable area of RioCan's portfolio across Canada are now BOMA BEST certified;
- Earned the 2022 Green Lease Leader (Gold Level). Presented by the Institute for Market Transformation and the U.S. Department of Energy's Better Building Alliance, the Gold Level is awarded to organizations that exhibit a strong commitment to high performance and sustainability in buildings, and best practice leasing;
- Won BOMA Toronto's race2reduce Commercial Real Estate Trailblazers (CREST) Award for Performance Leadership at two properties in the GHG under the 100k ≤ sf < 500k and the Innovative excellence under >500 sf categories; and
- Achieved the WELL Health-Safety Rating for over three million square feet of RioCan's portfolio.

## Social

- Recognized as one of the top 100 employers by Greater Toronto's Top Employers;
- Recognized as one of Canada's Greenest Employers for 2022;
- Progressed on our Diversity, Equity and Inclusion (DEI) plan. Created a formal role to support RioCan's DEI program;
- Hosted a Community Marketplace at RioCan Warden Centre for local entrepreneurs as part of the Inclusive Local Economic Opportunity (ILEO) Initiative co-convened by BMO Financial Group and United Way Greater Toronto; and
- Achieved a 95$^{th}$ percentile ranking on our Employee Engagement survey, relative to a benchmark of similar-sized businesses.

## Governance

- Conducted a comprehensive materiality assessment with key stakeholders, including institutional investors, tenants, joint venture partners, development planners, general contractors and industry associations and revised our ESG strategy and plan; and
- Included in the Canadian Coalition for Good Governance's (CCGG) 2022 edition of its Best Practices for Proxy Circular Disclosure publication. This publication is updated annually and includes examples that the CCGG considers to be high-quality public disclosure of important corporate governance policies and executive compensation practices. The document provides guidance to reporting issuers on effective communications with shareholders, emphasizing the substance of disclosure that investors expect of regulatory filings and demonstrating the evolution of good disclosure practices.

# 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, 2022:

| | NLA at RioCan's Interest | | | | Total Portfolio | |
|---|---|---|---|---|---|---|
| *(thousands of sq. ft., except where otherwise noted)* | Retail | Office | Total Commercial | Residential Rental (iii) | NLA | Property Count |
| Income producing properties (i) | **29,335** | **2,304** | **31,639** | **935** | **32,574** | **183** |
| Properties under development (ii) | **441** | **319** | **760** | **293** | **1,053** | **10** |
| Total NLA | **29,776** | **2,623** | **32,399** | **1,228** | **33,627** | **193** |

(i) Includes NLA that was occupied or available for occupancy on or before December 31, 2022. Excludes 11 income producing properties that are owned through joint ventures and reported under equity-accounted investment and includes 72 thousand square feet of legacy residential rental.

(ii) Includes 1.7 million NLA of Development Projects Under Construction excluding 4 development properties that are owned through joint ventures and reported under equity-accounted investments and condominium and townhouse units. Includes completed properties under development NLA that have a rent commencement date after December 31, 2022.

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

The increase in residential rental NLA compared to 1.0 million total NLA in December 31, 2021 was primarily due to the Q1 2022 acquisition of Market™, a new apartment complex in the heart of Laval, Montreal's largest suburban area, and the addition of Queen & Ashbridge™. Queen & Ashbridge is located in an established Toronto neighbourhood and is a multi-use development that includes purpose-built rental units.

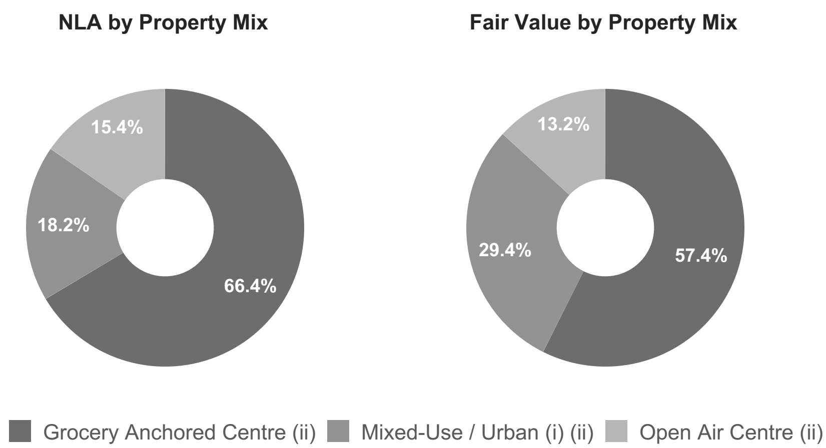
### *Property Mix*

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 three major categories of property classes:

| Category | Description |
|---|---|
| Grocery Anchored Centre | Assets with a grocery anchor tenant or shadow grocery anchors[(i)]. Properties anchored or shadow-anchored by Walmart of Costco are included in this category. Examples of these properties include: Clarkson Crossing and RioCentre Thornhill. |
| 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. |
| Open Air Centre | Community shopping centres with little or no enclosed component. They often include high-quality anchor tenants such as pharmacy, liquor, home improvement and / or a bank branch. Examples of these properties include: RioCan Warden and RioCan Thickson Ridge. |

(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.

As at December 31, 2022, RioCan's portfolio of income producing properties consisted of the following:




(i) Mixed-Use / Urban includes approximately 0.9 million square feet of residential rental NLA and the corresponding fair value.

(ii) Effective Q4 2022, Enclosed Centres have been subsumed into the remaining categories as applicable.

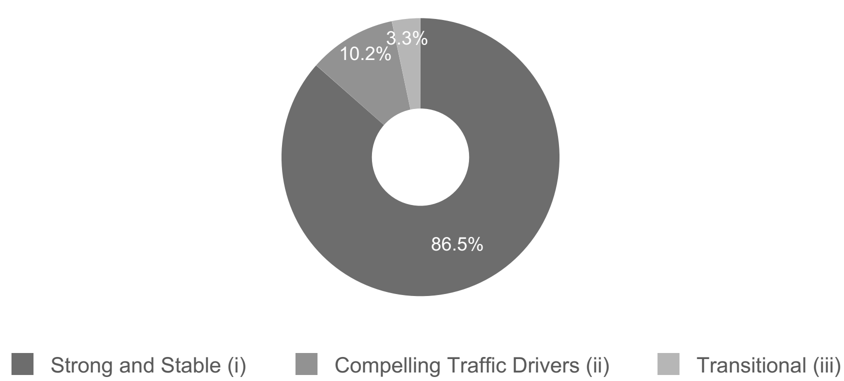
The majority of the Trust's portfolio is comprised of formats that are attractive from a tenanting perspective, more resilient to changes in economic cycles and evolving retail trends. During Q4 2022, the Trust continued to execute on its strategy to shift its portfolio to more urban, mixed-use, and necessity-based uses. These dispositions further strengthen its solid foundation for organic growth.

### *Tenant Composition*

To strategically manage its tenant mix, the Trust has aligned its tenant segmentation into the following three categories: strong and stable, compelling traffic drivers and transitional tenants. Defining our tenant mix using these three categories helps to guide our future decision-making with respect to tenancies.

Based on annualized net rent as at December 31, 2022, approximately 86.5% of the Trust's tenants are classified as "strong and stable".

**% of Annualized Net Rent by Tenant Composition**




(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 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.

## Property Operations - Commercial

### *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, 2022, 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) | **4.9 %** | **62** | **1,902** | **6.0 %** | **6.3** |
| 2 | The TJX Companies, Inc. (iii) | **4.6 %** | **65** | **1,830** | **5.8 %** | **5.2** |
| 3 | Loblaws/Shoppers Drug Mart (iv) | **3.9 %** | **50** | **1,378** | **4.4 %** | **8.1** |
| 4 | Cineplex (v) | **3.3 %** | **20** | **1,129** | **3.6 %** | **5.5** |
| 5 | Metro/Jean Coutu (vi) | **2.5 %** | **31** | **1,222** | **3.9 %** | **8.3** |
| 6 | Walmart | **2.3 %** | **12** | **1,613** | **5.1 %** | **6.6** |
| 7 | Sobeys/Safeway (vii) | **2.0 %** | **23** | **796** | **2.5 %** | **11.3** |
| 8 | Dollarama | **1.9 %** | **67** | **643** | **2.0 %** | **6.9** |
| 9 | Michaels | **1.5 %** | **23** | **507** | **1.6 %** | **5.3** |
| 10 | Recipe Unlimited (viii) | **1.4 %** | **69** | **316** | **1.0 %** | **5.6** |
| 11 | GoodLife Fitness | **1.4 %** | **23** | **502** | **1.6 %** | **9.5** |
| 12 | Staples/Business Depot | **1.3 %** | **25** | **501** | **1.6 %** | **5.7** |
| 13 | TD Bank | **1.2 %** | **44** | **233** | **0.7 %** | **6.4** |
| 14 | Lowe's | **1.2 %** | **7** | **915** | **2.9 %** | **7.0** |
| 15 | PetSmart | **1.1 %** | **23** | **351** | **1.1 %** | **4.8** |
| 16 | Value Village | **1.0 %** | **14** | **390** | **1.2 %** | **8.6** |
| 17 | Bank Of Montreal | **0.9 %** | **30** | **188** | **0.6 %** | **4.7** |
| 18 | Chapters/Indigo | **0.9 %** | **14** | **271** | **0.9 %** | **6.9** |
| 19 | Bed Bath & Beyond | **0.8 %** | **13** | **301** | **1.0 %** | **5.2** |
| 20 | Liquor Control Board of Ontario (LCBO) | **0.7 %** | **20** | **180** | **0.6 %** | **8.5** |
| 21 | DSW/The Shoe Company | **0.7 %** | **28** | **214** | **0.7 %** | **4.8** |
| 22 | Tim Hortons/Burger King/Popeyes | **0.7 %** | **58** | **134** | **0.4 %** | **7.1** |
| 23 | Leon's/The Brick | **0.7 %** | **9** | **228** | **0.7 %** | **6.0** |
| 24 | LA Fitness | **0.6 %** | **6** | **265** | **0.8 %** | **12.2** |
| 25 | The Bank Of Nova Scotia | **0.6 %** | **23** | **113** | **0.4 %** | **4.7** |
| 26 | Best Buy | **0.6 %** | **9** | **204** | **0.6 %** | **3.8** |
| 27 | Old Navy | **0.6 %** | **21** | **195** | **0.6 %** | **4.5** |
| 28 | Canadian Imperial Bank of Commerce | **0.5 %** | **17** | **99** | **0.3 %** | **4.0** |
| 29 | Rexall Pharma Plus | **0.5 %** | **10** | **109** | **0.3 %** | **6.5** |
| 30 | Carter's Oshkosh | **0.5 %** | **25** | **111** | **0.4 %** | **4.1** |
| | | **44.8 %** | **841** | **16,840** | **53.3 %** | **6.6** |
| Total portfolio | | | | | | **7.3** |

(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 and Maxi.

(v) Cineplex includes Galaxy Cinemas.

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

(vii) Sobeys/Safeway includes Farm Boy and Longo's.

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

### *Occupancy by Markets and Usages*

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

| At RioCan's Interest | Committed Occupancy | | In-Place Occupancy | |
|---|---|---|---|---|
| As at December 31 | **2022** | 2021 | **2022** | 2021 |
| Greater Toronto Area (i) (iv) | **97.0 %** | 96.9 % | **96.6 %** | 96.2 % |
| Ottawa (ii) | **99.2 %** | 98.8 % | **99.0 %** | 98.6 % |
| Calgary | **98.4 %** | 97.3 % | **98.0 %** | 94.7 % |
| Montreal | **96.6 %** | 95.2 % | **94.9 %** | 95.2 % |
| Edmonton | **93.7 %** | 93.1 % | **92.3 %** | 91.7 % |
| Vancouver (iii) | **99.8 %** | 99.2 % | **99.3 %** | 99.2 % |
| Other (iv) | **96.8 %** | 95.5 % | **95.8 %** | 95.3 % |
| Total Commercial | **97.4 %** | 96.8 % | **96.8 %** | 96.1 % |

(i) Area extends north to Newmarket, 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.

(iv) Effective Q4 2022, comparatives have been restated to remove Barrie from the GTA.

The following table summarizes the Trust's committed and in-place occupancy rates by retail and office as at December 31, 2022 and December 31, 2021.

| As at | | December 31, 2022 | | | December 31, 2021 | | |
|---|---|---|---|---|---|---|---|
| | | Retail | Office | Total Commercial | Retail | Office | Total Commercial |
| Total Portfolio | Committed Occupancy | **97.9%** | **90.6%** | **97.4%** | **97.2%** | **91.6%** | **96.8%** |
| | In-Place Occupancy | **97.4%** | **89.9%** | **96.8%** | **96.5%** | **90.5%** | **96.1%** |

Committed and in-place occupancy for the total commercial portfolio increased by 60 and 70 basis points, respectively during 2022.

Retail committed occupancy of 97.9% exceeds pre-pandemic levels and reflects the high demand for the Trust's quality retail assets. Given the nominal amount of vacant space available, our retail portfolio is effectively fully occupied after taking into account the expected normal tenant turnover.

The decline of 100 and 60 basis points, in office committed and in-place occupancy, respectively, during the year was primarily as a result of tenants consolidating their space requirements. However, on a sequential basis, office committed and in-place occupancy increased by 60 and 30 basis points, respectively, as a result of the continued transfer of The Well completed office units and the sale of a property which included an office component with a lower than portfolio average in-place occupancy.

### *Future Lease Commencements*

Subsequent to Q4 2022, we expect to generate approximately $5.5 million of annualized gross incremental rent, under the IFRS basis, from tenants that have signed leases but have not taken possession of the space as at December 31, 2022. This includes base rent, operating cost recoveries and straight-line rent, but excludes operating costs capitalized while a property is under redevelopment.

### *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 | **2022** | 2021 |
|---|---|---|
| Average net rent per occupied square foot (i) | **$ 20.98** | $ 20.16 |
| Retail | **$ 20.91** | $ 20.22 |
| Office | **$ 21.98** | $ 19.24 |

(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 rent steps, rent increases per square foot, higher than average net rent per square foot on new deals, development completions that had higher net rent per square foot and properties sold during the year that had a lower average net rent per square foot.

***New Leasing Activity***

| | Three months ended December 31 | | Years ended December 31 | |
|---|---|---|---|---|
| *(in thousands, except per sqft amounts)* | **2022** | 2021 | **2022** | 2021 |
| New Leasing NLA at 100% - IPP & PUD | **222** | 523 | **1,258** | 1,674 |
| Average net rent per square foot - IPP & PUD (i) | **$ 24.10** | $ 25.12 | **$ 28.30** | $ 23.33 |
| IPP | **$ 21.06** | $ 18.59 | **$ 21.96** | $ 19.96 |
| PUD | **$ 42.31** | $ 52.09 | **$ 45.09** | $ 39.50 |

(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.

New leasing activity for the three months and year ended December 31, 2022 totalled 222,000 and 1,258,000 square feet at an average rate of $24.10 and $28.30 per square foot, respectively. Lower new lease volumes are mainly due to high in-place retail occupancy levels which limit the amount of available space to lease and allow the Trust to exercise more discretion in tenant selection, improving our tenant mix and quality. In addition, a significant amount of leasing to larger office tenants has been completed at The Well, leaving certain smaller retail units to lease.

Average net rent per square foot for new leasing for the quarter is approximately $3.12 per square foot above our portfolio average net rent per occupied square foot. New IPP leases are comprised of a diverse tenant mix including grocery, value and specialty retailers.

***Renewal Leasing Activity***

| | Three months ended December 31 | | Years ended December 31 | |
|---|---|---|---|---|
| *(in thousands, except percentage and per sqft amounts)* | **2022** | 2021 | **2022** | 2021 |
| Square feet renewed at market rental rates (at 100%) | **455** | 523 | **2,058** | 2,146 |
| Square feet renewed at fixed rental rates (at 100%) | **247** | 162 | **1,675** | 860 |
| Total square feet renewed (at 100%) | **702** | 685 | **3,733** | 3,006 |
| Average net rent per square foot (i) | **$ 19.01** | $ 23.24 | **$ 19.89** | $ 21.51 |
| Renewal leasing spread in average net rent (ii) | **$ 1.45** | $ 1.11 | **$ 1.51** | $ 1.10 |
| Retention ratio | **93.5%** | 81.8% | **91.5%** | 83.8% |

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

The retention ratio reached a new high in Q4 2022 at 93.5%. During 2022, a number of anchor tenants renewed their leases at fixed rates, preserving the higher proportion of strong and stable tenants within the portfolio. In Q4 2022, the majority of renewed leases were renewed at market rental rents that resulted in strong renewal leasing spreads.

***Leasing Spreads***

| | Three months ended December 31 | | Years ended December 31 | |
|---|---|---|---|---|
| | **2022** | 2021 | **2022** | 2021 |
| New leasing spread (i) | **11.8%** | 3.8% | **12.3%** | 8.6% |
| Renewal leasing spread | **8.3%** | 5.0% | **8.2%** | 5.4% |
| Blended leasing spread (ii) | **8.8%** | 4.6% | **9.0%** | 6.3% |

(i) The new leasing spread excludes any units that have not previously been tenanted (such as a newly completed development) or that have 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 year-to-date leasing spread is the weighted average of the quarterly new leasing spread as reported over the respective period. 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.
(ii) The blended leasing spread is the weighted average net rent leasing spread for both renewal leasing and new leasing.

Strong new and renewal leasing spreads resulted in an improved blended leasing spread for 2022.

### *Lease Expiries*

Lease expiries for the next five years are as follows:

| *(in thousands, except per sqft and percentage amounts)* | | For the years ending | | | | |
|---|---|---|---|---|---|---|
| At RioCan's interest | Total IPP NLA | 2023 | 2024 | 2025 | 2026 | 2027 |
| Square feet | 31,639 | 2,823 | 4,258 | 4,042 | 3,849 | 3,927 |
| Square feet expiring/Portfolio NLA | | 8.9% | 13.5% | 12.8% | 12.2% | 12.4% |
| Average net rent per occupied square foot | | $ 22.60 | $ 21.65 | $ 20.48 | $ 20.45 | $ 21.28 |

### *Contractual Rent Increases*

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

| *(thousands of dollars)* | For the years ending | | | | |
|---|---|---|---|---|---|
| At RioCan's interest | 2023 | 2024 | 2025 | 2026 | 2027 |
| Contractual rent increases | $ 8,956 | $ 6,918 | $ 5,538 | $ 4,509 | $ 3,458 |

The contractual rent increases noted above are based on existing leases as at December 31, 2022 and are on a year-over-year incremental increase basis. The contractual rent increases in 2023 reflect more market rent changes as a result of new leasing and renewals completed in 2022 than in the outer years. 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).

## Property Operations - Residential Rental

RioCan's residential brand, RioCan Living, includes purpose-built residential rental buildings developed or acquired by RioCan and townhouse and condominium developments as further discussed in the *Development Program* and *Asset Profile - Joint Arrangements* sections of this MD&A.

Demand for well-located, amenity-rich rental accommodations with easy access to transit strengthened in the quarter. The return to office and in-person studies, increased immigration, low unemployment and cooling home sales all drove demand for residential rental units higher. This increased demand combined with a shortage of rental housing supply resulted in a significant increase in leasing velocity in the quarter.

RioCan's portfolio of 2,219 completed residential rental units include 139 income producing residential rental units acquired by RioCan on February 8, 2022 through its purchase of a 90% interest in the first phase of Market, a new apartment complex in the heart of Laval, Montreal's largest suburban area. RioCan will also acquire a 90% interest in 297 units in two additional phases under construction upon stabilization, provided certain conditions are met. Market is RioCan Living's first acquisition of an operational multi-unit residential building and contributes to the diversification of RioCan's asset base and income stream. While RioCan is focused on organically growing its multi-unit residential holdings through development, it will strategically participate in acquisitions from time-to-time in order to further enhance the RioCan Living portfolio and achieve the desired scale.

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.

### *Occupancy and Leasing Update*

| | | | Occupancy as at December 31, 2022 | Leasing as of February 15, 2023 |
|---|---|---|---|---|
| Residential Rental Buildings in Operation | Number of total units (i) | Date of lease launch | % of occupied units | % of leased units |
| Stabilized (8 properties) | **1,837** | December 2018 to November 2021 | **96.0 %** | **95.7 %** |
| In lease-up | | | | |
| Luma (Ottawa) | **168** | March 2022 | **62.5 %** | **74.4 %** |
| Rhythm (Ottawa) (ii) | **214** | June 2022 | **24.3 %** | **53.1 %** |

(i) Number of units are at 100% ownership interest and all buildings are 50% owned except Market which is 90% owned.

(ii) Completed in Q4 2022. Pre-leasing commenced in Q2 2022.

The 592 rental residential units at FourFifty The Well™ will be completed in phases starting in mid-2023, through to early-2024. Pre-leasing of this building is scheduled to commence in Q1 2023.

### *Average Market Rent*

| As at December 31 | | **2022** | 2021 |
|---|---|---|---|
| Average monthly market rent per occupied square foot - same property (i) (ii) | **$** | **3.07** | $ 2.94 |

(i) Average rent per square foot on a same property basis 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) Average monthly market rent per occupied square foot - same property is only calculated for properties that are owned and stabilized at each of the reporting dates presented. A property is considered to have reached stabilization upon the earlier of (i) achieving 95% occupancy or (ii) 24 months after first occupancy as of the quarter end reporting date. As at December 31, 2022 and 2021 three properties (eCentral™ located in Toronto, Frontier™ located in Ottawa and Brio, located in Calgary) are included as same properties.

Average monthly rent per occupied square foot on a same property basis increased compared to December 31, 2021 from an increase in lease-up and improved occupancy in the GTA.

In the GTA, on a total portfolio basis, average monthly market rent per occupied square foot was $3.80 as at December 31, 2022, an increase of 5.3% over the same period last year.

Average rent increases for market units were 12.2% and 5.7% on stabilized properties for the three months and year ended December 31, 2022, respectively.

# RESULTS OF OPERATIONS

## Summary of Selected Financial Information

The following table summarizes key selected financial information that is 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)*<br>As at or for the years ended December 31 | **2022** | 2021 | 2020 |
|---|---|---|---|
| Revenue | **$ 1,213,847** | $ 1,175,061 | $ 1,143,663 |
| Net income (loss) | **236,772** | 598,389 | (64,780) |
| Operating income | **712,692** | 701,665 | 680,283 |
| Net Operating Income (NOI) (i) | **674,989** | 663,311 | 652,177 |
| Net Operating Income NOI (RioCan's Proportionate Share) (i) | **698,118** | 684,737 | 665,739 |
| FFO (i) | **524,678** | 506,982 | 507,394 |
| FFO Adjusted (i) | **528,967** | 523,953 | 507,394 |
| Weighted average Units outstanding (in thousands) | | | |
| Basic | **306,069** | 317,201 | 317,725 |
| Diluted | **306,247** | 317,284 | 317,725 |
| Per unit basis | | | |
| Net income (loss) - basic | **$ 0.77** | $ 1.89 | $ (0.20) |
| Net income (loss) - diluted | **$ 0.77** | $ 1.89 | $ (0.20) |
| FFO - diluted (i) | **$ 1.71** | $ 1.60 | $ 1.60 |
| FFO Adjusted - diluted (i) | **$ 1.73** | $ 1.65 | $ 1.60 |
| Unitholder distributions (iii) | **$ 1.02** | $ 0.96 | $ 1.44 |
| FFO Payout Ratio (i) (ii) | **59.0 %** | 62.6 % | 90.2 % |
| FFO Payout Ratio Adjusted (i) (ii) | **58.5 %** | 60.6 % | 90.2 % |
| AFFO Payout Ratio (i) (ii) | **67.1 %** | 71.6 % | 101.3 % |
| AFFO Payout Ratio Adjusted (i) (ii) | **66.4 %** | 68.9 % | 101.3 % |
| Investment properties | **$ 13,807,740** | $ 14,021,338 | $ 14,063,022 |
| Total assets | **15,101,859** | 15,177,463 | 15,267,708 |
| Total debt | **6,742,343** | 6,610,618 | 6,927,883 |
| Total equity | **7,728,892** | 7,911,344 | 7,734,973 |
| Total Adjusted Debt to Total Adjusted Assets (RioCan's Proportionate Share) (i) | **45.2%** | 43.9% | 45.0% |
| Interest Coverage (RioCan's Proportionate Share) (i) | **3.11** | 3.26 | 3.10 |
| Adjusted Debt to Adjusted EBITDA (RioCan's Proportionate Share) (i) | **9.51** | 9.59 | 9.47 |
| Weighted average contractual interest rate (iv) | **3.41%** | 2.92% | 3.13 % |
| Weighted average effective interest rate (v) | **3.40%** | 3.00% | 3.21 % |
| Net book value per unit | **$ 25.73** | $ 25.54 | $ 24.34 |

(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 AFFO Payout Ratios, refer to the *FFO* and *AFFO* sections in this MD&A.

(iii) Effective January 2021, the distribution was reduced to $1.02 on an annualized basis.

(iv) For hedged floating rate debt, the interest rate reflects the fixed rate in the interest swap.

(v) Inclusive of bond forward hedges.

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 the timing and magnitude of its residential condominium and townhouse projects closings, the magnitude and pace of development expenditures and project completions, property dispositions and the global pandemic and its effects on RioCan's tenants and operations particularly 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.

The Q4 2022 and 2022 variances discussed in the following sections are to compare the respective 2022 results to the same comparable periods in 2021 unless otherwise noted.

## Revenue

The revenue for the three months and years ended December 31, 2022 and 2021 is as follows:

| | Three months ended December 31 | | | Years ended December 31 | | |
|---|---|---|---|---|---|---|
| *(thousands of dollars)* | **2022** | 2021 | Change | **2022** | 2021 | Change |
| Rental revenue | **$ 268,864** | $ 266,899 | $ 1,965 | **$ 1,074,192** | $ 1,066,562 | $ 7,630 |
| Residential inventory sales | **33,873** | 65,620 | (31,747) | **118,659** | 93,727 | 24,932 |
| Property management and other service fees | **3,450** | 3,920 | (470) | **20,996** | 14,772 | 6,224 |
| **Revenue** | **$ 306,187** | $ 336,439 | $ (30,252) | **$ 1,213,847** | $ 1,175,061 | $ 38,786 |

The rental revenue for the three months and years ended December 31, 2022 and 2021 is as follows:

| | Three months ended December 31 | | | Years ended December 31 | | |
|---|---|---|---|---|---|---|
| *(thousands of dollars)* | **2022** | 2021 | Change | **2022** | 2021 | Change |
| Base rent | **$ 170,791** | $ 170,034 | $ 757 | **$ 687,459** | $ 681,333 | $ 6,126 |
| Realty tax and insurance recoveries | **49,013** | 50,027 | (1,014) | **199,437** | 203,384 | (3,947) |
| Common area maintenance recoveries | **43,842** | 42,091 | 1,751 | **168,144** | 159,980 | 8,164 |
| Percentage rent | **3,234** | 2,562 | 672 | **9,092** | 6,579 | 2,513 |
| Straight-line rent | **806** | 1,050 | (244) | **1,884** | 6,928 | (5,044) |
| Lease cancellation fees | **391** | 394 | (3) | **5,119** | 6,457 | (1,338) |
| Parking revenue | **787** | 741 | 46 | **3,057** | 1,901 | 1,156 |
| **Rental revenue** | **$ 268,864** | $ 266,899 | $ 1,965 | **$ 1,074,192** | $ 1,066,562 | $ 7,630 |

***2022***

The increase in revenue was mainly due to higher rental revenue, higher residential inventory sales and property management and other service fee income.

Rental revenue increased mainly from higher occupancy and rental growth, acquisitions and development completions, higher net recoveries and higher percentage rent, partially offset by asset dispositions and lower straight-line rent.

Residential inventory sales increased primarily due to the timing of condominium sales, partially offset by the sale of an 80% interest in The Queensway project and the sale of a 75% interest in the condominium component of the RioCan Leaside Centre mixed-use project in Toronto in the prior year.

Property management and other service fees increased primarily from new development projects.

***Q4 2022***

The decrease in revenue was mainly due to lower residential inventory sales partially offset by higher rental revenue.

The increase in rental revenue was mainly due to higher occupancy and rental growth, acquisitions and development completions, higher net recoveries and higher percentage rent.

Residential inventory sales decreased primarily due to the sale of a 75% interest in the condominium component of the RioCan Leaside Centre mixed-use project in Toronto in the prior year, partially offset by timing of condominium sales.

## Operating Income and Net Operating Income (NOI)

The operating income and NOI for the three months and years ended December 31, 2022 and 2021 is as follows:

| *(thousands of dollars, except where otherwise noted)* | Three months ended December 31 | | | Years ended December 31 | | |
|---|---|---|---|---|---|---|
| | **2022** | 2021 | Change | **2022** | 2021 | Change |
| Operating income | **$ 175,421** | $ 194,788 | $ (19,367) | **$ 712,692** | $ 701,665 | $ 11,027 |
| NOI (i) | **$ 166,062** | $ 165,798 | $ 264 | **$ 674,989** | $ 663,311 | $ 11,678 |
| NOI (RioCan's proportionate share) (i) | **$ 171,934** | $ 171,470 | $ 464 | **$ 698,118** | $ 684,737 | $ 13,381 |
| **NOI** | | | | | | |
| Commercial | **$ 162,043** | $ 163,934 | $ (1,891) | **$ 661,367** | $ 659,253 | $ 2,114 |
| Residential | **4,019** | 1,864 | 2,155 | **13,622** | 4,058 | 9,564 |
| **Total NOI** | **$ 166,062** | $ 165,798 | $ 264 | **$ 674,989** | $ 663,311 | $ 11,678 |

(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.

***2022***

The increase in operating income was largely the combined effect of $11.7 million higher NOI, $6.2 million higher property management and other service fee revenue mainly from higher construction and development fees, partially offset by $6.0 million lower inventory gains primarily due to the sale of an 80% interest in The Queensway project and the sale of a 75% interest in the condominium component of the RioCan Leaside Centre mixed-use project in Toronto in the prior year, net of timing of condominium sales.

The increase in commercial NOI was largely due to Same Property NOI growth of 4.3% or $24.8 million; and $7.2 million higher NOI from completed developments; partially offset by, $23.5 million lower NOI due to asset dispositions; $5.0 million lower straight-line rent; and $1.3 million lower lease cancellation fees.

Residential NOI increased primarily due to strong leasing progress in the residential rental portfolio including Pivot™, Litho.™, and Latitude™, and the acquisition of Market early in 2022.

***Q4 2022***

The decrease in operating income was largely due to $18.9 million lower residential inventory gains primarily due to the gain from the sale of a 75% interest in the condominium component of the RioCan Leaside Centre mixed-use project in Toronto in the prior year, net of timing of condominium sales.

The decrease in commercial NOI was largely due to Same Property NOI growth of 2.3% or $3.4 million, and $1.2 million higher NOI from completed developments; offset by, $6.3 million lower NOI due to asset dispositions; and $0.2 million lower straight-line rent.

The increase in residential NOI was primarily due to strong leasing progress in the residential rental portfolio including Litho., Latitude, Strada™ and the acquisition of Market early in 2022.

### Same Property NOI

Same Property NOI for the three months and years ended December 31, 2022 and 2021 is as follows:

| | Three months ended December 31 | | | Years ended December 31 | | |
|---|---|---|---|---|---|---|
| *(thousands of dollars)* | **2022** | 2021 | % change | **2022** | 2021 | % change |
| Same Property NOI (i) | **$ 149,771** | $ 146,405 | 2.3 % | **$ 600,529** | $ 575,707 | 4.3 % |
| Same Property NOI including completed PUD (i) | **$ 154,638** | $ 150,082 | 3.0 % | **$ 617,456** | $ 585,390 | 5.5 % |
| Adjusted Same Property NOI (i) | **$ 152,074** | $ 148,406 | 2.5 % | **$ 601,543** | $ 585,953 | 2.7 % |

(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.

***2022***

Same Property NOI increased primarily due to increases in occupancy, rent growth from contractual rent steps, increases in rent upon renewal and a lower pandemic-related provision, which was specifically $15.1 million lower on a same property basis, net of certain 2021 favourable items which did not recur in 2022. Including completed properties under development, primarily RioCan Windfields in Oshawa, The Well and 740 Dupont Street in Toronto, Same Property NOI increased by 5.5% for the Trust's commercial portfolio.

Adjusted Same Property NOI increased by 2.7%. Adjusted Same Property NOI adjusts predominantly for the impact of the pandemic-related provision and legal and CAM/property tax settlements.

***Q4 2022***

Same Property NOI increased primarily due to increases in occupancy, rent growth from contractual rent steps, increases in rent upon renewal and a lower pandemic-related provision, which was specifically $1.5 million lower on a same property basis, net of certain 2021 favourable items which did not recur in 2022. Including completed properties under development, primarily The Well, and 740 Dupont Street in Toronto, Same Property NOI increased by 3.0% for the Trust's commercial portfolio.

Adjusted Same Property NOI increased by 2.5%.

## Other Income (loss)

| | Three months ended December 31 | | | Years ended December 31 | | |
|---|---|---|---|---|---|---|
| *(thousands of dollars)* | **2022** | 2021 | Change | **2022** | 2021 | Change |
| Interest income | **$ 6,272** | $ 3,842 | $ 2,430 | **$ 20,902** | $ 13,666 | $ 7,236 |
| Income from equity-accounted investments | **(3,864)** | 6,503 | (10,367) | **2,349** | 19,189 | (16,840) |
| Fair value (loss) gain on investment properties, net | **(115,507)** | 72,255 | (187,762) | **(241,128)** | 124,052 | (365,180) |
| Investment and other income (loss), net | **240** | (696) | 936 | **(1,842)** | 2,743 | (4,585) |
| **Other income (loss)** | **$ (112,859)** | $ 81,904 | $ (194,763) | **$ (219,719)** | $ 159,650 | $ (379,369) |

***2022***

Interest income increased mainly due to higher average mortgages and loans receivable and higher effective interest rates.

RioCan's share of FFO from equity-accounted investments[(i)] was $21.4 million, $0.6 million lower than the comparative period in 2021 primarily due to $0.1 million lower FFO from the RioCan-HBC joint venture and lower transaction gains from other equity-accounted investments, net of higher capitalized interest from additional equity-accounted investments in 2022. For further details on the results of operations of the RioCan-HBC joint venture, refer to the *Joint Arrangements* section of this MD&A.

The Trust recognized fair value losses of $241.1 million on investment properties including assets held for sale, compared to fair value gains of $124.1 million in the same period last year. Refer to the *Property Valuations* section of this MD&A for further details.

Investment and other income (loss) decreased due to the effect of the $3.8 million decrease in the change in unrealized fair value on marketable securities (which do not impact FFO), and $1.3 million in lower other income primarily from transaction adjustments.

***Q4 2022***

Interest income was higher primarily due to higher average mortgages and loans receivable and higher effective interest rates.

For the quarter, RioCan's share of FFO from equity-accounted investments was $5.4 million, $0.1 million lower than the comparative period, primarily due to $0.5 million lower FFO from the RioCan-HBC joint venture, net of higher capitalized interest from additional equity-accounted investments in 2022. 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 loss of $115.5 million on investment properties including assets held for sale for the quarter, compared to fair value gains of $72.3 million in the same period last year. Refer to the *Property Valuations* section of this MD&A for further details.

Investment and other income (loss) increased due to the net effect of the $1.1 million in higher other income primarily from transaction adjustments, net of $0.4 million decrease in the change in unrealized fair value on marketable securities (which does not impact FFO).

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

## Other Expenses

### Interest Costs

| | Three months ended December 31 | | | Years ended December 31 | | |
|---|---|---|---|---|---|---|
| *(thousands of dollars, except where otherwise noted)* | **2022** | 2021 | Change | **2022** | 2021 | Change |
| Total interest | **$ 60,015** | $ 52,424 | $ 7,591 | **$ 224,040** | $ 211,808 | $ 12,232 |
| Interest costs capitalized (i) | **(11,695)** | (10,021) | (1,674) | **(43,675)** | (40,287) | (3,388) |
| **Interest costs, net** | **$ 48,320** | $ 42,403 | $ 5,917 | **$ 180,365** | $ 171,521 | $ 8,844 |
| Capitalized interest as percentage of total interest | **19.5%** | 19.1% | 0.4% | **19.5%** | 19.0% | 0.5% |

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

***2022***

Total interest costs increased mainly due to higher average debt balances and higher average cost of debt. As at December 31, 2022, the weighted average effective interest rate of our total debt is 3.40% (December 31, 2021 - 3.00%).

Interest was capitalized to properties under development and residential inventory at a weighted average effective interest rate of 3.33% for the year ended December 31, 2022 (year ended December 31, 2021 – 3.08%).

***Q4 2022***

Total interest costs increased mainly due to higher average debt balances and higher average cost of debt.

Interest was capitalized to properties under development and residential inventory at a weighted average effective interest rate of 3.78% for the three months ended December 31, 2022 (three months ended December 31, 2021 – 3.05%).

### General and Administrative (G&A)

| *(thousands of dollars, except where otherwise noted)* | Three months ended December 31 | | | Years ended December 31 | | |
|---|---|---|---|---|---|---|
| | **2022** | 2021 | Change | **2022** | 2021 | Change |
| Non-recoverable salaries and benefits, net | **$ 5,715** | $ 5,467 | $ 248 | **$ 26,228** | $ 23,823 | $ 2,405 |
| Unit-based compensation expense | **1,796** | 1,506 | 290 | **6,998** | 10,580 | (3,582) |
| Depreciation and amortization | **726** | 1,002 | (276) | **4,774** | 4,022 | 752 |
| Other G&A expense (i) | **4,608** | 3,949 | 659 | **16,437** | 12,975 | 3,462 |
| **Total G&A expense (ii)** | **$ 12,845** | $ 11,924 | $ 921 | **$ 54,437** | $ 51,400 | $ 3,037 |
| Adjusted G&A Expense as a percentage of rental revenue (iii) | **4.6%** | 4.5% | 0.1% | **4.7%** | 4.3% | 0.4% |

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

(ii) G&A expenses are presented net of recoverable expenses and expenses capitalized to development and residential inventory.

(iii) Adjusted G&A Expense is a non-GAAP financial measure excluding restructuring costs and one-time compensation costs. Refer to the *Non-GAAP Measures* section in this MD&A for more information on each non-GAAP financial measure.

***2022***

G&A expenses increased primarily due to the net effect of a $3.5 million increase in other G&A expenses mainly as a result of increased expenses related to the resumption of normal business activities, timing and commodity tax accruals; and a $0.8 million increase in expense from the acceleration of amortization expense of certain software intangible assets. These increases were partially offset by a $1.2 million decrease in compensation costs mainly from $6.1 million in one-time compensation costs in 2021 that are not expected to recur in future quarters, partially offset by $4.3 million of restructuring charges due to elimination of certain positions and outsourcing of the property management of the Trust's Quebec portfolio in Q1 2022.

***Q4 2022***

G&A expenses increased primarily due to the net effect of a $0.5 million increase in compensation costs mainly due to higher salaries and unit-based compensation; and $0.7 million increase in other G&A expenses due to the same reasons explained above in the full year.

### Internal Leasing Costs, Transaction Costs and Debt Prepayment Costs

| *(thousands of dollars, except where otherwise noted)* | Three months ended December 31 | | | Years ended December 31 | | |
|---|---|---|---|---|---|---|
| | **2022** | 2021 | Change | **2022** | 2021 | Change |
| Internal leasing costs (i) | **$ 3,306** | $ 2,982 | $ 324 | **$ 12,204** | $ 11,807 | $ 397 |
| Transaction and other costs (ii) | **$ 3,236** | $ 6,779 | $ (3,543) | **$ 8,274** | $ 17,343 | $ (9,069) |
| Debt prepayment costs, net | **$ —** | $ 3,896 | $ (3,896) | **$ —** | $ 10,914 | $ (10,914) |

(i) Comprised of the payroll costs of our internal leasing department and related administration costs.

(ii) Includes marketing costs related to condominium and townhouse projects which are expensed as incurred before condominium sales revenue are recognized into income.

***2022***

Transaction and other costs decreased due to decreased disposition activities. The Trust incurred $1.7 million of marketing costs (year ended December 31, 2021 - $1.9 million).

Debt prepayment costs decreased due to the early redemption of our Series R debenture in Q1 2021 and Series V debenture in Q4 2021.

***Q4 2022***

Transaction and other costs decreased due to decreased disposition activities. The Trust incurred $0.4 million of marketing costs (three months ended December 31, 2021 - $0.2 million).

Debt prepayment costs decreased due to the early redemption of our Series V debenture in Q4 2021.

## Net Income (Loss) Attributable to Unitholders

| | Three months ended December 31 | | | Years ended December 31 | | |
|---|---|---|---|---|---|---|
| *(thousands of dollars, except per unit amounts)* | **2022** | 2021 | Change | **2022** | 2021 | Change |
| Net income (loss) attributable to Unitholders | **$ (4,961)** | $ 208,776 | $ (213,737) | **$ 236,772** | $ 598,389 | $ (361,617) |
| Net income (loss) attributable to Unitholders (basic) | **$ (0.02)** | $ 0.66 | $ (0.68) | **$ 0.77** | $ 1.89 | $ (1.11) |
| Net income (loss) attributable to Unitholders (diluted) | **$ (0.02)** | $ 0.66 | $ (0.68) | **$ 0.77** | $ 1.89 | $ (1.11) |

***2022***

Net income attributable to Unitholders decreased largely as a result of the net effect of a $365.2 million unfavourable change in fair value on investment properties; partially offset by an $11.0 million increase in operating income and a $7.7 million decrease in other expenses. Refer to the *Operating Income and Net Operating Income (NOI)* and *Other Expenses* sections of this MD&A for further details.

***Q4 2022***

Net income attributable to Unitholders decreased largely as a result of the net effect of a $187.8 million unfavourable change in fair value on investment properties and a $19.4 million decrease in operating income; partially offset by a $0.3 million decrease in other operating expenses. Refer to the *Operating Income and Net Operating Income (NOI)* and *Other Expenses* sections of this MD&A for further details.

## Funds From Operations (FFO)

RioCan's method of calculating FFO is in compliance with the REALPAC definition issued in January 2022 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.

| | Three months ended December 31 | | | Years ended December 31 | | |
|---|---|---|---|---|---|---|
| *(thousands of dollars, except where otherwise noted)* | **2022** | 2021 | Change | **2022** | 2021 | Change |
| FFO | **$ 127,643** | $ 146,521 | $ (18,878) | **$ 524,678** | $ 506,982 | $ 17,696 |
| FFO Adjusted | **$ 128,153** | $ 150,417 | $ (22,264) | **$ 528,967** | $ 523,953 | $ 5,014 |
| FFO per unit - basic | **$ 0.42** | $ 0.46 | $ (0.04) | **$ 1.71** | $ 1.60 | $ 0.11 |
| FFO per unit - diluted | **$ 0.42** | $ 0.46 | $ (0.04) | **$ 1.71** | $ 1.60 | $ 0.11 |
| FFO Adjusted per unit - diluted | **$ 0.42** | $ 0.48 | $ (0.06) | **$ 1.73** | $ 1.65 | $ 0.08 |
| Weighted average number of Units - basic (in thousands) | **302,321** | 315,534 | (13,213) | **306,069** | 317,201 | (11,132) |
| Weighted average number of Units - diluted (in thousands) | **302,423** | 315,733 | (13,310) | **306,247** | 317,284 | (11,037) |
| FFO Payout Ratio (i) | | | | **59.0%** | 62.6% | (3.6)% |
| FFO Payout Ratio Adjusted (i) | | | | **58.5%** | 60.6% | (2.1)% |

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

***2022***

FFO increased by $17.7 million and FFO Adjusted, which excludes net debt prepayment costs, one-time compensation and restructuring costs of $12.7 million, increased by $5.0 million over the comparable period. On a diluted per unit basis, FFO and FFO Adjusted increased by $0.11 and $0.08, or 6.9% and 4.8%, respectively.

The $5.0 million increase in FFO Adjusted resulted mainly from $24.8 million higher SPNOI, $9.6 million higher residential NOI, a $7.2 million improvement in NOI from completed properties under development, partially offset by a $23.5 million decline from dispositions, lower inventory gains of $6.0 million due to timing and $4.8 million higher Adjusted G&A Expense. Higher net interest costs of $8.8 million from higher average debt balances and higher effective interest rates were partially offset by $7.1 million of higher interest income and other income.

FFO per unit improved by $0.11 and was driven higher by the items described above plus the accretive benefit of unit buybacks.

***Q4 2022***

FFO decreased by $18.9 million and FFO Adjusted, which excludes debt prepayment costs and restructuring costs of $3.4 million, decreased by $22.3 million over the comparable period. On a diluted per unit basis, FFO and FFO Adjusted decreased by $0.04 and $0.06, or 8.7% and 12.5%, respectively.

The $22.3 million decrease in FFO Adjusted resulted mainly from a $3.4 million increase in SPNOI and $2.2 million increase in residential NOI offset by $18.9 million lower residential inventory gains due to timing and $6.3 million lower commercial NOI due to asset dispositions. Higher net interest costs of $5.9 million primarily due to higher average cost of debt and higher average debt balances were partially offset by $3.4 million of higher interest income and other income.

FFO per unit decreased by $0.04 as a result of the items described above net of the accretive benefit of unit buybacks. The decrease in residential inventory gains accounted for $0.06 of the FFO per unit decline in the quarter.

***FFO Payout Ratio***

The FFO Payout Ratio was 59.0% for the twelve-month period ended December 31, 2022 compared to 62.6% in 2021. The decline in the FFO Payout Ratio relative to last year is mainly due to higher FFO and units repurchased under the Normal Course Issuer Bid (NCIB), partially offset by a $0.06 per unit per annum increase in distributions effective February 2022.

## Adjusted Funds From Operations (AFFO)

AFFO 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 AFFO is in compliance with the REALPAC definition issued in January 2022, except that RioCan excludes unrealized fair value gains or losses on marketable securities in its calculation of FFO and by extension AFFO, and continues to include realized gains or losses on marketable securities.

| | Three months ended December 31 | | | Years ended December 31 | | |
|---|---|---|---|---|---|---|
| *(thousands of dollars)* | **2022** | 2021 | Change | **2022** | 2021 | Change |
| AFFO | **$ 111,346** | $ 131,375 | $ (20,029) | **$ 461,381** | $ 443,660 | $ 17,721 |
| AFFO Adjusted | **$ 111,856** | $ 135,271 | $ (23,415) | **$ 465,670** | $ 460,631 | $ 5,039 |
| AFFO per unit - basic | **$ 0.37** | $ 0.42 | $ (0.05) | **$ 1.51** | $ 1.40 | $ 0.11 |
| AFFO per unit - diluted | **$ 0.37** | $ 0.42 | $ (0.05) | **$ 1.51** | $ 1.40 | $ 0.11 |
| AFFO Adjusted per unit - diluted | **$ 0.37** | $ 0.43 | $ (0.06) | **$ 1.52** | $ 1.45 | $ 0.07 |
| Weighted average number of Units - basic (in thousands) | **302,321** | 315,534 | (13,213) | **306,069** | 317,201 | (11,132) |
| Weighted average number of Units - diluted (in thousands) | **302,423** | 315,733 | (13,310) | **306,247** | 317,284 | (11,037) |
| AFFO Payout Ratio (i) | | | | **67.1%** | 71.6% | (4.5)% |
| AFFO Payout Ratio Adjusted (i) | | | | **66.4%** | 68.9% | (2.5)% |

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

***2022***

AFFO increased by $17.7 million and AFFO Adjusted, which excludes net debt prepayment costs, one-time compensation and restructuring costs of $12.7 million, increased by $5.0 million over the comparable period. On a diluted per unit basis, AFFO and AFFO Adjusted increased by $0.11 and $0.07, or 7.9% and 4.8%, respectively.

The $5.0 million increase in AFFO Adjusted was primarily due to higher FFO Adjusted. Refer to the *Funds From Operations (FFO)* section of this MD&A for further details.

***Q4 2022***

AFFO decreased by $20.0 million and AFFO Adjusted which excludes debt prepayment costs and restructuring costs of $3.4 million, decreased by $23.4 million over the comparable period. On a diluted per unit basis, AFFO and AFFO Adjusted decreased by $0.05 and $0.06, or 11.9% and 14.0%, respectively.

The $23.4 million decrease in AFFO Adjusted was primarily due to lower FFO Adjusted during the quarter. Refer to the *Funds From Operations (FFO)* section of this MD&A for further details.

***AFFO Payout Ratio***

The AFFO Payout Ratio was 67.1% for the twelve-month period ended December 31, 2022 compared to 71.6% in 2021. The decline compared to last year was primarily due to higher AFFO and units repurchased under the NCIB, partially offset by a $0.06 per unit per annum increase in distributions effective February 2022.

# ASSET PROFILE

## Property Valuations

Refer to Note 3 of the 2022 Annual Consolidated Financial Statements for a continuity schedule for the change in consolidated IFRS carrying values of our investment properties.

***Investment Property Valuation***

The Trust recorded net fair value losses of $115.5 million and $241.1 million, including assets held for sale, for the three months and year ended December 31, 2022, respectively. The fair value losses in the current quarter and year were driven by increased capitalization rate assumptions following an increase in market interest rates, partially offset by the positive impact of higher property level NOI across many income producing properties due to strong occupancy and leasing. The year-to-date fair value losses were also partially offset by increases in the fair value of certain developments. Over the long-term, underlying fundamentals are expected to drive cash flow growth offsetting short-term interest rate volatility that is currently impacting portfolio valuation.

***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 change in the average capitalization rate (weighted by Stabilized NOI):

| | Three months ended December 31 | | Years ended December 31 | |
|---|---|---|---|---|
| Weighted Average Capitalization Rate | **2022** | 2021 | **2022** | 2021 |
| Beginning of period | **5.37 %** | 5.42 % | **5.29 %** | 5.44 % |
| Impact of dispositions | **(0.10)%** | 0.01 % | **(0.11)%** | (0.02)% |
| Impact of acquisitions | **— %** | — % | **(0.01)%** | — % |
| Development yield | **— %** | (0.09)% | **(0.01)%** | (0.09)% |
| Other adjustments | **0.06 %** | (0.05)% | **0.17 %** | (0.04)% |
| End of period | **5.33 %** | 5.29 % | **5.33 %** | 5.29 % |

The weighted average capitalization rate increased by 4 basis point when compared to December 31, 2021. The increases in capitalization rates for certain assets were partially offset by the impact of dispositions with relatively higher capitalization rates and the inclusion of development projects as construction continues to advance. The carrying value of investment properties reflects the Trust's best estimate for the highest and best use as at December 31, 2022.

At December 31, 2022, the weighted average capitalization rate of the Trust's investment portfolio decreased by 4 basis points when compared to September 30, 2022. Higher capitalization rates for certain assets were more than offset by the impact of certain dispositions valued at relatively higher capitalization rates.

The valuation of investment properties is subject to a number of factors underlying the estimated cash flows and capitalization rates used in the valuation process. These factors include but are not limited to geographic location, property type, strength of underlying tenant covenants, future intensification opportunities, estimated vacancy allowances and the resulting re-tenanting costs. Property values can also be impacted by rising interest rates as they tend to put upward pressure on capitalization rates. Interest rates however are only one of the many factors that impact property values. Favourable supply / demand dynamics, strong property fundamentals, the delivery of highly valued mixed-use residential developments and rising replacement costs, which further restrict the supply of quality open air retail centres, all provide support for fair values. Notwithstanding low visibility in a distorted market that is short of transactions, our valuations have been validated by third-party appraisals and substantiated with available market data points. Refer to Note 3 of the 2022 Annual Consolidated Financial Statements for a sensitivity analysis of investment property valuations to changes in the three key inputs to the property valuation - Stabilized NOI, capitalization rates and costs to complete.

Given the volatility in the current macroeconomic environment, the impact on the Trust's investment property valuation remains difficult to assess and predict. Refer to the *Risks and Uncertainties - Interest Rate and Financing Risk,* and *Inflation Risk* section of this MD&A for discussions on these risks and uncertainties.

## 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 which utilizes appraisal methodologies largely consistent with the practices employed by third-party appraisers. This team of individuals has 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 accredited valuation professionals 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, 2022, the Trust obtained a total of 29 external property appraisals which supported an IFRS fair value of approximately $2.5 billion or 18.0% of the Trust's investment property portfolio as at December 31, 2022. 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.

## Acquisitions and Dispositions

### Acquisitions

The acquisitions during the year ended December 31, 2022 are as follows:

| *(in thousands of dollars or sq. ft., except where otherwise noted)* | | | Purchase price (i) (At RioCan's interest) | | | | | |
|---|---|---|---|---|---|---|---|---|
| Property name and location | Date acquired | Interest acquired | IPP | PUD | Residential Inventory | Total | Vendor take-back mortgage, purchase price payable and/or debt assumed | NLA acquired (thousands of sq. ft.) |
| **Q4 2022** | | | | | | | | |
| Building at South Cambridge SC, Cambridge, ON (ii) | November 22 | 100.0 % | $ 5,011 | $ — | $ — | $ 5,011 | $ — | — |
| | | | **$ 5,011** | **$ —** | **$ —** | **$ 5,011** | **$ —** | **—** |
| **Q3 2022** | | | | | | | | |
| 4980 Boulevard des Sources, Pierrefonds, QC | August 8 | 100.0 % | $ 1,072 | $ — | $ — | $ 1,072 | $ — | 3 |
| | | | **$ 1,072** | **$ —** | **$ —** | **$ 1,072** | **$ —** | **3** |
| **Q2 2022 - No Acquisitions** | | | | | | | | |
| **Q1 2022** | | | | | | | | |
| Queen & Ashbridge (QA), Toronto, ON (iii) | February 17 | 50.0 % | $ — | $ 11,946 | $ 19,440 | $ 31,386 | $ 30,372 | — |
| 3302 Dufferin Street, Toronto, ON | February 11 | 100.0 % | 22,218 | — | — | 22,218 | — | 13 |
| Market, Laval, QC (iv) | February 8 | 90.0 % | 48,349 | — | — | 48,349 | — | 114 |
| Bloor Street West & Lansdowne Ave Portfolio, Toronto, ON (v) | January 28 | 100.0 % | 19,381 | — | — | 19,381 | — | 22 |
| | | | **$ 89,948** | **$ 11,946** | **$ 19,440** | **$121,334** | **$ 30,372** | **149** |
| **Total 2022 Acquisitions** (vi) | | | **$ 96,031** | **$ 11,946** | **$ 19,440** | **$127,417** | **$ 30,372** | **152** |

(i) Purchase price includes transaction costs of $4.5 million in aggregate.

(ii) RioCan acquired a tenant owned building located at the property, and converted the tenant lease into a land and building lease.

(iii) The Queen & Ashbridge (QA) acquisition included both property under development and residential inventory components and was allocated as $11.9 million and $19.4 million, respectively. The vendor take-back mortgage and purchase price payable of $30.4 million includes a $24.2 million vendor-take-back mortgage payable to the vendor at a weighted average interest rate of 2.61%.

(iv) Acquired for the purposes of facilitating a nearby mixed-use development.

(v) Bloor Street West & Lansdowne Ave Portfolio acquisition comprises four properties, which are part of a larger land assembly.

(vi) Acquisitions exclude properties acquired in the PR Bloor Street LP joint venture in conjunction with the disposition of 85 Bloor Street West, Toronto, ON. See the *Joint Arrangements* section of this MD&A for more information.

## Dispositions

The Trust closed a number of dispositions during the year ended December 31, 2022 as summarized below:

| *(in thousands of dollars or sq. ft., except where otherwise noted)* | | | Gross sales proceeds (at RioCan's interest) | | | | | |
|---|---|---|---|---|---|---|---|---|
| Property name and location | Date disposed | Ownership interest disposed | IPP | PUD | Residential Inventory | Total | Debt associated with property | NLA disposed at RioCan's Interest |
| **Q4 2022** | | | | | | | | |
| Abbotsford Power Centre, Abbotsford, BC | December 19 | 100.0 % | $ 53,000 | $ — | $ — | $ 53,000 | $ — | 220 |
| Mill Woods Town Centre, Edmonton, AB | December 15 | 100.0 % | 58,269 | 10,470 | — | 68,739 | — | 455 |
| Fallingbrook Shopping Centre, Ottawa, ON (i) | December 6 | 100.0 % | 38,856 | — | — | 38,856 | — | 97 |
| Shoppes on Queen West, Toronto, ON | December 1 | 100.0 % | 51,218 | — | — | 51,218 | — | 89 |
| Chahko Mika Mall, Nelson, BC | November 28 | 100.0 % | 28,312 | — | — | 28,312 | — | 173 |
| | | | **$ 229,655** | **$10,470** | **$ —** | **$ 240,125** | **$ —** | **1,034** |
| **Q3 2022** | | | | | | | | |
| Parkwood Place, Prince George, BC | September 13 | 100.0 % | $ 30,500 | $ — | $ — | $ 30,500 | $ — | 370 |
| RioCan Greenfield, Greenfield Park, QC | September 8 | 100.0 % | 47,838 | — | — | 47,838 | — | 341 |
| Trinity Conception Square,Carbonear, NFLD | August 29 | 100.0 % | 14,900 | — | — | 14,900 | — | 182 |
| 107th Avenue Northwest, Edmonton, AB | July 7 | 100.0 % | 3,400 | — | — | 3,400 | — | 12 |
| | | | **$ 96,638** | **$ —** | **$ —** | **$ 96,638** | **$ —** | **905** |
| **Q2 2022** | | | | | | | | |
| Lethbridge Walmart Centre, Lethbridge, AB | June 6 | 100.0 % | $ 27,625 | $ — | $ — | $ 27,625 | $ — | 285 |
| RioCan Centre Vaughan, Vaughan, ON | May 3 | 100.0 % | — | 9,300 | — | 9,300 | — | — |
| | | | **$ 27,625** | **$ 9,300** | **$ —** | **$ 36,925** | **$ —** | **285** |
| **Q1 2022** | | | | | | | | |
| Mega Centre Notre-Dame, Sainte-Dorothée, QC (ii) (iii) | March 30 | 50.0 % | $ 32,728 | $ — | $ — | $ 32,728 | $ — | 126 |
| Highbury Shopping Plaza, London, ON | March 29 | 100.0 % | 10,750 | — | — | 10,750 | — | 71 |
| 97th Street Northwest, Edmonton, AB | March 17 | 100.0 % | 2,000 | — | — | 2,000 | — | 12 |
| Eastcourt Mall, Cornwall, ON | March 14 | 50.0 % | 6,945 | — | — | 6,945 | — | 71 |
| Timiskaming Square, New Liskeard, ON | March 14 | 50.0 % | 1,650 | — | — | 1,650 | — | 49 |
| 85 Bloor Street West, Toronto, ON (ii) (iv) | March 14 | 50.0 % | 17,500 | — | — | 17,500 | — | 7 |
| The Well (Building C), Toronto, ON (v) | January 24 | 40.0 % | — | 14,507 | — | 14,507 | — | — |
| | | | **$ 71,573** | **$14,507** | **$ —** | **$ 86,080** | **$ —** | **336** |
| **Total 2022 Dispositions** | | | **$ 425,491** | **$34,277** | **$ —** | **$ 459,768** | **$ —** | **2,560** |

(i) RioCan provided a vendor take-back mortgage with a fair value of $22.3 million related to this transaction.

(ii) The following represent partial interest dispositions. RioCan retained the remaining ownership interest in these properties.

(iii) Includes Desserte Ouest located in Sainte-Dorothée, QC.

(iv) RioCan disposed of a 100% ownership interest in 85 Bloor Street West to PR Bloor Street LP as part of the consideration to obtain a 50.0% interest in the joint venture. See the *Joint Arrangements* section of this MD&A for more information.

(v) The Well (Building C) disposition includes cost recoveries of $1.1 million.

In 2022, the Trust completed $459.8 million of dispositions at a weighted average capitalization rate of 7.74%, a testament to the quality of and demand for the Trust's assets, which include $425.5 million of income producing assets at a weighted average capitalization rate of 8.37% and $34.3 million of development properties with no in-place income.

As of February 15, 2023, the Trust has firm or conditional deals and deals that closed subsequent to year end to sell full or partial interests in a number of properties totaling $43.0 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.

## Mortgages and Loans Receivable

Contractual mortgages and loans receivable as at December 31, 2022 and December 31, 2021 are comprised of the following:

| *(thousands of dollars)* | Weighted average | | | | |
|---|---|---|---|---|---|
| As at | Contractual interest rates (i) | Effective interest rates (i) | Terms to maturity (in years) (i) | **December 31, 2022** | December 31, 2021 |
| Mezzanine financing to co-owners | 9.06% | 9.06% | 3.9 | **$ 197,537** | $ 178,230 |
| Vendor take-back and other | 4.09% | 6.05% | 3.3 | **71,802** | 59,560 |
| **Total** | 7.73% | 8.26% | 3.8 | **$ 269,339** | $ 237,790 |
| Floating rate loans (ii) | 9.87% | 9.87% | 3.8 | **$ 75,020** | $ 51,005 |
| Fixed rate loans (iii) | 6.91% | 7.63% | 3.8 | **194,319** | 186,785 |
| **Total** | 7.73% | 8.26% | 3.8 | **$ 269,339** | $ 237,790 |

(i) Information presented as at December 31, 2022.

(ii) As at December 31, 2021, contractual interest rate and effective interest rates were 6.00%% and 6.00%, respectively.

(iii) As at December 31, 2022, $10.4 million included in fixed rate loans was variable to the prime rate, with a prime rate floor of 3.95% and prime rate cap of 4.95% (December 31, 2021 - $9.8 million).

All of the $269.3 million of mortgages and loans receivable as at December 31, 2022 are carried at amortized cost. RioCan's Declaration of Trust and certain credit agreements contain provisions that have the effect of limiting the investment in mortgages receivable under specific circumstances. Refer to Note 26 of the 2022 Annual Consolidated Financial Statements for further details.

## 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 (EAI JV). RioCan has 45 properties in joint operations and 15 properties in 6 joint ventures. 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); Woodbourne Canada Partners (Woodbourne); and Sun Life Financial. The Trust also has partial interests in 15 properties held through joint ventures with Hudson's Bay Company (HBC), Marketvest Corporation/Dale-Vest Corporation, Fieldgate Urban (Fieldgate), Parallax Properties Inc. (Parallax), Metropia and with a number of investors in RC (Queensway) LP, which are included in our equity-accounted investments in the 2022 Annual Consolidated Financial Statements.

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 provide 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 may arise 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 $255.4 million as at December 31, 2022 on behalf of co-owners/partners (December 31, 2021 - $225.4 million).

In addition to the 6 joint ventures, the Trust has significant influence over 5 limited partnerships, and, as a result, these are also equity-accounted investments.

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

#### *Total Assets*

| *(thousands of dollars)* As at December 31, 2022 | Income properties | PUD | Residential inventory | Other (i) | Total assets | Total assets as at December 31, 2021 |
|---|---|---|---|---|---|---|
| Joint operations: | | | | | | |
| **Total assets of proportionately consolidated joint operations** | **$ 1,940,747** | **$ 757,918** | **$ 239,436** | **$ 170,402** | **$ 3,108,503** | $ 2,818,537 |
| Equity-accounted joint ventures: | | | | | | |
| HBC (RioCan-HBC JV) | **$ 383,884** | **$ —** | **$ —** | **$ 33,718** | **$ 417,602** | $ 431,639 |
| Marketvest Corporation/Dale-Vest Corporation (Dawson-Yonge LP) | **9,436** | **—** | **—** | **211** | **9,647** | 9,135 |
| Bloor Street West (RioCan-Fieldgate LP) | **—** | **1,918** | **15,179** | **380** | **17,477** | 16,429 |
| RC (Queensway) LP | **—** | **1,390** | **15,182** | **2,021** | **18,593** | 11,069 |
| RC (Leaside) LP - Class B | **—** | **—** | **10,273** | **63** | **10,336** | 10,235 |
| PR Bloor Street LP | **—** | **2,073** | **86,619** | **1,680** | **90,372** | — |
| Total assets of equity-accounted joint ventures (ii) | **$ 393,320** | **$ 5,381** | **$ 127,253** | **$ 38,073** | **$ 564,027** | $ 478,507 |
| Other equity-accounted investments (ii) | **—** | **—** | **87,283** | **7,707** | **94,990** | 97,058 |
| Total assets of equity-accounted investments (ii) | **$ 393,320** | **$ 5,381** | **$ 214,536** | **$ 45,780** | **$ 659,017** | $ 575,565 |
| **Total joint operations and equity-accounted investments (ii)** | **$ 2,334,067** | **$ 763,299** | **$ 453,972** | **$ 216,182** | **$ 3,767,520** | $ 3,394,102 |

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

(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.

#### *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.

| | Three months ended December 31 | | Years ended December 31 | |
|---|---|---|---|---|
| *(thousands of dollars)* | **2022** | 2021 | **2022** | 2021 |
| Joint Operations: | | | | |
| **Total NOI from proportionately consolidated joint operations** | **$ 21,358** | $ 17,078 | **$ 73,249** | $ 64,444 |
| Equity-accounted investments: | | | | |
| Joint ventures: | | | | |
| HBC (RioCan-HBC JV) | **$ 5,424** | $ 5,402 | **$ 21,389** | $ 20,501 |
| Marketvest Corporation/Dale-Vest Corporation (Dawson-Yonge LP) | **123** | 97 | **486** | 403 |
| Bloor Street West (RioCan-Fieldgate LP) | **4** | 8 | **28** | 67 |
| RC (Queensway) LP | **—** | 50 | **29** | 105 |
| PR Bloor Street LP | **258** | — | **914** | — |
| **Total NOI of equity-accounted joint ventures** | **$ 5,809** | $ 5,557 | **$ 22,846** | $ 21,076 |
| Other equity-accounted investments | **63** | 115 | **283** | 350 |
| **Total NOI of equity-accounted investments** | **$ 5,872** | $ 5,672 | **$ 23,129** | $ 21,426 |
| **Total NOI of joint operations and equity-accounted investments** | **$ 27,230** | $ 22,750 | **$ 96,378** | $ 85,870 |

#### *PR Bloor Street LP*

On March 14, 2022, RioCan and Parallax sold 100% interest in their respective properties, 85 Bloor Street West and 93 Bloor Street West, in exchange for partnership units of PR Bloor Street LF, a 50/50 joint venture formed for the development of a mixed-use high-rise condominium project. In addition, on March 14, 2022, the partnership acquired 83 Bloor Street, 89-91, 95 and 95 A Bloor Street for an aggregate purchase price of $52.5 million at RioCan's ownership interest, excluding transaction costs. These transactions are more fully described in Note 4 of the 2022 Annual Consolidated Financial Statements.

## Capital Expenditures on Income Properties

***Maintenance Capital Expenditures***

Maintenance capital expenditures consist primarily of tenant improvements, third-party leasing commissions and certain recoverable and non-recoverable capital expenditures. Maintenance capital expenditures 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, 2022, the estimated weighted average age of our income property portfolio is approximately 26 years.

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 AFFO which, as discussed in the *Non-GAAP Measures* section of this MD&A, is used as an input in assessing a REIT's recurring economic earnings, 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 AFFO.

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 AFFO.

***Summary of Capital Expenditures***

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

| | Three months ended December 31 | | | Years ended December 31 | | | Normalized Capital Expenditures (i) | |
|---|---|---|---|---|---|---|---|---|
| *(thousands of dollars)* | **2022** | 2021 | Change | **2022** | 2021 | Change | **2022** | 2023 |
| Maintenance capital expenditures: | | | | | | | | |
| Tenant improvements and external leasing commissions | **$ 9,928** | $ 8,803 | $ 1,125 | **$ 33,450** | $ 29,724 | $ 3,726 | **$ 22,500** | $ 28,300 |
| Recoverable from tenants | **5,056** | 1,576 | 3,480 | **21,680** | 14,932 | 6,748 | **22,500** | 23,500 |
| Non-recoverable | **962** | 3,874 | (2,912) | **5,365** | 8,166 | (2,801) | **5,000** | 3,200 |
| | **$ 15,946** | $ 14,253 | $ 1,693 | **$ 60,495** | $ 52,822 | $ 7,673 | **$ 50,000** | $ 55,000 |
| Revenue enhancing capital expenditures | **18,220** | 12,963 | 5,257 | **40,972** | 25,134 | 15,838 | | |
| | **$ 34,166** | $ 27,216 | $ 6,950 | **$ 101,467** | $ 77,956 | $ 23,511 | | |

(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, 2022 were $60.5 million, $10.5 million higher than the Normalized Capital Expenditures estimate of $50.0 million. This was primarily related to $3.3 million of expenditures on certain properties prior to disposition, and an increase in tenant improvements and external leasing commissions from higher leasing activity. For 2023, normalized maintenance capital expenditure guidance is set at $55.0 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 going forward basis. Refer to the *Non-GAAP Measures* section of this MD&A for details on how estimates of Normalized Capital Expenditures were determined. Revenue enhancing capital expenditures of $50.0 million to $55.0 million are expected in 2023.

# DEVELOPMENT PROGRAM

RioCan's development program is a key component of its growth strategy serving to drive net asset value expansion, increasing NOI, and favourable portfolio diversification. Our development program has the following competitive advantages:

***Development Opportunities***

RioCan's sizable portfolio provides embedded development opportunities. The Trust's well-located retail centres are generally built with lot coverages of approximately 25% of the underlying lands which provides excess density for potential intensification. All development sites are well-located, transit-oriented locations in Canada's six largest metropolitan markets with over 82% of projects located in the GTA.

***Established Development Expertise***

RioCan operates an in-house development team with extensive experience to execute every stage of the development lifecycle from site identification, planning and design, construction management oversight, product delivery, and operations. The Trust has over 30 years of experience in the Canadian commercial real estate development landscape and a track record of successfully executing development projects.

***Strategic Financial & Risk Management***

RioCan's management team continuously reviews and prioritizes development opportunities allowing the Trust to actively manage development capital requirements and adapt to changing market conditions. New projects undergo rigorous planning to enable cost clarity in any environment. Given that RioCan's development pipeline primarily comprises of excess density embedded within existing income-producing assets, the Trust is able to manage the timing of development starts. If required, these assets can continue to generate income until the appropriate time to commence development is reached in order to generate strong incremental returns and increase the Trust's net asset value. Refer to the *Our Business and Our Business Environment* and *Risks and Uncertainties* sections of this MD&A for discussions about the development environment as well as associated development risk.

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

| **Category** | **Description** |
|---|---|
| Projects under construction | Development projects under active construction or anticipate to commence active construction in the next three months. |
| Shovel ready development sites | Zoning by-law approval, legal obligations achieved, as well as environmental and tenant encumbrances resolved. Upon financial commitment and site plan approval, project will commence construction. |
| Zoning approved | Achieved full zoning by-law amendment approval. |
| Zoning application submitted | Trust has submitted re-zoning application to change municipality zoning designation and / or increase density. |
| Future developments | Sites identified in key urban markets with potential for mixed-use and residential development. The Trust is actively reviewing redevelopment strategy on these sites including re-zoning and entitlement process to seek incremental density. |

## Development Pipeline

RioCan's development pipeline on a proportionate share basis in equity-accounted joint ventures as at December 31, 2022 is summarized below:

| | Estimated GFA (i) | | | | Investment | | | |
|---|---|---|---|---|---|---|---|---|
| *(in thousands of dollars or sq. ft. and at RioCan's interest unless otherwise noted)* | Commercial | Residential (ii) | Total (iii)(iv) | Residential units at 100% ownership (i) | Residential inventory cost to date(v)(vi) | PUD cost to date (v) | Estimated cost to complete | Estimated total |
| Projects under construction (vii) | 738 | 1,207 | 1,945 | 3,493 | $ 223,257 | $ 667,331 | $ 746,072 | $ 1,636,660 |
| Shovel ready development sites | 636 | 901 | 1,537 | 2,265 | 3,287 | 77,374 | — | 80,661 |
| Zoning approved | 1,417 | 10,112 | 11,529 | 11,822 | 57,528 | 91,272 | — | 148,800 |
| Zoning application submitted | 636 | 7,518 | 8,154 | 11,108 | 123,910 | 59,809 | — | 183,719 |
| Future developments | 1,779 | 17,966 | 19,745 | 14,515 | 4,150 | 97,709 | — | 101,859 |
| Development lands & others | — | — | — | — | — | 65,783 | — | 65,783 |
| **Total Development at Cost** | **5,206** | **37,704** | **42,910** | **43,203** | **$ 412,132** | **$1,059,278** | **$ 746,072** | **$ 2,217,482** |
| **Total properties under development at fair value** | | | | | | **$1,178,610** | | |

(i) Estimated GFA and the number of residential units are based on current development plans, final square footage and units may differ. Effective Q4 2022, the development pipeline is measured in GFA and excludes any completed components of the projects.

(ii) Includes residential condominiums, townhouse, and residential rental development.

(iii) Estimate total square footage includes 4.8 million square feet of NLA currently income producing.

(iv) Change in total development pipeline from prior quarter resulted mainly from a decrease of 1.3 million square feet from Q4 2022 completions and removing square footage of project phases completed in prior periods, 1.6 million square feet from the disposition of Mill Woods Town Centre and an increase of 3.5 million square feet from converting from NLA to GFA in Q4 2022.

(v) Non-GAAP financial measures are presented at RioCan's Proportionate Share in Equity-Accounted Joint Ventures. Refer to the *Non-GAAP Measures* section in this MD&A for more information.

(vi) Residential inventory cost to date includes commissions.

(vii) Estimated NLA on projects under construction approximates 1.7 million square feet by applying a 90% GFA conversion factor.

## Completed Developments

For the year ended December 31, 2022, RioCan transferred a total of 651,000 square feet of new development including 650 residential units.

During the quarter, the Trust completed Rhythm, a rental residential development comprising 213 premium units. Rhythm is conveniently located next to RioCan's Westgate Shopping Centre with close proximity to downtown Ottawa. Progress continues at The Well with the Trust delivering 147,000 square feet of office and 4,000 square feet of retail space.

The following tables detail RioCan's development completions in the year ended December 31, 2022:

*(in thousands and at RioCan's interest unless otherwise noted)*

| Project / Location | % Ownership | Residential units at 100% ownership | NLA (in '000 sq. ft.) Q1 | Q2 | Q3 | Q4 | Total | Tenants |
|---|---|---|---|---|---|---|---|---|
| **Mixed-use** | | | | | | | | |
| Latitude, Gloucester, ON | 50% | 208 | 83 | — | — | — | 83 | Residential |
| Strada, Toronto, ON | 50% | 61 | 27 | — | — | — | 27 | Residential, Healthy Planet |
| Luma, Ottawa, ON | 50% | 168 | — | — | 63 | — | 63 | Residential |
| Rhythm, Ottawa, ON | 50% | 213 | — | — | — | 73 | 73 | Residential |
| The Well, Toronto, ON | 50% | n/a | — | 36 | 105 | 151 | 292 | Financeit, MD&C LLP, Enwave, Index Exchange, Intuit, Quadrangle, Shopify, Torstar, Netflix, Dyson |
| **Subtotal mixed-use** | | **650** | **110** | **36** | **168** | **224** | **538** | |
| **Retail** | | | | | | | | |
| Centre St. Jean, St. Jean sur Richelieu, QC | 100% | n/a | 2 | — | — | — | 2 | A&W |
| Yonge Sheppard Centre, Toronto, ON | 100% | n/a | — | 19 | — | — | 19 | Cactus Club Café |
| Strawberry Hill Shopping Centre, Surrey, BC | 100% | n/a | — | — | 3 | — | 3 | Jollibee |
| Oakville Place, Oakville, ON | 50% | n/a | — | — | 8 | — | 8 | Laura |
| Garden City, Winnipeg, MB | 100% | n/a | — | — | — | 4 | 4 | Five Guys |
| RioCan Shawnessy, Calgary, AB | 100% | n/a | 33 | 14 | — | 30 | 77 | London Drugs, Value Village, Calgary Climbing Centre |
| **Subtotal retail** | | **—** | **35** | **33** | **11** | **34** | **113** | |
| **Total completed developments** | | **650** | **145** | **69** | **179** | **258** | **651** | |

During 2022, RioCan completed two condominium / townhouse projects for a combined 608 residential units, recognizing a total inventory gain of $22.4 million on a total investment of $91.3 million.

The following tables detail RioCan's condominium / townhouse completions in the year ended December 31, 2022:

*(in thousands of dollars and at RioCan's interest unless otherwise noted)*

| Project / Location | % Ownership | Units at 100% ownership | Revenue | Cost | Commissions | Inventory gain |
|---|---|---|---|---|---|---|
| **Condominium / townhouses** | | | | | | |
| U.C. Uptowns, Oshawa, ON (i) | 50% | 105 | $ 25,600 | $ 21,719 | $ 718 | $ 3,163 |
| U.C. Tower, Oshawa, ON (ii) | 50% | 503 | 93,059 | 69,603 | 4,246 | 19,210 |
| **Total condominium / townhouse developments** | | **608** | **$ 118,659** | **$ 91,322** | **$ 4,964** | **$ 22,373** |

(i) A total of 153 units were developed at U.C. Uptowns, of which 48 units sold in 2021.

(ii) Of the completed 503 units, one completed unit is expected to close in 2023.

The Trust's development completions for 2022 and projected completions in 2023 are summarized as follows:

| *(in thousands dollars and RioCan's interest)* | Development completions | | | | |
|---|---|---|---|---|---|
| Completion year | NLA completion (sq. ft.) | IFRS cost transfers from PUD to IPP | Adjustments to cash basis (i) | Total net costs transfers from PUD to IPP (ii) | Incremental stabilized cash NOI (ii) (iii) |
| 2022 | 651,000 | $ 565,520 | $ (60,553) | $ 504,967 | $ 24,132 |
| 2023 (iv) | 633,000 | $ 673,000 | $ (43,400) | $ 629,600 | $ 28,136 |

(i) Adjustments to cash basis include: vacant land costs, proceeds from land sales recognized during the life of the project, applicable interim income or fee income earned during the development period, capitalized interest on invested equity, and fair value on initial amounts transferred into properties under development.

(ii) Non-GAAP financial measure.

(iii) 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.

(iv) Forward-looking information.

## Development Projects Under Construction

RioCan currently has 11 mixed-use developments and two retail developments under active construction. Upon completion of these projects, the Trust is expected to deliver a total of 738,000 square feet of commercial space and 3,493 residential units, including 2,510 condominium units, and 65 town homes. The following table details RioCan's development projects under construction on a proportionate share basis including equity-accounted joint ventures as at December 31, 2022:

| *(in thousands dollars and RioCan's interest unless otherwise noted)* | | | Estimated GFA ('000 sq. ft.) (i) | | Investment | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | % Ownership | Residential units at 100% ownership (i) | Commercial | Residential | Residential inventory (ii) (iii) | PUD (ii) | Estimated cost to complete | Estimated total (iii) | Estimated residential inventory sales revenue | Estimated completion period (iv) |
| **Mixed-use** | | | | | | | | | | |
| The Well, Toronto, ON | 50 % | — | 529 | — | $ — | $445,486 | $ 123,894 | $ 569,380 | n/a | 2023 H1 - 2024 H1 |
| FourFifty The Well, Toronto, ON | 50 % | 592 | — | 210 | — | 105,525 | 46,490 | 152,015 | n/a | 2023 H2 - 2024 H2 |
| Luma, Ottawa, ON | 50 % | — | 6 | — | — | 2,956 | 2,185 | 5,141 | n/a | 2023 H2 |
| Rhythm, Ottawa, ON | 50 % | — | 10 | — | — | — | 5,151 | 5,151 | n/a | 2023 H2 |
| U.C. Towns 2, Oshawa, ON (v) | 50 % | 65 | — | 51 | 2,020 | — | 15,328 | 17,348 | $27,000 - $28,000 | 2023 H2 |
| 5th & THIRD East Village, Calgary, AB | 100 % | — | 21 | — | — | 10,036 | 1,150 | 11,186 | n/a | 2024 H2 |
| 11 YV, Toronto, ON - Rental | 50 % | 81 | 17 | 28 | — | 28,008 | 21,589 | 49,597 | n/a | 2024 H2 |
| 11 YV, Toronto, ON - Condominium | 50 % | 587 | — | 217 | 144,699 | — | 120,514 | 265,213 | $328,000 - $330,000 | 2024 H2 |
| Queen & Ashbridge, Toronto, ON - Rental | 50 % | 233 | 10 | 104 | — | 24,425 | 50,926 | 75,351 | n/a | 2025 H1 |
| Queen & Ashbridge, Toronto, ON - Condominium | 50 % | 399 | — | 144 | 42,364 | — | 84,514 | 126,878 | $151,000 - $153,000 | 2025 H1 |
| U.C. Tower 2, Oshawa, ON | 50 % | 606 | — | 228 | 17,128 | — | 108,832 | 125,960 | $157,000 - $159,000 | 2024 H2 |
| U.C. Tower 3, Oshawa, ON | 50 % | 386 | — | 138 | 624 | — | 81,287 | 81,911 | $126,000 - $128,000 | 2025 H1 |
| Verge, Toronto, ON - Rental | 20 % | 12 | 6 | 2 | — | 1,376 | 4,073 | 5,449 | n/a | 2025 H1 |
| Verge, Toronto, ON - Condominium | 20 % | 532 | — | 85 | 16,422 | — | 46,319 | 62,741 | $71,000 - $73,000 | 2025 H1 |
| **Subtotal mixed-use** | | **3,493** | **599** | **1,207** | **$ 223,257** | **$617,812** | **$ 712,252** | **$1,553,321** | **$860,000 - $871,000** | |
| **Retail** | | | | | | | | | | |
| RioCan Windfields, Oshawa, ON - Phase 1 | 100 % | n/a | 23 | — | n/a | 21,073 | 3,119 | 24,192 | n/a | 2023 H2 |
| East Hills, Calgary, AB | 40 % | n/a | 116 | — | n/a | 28,446 | 30,701 | 59,147 | n/a | 2024 H1 - 2026 H2 |
| **Subtotal retail** | | **—** | **139** | **—** | **—** | **49,519** | **33,820** | **83,339** | **—** | |
| **Total projects under construction** | | **3,493** | **738** | **1,207** | **$ 223,257** | **$667,331** | **$ 746,072** | **$1,636,660** | **$860,000 - $871,000** | |

(i) Estimated GFA and residential units are based on current development plans, final square footage and units may differ.

(ii) Non-GAAP financial measures, refer to the *Non-GAAP Measures* section in this MD&A for more information.

(iii) Includes selling commissions which are included in prepaid expenses and other assets. Costs are transferred to cost of sales upon buyer interim possession.

(iv) H1 and H2 denotes first six months and the last six months of the year, respectively. Estimated completion period on condominium developments represent estimated interim closing with final closing approximately 12 to 15 months thereafter.

(v) U.C. Towns 2, interim and final closings are expected in the second half of 2023.

## The Well, Toronto, ON

The Well is the most ambitious development in Canada of its scale. As an extension of the vibrant King West neighbourhood of Toronto, this mixed-use development is expected to deliver at RioCan's share approximately 733,000 square feet of commercial space with a total expected investment of $910.7 million. 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 completed air rights sales proceeds.

As at December 31, 2022, approximately 91% of the total commercial space at The Well has been leased. To date, the Trust has completed 292,000 square feet of commercial space and anticipates full project completion in early 2024. Development completions at The Well are transferred at the earlier of cash rent commencement and the date tenants begin operations. The Trust expects development completions to largely coincide with tenants' cash rent commencement dates. In instances where tenants began operations prior to cash rent commencement, the Trust will recognize straight-line rent from the date of tenant operations. This completion transfer methodology results in the capitalization of development carrying costs up to the end of the fixturing period.

| | Estimated NLA (sq. ft.) | | | Investment | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| *(in thousands dollars and RioCan's interest)* | Completed | PUD | Total | Completed | Cost to date | Estimated cost to complete | Total estimated cost | Adjustments to cash basis (i) | Estimated total net cost (i) |
| Investment Property | 292,000 | 441,000 | 733,000 | $ 341,341 | $ 445,486 | $ 123,894 | $ 910,721 | $ (64,367) | $ 846,354 |

(i) Non-GAAP financial measure. Adjustments to cash basis include: vacant land costs, proceeds from land sales recognized during the life of the project, applicable interim income or fee income earned during the development period, capitalized interest on invested equity, and fair value on initial amounts transferred into properties under development.

## FourFifty The Well, Toronto, ON

FourFifty The Well is a 46-storey luxury residential rental comprising of 592 units. This building will provide its residents with direct access through its retail podium to superior amenities within The Well, including The Wellington Market™ and other conveniences offering a one-stop shop for living, shopping, working and entertainment. Construction continues to progress, with phased completion and first occupancy in the second half of 2023, with an anticipated 18 month lease-up period.

| | Estimated GFA (sq. ft.) | | | Investment | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| *(in thousands dollars and RioCan's interest)* | Completed | PUD | Total | Completed | Cost to date | Estimated cost to complete | Total estimated cost | Adjustments to cash basis (i) | Estimated total net cost (i) |
| Investment Property | — | 210,000 | 210,000 | $ — | $ 105,525 | $ 46,490 | $ 152,015 | $ (7,819) | $ 144,196 |

(i) Non-GAAP financial measure. Adjustments to cash basis include: vacant land costs, proceeds from land sales recognized during the life of the project, applicable interim income or fee income earned during the development period, capitalized interest on invested equity, and fair value on initial amounts transferred into properties under development.

## U.C. Towns 2, U.C. Tower 2, and Tower 3, Oshawa, ON

Located in north Oshawa with close proximity to Ontario Highway 407, this multi-phase residential development is adjacent to RioCan Windfields shopping centre, providing residents convenient access to essential retail and restaurant amenities. Construction is progressing well on all phases with U.C. Towns 2 expected to achieve final close in the second half of 2023. U.C. Tower 2 and U.C. Tower 3 are under construction. On a combined basis, 82% of units at U.C. Tower 2 and U.C. Tower 3 are released to market, of which 88% are pre-sold.

## 11 YV, Toronto, ON

11 YV is a 62-storey mixed-use development offering 587 luxury condominium units, 81 rental replacement residential units and approximately 34,000 square feet of retail space. Located in the heart of Toronto's prestigious Yorkville neighbourhood, 11YV provides access to luxury retail shops, upscale dining, museums, and several Toronto Transit Commission ("TTC") Subway stations within walking distance. Above grade construction continues, all condominium units are released to market with 99% of units pre-sold.

## Queen & Ashbridge, Toronto, ON

Queen & Ashbridge is a mixed-use development offering 233 residential rental units, 399 condominium units and podium retail space. The development is well-located between The Beaches and Leslieville neighbourhoods in Toronto with close proximity to parks, waterfront amenities, boutique retail and restaurants. Above grade construction continues, all condominium units are released to market with 96% of units pre-sold.

## Verge, Toronto, ON

Verge is a mixed-use development offering 532 condominium units,12 rental units and at-grade retail. Verge is located at the southwest corner of Islington Avenue and The Queensway in Toronto with direct access to the Gardiner Expressway and in close proximity to a GO Station and a TTC Subway station. Construction commenced in summer 2022, 89% units are released to market, of which 97% of units pre-sold.

## Development Projects in Planning

RioCan continues to unlock high-quality development opportunities in its existing portfolio. The Trust's development pipeline focuses on mixed-use development projects with substantially all of its developments located in Canada's six largest urban markets. As of this year end, the Trust has 12.4 million square feet of zoned mixed-use development sites in planning, of which 0.9 million square feet is shovel ready. Shovel ready sites have achieved necessary zoning designation, legal approvals, and environment and tenant encumbrances have been resolved at which time the Trust is in a position to commence construction once total project capital is finalized and committed. Additionally, the Trust has submitted applications for 8.2 million square feet of mixed-use developments, all located in the GTA.

The following table details RioCan's development projects in planning including equity-accounted joint ventures as at December 31, 2022:

| | | | | Potential GFA ('000 sq.ft.) (i) | | | | |
|---|---|---|---|---|---|---|---|---|
| | (in $ thousands and RioCan's interest unless otherwise noted) | Development type | % Ownership | Commercial | Residential | Total | Potential residential units at 100% ownership (i) | Carrying cost (ii) |
| | **Shovel ready development sites** | | | | | | | |
| F5 | Shoppers World Brampton, ON - Phase 1 | Mixed-use | 100 % | — | 544 | 544 | 759 | $ 6,088 |
| | Gloucester - Future Phases, Ottawa, ON | Mixed-use | 50 % | 10 | 257 | 267 | 630 | 3,382 |
| | Next, Surrey, BC | Mixed-use | 100 % | — | 100 | 100 | 123 | 5,823 |
| | RioCan Windfields, Oshawa, ON | Retail | 100 % | 586 | — | 586 | 753 | 56,090 |
| | 6 projects | Retail | various | 40 | — | 40 | n/a | 9,278 |
| | **Subtotal shovel ready sites** | | | **636** | **901** | **1,537** | **2,265** | **80,661** |
| | **Zoning approved development sites** | | | | | | | |
| F5 | Shoppers World Brampton, ON - Future phases | Mixed-use | 100 % | 429 | 3,156 | 3,585 | 3,969 | — |
| F5 | RioCan Leaside Centre, Toronto, ON (iii) | Mixed-use | 100% Rental 25% Condo | 178 | 812 | 990 | 1,452 | 92,010 |
| | 2955 Bloor Street West, Toronto, ON | Mixed-use | 100 % | 8 | 98 | 106 | 126 | 1,571 |
| | 2323 Yonge Street, Toronto, ON | Mixed-use | 50 % | 36 | 130 | 166 | 352 | 1,144 |
| | Dufferin Plaza, Toronto, ON | Mixed-use | 50 % | 8 | 240 | 248 | 606 | 18,088 |
| | Markington Square, Toronto, ON | Mixed-use | 100 % | 79 | 904 | 983 | 1,209 | 1,387 |
| | RioCan Durham Centre, Ajax, ON | Mixed-use | 100 % | 28 | 613 | 641 | 754 | 10,054 |
| | Clarkson Village, Mississauga, ON | Mixed-use | 100 % | 24 | 480 | 504 | 591 | 20,434 |
| | RioCan Grand Park, Mississauga, ON | Mixed-use | 100 % | 17 | 221 | 238 | 272 | 2,653 |
| | Elmvale, Ottawa, ON | Mixed-use | 100 % | 113 | 344 | 457 | 848 | — |
| | Westgate, Ottawa, ON | Mixed-use | 100 % | 67 | 524 | 591 | 643 | — |
| | RioCan Brentwood, Calgary, AB | Mixed-use | 100 % | — | 810 | 810 | 1,000 | — |
| | Jasper Gates, Edmonton, AB | Mixed-use | 100 % | 243 | 912 | 1,155 | — | 638 |
| | Southland Crossing, Calgary, AB (iv) | Mixed-use | 100 % | 187 | 868 | 1,055 | — | 821 |
| | **Subtotal zoning approved sites** | | | **1,417** | **10,112** | **11,529** | **11,822** | **148,800** |
| | **Zoning application submitted development sites** | | | | | | | |
| F5 | RioCan Scarborough Centre, Toronto, ON - Golden Mile | Mixed-use | 100 % | 202 | 4,069 | 4,271 | 4,983 | 6,653 |
| F5 | RioCan Hall, Toronto, ON | Mixed-use | 100 % | 328 | 530 | 858 | 693 | 11,535 |
| | 2345 Yonge Street, Toronto, ON | Mixed-use | 50 % | 68 | 214 | 282 | 648 | 876 |
| | 2990 Eglinton Avenue East, Toronto, ON | Mixed-use | 100 % | 6 | 737 | 743 | 935 | 2,574 |
| | 2939 Bloor Street West, Toronto, ON | Mixed-use | 50 % | 8 | 69 | 77 | 242 | 17,101 |
| | 3180 Dufferin Street, Toronto, ON | Mixed-use | 50 % | 8 | 211 | 219 | 555 | 32,947 |
| | 85 Bloor Street West, Toronto, ON | Mixed-use | 50 % | 6 | 379 | 385 | 1,118 | 88,659 |
| | Bloor Street West & Lansdowne Avenue, Toronto, ON | Mixed-use | 100 % | 3 | 195 | 198 | 230 | 1,010 |
| | Above, Mississauga, ON | Mixed-use | 50 % | 7 | 198 | 205 | 577 | 22,364 |
| | Sandalwood Square, Mississauga, ON | Mixed-use | 100 % | — | 916 | 916 | 1,127 | — |
| | **Subtotal zoning application submitted sites** | | | **636** | **7,518** | **8,154** | **11,108** | **183,719** |
| | **Future developments** | | | | | | | |
| F5 | RioCan Colossus Centre, Vaughan, ON | Mixed-use | 100 % | 788 | 9,212 | 10,000 | 11,270 | 19,850 |
| | 12 projects | Mixed-use | various | 991 | 8,754 | 9,745 | 3,245 | 82,009 |
| | **Subtotal future developments** | | | **1,779** | **17,966** | **19,745** | **14,515** | **101,859** |
| | **Total development projects in planning** | | | **4,468** | **36,497** | **40,965** | **39,710** | **$ 515,039** |

(i) Potential GFA and residential units are estimates base on current development plans, final square footage and units may differ.
(ii) Includes residential inventory and properties under development cost to date.
(iii) RioCan owns 970 residential units which include 809 rental units at 100% ownership and 643 condominium units of which the Trust owns 25%.
(iv) Southland Crossing sold subsequent to year end.

### RioCan's Focus Five ("F5") large scale projects

With many opportunities to advance development opportunities embedded within the existing portfolio, RioCan has chosen five projects to prioritize our efforts. These Focus Five sites are large scale, transit-oriented, mixed-use developments in the GTA that the Trust is currently advancing through zoning and site plan approval process. The projects will be built in phases, have the potential to deliver 20.2 million square feet and 23,126 residential units. The scale of these projects provides optionality to create value through development, partnerships and air rights sales, driving growth for many years to come.

### RioCan Leaside Centre, Toronto, ON

RioCan Leaside Centre is an 8.8-acre real estate development situated at the southeast corner of Eglinton East & Laird Drive in the upscale neighbourhood of Leaside. The forthcoming Eglinton Crosstown Light Rapid Transit ("LRT") will provide this master-planned community, comprising of eight towers, unparalleled connectivity. When complete, this project will span approximately 1.0 million square feet. The development will offer 1,452 residential units, retail spaces, public parks, community centres, and privately-owned public spaces elevating the urban vibrancy of the neighborhood. The Zoning By-law Amendment has been approved by the City of Toronto and the Trust has submitted Site Plan Application to the City of Toronto.

### Shoppers World Brampton, ON

RioCan’s Shoppers World Brampton is a 52.1-acre site that currently contains an approximate 700,000 square foot community shopping centre located in Brampton, Ontario. The property is located in the GTA within close proximity of major regional and municipal rapid transit, including the proposed Hurontario LRT, and is ideally suited for mixed-use redevelopment. The City of Brampton has targeted the site as the “Uptown Gateway” in its 2040 Vision Report. The project will be a multi-phase development totaling approximately 4.1 million square feet. The Trust has submitted Site Plan Approval for Phase 1A proposing two residential towers with at-grade commercial at the southwest corner of the property with direct frontage onto Steeles Avenue West and in walking distance to the proposed terminus stop of the future LRT.

### RioCan Scarborough Centre, Toronto, ON - Golden Mile

RioCan's Scarborough Centre is located in The Golden Mile district of Toronto and is set to undergo a significant transformation with the proposed development of an approximately 26.4-acre site located along Eglinton Avenue East. The master plan for this multi-phase, mixed-use community contemplates high-density residential and retail amenities. This transit-oriented site is located directly adjacent to the newly constructed transit stations of the Eglinton Crosstown LRT. RioCan’s development plan includes a total of 4.3 million square feet, and 4,983 residential units. The Zoning By-law Amendment has been approved by the City of Toronto with the Trust anticipating final zoning approval and Site Plan Application submission in 2023.

### RioCan Hall, Toronto, ON

RioCan Hall is a prime downtown Toronto landmark situated at the southwest corner of John Street and Richmond Street. The current development plan contemplates two mixed-use buildings offering 693 residential units, entertainment, retail and office spaces spanning across 0.9 million square feet. The design also includes a pedestrian-oriented podium and a public park leading into the development, contributing to the enhancement of community spaces and promoting a vibrant and livable community. The Zoning By-law Amendment has been approved by the City of Toronto with the Trust anticipating final zoning approval in 2023.

### RioCan Colossus Centre, Vaughan, ON

RioCan Colossus Centre, spanning an approximate area of 61.7 acres, is strategically located at the intersection of Highway 400 and Highway 7 in Vaughan - a rapidly growing municipality in the GTA. The location is situated in close proximity to the Vaughan Metropolitan Centre Station, providing access to the TTC Subway line and York Regional public transit. This project envisions a mixed-use community of approximately 10.0 million square feet comprising 11,270 residential units, office and retail spaces. This master-planned neighborhood will enhance the public realm through a newly connected street network, parks and pedestrian mews. The Trust will execute the development in a phased manner and has submitted an Official Plan Amendment to the City of Vaughan.

# CAPITAL RESOURCES AND LIQUIDITY

## Capital Management Framework

RioCan defines capital as the aggregate of Unitholder and preferred Unitholders' equity and debt. RioCan's capital is as follows:

| *(thousands of dollars)* | IFRS basis | | RioCan's proportionate share (i) | |
|---|---|---|---|---|
| As at | **December 31, 2022** | December 31, 2021 | **December 31, 2022** | December 31, 2021 |
| Total debt | **$ 6,742,343** | $ 6,610,618 | **$ 7,003,630** | $ 6,825,035 |
| Total equity | **7,728,892** | 7,911,344 | **7,728,892** | 7,911,344 |
| Total capital | **$ 14,471,235** | $ 14,521,962 | **$ 14,732,522** | $ 14,736,379 |

(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 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 of Trust;
- 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. In selecting appropriate funding choices, RioCan's objective is to diversify its funding sources while minimizing its funding costs and risks. RioCan expects 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 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 and secured debt to 70%/30% of total debt respectively and to extend the weighted average term to maturity of the total debt portfolio beyond the current 3.45 years, when market conditions permit. This transition is expected to take time and will be balanced with credit rating implications, cost of debt, debt ladder composition, and liquidity needs.

### *Declaration of Trust and Financial Covenants*

As noted above, the Trust is subject to certain investment and debt restrictions. These restrictions include but are not limited to, total indebtedness, secured indebtedness, debt service coverage ratio, minimum unitholders' equity, ratio of unencumbered property assets to unsecured indebtedness and properties held for development as a percentage of consolidated gross book value of assets. In addition, the Declaration of Trust limits direct and indirect investments in greenfield developments and development properties held for resale (each net of related mortgage debt and including mezzanine financing which funds the co-owners' share of such developments) to no more than 15% of Adjusted Unitholders' Equity of the Trust (herein referred to as the "Basket Ratio" with Adjusted Unitholders' Equity as defined in the Declaration). As at December 31, 2022, the Basket Ratio was 6.1%. These and other covenants and restrictions are more fully described in Note 26 of the 2022 Annual Consolidated Financial Statements.

As at December 31, 2022, the Trust was in compliance with all of the restrictions under the Declaration of Trust and all financial covenants pursuant to the operating line of credit and credit facilities agreements and debentures payable.

## Debt Metrics

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

| | | Rolling 12 months ended | | | |
|---|---|---|---|---|---|
| | | IFRS basis | | RioCan's proportionate share (i) | |
| | Targeted Ratios (v) | **December 31, 2022** | December 31, 2021 | **December 31, 2022** | December 31, 2021 |
| Total Adjusted Debt to Total Adjusted Assets (i) (iii) | 38.0%- 42.0% | **44.3%** | 43.3% | **45.2%** | 43.9% |
| Adjusted EBITDA (i) | | **704,136** | 705,093 | **728,543** | 713,218 |
| Adjusted Debt to Adjusted EBITDA (i) | 8.0x - 9.0x | **9.49** | 9.44 | **9.51** | 9.59 |
| Interest Coverage (i) | >3.00x | **3.14** | 3.33 | **3.11** | 3.26 |
| Debt Service Coverage (i) | >2.25x | **2.61** | 2.71 | **2.58** | 2.64 |
| Ratio of floating rate debt to total debt (ii) (iii) | <15.0% | **6.5%** | 8.9% | **8.0%** | 9.6% |
| Ratio of Unsecured Debt to Total Contractual Debt (i) (iii) | 70.0% | **56.0%** | 61.4% | **53.9%** | 59.4% |
| Weighted average term to maturity (in years) (iii) | | **3.45** | 3.92 | **3.36** | 3.69 |
| Weighted average effective interest rate (iii) (iv) | | **3.40%** | 3.00% | **3.47%** | 3.03% |

(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) $131.6 million of floating rate debt pertains to a revolving unsecured operating line of credit. Excluding this, the ratio of floating rate debt to total debt on an IFRS basis is 4.6% and at RioCan's proportionate share is 6.1% (December 31, 2021 - 3.4% and 4.3%, respectively).

(iii) Information is as of respective period end.

(iv) Inclusive of hedges.

(v) Financial covenants pursuant to credit facilities agreements and debentures payable are less restrictive than management targeted ratios. Refer to Note 26 of the 2022 Annual Consolidated Financial Statements.

The Trust's Total Adjusted Debt to Total Adjusted Assets at RioCan's Proportionate Share increased from December 31, 2021 mainly due to higher Total Adjusted Debt as development activities were partly funded with incremental debt, partially offset by continuing investment in development related assets on the balance sheet and hedging instrument fair value gains.

Adjusted EBITDA is a key input in calculating the Adjusted Debt to Adjusted EBITDA, Interest Coverage and Debt Service Coverage ratios. Adjusted EBITDA at RioCan's Proportionate Share increased for the rolling twelve months ended December 31, 2022 when compared to December 31, 2021 as a result of higher fee income and higher NOI mainly from higher in-place occupancy and lower pandemic-related provision, net of dispositions.

The decrease in Adjusted Debt to Adjusted EBITDA at RioCan's Proportionate Share for the rolling twelve months ended December 31, 2022 when compared to December 31, 2021 was primarily due to the higher Adjusted EBITDA partially offset by higher average Total Adjusted Debt.

The decrease in the Interest Coverage and Debt Service Coverage ratios at RioCan's Proportionate Share for the rolling twelve months ended December 31, 2022 when compared to December 31, 2021 is mainly due to higher interest costs partially offset by higher Adjusted EBITDA. Lower scheduled principal amortization also offset the decrease in the Debt Service Coverage Ratio.

The floating interest rate debt exposure decreased from December 31, 2021 mainly due to the issuance of the $250.0 million Series AF senior unsecured debenture which was used to repay a revolving unsecured line of credit, net of the factor on timing of development spend.

## 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. A credit rating of BBB- or higher by S&P and BBB (low) or higher by DBRS is considered an investment-grade rating. On June 9, 2022, S&P affirmed its Issuer Credit Rating of BBB and changed the Outlook from Negative to Stable. On December 6, 2022, DBRS confirmed its Issuer Credit Rating for RioCan at BBB with Stable trend. The following table summarizes RioCan’s credit ratings as at December 31, 2022:

| | **S&P** | | **DBRS** | |
|---|---|---|---|---|
| | **Credit Rating** | **Outlook** | **Credit Rating** | **Trend** |
| Issuer Credit Rating | BBB | Stable | 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:

| | Contractual principal maturities and interest rates | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| *(thousands of dollars)* | Debentures payable | Weighted average interest rate (ii) | Mortgages payable | Weighted average interest rate (ii) | Lines of credit and other bank loans | Weighted average interest rate (ii) | **Total debt** | **Weighted average interest rate (ii)** |
| Year of debt maturity | | | | | | | | |
| 2023 | $ 500,000 | 3.42% | $ 320,177 | 3.55% | $ 332,461 | 4.44% | **$1,152,638** | **3.75%** |
| 2024 | 300,000 | 3.29% | 238,713 | 3.44% | 531,673 | 3.76% | **1,070,386** | **3.56%** |
| 2025 | 500,000 | 2.58% | 527,991 | 3.32% | 79,945 | 6.10% | **1,107,936** | **3.19%** |
| 2026 | 600,000 | 2.64% | 138,440 | 3.55% | 65,610 | 5.68% | **804,050** | **3.04%** |
| 2027 | 350,000 | 2.36% | 197,623 | 2.55% | 133,648 | 6.34% | **681,271** | **3.20%** |
| Thereafter | 700,000 | 3.47% | 1,241,696 | 3.48% | — | —% | **1,941,696** | **3.48%** |
| Total Contractual Debt (i) | $ 2,950,000 | 2.99% | $2,664,640 | 3.39% | $1,143,337 | 4.53% | **$6,757,977** | **3.41%** |
| Unamortized debt financing costs, premiums and discounts on origination and debt assumed, and modifications | (7,949) | | (5,460) | | (2,225) | | **(15,634)** | |
| **Total debt (iii)** | **$ 2,942,051** | **3.06 %** | **$2,659,180** | **3.29%** | **$1,141,112** | **4.54 %** | **$6,742,343** | **3.40 %** |

(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) For hedged floating rate debt, the interest rate reflects the fixed rate in the interest swap. Including the benefit of bond forward hedges, the weighted average contractual interest rates for debentures is 2.93%, mortgages is 3.25% and total debt is 3.33%.

(iii) Weighted average interest rate reflects the effective interest rate, inclusive of bond forward hedges.

The Total Contractual Debt continuity schedule for the year ended December 31, 2022 is as follows:

| *(thousands of dollars)*<br>Year ended December 31, 2022 | Debentures Payable | Mortgages Payable | Lines of Credit and Other Bank Loans | Total |
|---|---|---|---|---|
| Total Contractual Debt, beginning of year | $ 3,000,000 | $ 2,338,507 | $ 1,288,525 | **$ 6,627,032** |
| Borrowings | 250,000 | 347,623 | 178,554 | **776,177** |
| Scheduled amortization | — | (45,640) | — | **(45,640)** |
| Repayments | (300,000) | — | (323,742) | **(623,742)** |
| Vendor take-back mortgage or debt assumed | — | 24,150 | — | **24,150** |
| **Total Contractual Debt, end of year** | **$ 2,950,000** | **$ 2,664,640** | **$ 1,143,337** | **$ 6,757,977** |
| **Weight average contractual interest rate - new borrowing (i)** | **4.63%** | **4.63%** | **5.18%** | |

(i) For hedged floating rate debt, the interest rate reflects the fixed rate in the interest rate swap. Including bond forward hedges the weighted average contractual interest rates for new debentures is 3.87% and new mortgages is 3.58%.

### Debentures Payable

| *(thousands of dollars)*<br>As at | | | **December 31, 2022** | December 31, 2021 |
|---|---|---|---|---|
| | **Weighted average effective interest rate (ii)** | **Weighted average term to maturity (years)** | **Total** | Total |
| Debentures payable (i) | **3.06 %** | **3.2** | **$ 2,942,051** | $ 2,990,692 |

(i) Amount outstanding deducts a total of $7.9 million as at December 31, 2022 (December 31, 2021 - $9.3 million) in unamortized financing costs.

(ii) Inclusive of bond forward hedges.

#### *Issuance*

On April 18, 2022, RioCan issued $250 million of Series AF senior unsecured debentures. These debentures were issued at $99.998 per $100 of principal, with a coupon rate of 4.628% per annum and mature on May 1, 2029. Inclusive of the benefit of bond forward hedges, the all-in rate of these debentures is 3.870%. See the *Hedging Activities* section of this MD&A for more information regarding the bond forward hedges.

***Redemption***

On October 3, 2022, RioCan redeemed, in full, its $300 million, 2.830% Series Y unsecured debenture upon maturity. The repayment was primarily funded through six mortgages for a combined total of $295.5 million at a weighted average hedged interest rate of 3.667%.

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

*(thousands of dollars)*

| As at | | | | | |
|---|---|---|---|---|---|
| Series | Maturity date | Coupon rate | Interest payment frequency | **December 31, 2022** | December 31, 2021 |
| Y | October 3, 2022 | 2.83% | Semi-annual | **$ —** | $ 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** | 450,000 |
| AF | May 1, 2029 | 4.63% | Semi-annual | **250,000** | — |
| Contractual obligations | | | | **$ 2,950,000** | $ 3,000,000 |
| Unamortized debt financing costs | | | | **(7,949)** | (9,308) |
| Balance, end of year | | | | **$ 2,942,051** | $ 2,990,692 |

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, 2022** | December 31, 2021 |
|---|---|---|---|---|
| | **Weighted average effective interest rate (iii)** | **Weighted average term to maturity (years)** | **Total** | Total |
| Fixed rate mortgages - Conventional (i) (ii) | **3.35%** | **4.1** | **$ 2,422,295** | $ 2,143,788 |
| Fixed rate mortgages - CMHC (ii) | **2.67%** | **8.5** | **236,885** | 190,228 |
| **Total (ii)** | **3.29%** | **4.9** | **$ 2,659,180** | $ 2,334,016 |

(i) Includes hedged floating rate mortgages, interest rate reflects the fixed rate in the interest rate swaps.

(ii) Amount outstanding deducts a total of $5.5 million as at December 31, 2022 (December 31, 2021 - $4.5 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.

(iii) Inclusive of the bond forward hedges.

At the outset of 2022, RioCan had $54.4 million of mortgage principal maturing in 2022 at a weighted average contractual interest rate of 2.81%. For the year ended December 31, 2022, RioCan completed new term mortgage borrowings of $347.6 million at a weighted average hedged interest rate inclusive of bond forward hedges of 3.58% and a weighted average term of eight years, assumed a vendor take-back mortgage of $24.2 million, and repaid $45.6 million of mortgage balances and scheduled amortization.

Maximizing Canadian Mortgage and Housing Corporation (CMHC) insured mortgages is a key component of the Trust's debt strategy as they provide access to an alternative new source of financing and lowers the 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.

### 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, 2022** | December 31, 2021 |
|---|---|---|---|---|---|
| | Available facility | Weighted average interest rate (ii) | Maturity Date | Amounts drawn | Amounts drawn |
| Revolving unsecured operating line of credit (i) | **$1,250,000** | **6.34 %** | **May 31, 2027** | **$ 133,649** | $ 365,920 |
| Non-revolving unsecured credit facilities (i) | **200,000** | **3.53 %** | **January 31, 2023** | **200,000** | 200,000 |
| Non-revolving unsecured credit facilities (i) | **350,000** | **3.59 %** | **February 7, 2024** | **350,000** | 350,000 |
| Non-revolving unsecured credit facilities (i) | **150,000** | **3.68 %** | **June 27, 2024** | **150,000** | 150,000 |
| Construction lines and other bank loans | **577,250** | **5.89 %** | **December 2023 to February 2026** | **309,688** | 222,605 |
| Total Contractual | **$2,527,250** | **4.53 %** | | **$ 1,143,337** | $ 1,288,525 |
| Unamortized debt financing costs, premiums and discounts on origination and debt assumed, and modifications | | | | **(2,225)** | (2,615) |
| Total (iii) | | **4.54 %** | | **$ 1,141,112** | $ 1,285,910 |

(i) The underlying rates on amounts drawn under the revolving unsecured operating line of credit are based on floating rates while the underlying rates on the non-revolving unsecured credit facilities are all fixed through interest rate swaps. The credit spreads for the revolving unsecured operating line of credit and the non-revolving unsecured credit facilities are based on the Trust's credit rating. Effective January 2022, the all-in fixed interest rates of these facilities increased by 25 basis points due to changes in the credit spread as a result of a credit rating change by DBRS on December 1, 2021.

(ii) Inclusive of interest rate swaps used to hedge floating rate debt.

(iii) Weighted average interest rate reflects the effective interest rate.

During the year, the Trust increased the credit limit on its revolving unsecured operating line of credit by $250.0 million to $1.25 billion and extended the maturity till May 31, 2027. All other terms and conditions remained the same.

On January 31, 2023, RioCan refinanced its $200 million non-revolving unsecured credit facility with a weighted average annual all-in fixed rate of 4.93% through interest rate swaps and a maturity date of February 5, 2025 with an option to extend to January 30, 2026, all other terms were similar to the matured facility.

## 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.

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.

As at December 31, 2022, RioCan had $1.5 billion of Liquidity as summarized in the following table:

| *(thousands of dollars, except where otherwise noted)* | IFRS basis | | RioCan's proportionate share (i) | |
|---|---|---|---|---|
| As at | **December 31, 2022** | December 31, 2021 | **December 31, 2022** | December 31, 2021 |
| Cash and cash equivalents | **$ 86,229** | $ 77,758 | **$ 94,230** | $ 86,871 |
| Undrawn revolving unsecured operating line of credit | **1,116,351** | 634,080 | **1,116,351** | 634,080 |
| Undrawn construction lines and other bank loans | **267,562** | 241,883 | **337,656** | 289,524 |
| **Liquidity (i)** | **$ 1,470,142** | $ 953,721 | **$ 1,548,237** | $ 1,010,475 |

(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 $537.8 million increase in Liquidity on a proportionate share basis over the prior year end was primarily due to the $250.0 million increase of the credit limit on its revolving unsecured operating line on February 2, 2022, new construction lines and the

$250.0 million issuance of Series AF senior unsecured debenture which was used to repay certain debt incurred in the ordinary course including replenishing its operating line of credit.

### Unencumbered Assets

Through its unencumbered investment properties, RioCan has 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. At RioCan's Proportionate Share, unencumbered investment property assets as at December 31, 2022 were as follows:

| | | IFRS basis | | RioCan's proportionate share (i) | |
|---|---|---|---|---|---|
| *(thousands of dollars, except where otherwise noted)* As at | Targeted Ratios | **December 31, 2022** | December 31, 2021 | **December 31, 2022** | December 31, 2021 |
| Unencumbered Assets | | **$ 8,200,280** | $ 9,332,833 | **$ 8,256,508** | $ 9,392,266 |
| Unencumbered Assets to Unsecured Debt (i) | > 200% | **217%** | 230% | **218%** | 231% |
| Percentage of Normalized NOI Generated from Unencumbered Assets (i) | > 50.0% | **57.4%** | 66.7% | **55.9%** | 64.9% |

(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 decrease in the Unencumbered Assets from December 31, 2021 was due to mortgage financing obtained on certain formerly unencumbered assets, given the more favourable pricing on secured financing, new construction lines relating to residential development projects and dispositions, net of acquisitions of unencumbered assets.

### Contractual Commitments

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

| *(thousands of dollars)* | 2023 | 2024 | 2025 | 2026 | 2027 | Thereafter | Total |
|---|---|---|---|---|---|---|---|
| Contractual obligations: | | | | | | | |
| Lines of credit and other bank loans | $ 332,461 | $ 531,673 | $ 79,945 | $ 65,610 | $ 133,648 | $ — | **$ 1,143,337** |
| Mortgages payable | 320,177 | 238,713 | 527,991 | 138,440 | 197,623 | 1,241,695 | **2,664,640** |
| Unsecured debentures | 500,000 | 300,000 | 500,000 | 600,000 | 350,000 | 700,000 | **2,950,000** |
| Lease liabilities (i) | 6,777 | 1,710 | 1,707 | 1,770 | 1,872 | 22,736 | **36,572** |
| Other operating lease obligations | 432 | 64 | 55 | 55 | 24 | — | **630** |
| **Total Contractual Obligations** | $ 1,159,847 | $ 1,072,160 | $ 1,109,698 | $ 805,875 | $ 683,167 | $ 1,964,431 | **$ 6,795,179** |
| Total estimated cost to complete-projects under construction (ii) (iii) | 392,004 | 206,038 | 105,129 | 33,846 | 9,055 | — | **746,072** |
| **Total Commitments (iv)** | **$ 1,551,851** | **$ 1,278,198** | **$ 1,214,827** | **$ 839,721** | **$ 692,222** | **$ 1,964,431** | **$ 7,541,251** |

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

(ii) This includes RioCan's Proportionate Share in Equity-Accounted Joint Ventures. Refer to *Development Projects Under Construction* section of this MD&A.

(iii) Includes costs that do not have committed construction contracts.

(iv) The table above excludes unfunded investment commitments of $96.2 million relating to equity-accounted investments for 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.

RioCan has also entered into purchase obligations to acquire certain interests from its partners as further described in Note 3 of the 2022 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. For more information on monthly distributions see the *Distributions to Unitholders* section of this MD&A.

## Off-Balance Sheet Arrangements

### Guarantees

As at December 31, 2022, 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 $284.7 million (December 31, 2021 - $255.4 million), with expiries between 2023 and 2030.

As at and for the year ended December 31, 2022, 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 2022 Annual Consolidated Financial Statements.

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

| *(thousands of dollars)*<br>As at | **December 31, 2022** | December 31, 2021 |
|---|---|---|
| Partners and co-owners | | |
| Woodbourne | **$ 122,770** | $ 119,033 |
| Metropia and Capital Developments | **79,945** | 45,715 |
| Bayfield | **21,700** | 21,700 |
| Other | **30,988** | 38,904 |
| | **$ 255,403** | $ 225,352 |
| Assumption of mortgages by purchasers on property dispositions | **29,286** | 30,019 |
| | **$ 284,689** | $ 255,371 |

### Letter of Credit Facilities and Surety Bonds

The Trust has aggregate letter of credit facilities with certain Schedule I banks totaling $111.6 million (December 31, 2021 - $94.9 million). As at December 31, 2022, the Trust's outstanding letters of credit under these facilities was $53.0 million (December 31, 2021 - $58.1 million).

The Trust is contingently liable for surety bonds that have been provided to support condominium developments and warranties in the amount of $147.7 million (December 31, 2021 - $110.5 million).

## Hedging Activities

### 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, 2022, approximately 6.5% (December 31, 2021 - 8.9%) 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 fixed rate debt and the time the fixed rate debt is issued. The intent is to use the bond forwards to manage the change in cash flows of the future interest payments on the anticipated fixed rate debt.

As at December 31, 2022, the outstanding notional amount of floating-to-fixed interest rate swaps was $1.0 billion (December 31, 2021 – $1.0 billion) with the term to maturity of these swap agreements ranging from January 2023 to November 2028; and the outstanding notional amount of bond forwards was $200 million, with a maturity in April 2023 (December 31, 2021 - $300 million, maturity in September 2022). The fair value of the interest rate swaps and bond forwards is, in aggregate, a net financial asset of approximately $27.2 million (December 31, 2021 - net financial liability of approximately $23.2 million).

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.

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 highly probable anticipated fixed rate debt issuances.

On April 8, 2022, in conjunction with the offering of the Series AF debenture, the Trust settled $200.0 million of bond forward contracts entered into on February 1, 2022 and a $50.0 million portion of bond forward contracts entered into on December 14, 2021. During Q3 2022, the Trust settled the remaining $250.0 million of bond forward contracts entered into on December 14, 2021, as it locked interest rates for $250.0 million of new mortgages. During 2022, the Trust settled a total of $500 million of bond forward contracts, which resulted in a weighted average interest rate reduction of 109 basis points or a weighted average hedged interest rate of 3.68% for $507.5 million of 7-year debt.

On November 24, 2022, the Trust entered into bond forward contracts to sell on April 3, 2023 $200.0 million of Government of Canada Bonds due June 1, 2030 with an effective bond yield of 2.876%, to hedge its exposure to movements in underlying risk-free interest rates on highly probable anticipated fixed rate debt issuances.

We assess the effectiveness of the hedging relationships on a quarterly basis and have determined there is no ineffectiveness in the hedging of interest rate exposures as at December 31, 2022. Refer to Note 25 of the 2022 Annual Consolidated Financial Statements for further details.

## Trust Units

As at December 31, 2022, there are 300.4 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 three months and years ended December 31, 2022 and 2021, we issued and repurchased Units as follows:

| | Three months ended December 31 | | Years ended December 31 | |
|---|---|---|---|---|
| *(in thousands)* | **2022** | 2021 | **2022** | 2021 |
| Units outstanding, beginning of period (i) | **303,912** | 317,768 | **309,797** | 317,748 |
| Units issued: | | | | |
| Unit-based compensation exercises, net of Units repurchased for settlement of Unit exercises | **—** | — | **88** | — |
| Direct purchase plan | **4** | 2 | **14** | 16 |
| Exchangeable limited partnership units | **—** | — | **—** | 6 |
| Units repurchased and cancelled | **(3,557)** | (7,973) | **(9,540)** | (7,973) |
| **Units outstanding, end of period (i)** | **300,359** | 309,797 | **300,359** | 309,797 |

(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, 2022 – 499,754 LP units, December 31, 2021 – 499,754 LP units).

As of February 15, 2023, there are 300.4 million Units issued and outstanding. In addition, 5.7 million Unit options were issued under the Trust's incentive Unit option plan and 0.7 million deferred Units were issued and outstanding under the Trust's Trustee deferred Unit plan. The convertible securities are convertible into, or exercisable for, Units of the Trust, of which 4.6 million Unit options were exercisable at December 31, 2022, at a weighted average exercise price of $26.41.

As at December 31, 2022, the Trust also had 0.4 million Senior Executive Restricted Equity Units (REU), 0.4 million Employee REUs, and 0.4 million Performance Equity Units (PEU) that are unvested and outstanding, which upon vesting will be settled by delivery of an equivalent number of Units purchased on the secondary market, and if elected, net of applicable withholding taxes.

Further information regarding the incentive Unit option plan, Trustee deferred Unit plan, Senior Executive REUs, Employee REUs, PEUs and the related performance metrics and other terms attributable to plans are set out in the Trust's Management Information Circular.

### *Normal Course Issuer Bid (NCIB)*

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.

On November 3, 2022, RioCan received TSX approval of its notice of intention to renew its NCIB (the 2022/2023 NCIB), to acquire up to a maximum of 30,247,803 Units, or approximately 10% of the public float as at October 31, 2022, for cancellation or to satisfy RioCan's obligation to deliver Units under the REU and PEU Plans, over the next 12 months, effective November 7, 2022.

The number of Units that can be purchased pursuant to the 2022/2023 NCIB is subject to a current daily maximum of 207,826 Units (which is equal to 25% of 831,305, being the average daily trading volume of Units 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 2022, 9,539,675 units were acquired and cancelled at a weighted average purchase price of $21.36 per unit for a total cost of $203.9 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 $59.2 million.

On December 12, 2022, RioCan established an automatic securities purchase plan ("ASPP") in connection with its previously announced 2022/2023 NCIB applicable to its outstanding Units. The ASPP is intended to allow for the purchase of Units under the NCIB at times when RioCan would ordinarily not be permitted to purchase Units due to regulatory restrictions and customary self-imposed blackout periods. Pursuant to the ASPP, purchases will be made by RioCan's designated broker based on periodically pre-established purchasing parameters, in accordance with the rules of the TSX and applicable securities laws.

Outside of pre-determined blackout periods, Units may be purchased under the NCIB at such times as RioCan determines to be appropriate in compliance with TSX rules and applicable securities laws.

## 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, effective February 2022, is $0.085 per unit, which increased from $0.08 in 2021. Distributions declared to Unitholders were as follows:

| | Three months ended December 31 | | Years ended December 31, | |
|---|---|---|---|---|
| *(thousands of dollars)* | **2022** | 2021 | **2022** | 2021 |
| Distributions declared to Unitholders | **$ 76,890** | $ 75,362 | **$ 310,163** | $ 304,153 |

Total distributions declared increased for the three months and year ended December 31, 2022 when compared to the same periods in the prior year due to the distribution increase effective February 2022, partially offset by the reduction in average Units outstanding as a result of NCIB purchases in 2022.

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

A comparison of distributions to Unitholders with cash flows provided by operating activities and distributions is as follows:

| | Three months ended December 31 | | Years ended December 31 | |
|---|---|---|---|---|
| *(thousands of dollars)* | **2022** | 2021 | **2022** | 2021 |
| Cash flows provided by operating activities | **$ 170,362** | $ 169,537 | **$ 506,124** | $ 490,397 |
| Add / (deduct) the decrease / (increase) in non-cash working capital items | **(49,055)** | (32,241) | **26,470** | (20,136) |
| Cash flows provided by operating activities, excluding non-cash working capital items (i) | **121,307** | 137,296 | **532,594** | 470,261 |
| Less: Distributions declared to Unitholders | **(76,890)** | (75,362) | **(310,163)** | (304,153) |
| Excess cash flows provided by operating activities excluding non-cash working capital, net of distributions declared (ii) | **$ 44,417** | $ 61,934 | **$ 222,431** | $ 166,108 |

(i) Includes nil expense for net debt prepayment costs for the three months and year ended December 31, 2022, respectively (three months and year ended December 31, 2021 - $3.9 million and $10.9 million).

(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, 2022, cash flows provided by operating activities, excluding non-cash working capital items, were higher than distributions declared to Unitholders during the period by $44.4 million. For the year ended December 31, 2022, cash flows provided by operating activities, excluding non-cash working capital items, were higher than distributions declared to Unitholders during the period by $222.4 million.

### *Distribution increase effective February 2022 and February 2023*

RioCan's Board of Trustees approved an increase to its monthly distributions to Unitholders of 6.25% from $0.08 per unit to $0.085 cents per unit which commenced with the February 2022 distribution, paid in March 2022. This increase brought RioCan's annualized distribution to $1.02 per Unit. Subsequent to year end, RioCan's Board of Trustees also approved a 6% increase to its monthly distributions to Unitholders from $0.085 to $0.090 per unit which commenced with the February 2023 distribution, payable in March 2023, bringing RioCan's annualized distribution to $1.08 per unit. These increases are 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. 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.

# OTHER DISCLOSURES

## 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:

- Associates, joint ventures, or entities which are controlled or significantly influenced by the Trust; and
- 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.

Effective January 1, 2022, Mr. John Ballantyne was appointed as Chief Operating Officer of RioCan and included as key management personnel. As at December 31, 2022, 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 and Chief Operating Officer, John Ballantyne. 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 June 7, 2022, Ms. Marie-Josée Lamothe was elected as a Trustee at RioCan's annual meeting of Unitholders held on June 7, 2022.

Remuneration of the Trust’s Trustees and Key Executives during the three months and years ended December 31, 2022 and 2021 is as follows:

| | Three months ended December 31 | | | | Years ended December 31 | | | |
|---|---|---|---|---|---|---|---|---|
| | Trustees | | Key Executives | | Trustees | | Key Executives | |
| *(thousands of dollars)* | **2022** | 2021 | **2022** | 2021 | **2022** | 2021 | **2022** | 2021 |
| Compensation and benefits | **$ 107** | $ 62 | **$ 1,123** | $ 942 | **$ 420** | $ 249 | **$ 4,597** | $ 6,367 |
| Unit-based compensation | **289** | 248 | **826** | 695 | **2,058** | 1,966 | **3,500** | 7,496 |
| Post-employment benefit costs | **—** | — | **46** | 47 | **—** | — | **176** | 175 |
| | **$ 396** | $ 310 | **$ 1,995** | $ 1,684 | **$ 2,478** | $ 2,215 | **$ 8,273** | $ 14,038 |

The decrease for the year ended December 31, 2022 in Key Executive costs over the comparable period was primarily due to the one-time $6.1 million in general and administrative expenses relating to the executive transitions including the accelerated expensing of certain unit-based compensation in 2021.

## Selected Quarterly Results and Trend Analysis

| *(millions of dollars, except where otherwise noted)* | **2022** | | | | 2021 | | | |
|---|---|---|---|---|---|---|---|---|
| As at and for the quarter ended (i) | **Q4** | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| Revenue | **$ 306** | $ 305 | $ 308 | $ 294 | $ 336 | $ 264 | $ 298 | $ 277 |
| Net income (loss) attributable to Unitholders | **$ (5)** | $ 3 | $ 78 | $ 160 | $ 209 | $ 138 | $ 145 | $ 107 |
| NOI (ii) | **$ 166** | $ 171 | $ 171 | $ 167 | $ 166 | $ 165 | $ 167 | $ 165 |
| FFO (ii) | **$ 128** | $ 135 | $ 132 | $ 131 | $ 147 | $ 127 | $ 128 | $ 106 |
| FFO Adjusted (ii) | **$ 128** | $ 135 | $ 135 | $ 131 | $ 150 | $ 127 | $ 128 | $ 119 |
| AFFO (ii) | **$ 111** | $ 120 | $ 116 | $ 114 | $ 131 | $ 110 | $ 112 | $ 90 |
| AFFO Adjusted (ii) | **$ 112** | $ 120 | $ 119 | $ 115 | $ 135 | $ 110 | $ 112 | $ 103 |
| Unitholder distributions | **$ 77** | $ 77 | $ 78 | $ 77 | $ 75 | $ 76 | $ 76 | $ 76 |
| Weighted average Units outstanding – diluted (in thousands) | **302,423** | 304,005 | 308,537 | 310,114 | 315,733 | 317,961 | 317,882 | 317,758 |
| **Per unit basis (diluted)** | | | | | | | | |
| Net income (loss) attributable to Unitholders | **$ (0.02)** | $ 0.01 | $ 0.25 | $ 0.52 | $ 0.66 | $ 0.43 | $ 0.46 | $ 0.34 |
| FFO (ii) | **$ 0.42** | $ 0.44 | $ 0.43 | $ 0.42 | $ 0.46 | $ 0.40 | $ 0.40 | $ 0.33 |
| FFO Adjusted (ii) | **$ 0.42** | $ 0.44 | $ 0.44 | $ 0.42 | $ 0.48 | $ 0.40 | $ 0.40 | $ 0.37 |
| Unitholder distributions | **$ 0.26** | $ 0.26 | $ 0.26 | $ 0.25 | $ 0.24 | $ 0.24 | $ 0.24 | $ 0.24 |
| Net book value per unit | **$ 25.73** | $ 25.92 | $ 26.15 | $ 25.96 | $ 25.54 | $ 25.00 | $ 24.78 | $ 24.53 |
| Closing market price per unit | **$ 21.13** | $ 18.62 | $ 20.02 | $ 25.23 | $ 22.94 | $ 21.64 | $ 22.08 | $ 19.46 |
| **Key Performance Indicator Ratios** | | | | | | | | |
| FFO Payout Ratio (ii) | **59.0%** | 56.7% | 57.3% | 57.3% | 62.6% | 73.4% | 81.0% | 92.2% |
| FFO Payout Ratio Adjusted (ii) | **58.5%** | 55.9% | 56.5% | 56.8% | 60.6% | 71.5% | 78.9% | 89.7% |
| AFFO Payout Ratio (ii) | **67.1%** | 64.0% | 65.1% | 65.1% | 71.6% | 84.3% | 92.0% | 104.7% |
| AFFO Payout Ratio Adjusted (ii) | **66.4%** | 63.0% | 64.0% | 64.5% | 68.9% | 81.8% | 89.3% | 101.6% |
| Total assets | **$ 15,102** | $ 15,324 | $ 15,474 | $ 15,346 | $ 15,177 | $ 15,292 | $ 15,236 | $ 15,175 |
| Total debt | **$ 6,742** | $ 6,842 | $ 6,878 | $ 6,710 | $ 6,611 | $ 6,740 | $ 6,764 | $ 6,824 |
| Total Adjusted Debt to Total Adjusted Assets (RioCan's Proportionate Share) (ii) | **45.2%** | 45.3% | 45.0% | 44.2% | 43.9% | 44.4% | 44.7% | 45.3% |
| Adjusted Debt to Adjusted EBITDA (RioCan's Proportionate Share) (ii) (iii) | **9.51** | 9.28 | 9.41 | 9.48 | 9.59 | 9.94 | 9.84 | 9.99 |
| **Other** | | | | | | | | |
| Total portfolio NLA (in thousands) | **33,627** | 34,791 | 35,930 | 36,193 | 36,355 | 36,886 | 37,220 | 37,976 |
| Number of properties | **193** | 198 | 202 | 204 | 207 | 210 | 214 | 223 |
| Number of employees (iv) | **563** | 550 | 557 | 581 | 575 | 570 | 574 | 587 |
| Residency of Unitholders (v) | | | | | | | | |
| – Canadian | **66.7%** | 68.4% | 64.8% | 66.9% | 66.6% | 71.2% | 73.1% | 74.6% |
| – Non-resident | **33.3%** | 31.6% | 35.2% | 33.1% | 33.4% | 28.8% | 26.9% | 25.4% |

(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) Q1 2021 to Q3 2021 was restated to reflect one-time compensation costs occurring in Q1 2021.

(iv) Beginning Q3 2022, the number of employees reported exclude individuals working exclusively with the third-party residential rental property managers. Accordingly, amounts reported from Q4 2021 to Q2 2022 were restated. As at December 31, 2022, there are 41 individuals who work exclusively with third-party residential rental property managers.

(v) 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 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, AFFO 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 Q1 2021 to Q1 2022, the global pandemic and its effects on the economy and RioCan operations.

Net income was further impacted by the changes in the fair values of investment properties.

## Fourth Quarter Unaudited Consolidated Statements of Income (Loss)

**(thousands of dollars, except per unit amounts)**

| Three months ended December 31 | **2022** | 2021 |
|---|---|---|
| **Revenue** | | |
| Rental revenue | **$ 268,864** | $ 266,899 |
| Residential inventory sales | **33,873** | 65,620 |
| Property management and other service fees | **3,450** | 3,920 |
| | **306,187** | 336,439 |
| **Operating costs** | | |
| Rental operating costs | | |
| Recoverable under tenant leases | **95,258** | 93,346 |
| Non-recoverable costs | **9,060** | 9,019 |
| Residential inventory cost of sales | **26,448** | 39,286 |
| | **130,766** | 141,651 |
| **Operating income** | **175,421** | 194,788 |
| **Other income (loss)** | | |
| Interest income | **6,272** | 3,842 |
| Income (Loss) from equity-accounted investments | **(3,864)** | 6,503 |
| Fair value (loss) gain on investment properties, net | **(115,507)** | 72,255 |
| Investment and other income (loss) | **240** | (696) |
| | **(112,859)** | 81,904 |
| **Other expenses** | | |
| Interest costs, net | **48,320** | 42,403 |
| General and administrative | **12,845** | 11,924 |
| Internal leasing costs | **3,306** | 2,982 |
| Transaction and other costs | **3,236** | 6,779 |
| Debt prepayment costs, net | **—** | 3,896 |
| | **67,707** | 67,984 |
| **Income (Loss) before income taxes** | **(5,145)** | 208,708 |
| Current income tax recovery | **(184)** | (68) |
| **Net income (loss)** | **$ (4,961)** | $ 208,776 |
| **Net income (loss)** | | |
| Unitholders | **$ (4,961)** | $ 208,776 |
| | **$ (4,961)** | $ 208,776 |
| Net income (loss) per unit | | |
| Basic | **$ (0.02)** | $ 0.66 |
| Diluted | **$ (0.02)** | $ 0.66 |
| Weighted average number of units (in thousands): | | |
| Basic | **302,321** | 315,534 |
| Diluted | **302,423** | 315,733 |

## Accounting Policies and Estimates

Our significant accounting policies are described in Note 2 of RioCan's 2022 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***

In the preparation of RioCan's 2022 Annual Consolidated Financial Statements, the Trust has incorporated the potential impact of the current macroeconomic environment 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, 2022. Estimates and assumptions that are most subject to increased uncertainty caused by the current macroeconomic environment relate to the valuation of investment properties, refer to Note 3 of the 2022 Annual Consolidated Financial Statements. Due to the continuing risks and uncertainties arising from the current macroeconomic environment, actual results may differ from these estimates and assumptions.

**Adoption of New Accounting Standards**

Effective January 1, 2022, the Trust adopted the following amended standard 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 2022 Annual Consolidated Financial Statements and further described below.

***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 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 applied the standard on financial liabilities modified or exchanged after January 1, 2022. These amendments did not impact the Trust's consolidated financial statements upon adoption.

**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 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 or per buildable square foot 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, 2022, RioCan had 29 properties including 3 land parcels (year ended December 31, 2021 - 28 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.

***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 would impact the income tax provision in the period in which such determination is made.

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

**Future Changes in Accounting Policies**

RioCan monitors the potential changes proposed by the IASB and analyzes the effect that changes in the standards may have on RioCan's operations. Standards issued, but not yet effective, up to the date of issuance of the 2022 Annual Consolidated Financial Statements for the year ended December 31, 2022, are described below. This description is of standards and interpretations issued, which we reasonably expect to be applicable at a future date. We intend to adopt these standards when they become effective.

***Amendments to 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 judgments 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. Since the amendments to the IFRS Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

Management is currently reviewing the Trust's accounting policy disclosures to ensure consistency with the amended requirements.

***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.

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

In January 2020 and October 2022, 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, 2024, with early adoption permitted. The amendments are to be applied retrospectively. Management is currently assessing the impact of these amendments.

## Controls and Procedures

### 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 to ensure that material information affecting RioCan is communicated to management of the Trust, including the CEO and CFO, as appropriate, and the appropriateness and timing of any required disclosure is determined. As required by National Instrument *52-109 – Certification of Disclosure in Issuers’ Annual and Interim Filings* (“NI 52-109”), an evaluation of the effectiveness of the Trust’s DCP was conducted, under the supervision of management, including RioCan’s CEO and CFO, as at December 31, 2022. The evaluation included documentation review, enquiries and other procedures considered by management to be appropriate in the circumstances. It was determined, as at December 31, 2022, that the design and operation of RioCan’s DCP were 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. In accordance with NI 52-109, 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, 2022 based on the criteria set forth in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that assessment, it was determined that, as at December 31, 2022, 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, 2022 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 (FSB) 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 51-107 – Disclosure of Climate-related Matters.

This section provides a summary of our approach to managing our climate risk and opportunities in alignment with TCFD during 2022, unless otherwise noted. For additional details related to our climate program, please refer to RioCan's 2022 ESG report, available on our website.

***Governance***

Board Oversight

The Board of Trustees has ultimate oversight for risk management and receives updates on ESG-related issues, including climate change. The Board of Trustees has delegated the responsibility of overseeing ESG management 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 SVP, General Counsel, ESG & Corporate Secretary 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.

In 2021, RioCan established a Climate 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.

***Strategy***

Approach and Progress

Our climate strategy helps guide our approach to managing risks and opportunities related to climate change. Climate-related risks include both physical and transitional risks. Physical risks are described as chronic and acute physical impacts of climate change, including as a result of extreme weather events such as flooding and storms. Transition risks are related to transitioning the business to a low-carbon economy, such as climate-related policy actions, technological advancements, and market shifts in demand for products.

Our climate strategy supports responsible growth by integrating climate initiatives across our organization. RioCan's approach involves building resilience and net zero criteria into our tools, accountabilities and decision making – from asset management and operations to developments, investments, procurement and leasing processes. This will enable us to protect asset value, enhance governance and disclosure, and meet evolving stakeholder expectations.

Our climate objectives are:

- Strengthen resilience and protect assets: Protect our operations, portfolio and developments against physical effects of climate change
- Reduce emissions and advance towards net-zero: Decarbonize operations, portfolio and developments to support transition to a low-carbon economy
- Enhance climate governance and disclosure: Create accountability and oversight and ensure strong communication practices to stakeholders

Our progress at-a-glance: Over the past few years we have taken steps to strengthen our approach to climate management.

- 2020: RioCan conducted a preliminary climate change and resilience assessment.
- 2021: Established climate committee; organized climate training sessions with the members of the Climate Committee; conducted workshops to identify climate-related risks, opportunities and associated business implications, and developed our climate strategy and plan.
- 2022: Conducted a detailed assessment of climate-related risks and opportunities.

Climate Assessment

In 2022, RioCan initiated the process of assessing its climate-related risks and opportunities in detail.

*Physical risk*

- In 2022, RioCan undertook an assessment to identify potential climate change impacts on its real estate investment assets. This assessment was focused on the direct impact from climate-related hazards over four different timeframes (present day, 2030, 2050 and 2070) and utilized an array of different climate scenarios, including flooding (fluvial, pluvial and storm surge), high winds, hailstorms, snow, forest fires, temperature extremes, earthquakes, tsunamis and rising sea levels.
- Three future climate scenarios were assessed using the Shared Socioeconomic Pathways (SSPs). These pathways are global scenarios that describe possible socio-economic conditions, land-use changes, and other human-caused climate drivers around the globe that influence greenhouse gas emissions, thus affecting the speed of change in the climate. This acknowledges that the future is heavily influenced by our current actions. During the assessment, RioCan focused on SSP1 – 2.6 Sustainability, SSP2 – 4.5 Middle of the Road, and SSP5 – 8.5 Fossil Fuel Development.

*Transition risk*

In 2022, RioCan initiated the process of conducting a more detailed assessment of its climate-related transition risks and opportunities. Similar to the assessment of climate-related physical risks, RioCan utilized a scenario analysis approach and used a range of global warming scenarios following guidance issued by the TCFD:

- The main transition scenario used for the analysis was the Network for Greening the Financial System (NGFS) Net Zero 2050 Scenario which aligns with projections to keep global warming below 1.5°C by the end of the century. A comparative analysis was also made by considering higher levels of global warming by 2100. This was done using the NGFS Delayed Transition (below 2°C) and Current Policies (~3°C+) scenarios.
- Through a series of internal workshops and focus group discussions, risks and opportunities were assessed in terms of their impact and likelihood and rated accordingly to evaluate materiality and prioritise. The assessment was focused on RioCan’s assets and operations in the four key provinces of Ontario, Alberta, Quebec and British Columbia, where most RioCan properties are located.
- Assessment scope included assessing both inherent and residual risk. Inherent risk relates to risk before controls are successfully implemented (i.e. without considering RioCan’s climate-related policies, plans and actions to mitigate climate-related risks), while residual risk relates to those after planned controls/mitigations are implemented (i.e. considering RioCan’s climate-related responses).

We are currently analyzing the outputs of the assessment and plan to share the results in our future disclosure.

***Risk Management***

Since 2020, Management has identified climate change as an external enterprise risk. As a result, we have integrated climate-related risks into our Enterprise Risk Management approach. Plans to address the risks are prepared and monitored by the team managing the risk.

Our risk management approach considers both physical and transition climate risks. We are taking steps to address these risks:

- Our environmental due-diligence checklist for acquisitions now includes collecting information related to topics such as climate, resilience, greenhouse gas emissions and resource efficiency.
- Our Developments follow development sustainability guidelines to embed sustainability and climate related considerations in our design and construction of new developments.
- For income producing properties, we have drafted an environmental criteria for renovations and capital expenditure projects that include considerations for resource efficiency, choice of materials and embodied carbon.
- We committed to conduct GHG emissions scan (portfolio-wide and indirect, scope 3 emissions) to determine material sources.

***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 is in the process of aligning its long-term greenhouse gas emission targets to the Science Based Targets Initiative. Additionally, RioCan has achieved the following:

- RioCan is in compliance with Ontario’s Energy and Water Reporting and Benchmarking (EWRB) regulation;
- Over 65% 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 our next ESG report. For details on our greenhouse gas emissions, please refer to our 2022 ESG Supplement, available on our website.

# 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 |
|---|---|---|
| *RioCan's Proportionate Share* | All references to “RioCan's Proportionate Share” refer to a non-GAAP financial measure representing RioCan’s proportionate interest of the financial condition 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.<br><br>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. Certain measures identified in the definitions that follow in this section 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. | *(i) RioCan's Proportionate Share* |
| *RioCan's Proportionate Share in Equity-Accounted Joint Ventures (EAI JV)*<br><br>*or*<br><br>*RioCan's Proportionate Share in EAI JV* | All references to “RioCan's Proportionate Share in Equity-Accounted Joint Ventures” refers to a non-GAAP financial measure representing RioCan’s proportionate interest of the financial condition and results of operations of its entire portfolio, including Equity-Accounted Investments in Joint Ventures (EAI JV). Management considers certain results presented on a proportionate share basis including EAI JV to be a meaningful measure because it is consistent with how RioCan operates and manages it's development program. The Trust currently accounts for its investments in joint ventures using the equity method of accounting. | *Joint Arrangements* section |

| Non-GAAP Financial Measure | Description | Quantitative Reconciliation |
|---|---|---|
| *Net Operating Income (NOI), Stabilized NOI,*<br><br>*NOI (RioCan's Proportionate Share)* | NOI is a non-GAAP financial measure and is defined by RioCan as rental revenue from income properties less property operating costs.<br><br>NOI at RioCan's Proportionate Share is a non-GAAP financial measure and includes RioCan's proportionate interest in NOI of its entire portfolio, including equity-accounted investments.<br><br>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, and management fees based on current and expected future market conditions after expiry of any current lease. 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.<br><br>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.<br><br>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.<br><br>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 properties portfolio. | *(ii) NOI* |
| *Same Property NOI,*<br><br>*Same Property NOI including completed PUD*<br><br>*and*<br><br>*Adjusted Same Property NOI* | Same Property NOI is a non-GAAP financial measure used by RioCan to assess the period-over-period performance of the commercial 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.<br><br>Same Property NOI including completed PUD starts with Same Property NOI but adds back NOI from completed properties under development.<br><br>Adjusted Same Property NOI starts with Same Property NOI but adds back (deducts) same property pandemic-related provision (recovery) and excludes legal and CAM/property tax settlements. | *(iii) Same Property NOI* |

| Non-GAAP Financial Measure | Description | Quantitative Reconciliation |
|---|---|---|
| *Funds From Operations (FFO)*<br><br>*and*<br><br>*FFO Adjusted*<br><br>*and*<br><br>*Excess Cash Flow* | 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, gains and losses on the disposal of investment properties, including associated transaction costs, which are not representative of recurring operating performance.<br><br>RioCan's method of calculating FFO is in compliance with REALPAC's definition of FFO except that RioCan excludes unrealized gains or losses on marketable securities in its calculation of FFO. The Trust believes that including such unrealized gains or losses on marketable securities in FFO does not represent the recurring operating performance of the Trust.<br><br>FFO Adjusted starts with FFO but adds back net debt prepayment costs, one-time compensation and restructuring 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. Restructuring costs are related to elimination of certain positions including those related to the outsourcing of the property management of the Trust's Quebec portfolio.<br><br>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.<br><br>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.<br><br>Excess Cash Flow is defined as FFO less Distributions paid to Unitholders and maintenance capital expenditures.This metric is a useful measure in determining RioCan's Excess Cash Flow. | *(iv) FFO* |
| *Adjusted Funds From Operations (AFFO)*<br><br>*and*<br><br>*AFFO Adjusted* | AFFO is non-GAAP financial measure of operating performance widely used by the real estate industry in Canada. AFFO is calculated as FFO less straight-line rent, normalized capital expenditures and leasing costs. RioCan calculates AFFO in accordance with the recommendations of REALPAC's January 2022 guidance, except RioCan excludes unrealized gains or losses on marketable securities from FFO and by extension AFFO. Management considers AFFO as a meaningful measure of recurring economic earnings and relevant in understanding RioCan's ability to service its debt, fund capital expenditures and determining an appropriate level of sustainable common unitholder distributions over the long run.<br><br>AFFO Adjusted starts with AFFO but adds back net debt prepayment costs, one-time compensation and restructuring costs since these costs are not indicative of sustainable economic cash flow. Debt prepayment costs, one-time compensation and restructuring costs are described in FFO above. | *(v) AFFO* |
| *FFO and AFFO Payout Ratios*<br><br>*and*<br><br>*FFO and AFFO Payout Ratios Adjusted* | FFO and AFFO Payout Ratios, and FFO and AFFO Payout Ratios Adjusted 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 AFFO, FFO Adjusted and AFFO Adjusted, respectively, over the same period.<br><br>RioCan management uses the FFO Payout Ratio and AFFO Payout Ratio in assessing its distribution paying capacity. | *(iv) FFO* and *(v) AFFO* |
| *Adjusted G&A Expense*<br><br>*Adjusted G&A Expense as a percentage of rental revenue* | Adjusted G&A Expense is a non-GAAP financial measure calculated as total general and administrative expense less restructuring costs and one-time compensation costs. Adjusted G&A Expense as a percentage of rental revenue is a non-GAAP ratio calculated as Adjusted G&A Expense divided by rental revenue. This ratio is a useful measure of the Trust's general and administrative expenses as a percentage of revenue. | *(vi) Adjusted G&A Expense* |

| Non-GAAP Financial Measure | Description | Quantitative Reconciliation |
|---|---|---|
| *Normalized Capital Expenditures* | Normalized Capital Expenditures are an estimate made by management of the amount of ongoing capital investment required to maintain the condition of the physical property and current rental revenues. Management considers a number of 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.<br><br>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.<br><br>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.<br><br>For 2022, the Trust determined that $50.0 million was a reasonable estimate for its Normalized Capital Expenditures. This Normalized Capital Expenditures estimate for 2022 did not include capital expenditures for mixed-use residential projects given these are newly constructed buildings. The Trust's Normalized Capital Expenditures for 2023 reflects its pursuit of its strategic objectives of resilient retail and better serving its tenants. The Trust has determined that $55.0 million is a reasonable Normalized Capital Expenditures estimate for 2023, although quarterly fluctuations between the $13.8 million quarterly Normalized Capital Expenditures spend and actual spend are expected. | *Capital Expenditures on Income Properties* section |
| *Total joint operations and equity-accounted investments - Income properties, PUD, Residential inventory, Other, Total assets, Total NOI* | This is a non-GAAP measure which represents the sum of RioCan's interest of joint operations and proportionate share of equity-accounted investments.<br><br>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. | *Joint Arrangements* section |
| *Development Spending* | 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 and RioCan's share of Development Spending from equity-accounted joint ventures. Development Spending is a useful measure of development progress and investment in properties under development and residential inventory.<br><br>Effective Q1 2022, RioCan's share of Development Spending by equity-accounted joint ventures is included as these projects are jointly controlled. | *(vii) Development Spending* |
| *Value of Development Deliveries* | Value of Development Deliveries is a non-GAAP financial measure defined as the sum of the fair value of PUD completions transferred to income producing properties and revenue from residential inventory sales at interim occupancy. Value of Development Deliveries is a useful measure of the value created from the investment in development spend upon the completion of development activities. | *(viii) Value of Development Deliveries* |

| Non-GAAP Financial Measure | Description | Quantitative Reconciliation |
|---|---|---|
| *Total Development at Cost* | Total Development at Cost is a non-GAAP financial measure defined as the sum of residential inventory and related prepaid selling commissions, and properties under development, and RioCan's share of residential inventory and related prepaid commissions, and properties under development from equity-accounted joint ventures.<br>This metric is a useful measure in determining RioCan's development costs incurred to date. | *(ix) Total Development at Cost* |
| *Total Acquisitions* | Total Acquisitions is a non-GAAP financial measure defined as the sum of total acquisitions incurred for investment properties, residential inventory and RioCan's share of acquisitions from equity-accounted joint ventures. Total Acquisitions is a useful measure of RioCan's total acquisition activity. | *(x) Total Acquisitions* |
| *Total Contractual Debt*<br>*and*<br>*Total Debt (RioCan's Proportionate Share) and Total Contractual Debt (RioCan's Proportionate Share)* | 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.<br>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.<br>Total Contractual Debt and Total Debt (RioCan's Proportionate Share) and Total Contractual Debt (RioCan's Proportionate Share) are useful measures of the total debt outstanding used in measuring leverage. | *(xi) Total debt and Total Contractual Debt* |
| *Adjusted EBITDA*<br>*and*<br>*Adjusted EBITDA (RioCan's Proportionate Share)* | Adjusted EBITDA and Adjusted EBITDA (RioCan's Proportionate Share) are 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.<br>Adjusted EBITDA (RioCan's Proportionate Share) includes RioCan's proportionate interest in Adjusted EBITDA of its entire portfolio, including equity-accounted investments.<br>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, the change in unrealized gains and losses on marketable securities), interest costs, income 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 and restructuring costs). | *(xvi) Adjusted EBITDA and Coverage Ratios* |
| *Total Adjusted Debt,*<br>*Total Adjusted Assets,*<br>*Total Adjusted Debt to Total Adjusted Assets*<br>*and*<br>*Total Adjusted Debt to Total Adjusted Assets (RioCan's Proportionate Share)* | 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 (Total Adjusted Debt) divided by total assets net of cash and cash equivalents (Total Adjusted Assets).<br>Total Adjusted Debt to Total Adjusted Assets (RioCan's Proportionate Share) is a non-GAAP ratio that uses RioCan's Proportionate Share in Total Adjusted Debt and Total Adjusted Assets of RioCan's entire portfolio including equity-accounted investments.<br>These ratios are useful measures of leverage. | *(xii) Total Adjusted Debt to Total Adjusted Assets* |

| Non-GAAP Financial Measure | Description | Quantitative Reconciliation |
|---|---|---|
| *Adjusted Debt*<br><br>*Adjusted Debt to Adjusted EBITDA*<br><br>*and*<br><br>*Adjusted Debt to Adjusted EBITDA (RioCan's Proportionate Share)* | 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 (Adjusted Debt) divided by Adjusted EBITDA.<br><br>Adjusted Debt to Adjusted EBITDA (RioCan's Proportionate Share) is a non-GAAP ratio, calculated on a trailing twelve-month basis that uses RioCan's Proportionate Share in Adjusted Debt of RioCan's entire portfolio, including equity-accounted investments divided by Adjusted EBITDA (RioCan's Proportionate Share).<br><br>These ratios are useful measures of the Trust's ability to satisfy debt obligations. | *(xvi) Adjusted EBITDA and Coverage Ratios* |
| *Debt Service Cost*<br><br>*Debt Service Coverage*<br><br>*and*<br><br>*Debt Service Coverage (RioCan's Proportionate Share)* | 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 ("Debt Service Cost").<br><br>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 RioCan's Proportionate Share in Debt Service Cost of RioCan's entire portfolio, including equity-accounted investments).<br><br>These ratios are useful measures of the Trust's ability to meet its debt service obligations on a trailing twelve-month basis. | *(xvi) Adjusted EBITDA and Coverage Ratios* |
| *Interest Coverage*<br><br>*and*<br><br>*Interest Coverage (RioCan's Proportionate Share)* | 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).<br><br>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 RioCan's Proportionate Share in total interest costs (including interest that has been capitalized) of RioCan's entire portfolio, including equity-accounted investments.<br><br>These ratios are useful measures of the Trust's ability to meet its interest cost obligations on a trailing twelve-month basis. | *(xvi) Adjusted EBITDA and Coverage Ratios* |
| *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)* | Ratio of Floating Rate Debt to Total Debt (RioCan's Proportionate Share) is a non-GAAP ratio calculated as RioCan's Proportionate Share in total floating rate debt of RioCan's entire portfolio, including equity-accounted investments divided by Total Debt (RioCan's Proportionate Share).<br><br>Ratio of Fixed Rate Debt to Total Debt (RioCan's Proportionate Share) is a non-GAAP ratio calculated as RioCan's Proportionate Share in total fixed rate debt of RioCan's entire portfolio, including equity-accounted investments divided by Total Debt (RioCan's Proportionate Share).<br><br>These ratios are useful measures of the Trust's relative exposure to fixed and floating rate debt. | *(xiii) Floating Rate Debt and Fixed Rate Debt* |
| *Liquidity*<br><br>*and*<br><br>*Liquidity (RioCan's Proportionate Share)* | Liquidity is a non-GAAP measure calculated based on the sum of total cash and cash equivalents, undrawn revolving unsecured operating lines of credit and undrawn construction lines and other bank loans.<br><br>Liquidity (RioCan's Proportionate Share) is a non-GAAP measure that includes RioCan's Proportionate Share in the sum of total cash and cash equivalents, undrawn revolving unsecured operating lines of credit and undrawn construction lines and other bank loans of RioCan's entire portfolio, including equity-accounted investments.<br><br>These measures are useful measures of the Trust's cash resources and credit available under committed credit facilities. | *(xv) Liquidity* |

| Non-GAAP Financial Measure | Description | Quantitative Reconciliation |
|---|---|---|
| *Ratio of Unsecured Debt to Total Contractual Debt and Ratio of Secured Debt to Total Contractual Debt*<br><br>*and*<br><br>*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)* | Ratio of Unsecured Debt to Total Contractual Debt is a non-GAAP ratio calculated as total Unsecured Debt divided by Total Contractual Debt.<br><br>Ratio of Secured Debt to Total Contractual Debt is a non-GAAP ratio calculated as total Secured Debt divided by Total Contractual Debt.<br><br>Ratio of Unsecured Debt to Total Contractual Debt (RioCan's Proportionate Share) is a non-GAAP ratio calculated as RioCan's Proportionate Share in total Unsecured Debt of RioCan's entire portfolio, including equity-accounted investments divided by Total Contractual Debt (RioCan's Proportionate Share).<br><br>Ratio of Secured Debt to Total Contractual Debt (RioCan's Proportionate Share) is a non-GAAP ratio calculated as RioCan's Proportionate Share in total Secured Debt of RioCan's entire portfolio, including equity-accounted investments divided by Total Contractual Debt (RioCan's Proportionate Share).<br><br>These ratios are useful measures of the Trust's relative exposure to secured and unsecured Debt. | *(xiv) Unsecured Debt and Secured Debt* |
| *Ratio of Unencumbered Assets to total investment properties*<br><br>*and*<br><br>*Ratio of Unencumbered Assets to total investment properties (RioCan's Proportionate Share)* | 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.<br><br>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).<br><br>These ratios are useful measures of investment properties that can be mortgaged to increase Liquidity. | *(xvii) Unencumbered Assets* |
| *Percentage of Normalized NOI Generated from Unencumbered Assets*<br><br>*and*<br><br>*Percentage of Normalized NOI Generated from Unencumbered Assets (RioCan's Proportionate Share)* | Percentage of Normalized NOI Generated from Unencumbered Assets is a non-GAAP ratio defined as NOI for the current quarter excluding lease cancellation fees, miscellaneous revenue and percentage rent multiplied by a factor of four (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.<br><br>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).<br><br>These ratios are useful measures of the NOI that is not subject to debt servicing obligations. | *(xvii) Unencumbered Assets* |
| *Unencumbered Assets to Unsecured Debt*<br><br>*and*<br><br>*Unencumbered Assets to Unsecured Debt (RioCan's Proportionate Share)* | 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.<br><br>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).<br><br>These ratios are useful measures of the investment properties available to satisfy Unsecured Debt obligations. | *(xvii) Unencumbered Assets* |
| *Excess cash flows provided by operating activities excluding non-cash working capital, net of distributions declared* | 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.<br><br>This is a useful measure of the excess cash the Trust has retained to fund operations, investments and capital activities. | *Distributions to Unitholders* section |

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, 2022 and 2021:

| As at | **December 31, 2022** | | | December 31, 2021 | | |
|---|---|---|---|---|---|---|
| *(thousands of dollars)* | IFRS basis | Equity-accounted investments | RioCan's proportionate share | IFRS basis | Equity-accounted investments | RioCan's proportionate share |
| **Assets** | | | | | | |
| Investment properties | **$ 13,807,740** | **$ 398,701** | **$ 14,206,441** | $ 14,021,338 | $ 409,794 | $ 14,431,132 |
| Equity-accounted investments | **364,892** | **(364,892)** | **—** | 327,335 | (327,335) | — |
| Mortgages and loans receivable | **269,339** | **—** | **269,339** | 237,790 | — | 237,790 |
| Residential inventory | **272,005** | **214,536** | **486,541** | 217,043 | 121,291 | 338,334 |
| Assets held for sale | **42,140** | **—** | **42,140** | 47,240 | — | 47,240 |
| Receivables and other assets | **259,514** | **37,779** | **297,293** | 248,959 | 35,367 | 284,326 |
| Cash and cash equivalents | **86,229** | **8,001** | **94,230** | 77,758 | 9,113 | 86,871 |
| **Total assets** | **$ 15,101,859** | **$ 294,125** | **$ 15,395,984** | $ 15,177,463 | $ 248,230 | $ 15,425,693 |
| **Liabilities** | | | | | | |
| Debentures payable | **$ 2,942,051** | **$ —** | **$ 2,942,051** | $ 2,990,692 | $ — | $ 2,990,692 |
| Mortgages payable | **2,659,180** | **172,100** | **2,831,280** | 2,334,016 | 166,368 | 2,500,384 |
| Lines of credit and other bank loans | **1,141,112** | **89,187** | **1,230,299** | 1,285,910 | 48,049 | 1,333,959 |
| Accounts payable and other liabilities | **630,624** | **32,838** | **663,462** | 655,501 | 33,813 | 689,314 |
| **Total liabilities** | **$ 7,372,967** | **$ 294,125** | **$ 7,667,092** | $ 7,266,119 | $ 248,230 | $ 7,514,349 |
| **Equity** | | | | | | |
| Unitholders’ equity | **7,728,892** | **—** | **7,728,892** | 7,911,344 | — | 7,911,344 |
| **Total liabilities and equity** | **$ 15,101,859** | **$ 294,125** | **$ 15,395,984** | $ 15,177,463 | $ 248,230 | $ 15,425,693 |

### *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, 2020:

| As at | December 31, 2020 | | |
|---|---|---|---|
| *(in thousands of dollars)* | IFRS basis | Equity-accounted investments | RioCan's proportionate share |
| **Assets** | | | |
| Investment properties | $ 14,063,022 | $ 243,677 | $ 14,306,699 |
| Equity-accounted investments | 209,676 | (209,676) | — |
| Mortgages and loans receivable | 160,646 | — | 160,646 |
| Residential inventory | 214,181 | 82,331 | 296,512 |
| Assets held for sale | 198,094 | — | 198,094 |
| Receivables and other assets | 183,633 | 28,202 | 211,835 |
| Cash and cash equivalents | 238,456 | 2,203 | 240,659 |
| **Total assets** | $ 15,267,708 | $ 146,737 | $ 15,414,445 |
| **Liabilities** | | | |
| Debentures payable | $ 3,340,278 | $ — | $ 3,340,278 |
| Mortgages payable | 2,797,066 | 108,337 | 2,905,403 |
| Lines of credit and other bank loans | 790,539 | 28,716 | 819,255 |
| Accounts payable and other liabilities | 604,852 | 9,684 | 614,536 |
| **Total liabilities** | $ 7,532,735 | $ 146,737 | $ 7,679,472 |
| **Equity** | | | |
| Unitholders’ equity | 7,734,973 | — | 7,734,973 |
| **Total liabilities and equity** | $ 15,267,708 | $ 146,737 | $ 15,414,445 |

***RioCan's Proportionate Share (continued)***

The following tables reconcile the consolidated statements of income (loss) from IFRS to RioCan's proportionate share basis for the three months and years ended December 31, 2022, 2021 and year ended December 31, 2020 :

| | Three months ended December 31, 2022 | | | Three months ended December 31, 2021 | | |
|---|---|---|---|---|---|---|
| *(thousands of dollars)* | IFRS basis | Equity-accounted investments | RioCan's proportionate share | IFRS basis | Equity-accounted investments | RioCan's proportionate share |
| **Revenue** | | | | | | |
| Rental revenue | **$ 268,864** | **$ 7,516** | **$ 276,380** | $ 266,899 | $ 7,071 | $ 273,970 |
| Residential inventory sales | **33,873** | **—** | **33,873** | 65,620 | 965 | 66,585 |
| Property management and other service fees | **3,450** | **—** | **3,450** | 3,920 | — | 3,920 |
| | **306,187** | **7,516** | **313,703** | 336,439 | 8,036 | 344,475 |
| **Operating costs** | | | | | | |
| Rental operating costs | | | | | | |
| Recoverable under tenant leases | **95,258** | **836** | **96,094** | 93,346 | 588 | 93,934 |
| Non-recoverable costs | **9,060** | **606** | **9,666** | 9,019 | 609 | 9,628 |
| Residential inventory cost of sales | **26,448** | **—** | **26,448** | 39,286 | 289 | 39,575 |
| | **130,766** | **1,442** | **132,208** | 141,651 | 1,486 | 143,137 |
| **Operating income** | **175,421** | **6,074** | **181,495** | 194,788 | 6,550 | 201,338 |
| **Other income (loss)** | | | | | | |
| Interest income | **6,272** | **599** | **6,871** | 3,842 | 566 | 4,408 |
| Income (Loss) from equity-accounted investments | **(3,864)** | **3,864** | **—** | 6,503 | (6,503) | — |
| Fair value (loss) gain on investment properties, net | **(115,507)** | **(8,404)** | **(123,911)** | 72,255 | 1,480 | 73,735 |
| Investment and other income (loss) | **240** | **324** | **564** | (696) | (144) | (840) |
| | **(112,859)** | **(3,617)** | **(116,476)** | 81,904 | (4,601) | 77,303 |
| **Other expenses** | | | | | | |
| Interest costs, net | **48,320** | **2,394** | **50,714** | 42,403 | 1,819 | 44,222 |
| General and administrative | **12,845** | **23** | **12,868** | 11,924 | 16 | 11,940 |
| Internal leasing costs | **3,306** | **—** | **3,306** | 2,982 | — | 2,982 |
| Transaction and other costs | **3,236** | **40** | **3,276** | 6,779 | 114 | 6,893 |
| Debt prepayment costs, net | **—** | **—** | **—** | 3,896 | — | 3,896 |
| | **67,707** | **2,457** | **70,164** | 67,984 | 1,949 | 69,933 |
| **Income (Loss) before income taxes** | **$ (5,145)** | **$ —** | **$ (5,145)** | $ 208,708 | $ — | $ 208,708 |
| Current income tax recovery | **(184)** | **—** | **(184)** | (68) | — | (68) |
| **Net income (loss)** | **$ (4,961)** | **$ —** | **$ (4,961)** | $ 208,776 | $ — | $ 208,776 |

***RioCan's Proportionate Share (continued)***

| | Year ended December 31, 2022 | | | Year ended December 31, 2021 | | |
|---|---|---|---|---|---|---|
| *(thousands of dollars)* | IFRS basis | Equity-accounted investments | RioCan's proportionate share | IFRS basis | Equity-accounted investments | RioCan's proportionate share |
| **Revenue** | | | | | | |
| Rental revenue | **$ 1,074,192** | **$ 29,221** | **$ 1,103,413** | $ 1,066,562 | $ 26,836 | $ 1,093,398 |
| Residential inventory sales | **118,659** | **936** | **119,595** | 93,727 | 6,474 | 100,201 |
| Property management and other service fees | **20,996** | **—** | **20,996** | 14,772 | — | 14,772 |
| | **1,213,847** | **30,157** | **1,244,004** | 1,175,061 | 33,310 | 1,208,371 |
| **Operating costs** | | | | | | |
| Rental operating costs | | | | | | |
| Recoverable under tenant leases | **376,914** | **2,889** | **379,803** | 367,297 | 2,089 | 369,386 |
| Non-recoverable costs | **27,955** | **2,394** | **30,349** | 40,753 | 2,544 | 43,297 |
| Residential inventory cost of sales | **96,286** | **422** | **96,708** | 65,346 | 2,371 | 67,717 |
| | **501,155** | **5,705** | **506,860** | 473,396 | 7,004 | 480,400 |
| **Operating income** | **712,692** | **24,452** | **737,144** | 701,665 | 26,306 | 727,971 |
| **Other income (loss)** | | | | | | |
| Interest income | **20,902** | **2,326** | **23,228** | 13,666 | 2,160 | 15,826 |
| Income from equity-accounted investments | **2,349** | **(2,349)** | **—** | 19,189 | (19,189) | — |
| Fair value (loss) gain on investment properties, net | **(241,128)** | **(16,208)** | **(257,336)** | 124,052 | (1,113) | 122,939 |
| Investment and other (loss) income | **(1,842)** | **277** | **(1,565)** | 2,743 | (806) | 1,937 |
| | **(219,719)** | **(15,954)** | **(235,673)** | 159,650 | (18,948) | 140,702 |
| **Other expenses** | | | | | | |
| Interest costs, net | **180,365** | **8,242** | **188,607** | 171,521 | 7,026 | 178,547 |
| General and administrative | **54,437** | **74** | **54,511** | 51,400 | 60 | 51,460 |
| Internal leasing costs | **12,204** | **—** | **12,204** | 11,807 | — | 11,807 |
| Transaction and other costs | **8,274** | **182** | **8,456** | 17,343 | 272 | 17,615 |
| Debt prepayment costs, net | **—** | **—** | **—** | 10,914 | — | 10,914 |
| | **255,280** | **8,498** | **263,778** | 262,985 | 7,358 | 270,343 |
| **Income before income taxes** | **$ 237,693** | **$ —** | **$ 237,693** | $ 598,330 | $ — | $ 598,330 |
| Current income tax expense (recovery) | **921** | **—** | **921** | (59) | — | (59) |
| **Net income** | **$ 236,772** | **$ —** | **$ 236,772** | $ 598,389 | $ — | $ 598,389 |

***RioCan's Proportionate Share (continued)***

| | Year ended December 31, 2020 | | |
|---|---|---|---|
| *(thousands of dollars)* | IFRS basis | Equity-accounted investments | RioCan's proportionate share |
| **Revenue** | | | |
| Rental revenue | $ 1,090,732 | $ 17,162 | $ 1,107,894 |
| Residential inventory sales | 36,347 | 6,718 | 43,065 |
| Property management and other service fees | 16,584 | — | 16,584 |
| | 1,143,663 | 23,880 | 1,167,543 |
| **Operating costs** | | | |
| Rental operating costs | | | |
| Recoverable under tenant leases | 377,787 | 1,495 | 379,282 |
| Non-recoverable costs | 64,751 | 1,599 | 66,350 |
| Residential inventory cost of sales | 20,842 | 3,567 | 24,409 |
| | 463,380 | 6,661 | 470,041 |
| **Operating income** | 680,283 | 17,219 | 697,502 |
| **Other income** | | | |
| Interest income | 14,602 | 1,383 | 15,985 |
| Income from equity-accounted investments | 3,985 | (3,985) | — |
| Fair value loss on investment properties, net | (526,775) | (9,613) | (536,388) |
| Investment and other income (loss) | 8,216 | (166) | 8,050 |
| | (499,972) | (12,381) | (512,353) |
| **Other expenses** | | | |
| Interest costs, net | 180,811 | 4,788 | 185,599 |
| General and administrative | 40,524 | 42 | 40,566 |
| Internal leasing costs | 10,192 | — | 10,192 |
| Transaction and other costs | 2,934 | 8 | 2,942 |
| | 234,461 | 4,838 | 239,299 |
| **Loss before income taxes** | $ (54,150) | $ — | $ (54,150) |
| Current income tax recovery | (275) | — | (275) |
| Deferred income tax expense | 10,905 | — | 10,905 |
| **Net loss** | $ (64,780) | $ — | $ (64,780) |

### *(ii) NOI*

The following table reconciles operating income to NOI for the three months ended December 31, 2022 and 2021 and years ended December 31, 2022, 2021 and 2020:

| *(thousands of dollars, except where otherwise noted)* | Three months ended December 31 | | Years ended December 31 | | |
|---|---|---|---|---|---|
| | **2022** | 2021 | **2022** | 2021 | 2020 |
| **Operating Income** | **$ 175,421** | $ 194,788 | **$ 712,692** | $ 701,665 | $ 680,283 |
| *Adjusted for the following:* | | | | | |
| Property management and other service fees | **(3,450)** | (3,920) | **(20,996)** | (14,772) | (16,584) |
| Residential inventory gains | **(7,425)** | (26,334) | **(22,373)** | (28,381) | (15,505) |
| Operational lease revenue from ROU assets | **1,516** | 1,264 | **5,666** | 4,799 | 3,983 |
| **NOI** | **$ 166,062** | $ 165,798 | **$ 674,989** | $ 663,311 | $ 652,177 |

### *NOI at RioCan's Proportionate Share*

The following table reconciles operating income to NOI for equity-accounted investments for the three months ended December 31, 2022 and 2021 and years ended December 31, 2022, 2021 and 2020:

| *(thousands of dollars)* | Three months ended December 31 | | Years ended December 31 | | |
|---|---|---|---|---|---|
| | **2022** | 2021 | **2022** | 2021 | 2020 |
| **NOI at IFRS basis** | **$ 166,062** | $ 165,798 | **$ 674,989** | $ 663,311 | $ 652,177 |
| *Add equity-accounted investments:* | | | | | |
| **Operating Income** | **$ 6,074** | $ 6,550 | **$ 24,452** | $ 26,306 | $ 17,219 |
| *Adjusted for the following:* | | | | | |
| Residential inventory gains | **—** | (676) | **(514)** | (4,103) | (3,151) |
| Operational lease expenses from ROU assets | **(202)** | (202) | **(809)** | (777) | (506) |
| **NOI from equity-accounted investments** | **$ 5,872** | $ 5,672 | **$ 23,129** | $ 21,426 | $ 13,562 |
| **NOI at RioCan's proportionate share** | **$ 171,934** | $ 171,470 | **$ 698,118** | $ 684,737 | $ 665,739 |

### *(iii) Same Property NOI*

The following table reconciles Same Property NOI to NOI for the three months and years ended December 31, 2022 and 2021:

| | Three months ended December 31 | | Years ended December 31 | |
|---|---|---|---|---|
| *(thousands of dollars)* | **2022** | 2021 | **2022** | 2021 |
| Same Property NOI | **$ 149,771** | $ 146,405 | **$ 600,529** | $ 575,707 |
| NOI from income producing properties: | | | | |
| Acquired (i) | **85** | — | **574** | 110 |
| Disposed (i) | **3,665** | 9,923 | **26,227** | 49,699 |
| | **3,750** | 9,923 | **26,801** | 49,809 |
| NOI from completed properties under development | **4,867** | 3,677 | **16,927** | 9,683 |
| NOI from properties under de-leasing under development | **2,458** | 2,485 | **10,107** | 10,669 |
| Lease cancellation fees | **391** | 394 | **5,119** | 6,457 |
| Straight-line rent adjustment | **806** | 1,050 | **1,884** | 6,928 |
| NOI from residential rental | **4,019** | 1,864 | **13,622** | 4,058 |
| **NOI (ii)** | **$ 166,062** | $ 165,798 | **$ 674,989** | $ 663,311 |

(i) Includes properties acquired or disposed of during the periods being compared.
(ii) Refer to *(ii) NOI* of this *Non-GAAP Measures* section of this MD&A for reconciliation from NOI to operating income.

### *Same Property NOI including completed PUD*

| | Three months ended December 31 | | Years ended December 31 | |
|---|---|---|---|---|
| *(thousands of dollars)* | **2022** | 2021 | **2022** | 2021 |
| Same Property NOI | **$ 149,771** | $ 146,405 | **$ 600,529** | $ 575,707 |
| *Add:* | | | | |
| NOI from completed properties under development | **4,867** | 3,677 | **16,927** | 9,683 |
| **Same Property NOI including completed PUD** | **$ 154,638** | $ 150,082 | **$ 617,456** | $ 585,390 |

### *Adjusted Same Property NOI*

| | Three months ended December 31 | | Years ended December 31 | |
|---|---|---|---|---|
| *(thousands of dollars)* | **2022** | 2021 | **2022** | 2021 |
| Same Property NOI | **$ 149,771** | $ 146,405 | **$ 600,529** | $ 575,707 |
| *Add (exclude):* | | | | |
| Same property pandemic-related provision (recovery) | **1,281** | 2,742 | **1,104** | 16,175 |
| Legal and CAM/property tax settlements | **1,022** | (741) | **(90)** | (5,929) |
| **Adjusted Same Property NOI** | **$ 152,074** | $ 148,406 | **$ 601,543** | $ 585,953 |

*(iv) FFO*

The following table reconciles net income (loss) attributable to Unitholders to FFO for the three months and years ended December 31, 2022 and 2021:

| | Three months ended December 31 | | Years ended December 31 | |
|---|---|---|---|---|
| *(thousands of dollars, except where otherwise noted)* | **2022** | 2021 | **2022** | 2021 |
| Net income (loss) attributable to Unitholders | **$ (4,961)** | $ 208,776 | **$ 236,772** | $ 598,389 |
| *Add back/(Deduct):* | | | | |
| Fair value losses (gains), net | **115,507** | (72,255) | **241,128** | (124,052) |
| Fair value losses (gains) included in equity-accounted investments | **8,404** | (1,480) | **16,207** | 1,113 |
| Internal leasing costs | **3,306** | 2,982 | **12,204** | 11,807 |
| Transaction losses on investment properties, net (i) | **560** | 901 | **1,027** | 402 |
| Transaction costs on sale of investment properties | **2,652** | 6,324 | **5,734** | 14,391 |
| Change in unrealized fair value on marketable securities | **382** | — | **3,782** | — |
| Current income tax (recovery) expense | **(184)** | (68) | **921** | (59) |
| Operational lease revenue from ROU assets | **1,120** | 887 | **4,086** | 3,308 |
| Operational lease expenses from ROU assets in equity-accounted investments | **(12)** | (11) | **(46)** | (42) |
| Capitalized interest on equity-accounted investments (ii) | **869** | 465 | **2,863** | 1,725 |
| FFO | **$ 127,643** | $ 146,521 | **$ 524,678** | $ 506,982 |
| *Add back:* | | | | |
| Debt prepayment costs, net | **—** | 3,896 | **—** | 10,914 |
| One-time compensation costs | **—** | — | **—** | 6,057 |
| Restructuring costs | **510** | — | **4,289** | — |
| FFO Adjusted | **$ 128,153** | $ 150,417 | **$ 528,967** | $ 523,953 |
| | | | | |
| FFO per unit - basic | **$ 0.42** | $ 0.46 | **$ 1.71** | $ 1.60 |
| FFO per unit - diluted | **$ 0.42** | $ 0.46 | **$ 1.71** | $ 1.60 |
| FFO Adjusted per unit - diluted | **$ 0.42** | $ 0.48 | **$ 1.73** | $ 1.65 |
| Weighted average number of Units - basic (in thousands) | **302,321** | 315,534 | **306,069** | 317,201 |
| Weighted average number of Units - diluted (in thousands) | **302,423** | 315,733 | **306,247** | 317,284 |

(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, 2022 and 2021:

| | Three months ended December 31 | | Years ended December 31 | |
|---|---|---|---|---|
| *(thousands of dollars, except per unit amounts)* | **2022** | 2021 | **2022** | 2021 |
| Income (Loss) from equity-accounted investments | **$ (3,864)** | $ 6,503 | **$ 2,349** | $ 19,189 |
| Fair value losses (gains) included in equity-accounted investments | **8,404** | (1,480) | **16,207** | 1,113 |
| Transaction costs on sale of investment properties | **—** | 26 | **2** | 28 |
| Operational lease expenses from ROU assets in equity-accounted investments | **(12)** | (11) | **(46)** | (42) |
| Capitalized interest on equity-accounted investments (i) | **869** | 465 | **2,863** | 1,725 |
| **FFO from equity-accounted investments** | **$ 5,397** | $ 5,503 | **$ 21,375** | $ 22,013 |

(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, RC (Leaside) LP- Class B and PR Bloor Street LP. This amount is not capitalized to properties under development under IFRS, but is allowed as an adjustment under REALPAC’s definition of FFO.

### *Quarterly FFO, FFO Adjusted, FFO Payout Ratio and FFO Payout Ratio Adjusted*

The following tables reconcile quarterly net income (loss) attributable to Unitholders to FFO for the years ended December 31, 2022 and 2021 and for the year ended December 31, 2020:

| *(thousands of dollars, except per unit amounts)* | **Q4 2022** | Q3 2022 | Q2 2022 | Q1 2022 | **Twelve months ended December 31, 2022** |
|---|---|---|---|---|---|
| Net income (loss) attributable to Unitholders | **$ (4,961)** | $ 3,215 | $ 78,460 | $ 160,058 | **$ 236,772** |
| *Add back/(Deduct):* | | | | | |
| Fair value losses (gains), net | **115,507** | 118,783 | 42,270 | (35,432) | **241,128** |
| Fair value losses included in equity-accounted investments | **8,404** | 3,537 | 3,476 | 790 | **16,207** |
| Internal leasing costs | **3,306** | 3,088 | 2,825 | 2,985 | **12,204** |
| Transaction losses (gains) on investment properties, net | **560** | (270) | 353 | 384 | **1,027** |
| Transaction costs on sale of investment properties | **2,652** | 1,769 | 713 | 600 | **5,734** |
| Change in unrealized fair value on marketable securities | **382** | 1,999 | 1,401 | — | **3,782** |
| Current income tax expense (recovery) | **(184)** | 834 | 452 | (181) | **921** |
| Operational lease revenue from ROU assets | **1,120** | 1,035 | 985 | 946 | **4,086** |
| Operational lease expenses from ROU assets in equity-accounted investments | **(12)** | (12) | (11) | (11) | **(46)** |
| Capitalized interest on equity-accounted investments | **869** | 825 | 733 | 436 | **2,863** |
| **FFO** | **$ 127,643** | $ 134,803 | $ 131,657 | $ 130,575 | **$ 524,678** |
| *Add back:* | | | | | |
| Debt prepayment costs, net | **—** | — | — | — | **—** |
| One-time compensation costs | **—** | — | — | — | **—** |
| Restructuring costs | **510** | — | 3,170 | 609 | **4,289** |
| **FFO Adjusted** | **$ 128,153** | $ 134,803 | $ 134,827 | $ 131,184 | **$ 528,967** |
| **Distribution paid** | **$ 77,195** | $ 77,497 | $ 78,817 | $ 75,907 | **$ 309,416** |
| **FFO for last 4 quarters** | **$ 524,678** | $ 543,556 | $ 535,661 | $ 531,521 | |
| **FFO Adjusted for last 4 quarters** | **$ 528,967** | $ 551,231 | $ 543,336 | $ 536,237 | |
| **Distributions for last 4 quarters** | **$ 309,416** | $ 308,221 | $ 306,986 | $ 304,433 | |
| **FFO Payout Ratio** | | | | | **59.0%** |
| **FFO Payout Ratio Adjusted** | | | | | **58.5%** |

### *Quarterly FFO, FFO Adjusted, FFO Payout Ratio and FFO Payout Ratio Adjusted (continued)*

| *(thousands of dollars, except per unit amounts)* | Q4 2021 | Q3 2021 | Q2 2021 | Q1 2021 | Twelve months ended December 31, 2021 |
|---|---|---|---|---|---|
| Net income attributable to Unitholders | $ 208,776 | $ 137,610 | $ 145,274 | $ 106,729 | $ 598,389 |
| *Add back/(Deduct):* | | | | | |
| 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 (recovery) | — | — | — | — | — |
| 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 from ROU assets | 887 | 834 | 824 | 763 | 3,308 |
| Operational lease 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 |
| *Add back:* | | | | | |
| Debt prepayment costs, net | 3,896 | — | — | 7,018 | 10,914 |
| One-time compensation costs | — | — | 211 | 5,846 | 6,057 |
| Restructuring costs | — | — | — | — | — |
| FFO Adjusted | $ 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 Adjusted 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 Adjusted | | | | | 60.6% |

### *Quarterly FFO, FFO Adjusted, FFO Payout Ratio and FFO Payout Ratio Adjusted (continued)*

| *(thousands of dollars, except per unit amounts)* | 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 from ROU assets | 710 | 567 | 612 | 683 | 2,572 |
| Operational lease 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 Adjusted | $ 124,104 | $ 128,804 | $ 109,903 | $ 144,583 | $ 507,394 |
| Distribution paid | $ 114,385 | $ 114,378 | $ 114,387 | $ 114,371 | $ 457,521 |
| FFO Payout Ratio | | | | | 90.2% |
| FFO Payout Ratio Adjusted | | | | | 90.2% |

### *Excess Cash Flow*

| | Years ended December 31 | |
|---|---|---|
| *(thousands of dollars, except per unit amounts)* | **2022** | 2021 |
| FFO (i) | **$ 524,678** | $ 506,982 |
| Distributions paid to Unitholders | **(309,416)** | (317,497) |
| Maintenance capital expenditures | **(60,495)** | (52,822) |
| **Excess Cash Flow** | **$ 154,767** | $ 136,663 |

(i) Refer to above for reconciliation from net income to FFO.

### *(v) AFFO*

The following table reconciles FFO to AFFO for the three months and years ended December 31, 2022 and 2021:

| | Three months ended December 31 | | Years ended December 31 | |
|---|---|---|---|---|
| *(thousands of dollars)* | **2022** | 2021 | **2022** | 2021 |
| FFO (i) | **$ 127,643** | $ 146,521 | **$ 524,678** | $ 506,982 |
| *Add back (deduct):* | | | | |
| Straight-line rent | **(806)** | (1,050) | **(1,884)** | (6,928) |
| Straight-line rent in equity-accounted investments | **(295)** | (414) | **(1,461)** | (1,766) |
| Normalized capital expenditures: | | | | |
| Leasing commissions and tenant improvements | **(5,625)** | (6,750) | **(22,500)** | (27,000) |
| Capital expenditures on recoverable from tenants | **(5,625)** | (3,000) | **(22,500)** | (12,000) |
| Capital expenditures not recoverable from tenants | **(1,250)** | (1,500) | **(5,000)** | (6,000) |
| Internal leasing costs | **(3,306)** | (2,982) | **(12,204)** | (11,807) |
| Internal leasing costs related to development properties | **610** | 550 | **2,252** | 2,179 |
| **AFFO** | **111,346** | 131,375 | **461,381** | 443,660 |
| *Add back:* | | | | |
| Debt prepayment costs, net | **—** | 3,896 | **—** | 10,914 |
| One-time compensation costs | **—** | — | **—** | 6,057 |
| Restructuring costs | **510** | — | **4,289** | — |
| **AFFO Adjusted** | **$ 111,856** | $ 135,271 | **$ 465,670** | $ 460,631 |

(i) Refer to (iv) FFO of this *Non-GAAP Measures* section of this MD&A for reconciliation from net income to FFO.

### *Quarterly AFFO, AFFO Payout Ratio and AFFO Payout Ratio Adjusted*

The following tables reconcile FFO to AFFO for the years ended December 31, 2022 and 2021 and year ended December 31, 2020:

| *(thousands of dollars)* | **Q4 2022** | Q3 2022 | Q2 2022 | Q1 2022 | **Twelve months ended December 31, 2022** |
|---|---|---|---|---|---|
| FFO (i) | **$ 127,643** | $ 134,803 | $ 131,657 | $ 130,575 | **$ 524,678** |
| *Add back (deduct):* | | | | | |
| Straight-line rent | **(806)** | 196 | (359) | (915) | **(1,884)** |
| Straight-line rent in equity-accounted investments | **(295)** | (370) | (406) | (390) | **(1,461)** |
| Normalized capital expenditures: | | | | | |
| Leasing commissions and tenant improvements | **(5,625)** | (5,625) | (5,625) | (5,625) | **(22,500)** |
| Capital expenditures on recoverable from tenants | **(5,625)** | (5,625) | (5,625) | (5,625) | **(22,500)** |
| Capital expenditures not recoverable from tenants | **(1,250)** | (1,250) | (1,250) | (1,250) | **(5,000)** |
| Internal leasing costs | **(3,306)** | (3,088) | (2,825) | (2,985) | **(12,204)** |
| Internal leasing costs related to development properties | **610** | 570 | 521 | 551 | **2,252** |
| **AFFO** | **$ 111,346** | $ 119,611 | $ 116,088 | $ 114,336 | **$ 461,381** |
| *Add back:* | | | | | |
| Restructuring costs | **510** | — | 3,170 | 609 | **4,289** |
| **AFFO Adjusted** | **$ 111,856** | $ 119,611 | $ 119,258 | $ 114,945 | **$ 465,670** |
| **Distributions paid** | **$ 77,195** | $ 77,497 | $ 78,817 | $ 75,907 | **$ 309,416** |
| **AFFO last 4 quarters** | **$ 461,381** | $ 481,410 | $ 471,858 | $ 467,635 | |
| **AFFO Adjusted for last 4 quarters** | **$ 465,670** | $ 489,085 | $ 479,533 | $ 472,351 | |
| **Distributions last four quarters** | **$ 309,416** | $ 308,221 | $ 306,986 | $ 304,433 | |
| **AFFO Payout Ratio** | | | | | **67.1 %** |
| **AFFO Payout Ratio Adjusted** | | | | | **66.4 %** |

(i) Refer to (iv) FFO of this *Non-GAAP Measures* section of this MD&A for reconciliation from net income to FFO.

### *Quarterly AFFO, AFFO Payout Ratio and AFFO Payout Ratio Adjusted (continued)*

| *(thousands of dollars)* | Q4 2021 | Q3 2021 | Q2 2021 | Q1 2021 | Twelve months ended December 31, 2021 |
|---|---|---|---|---|---|
| FFO (i) | $ 146,521 | $ 126,908 | $ 127,517 | $ 106,036 | $ 506,982 |
| *Add back (deduct):* | | | | | |
| Straight-line rent | (1,050) | (2,544) | (1,648) | (1,686) | (6,928) |
| Straight-line rent in equity-accounted investments | (414) | (441) | (498) | (413) | (1,766) |
| Normalized capital expenditures: | | | | | |
| Leasing commissions and tenant improvements | (6,750) | (6,750) | (6,750) | (6,750) | (27,000) |
| Capital expenditures on recoverable from tenants | (3,000) | (3,000) | (3,000) | (3,000) | (12,000) |
| Capital expenditures not recoverable from tenants | (1,500) | (1,500) | (1,500) | (1,500) | (6,000) |
| Internal leasing costs | (2,982) | (3,206) | (2,767) | (2,852) | (11,807) |
| Internal leasing costs related to development properties | 550 | 592 | 511 | 526 | 2,179 |
| AFFO | $ 131,375 | $ 110,059 | $ 111,865 | $ 90,361 | $ 443,660 |
| *Add back:* | | | | | |
| Debt prepayment costs, net | 3,896 | — | — | 7,018 | 10,914 |
| One-time compensation costs | — | — | 211 | 5,846 | 6,057 |
| AFFO Adjusted | $ 135,271 | $ 110,059 | $ 112,076 | $ 103,225 | $ 460,631 |
| Distributions paid | $ 76,000 | $ 76,262 | $ 76,264 | $ 88,971 | $ 317,497 |
| AFFO last 4 quarters | $ 443,660 | $ 422,248 | $ 428,138 | $ 412,550 | |
| AFFO Adjusted for last 4 quarters | $ 460,631 | $ 435,323 | $ 441,213 | $ 425,414 | |
| Distributions last four quarters | $ 317,497 | $ 355,882 | $ 393,998 | $ 432,121 | |
| AFFO Payout Ratio | | | | | 71.6% |
| AFFO Payout Ratio Adjusted | | | | | 68.9% |

(i) Refer to (iv) FFO of this *Non-GAAP Measures* section of this MD&A for reconciliation from net income to FFO.

| *(thousands of dollars)* | Q4 2020 | Q3 2020 | Q2 2020 | Q1 2020 | Twelve months ended December 31, 2020 |
|---|---|---|---|---|---|
| FFO (i) | $ 124,104 | $ 128,804 | $ 109,903 | $ 144,583 | $ 507,394 |
| *Add back (deduct):* | | | | | |
| Straight-line rent | (1,458) | (1,200) | (1,816) | (2,703) | (7,177) |
| Straight-line rent in equity-accounted investments | (317) | — | — | — | (317) |
| Normalized capital expenditures: | | | | | |
| Leasing commissions and tenant improvements | (4,000) | (4,000) | (4,000) | (4,000) | (16,000) |
| Capital expenditures on recoverable from tenants | (4,500) | (4,500) | (4,500) | (4,500) | (18,000) |
| Capital expenditures not recoverable from tenants | (1,500) | (1,500) | (1,500) | (1,500) | (6,000) |
| Internal leasing costs | (2,901) | (2,029) | (2,219) | (3,043) | (10,192) |
| Internal leasing costs related to development properties | 535 | 374 | 409 | 562 | 1,880 |
| AFFO | $ 109,963 | $ 115,949 | $ 96,277 | $ 129,399 | $ 451,588 |
| AFFO Adjusted | $ 109,963 | $ 115,949 | $ 96,277 | $ 129,399 | $ 451,588 |
| Distributions paid | $ 114,385 | $ 114,378 | $ 114,387 | $ 114,371 | $ 457,521 |
| AFFO Payout Ratio | | | | | 101.3 % |
| AFFO Payout Ratio Adjusted | | | | | 101.3 % |

(i) Refer to (iv) FFO of this *Non-GAAP Measures* section of this MD&A for reconciliation from net income to FFO.

### *(vi) Adjusted G&A Expense*

| | Three months ended December 31 | | | Years ended December 31 | | |
|---|---|---|---|---|---|---|
| *(thousands of dollars)* | **2022** | 2021 | Change | **2022** | 2021 | Change |
| Total G&A expense | **$ 12,845** | $ 11,924 | $ 921 | **$ 54,437** | $ 51,400 | $ 3,037 |
| *Deduct:* | | | | | | |
| One-time compensation costs | **—** | — | — | **—** | 6,057 | (6,057) |
| Restructuring costs | **510** | — | 510 | **4,289** | — | 4,289 |
| Adjusted G&A Expense | **$ 12,335** | $ 11,924 | $ 411 | **$ 50,148** | $ 45,343 | $ 4,805 |

### *(vii) Development Spending*

Total Development Spending for the three months and years ended December 31, 2022 and 2021 are as follows:

| | Three months ended December 31 | | Years ended December 31 | |
|---|---|---|---|---|
| *(thousands of dollars)* | **2022** | 2021 | **2022** | 2021 |
| Development expenditures on balance sheet: | | | | |
| Properties under development | **$ 78,282** | $ 79,457 | **$ 298,409** | $ 365,120 |
| Residential inventory | **33,631** | 14,330 | **112,597** | 62,351 |
| RioCan's share of Development Spending from equity-accounted joint ventures | **2,639** | 1,619 | **16,062** | 10,456 |
| **Total Development Spending (i)** | **$ 114,552** | $ 95,406 | **$ 427,068** | $ 437,927 |

(i) Effective Q1 2022, the definition of total Development Spending was revised to include RioCan's share of Development Spending from equity-accounted joint ventures accordingly, the comparative period has been restated.

### *(viii) Value of Development Deliveries*

Total Value of Development Deliveries for the three months and years ended December 31, 2022 and 2021 are as follows:

| | Three months ended December 31 | | Years ended December 31 | |
|---|---|---|---|---|
| *(thousands of dollars)* | **2022** | 2021 | **2022** | 2021 |
| Transfers PUD to IPP at fair value IFRS basis | **$ 239,297** | $ 71,041 | **$ 569,494** | $ 174,159 |
| Revenue from residential inventory sales IFRS basis | **33,873** | 65,620 | **118,659** | 93,727 |
| **Total Value of Development Deliveries** | **$ 273,170** | $ 136,661 | **$ 688,153** | $ 267,886 |

### *(ix) Total Development at Cost*

Total Development at Cost as at December 31, 2022 are as follows:

| As at | **Residential inventory cost to date** | | | | **PUD cost to date** | | | **Total Residential inventory and PUD cost to date** |
|---|---|---|---|---|---|---|---|---|
| | IFRS basis | | | | | | | |
| *(thousands of dollars)* | Cost | Commissions (i) | Adjustments for EAI JV (ii) | Total | IFRS basis | Adjustments for EAI JV | Total | |
| Projects under construction | $195,200 | $ 11,634 | $ 16,423 | **$223,257** | $ 665,941 | $ 1,390 | **$ 667,331** | **$ 890,588** |
| Shovel ready development sites | 3,287 | — | — | **3,287** | 77,374 | — | **77,374** | **80,661** |
| Zoning approved | 47,256 | — | 10,272 | **57,528** | 91,272 | — | **91,272** | **148,800** |
| Zoning application submitted | 22,112 | — | 101,798 | **123,910** | 55,818 | 3,991 | **59,809** | **183,719** |
| Future developments | 4,150 | — | — | **4,150** | 97,709 | — | **97,709** | **101,859** |
| Development lands & others | — | — | — | **—** | 65,783 | — | **65,783** | **65,783** |
| **Total Development at Cost** | **$272,005** | **$ 11,634** | **$ 128,493** | **$412,132** | **$1,053,897** | **$ 5,381** | **$1,059,278** | **$ 1,471,410** |
| **Total properties under development at fair value** | | | | | | | **$1,178,610** | |

(i) Includes selling commissions which are included in prepaid expenses and other assets.

(ii) Includes $1.2 million commissions for EAI JV.

### *(x) Total Acquisitions*

Total Acquisitions for the three months and years ended December 31, 2022 and 2021 are as follows:

| | Three months ended December 31 | | Years ended December 31 | |
|---|---|---|---|---|
| *(thousands of dollars)* | **2022** | 2021 | **2022** | 2021 |
| Income producing properties | **$ 5,011** | $ — | **$ 96,031** | $ 11,482 |
| Properties under development | **—** | — | **11,946** | 5,563 |
| Residential inventory | **—** | — | **19,440** | — |
| RioCan's share of acquisitions from equity-accounted joint ventures | **—** | — | **66,497** | — |
| **Total Acquisitions** | **$ 5,011** | $ — | **$ 193,914** | $ 17,045 |

### *(xi) 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, 2022 and December 31, 2021:

| As at | **December 31, 2022** | | | December 31, 2021 | | |
|---|---|---|---|---|---|---|
| *(thousands of dollars)* | IFRS basis | Equity-accounted investments | RioCan's proportionate share | IFRS basis | Equity-accounted investments | RioCan's proportionate share |
| Debentures payable | **$ 2,942,051** | **$ —** | **$ 2,942,051** | $ 2,990,692 | $ — | $ 2,990,692 |
| Mortgages payable | **2,659,180** | **172,100** | **2,831,280** | 2,334,016 | 166,368 | 2,500,384 |
| Lines of credit and other bank loans | **1,141,112** | **89,187** | **1,230,299** | 1,285,910 | 48,049 | 1,333,959 |
| Total debt | **$ 6,742,343** | **$ 261,287** | **$ 7,003,630** | $ 6,610,618 | $ 214,417 | $ 6,825,035 |
| Total equity | **7,728,892** | **—** | **7,728,892** | 7,911,344 | — | 7,911,344 |
| Total capital | **$ 14,471,235** | **$ 261,287** | **$ 14,732,522** | $ 14,521,962 | $ 214,417 | $ 14,736,379 |

| As at | **December 31, 2022** | | | December 31, 2021 | | |
|---|---|---|---|---|---|---|
| *(thousands of dollars)* | IFRS basis | Equity-accounted investments | RioCan's proportionate share | IFRS basis | Equity-accounted investments | RioCan's proportionate share |
| Total debt | **$ 6,742,343** | **$ 261,287** | **$ 7,003,630** | $ 6,610,618 | $ 214,417 | $ 6,825,035 |
| Less: | | | | | | |
| Unamortized debt financing costs, premiums and discounts on origination and debt assumed, and modifications | **(15,634)** | **(690)** | **(16,324)** | (16,414) | (386) | (16,800) |
| Total Contractual Debt | **$ 6,757,977** | **$ 261,977** | **$ 7,019,954** | $ 6,627,032 | $ 214,803 | $ 6,841,835 |

### *(xii) Total Adjusted Debt to Total Adjusted Assets*

| As at | **December 31, 2022** | | | December 31, 2021 | | |
|---|---|---|---|---|---|---|
| *(thousands of dollars)* | IFRS basis | Equity-accounted investments | RioCan's proportionate share | IFRS basis | Equity-accounted investments | RioCan's proportionate share |
| Total debt | **$ 6,742,343** | **$ 261,287** | **$ 7,003,630** | $ 6,610,618 | $ 214,417 | $ 6,825,035 |
| Cash and cash equivalents | **86,229** | **8,001** | **94,230** | 77,758 | 9,113 | 86,871 |
| Total Adjusted Debt | **$ 6,656,114** | **$ 253,286** | **$ 6,909,400** | $ 6,532,860 | $ 205,304 | $ 6,738,164 |
| Total assets | **$ 15,101,859** | **$ 294,125** | **$ 15,395,984** | $ 15,177,463 | $ 248,230 | $ 15,425,693 |
| Cash and cash equivalents | **86,229** | **8,001** | **94,230** | 77,758 | 9,113 | 86,871 |
| Total Adjusted Assets | **$ 15,015,630** | **$ 286,124** | **$ 15,301,754** | $ 15,099,705 | $ 239,117 | $ 15,338,822 |
| Total Adjusted Debt to Total Adjusted Assets | **44.3%** | | **45.2%** | 43.3% | | 43.9% |

| As at | December 31, 2020 | | |
|---|---|---|---|
| *(thousands of dollars)* | IFRS basis | Equity-accounted investments | RioCan's proportionate share |
| Total debt | $ 6,927,883 | $ 137,053 | $ 7,064,936 |
| Cash and cash equivalents | 238,456 | 2,203 | 240,659 |
| Total Adjusted Debt | $ 6,689,427 | $ 134,850 | $ 6,824,277 |
| Total assets | $ 15,267,708 | $ 146,737 | $ 15,414,445 |
| Cash and cash equivalents | 238,456 | 2,203 | 240,659 |
| Total Adjusted Assets | $ 15,029,252 | $ 144,534 | $ 15,173,786 |
| Total Adjusted Debt to Total Adjusted Assets | 44.5% | | 45.0% |

### *(xiii) Floating Rate Debt and Fixed Rate Debt*

| As at | **December 31, 2022** | | | December 31, 2021 | | |
|---|---|---|---|---|---|---|
| | IFRS basis | Equity-accounted investments | RioCan's proportionate share | IFRS basis | Equity-accounted investments | RioCan's proportionate share |
| Total fixed rate debt | **$ 6,301,054** | **$ 141,720** | **$ 6,442,774** | $ 6,024,281 | $ 142,383 | $ 6,166,664 |
| Total floating rate debt | **441,289** | **119,567** | **560,856** | 586,337 | 72,034 | 658,371 |
| Total debt | **$ 6,742,343** | **$ 261,287** | **$ 7,003,630** | $ 6,610,618 | $ 214,417 | $ 6,825,035 |
| Ratio of floating rate debt to total debt | **6.5%** | | **8.0%** | 8.9% | | 9.6% |
| Total floating rate debt | **$ 441,289** | **$ 119,567** | **$ 560,856** | $ 586,337 | $ 72,034 | $ 658,371 |
| *Less:* | | | | | | |
| Revolving unsecured operating line of credit | **131,601** | **—** | **131,601** | 363,732 | — | 363,732 |
| Total floating rate debt (excluding revolving unsecured operating line of credit) | **$ 309,688** | **$ 119,567** | **$ 429,255** | $ 222,605 | $ 72,034 | $ 294,639 |
| Ratio of floating rate debt to total debt (excluding revolving unsecured operating line of credit) | **4.6 %** | | **6.1%** | 3.4% | | 4.3% |

### *(xiv) Unsecured Debt and Secured Debt*

The following table reconciles total Unsecured and Secured Debt to Total Contractual Debt as at December 31, 2022 and December 31, 2021:

| As at | **December 31, 2022** | | | December 31, 2021 | | |
|---|---|---|---|---|---|---|
| *(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 |
| Total Unsecured Debt | **$ 3,783,649** | **$ —** | **$ 3,783,649** | $ 4,065,920 | $ — | $ 4,065,920 |
| Total Secured Debt | **2,974,328** | **261,977** | **3,236,305** | 2,561,112 | 214,803 | 2,775,915 |
| Total Contractual Debt | **$ 6,757,977** | **$ 261,977** | **$ 7,019,954** | $ 6,627,032 | $ 214,803 | $ 6,841,835 |
| Percentage of Total Contractual Debt: | | | | | | |
| Unsecured Debt | **56.0%** | | **53.9%** | 61.4% | | 59.4% |
| Secured Debt | **44.0%** | | **46.1%** | 38.6% | | 40.6% |

### *(xv) Liquidity*

As at December 31, 2022, RioCan had $1.5 billion of Liquidity as summarized in the following table:

| As at | **December 31, 2022** | | | December 31, 2021 | | |
|---|---|---|---|---|---|---|
| *(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 |
| Undrawn revolving unsecured operating line of credit | **$ 1,116,351** | **$ —** | **$ 1,116,351** | $ 634,080 | $ — | $ 634,080 |
| Undrawn construction lines and other bank loans | **267,562** | **70,094** | **337,656** | 241,883 | 47,641 | 289,524 |
| Cash and cash equivalents | **86,229** | **8,001** | **94,230** | 77,758 | 9,113 | 86,871 |
| **Liquidity** | **$ 1,470,142** | **$ 78,095** | **$ 1,548,237** | $ 953,721 | $ 56,754 | $ 1,010,475 |

### *(xvi) Adjusted EBITDA and Coverage Ratios*

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

| | 12 months ended | | | | | |
|---|---|---|---|---|---|---|
| As at | **December 31, 2022** | | | December 31, 2021 | | |
| *(thousands of dollars)* | IFRS basis | Equity-accounted investments | RioCan's proportionate share | IFRS basis | Equity-accounted investments | RioCan's proportionate share |
| Net income attributable to Unitholders | **$ 236,772** | **$ —** | **$ 236,772** | $ 598,389 | $ — | $ 598,389 |
| *Add (deduct) the following items:* | | | | | | |
| Income tax expense (recovery): | | | | | | |
| Current | **921** | **—** | **921** | (59) | — | (59) |
| Fair value losses (gains) on investment properties, net | **241,128** | **16,208** | **257,336** | (124,052) | 1,113 | (122,939) |
| Change in unrealized fair value on marketable securities (i) | **3,783** | **—** | **3,783** | — | — | — |
| Internal leasing costs | **12,204** | **—** | **12,204** | 11,807 | — | 11,807 |
| Non-cash unit-based compensation expense | **9,056** | **—** | **9,056** | 12,546 | — | 12,546 |
| Interest costs, net | **180,365** | **8,242** | **188,607** | 171,521 | 7,026 | 178,547 |
| Debt prepayment costs, net | **—** | **—** | **—** | 10,914 | — | 10,914 |
| One-time cash compensation costs | **—** | **—** | **—** | 1,932 | — | 1,932 |
| Restructuring costs | **4,289** | **—** | **4,289** | — | — | — |
| Depreciation and amortization | **4,774** | **—** | **4,774** | 4,022 | — | 4,022 |
| Transaction losses on the sale of investment properties, net (ii) | **1,024** | **—** | **1,024** | 402 | — | 402 |
| Transaction costs on investment properties | **5,734** | **3** | **5,737** | 14,363 | 28 | 14,391 |
| Operational lease revenue (expenses) from ROU assets | **4,086** | **(46)** | **4,040** | 3,308 | (42) | 3,266 |
| **Adjusted EBITDA** | **$ 704,136** | **$ 24,407** | **$ 728,543** | $ 705,093 | $ 8,125 | $ 713,218 |

(i) The fair value gains and losses on marketable securities may include both the change in unrealized fair value and realized gains and losses 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 and losses on the sale of marketable securities in Adjusted EBITDA and excludes unrealized fair value gains and losses on marketable securities in Adjusted EBITDA.

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

| As at rolling 12 months ended | December 31, 2020 | | |
|---|---|---|---|
| *(thousands of dollars)* | IFRS basis | Equity-accounted investments | RioCan's proportionate share |
| Net loss attributable to Unitholders | $ (64,780) | $ — | $ (64,780) |
| *Add (deduct) the following items:* | | | |
| Income tax expense (recovery): | | | |
| Current | (275) | — | (275) |
| Deferred | 10,905 | — | 10,905 |
| Fair value losses on investment properties, net | 526,775 | 9,613 | 536,388 |
| Change in unrealized fair value on marketable securities (i) | 10,219 | — | 10,219 |
| Internal leasing costs | 10,192 | — | 10,192 |
| Non-cash unit-based compensation expense | 9,120 | — | 9,120 |
| Interest costs, net | 180,811 | 4,788 | 185,599 |
| Depreciation and amortization | 4,342 | — | 4,342 |
| Transaction losses on the sale of investment properties, net (ii) | 503 | — | 503 |
| Transaction costs on investment properties | 768 | — | 768 |
| Operational lease revenue (expenses) from ROU assets | 2,572 | (28) | 2,544 |
| **Adjusted EBITDA** | $ 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.

Adjusted EBITDA Ratios

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

| | 12 months ended | | | | | |
|---|---|---|---|---|---|---|
| As at | **December 31, 2022** | | | December 31, 2021 | | |
| *(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 | **$ 6,756,628** | **$ 251,888** | **$ 7,008,516** | $ 6,773,147 | $ 192,804 | $ 6,965,951 |
| Less: average cash and cash equivalents | **(74,871)** | **(8,791)** | **(83,662)** | (119,400) | (5,639) | (125,039) |
| Average Total Adjusted Debt | **$ 6,681,757** | **$ 243,097** | **$ 6,924,854** | $ 6,653,747 | $ 187,165 | $ 6,840,912 |
| Adjusted EBITDA | **$ 704,136** | **$ 24,407** | **$ 728,543** | $ 705,093 | $ 8,125 | $ 713,218 |
| **Adjusted Debt to Adjusted EBITDA** | **9.49** | | **9.51** | 9.44 | | 9.59 |
| **Interest Coverage** | | | | | | |
| Adjusted EBITDA | **$ 704,136** | **$ 24,407** | **$ 728,543** | $ 705,093 | $ 8,125 | $ 713,218 |
| Interest costs, net | **$ 180,365** | **$ 8,242** | **$ 188,607** | $ 171,521 | $ 7,026 | $ 178,547 |
| Interest expense capitalized to PUD | **43,675** | **1,924** | **45,599** | 40,287 | 53 | 40,340 |
| Gross interest costs | **$ 224,040** | **$ 10,166** | **$ 234,206** | $ 211,808 | $ 7,079 | $ 218,887 |
| **Interest Coverage** | **3.14** | | **3.11** | 3.33 | | 3.26 |
| **Debt Service Coverage** | | | | | | |
| Adjusted EBITDA | **$ 704,136** | **$ 24,407** | **$ 728,543** | $ 705,093 | $ 8,125 | $ 713,218 |
| Gross interest costs | **$ 224,040** | **$ 10,166** | **$ 234,206** | $ 211,808 | $ 7,079 | $ 218,887 |
| Scheduled mortgage principal amortization | **45,640** | **2,244** | **47,884** | 48,817 | 2,046 | 50,863 |
| Debt Service Cost | **$ 269,680** | **$ 12,410** | **$ 282,090** | $ 260,625 | $ 9,125 | $ 269,750 |
| **Debt Service Coverage** | **2.61** | | **2.58** | 2.71 | | 2.64 |

| As at 12 months ended | December 31, 2020 | | |
|---|---|---|---|
| *(thousands of dollars)* | IFRS basis | Equity-accounted investments | RioCan's proportionate share |
| **Adjusted Debt to Adjusted EBITDA** | | | |
| Average total debt outstanding | $ 6,667,444 | $ 128,270 | $ 6,795,714 |
| Less: average cash and cash equivalents | (111,487) | (1,920) | (113,407) |
| Average Total Adjusted Debt | $ 6,555,957 | $ 126,350 | $ 6,682,307 |
| Adjusted EBITDA | $ 691,152 | $ 14,373 | $ 705,525 |
| **Adjusted Debt to Adjusted EBITDA** | 9.49 | | 9.47 |
| **Interest Coverage** | | | |
| Adjusted EBITDA | $ 691,152 | $ 14,373 | $ 705,525 |
| Interest costs, net | $ 180,811 | $ 4,788 | $ 185,599 |
| Interest expense capitalized to PUD | 41,782 | — | 41,782 |
| Gross interest costs | $ 222,593 | $ 4,788 | $ 227,381 |
| **Interest Coverage** | 3.11 | | 3.10 |

### *(xvii) Unencumbered Assets*

The table below summarizes RioCan's Unencumbered Assets, Unsecured Debt and NOI generated from Unencumbered Assets as at December 31, 2022 and December 31, 2021:

| As at | | **December 31, 2022** | | | December 31, 2021 | | |
|---|---|---|---|---|---|---|---|
| *(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 | | **$ 8,200,280** | **$ 56,228** | **$ 8,256,508** | $ 9,332,833 | $ 59,433 | $ 9,392,266 |
| Total Unsecured Debt | | **$ 3,783,649** | **$ —** | **$ 3,783,649** | $ 4,065,920 | $ — | $ 4,065,920 |
| **Unencumbered Assets to Unsecured Debt** | > 200% | **217%** | | **218%** | 230% | | 231% |
| Annual Normalized NOI - total portfolio (i) | | **$ 646,540** | **$ 23,488** | **$ 670,028** | $ 649,208 | $ 22,688 | $ 671,896 |
| Annual Normalized NOI - Unencumbered Assets (i) | | **$ 370,804** | **$ 3,440** | **$ 374,244** | $ 432,820 | $ 3,440 | $ 436,260 |
| **Percentage of Normalized NOI Generated from Unencumbered Assets** | > 50.0% | **57.4%** | | **55.9%** | 66.7% | | 64.9% |

(i) Annual Normalized NOI is reconciled in the table below.

| | **Three months ended December 31, 2022** | | | Three months ended December 31, 2021 | | |
|---|---|---|---|---|---|---|
| *(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 |
| NOI (i) | **$ 166,062** | **$ 5,872** | **$ 171,934** | $ 165,798 | $ 5,672 | $ 171,470 |
| *Adjust the following:* | | | | | | |
| Miscellaneous revenue | **(802)** | **—** | **(802)** | (540) | — | (540) |
| Percentage rent | **(3,234)** | **—** | **(3,234)** | (2,562) | — | (2,562) |
| Lease cancellation fees | **(391)** | **—** | **(391)** | (394) | — | (394) |
| **Normalized NOI - total portfolio** | **$ 161,635** | **$ 5,872** | **$ 167,507** | $ 162,302 | $ 5,672 | $ 167,974 |
| **Annual Normalized NOI - total portfolio(ii)** | **$ 646,540** | **$ 23,488** | **$ 670,028** | $ 649,208 | $ 22,688 | $ 671,896 |
| NOI from Unencumbered Assets | **$ 94,957** | **$ 860** | **$ 95,817** | $ 110,517 | $ 860 | $ 111,377 |
| *Adjust the following for Unencumbered Assets:* | | | | | | |
| Miscellaneous revenue | **(518)** | **—** | **(518)** | (253) | — | (253) |
| Percentage rent | **(1,430)** | **—** | **(1,430)** | (1,852) | — | (1,852) |
| Lease cancellation fees | **(308)** | **—** | **(308)** | (207) | — | (207) |
| **Normalized NOI -Unencumbered Assets** | **$ 92,701** | **$ 860** | **$ 93,561** | $ 108,205 | $ 860 | $ 109,065 |
| **Annual Normalized NOI - unencumbered assets (ii)** | **$ 370,804** | **$ 3,440** | **$ 374,244** | $ 432,820 | $ 3,440 | $ 436,260 |

(i) Refer to *(ii) NOI* of this *Non-GAAP Measures* section of this MD&A for reconciliation from NOI to operating income.

(ii) Calculated by multiplying Normalized NOI by a factor of 4.

### *Selected Quarterly Non-GAAP measures*

NOI

| *(thousands of dollars)* | **2022** | | | | 2021 | | | |
|---|---|---|---|---|---|---|---|---|
| Three months ended | **Q4** | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| **Operating Income** | **$ 175,421** | $ 182,492 | $ 180,912 | $ 173,868 | $ 194,788 | $ 167,970 | $ 171,805 | $ 167,102 |
| *Adjusted for the following:* | | | | | | | | |
| Property management and other service fees | **(3,450)** | (5,553) | (6,112) | (5,882) | (3,920) | (3,945) | (3,731) | (3,175) |
| Residential inventory gains | **(7,425)** | (7,767) | (5,148) | (2,033) | (26,334) | — | (2,048) | — |
| Operational lease revenue from ROU assets | **1,516** | 1,419 | 1,386 | 1,346 | 1,264 | 1,209 | 1,221 | 1,105 |
| **NOI** | **$ 166,062** | $ 170,591 | $ 171,038 | $ 167,299 | $ 165,798 | $ 165,234 | $ 167,247 | $ 165,032 |

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

| As at | **2022** | | | | 2021 | | | |
|---|---|---|---|---|---|---|---|---|
| *(thousands of dollars)* | **Q4** | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| IFRS basis: | | | | | | | | |
| Total debt | **$ 6,742,343** | $ 6,842,235 | $ 6,877,716 | $ 6,710,226 | $ 6,610,618 | $ 6,739,530 | $ 6,763,918 | $ 6,823,788 |
| Cash and cash equivalents | **86,229** | 53,315 | 71,864 | 85,188 | 77,758 | 102,715 | 98,386 | 79,685 |
| Total Adjusted Debt | **$ 6,656,114** | $ 6,788,920 | $ 6,805,852 | $ 6,625,038 | $ 6,532,860 | $ 6,636,815 | $ 6,665,532 | $ 6,744,103 |
| *Add equity-accounted investments:* | | | | | | | | |
| Total debt | **$ 261,287** | $ 266,679 | $ 259,824 | $ 257,235 | $ 214,417 | $ 207,725 | $ 203,531 | $ 201,294 |
| Cash and cash equivalents | **8,001** | 9,184 | 8,101 | 9,556 | 9,113 | 5,776 | 3,891 | 7,214 |
| Total Adjusted Debt | **$ 253,286** | $ 257,495 | $ 251,723 | $ 247,679 | $ 205,304 | $ 201,949 | $ 199,640 | $ 194,080 |
| Total Adjusted Debt - RioCan's proportionate share | **$ 6,909,400** | $ 7,046,415 | $ 7,057,575 | $ 6,872,717 | $ 6,738,164 | $ 6,838,764 | $ 6,865,172 | $ 6,938,183 |
| IFRS basis: | | | | | | | | |
| Total assets | **$15,101,859** | $15,324,236 | $15,473,722 | $15,346,426 | $15,177,463 | $15,291,760 | $15,235,628 | $15,174,530 |
| Cash and cash equivalents | **86,229** | 53,315 | 71,864 | 85,188 | 77,758 | 102,715 | 98,386 | 79,685 |
| Total Adjusted Assets | **$15,015,630** | $15,270,921 | $15,401,858 | $15,261,238 | $15,099,705 | $15,189,045 | $15,137,242 | $15,094,845 |
| *Add equity-accounted investments:* | | | | | | | | |
| Total assets | **$ 294,125** | $ 295,798 | $ 287,550 | $ 286,344 | $ 248,230 | $ 232,001 | $ 235,369 | $ 229,035 |
| Cash and cash equivalents | **8,001** | 9,184 | 8,101 | 9,556 | 9,113 | 5,776 | 3,891 | 7,214 |
| Total Adjusted Assets | **$ 286,124** | $ 286,614 | $ 279,449 | $ 276,788 | $ 239,117 | $ 226,225 | $ 231,478 | $ 221,821 |
| Total Adjusted Assets - RioCan's proportionate share | **$15,301,754** | $15,557,535 | $15,681,307 | $15,538,026 | $15,338,822 | $15,415,270 | $15,368,720 | $15,316,666 |
| Total Adjusted Debt to Total Adjusted Assets - IFRS basis | **44.3%** | 44.5% | 44.2% | 43.4% | 43.3% | 43.7% | 44.0% | 44.7% |
| Total Adjusted Debt to Total Adjusted Assets - RioCan's proportionate share | **45.2%** | 45.3% | 45.0% | 44.2% | 43.9% | 44.4% | 44.7% | 45.3% |

## Adjusted Debt to Adjusted EBITDA at RioCan's proportionate share

| As at | 2022 | | | | 2021 | | | |
|---|---|---|---|---|---|---|---|---|
| *(thousands of dollars)* | **Q4** | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| Net income (loss) attributable to Unitholders | **$ 236,772** | $ 450,509 | $ 584,904 | $ 651,718 | $ 598,389 | $ 455,222 | $ 435,171 | $ (60,873) |
| *Add (deduct) the following items:* | | | | | | | | |
| Income tax expense (recovery): | | | | | | | | |
| Current | **921** | 1,037 | 682 | (77) | (59) | (702) | (1,481) | (1,722) |
| Deferred | **—** | — | — | — | — | 9,105 | 10,705 | 9,905 |
| Fair value losses (gains) on investment properties, net | **241,128** | 53,366 | (85,419) | (150,618) | (124,052) | (9,511) | 19,020 | 493,656 |
| Change in unrealized fair value on marketable securities | **3,783** | 3,400 | 1,401 | — | — | — | — | — |
| Internal leasing costs | **12,204** | 11,880 | 11,998 | 11,940 | 11,807 | 11,726 | 10,549 | 10,001 |
| Non-cash unit-based compensation expense | **9,056** | 8,729 | 8,254 | 7,575 | 12,546 | 13,476 | 13,832 | 14,053 |
| Interest costs, net | **180,365** | 174,448 | 170,184 | 169,363 | 171,521 | 173,959 | 176,600 | 179,332 |
| Debt prepayment costs, net | **—** | 3,896 | 3,896 | 3,896 | 10,914 | 7,018 | 7,018 | 7,018 |
| One-time cash compensation costs (i) | **—** | — | — | — | 1,932 | 1,932 | 1,932 | 1,932 |
| Restructuring costs | **4,289** | 3,779 | 3,779 | 609 | — | — | — | — |
| Depreciation and amortization | **4,774** | 5,050 | 3,897 | 3,986 | 4,022 | 4,079 | 4,143 | 4,256 |
| Transaction (gain) losses on the sale of investment properties, net | **1,024** | 1,367 | 1,871 | 631 | 402 | (382) | (1,232) | 636 |
| Transaction costs on investment properties | **5,734** | 9,379 | 10,360 | 11,323 | 14,363 | 9,069 | 5,179 | 3,826 |
| Operational lease revenue from ROU assets | **4,086** | 3,851 | 3,651 | 3,491 | 3,308 | 3,131 | 2,864 | 2,652 |
| **Adjusted EBITDA - IFRS basis** | **$ 704,136** | $ 730,691 | $ 719,458 | $ 713,837 | $ 705,093 | $ 678,122 | $ 684,300 | $ 664,672 |
| *Add:equity-accounted investments* | | | | | | | | |
| Fair value losses on investment properties, net | **16,208** | 6,321 | 4,172 | 1,391 | 1,113 | 5,447 | 4,397 | 9,657 |
| Interest costs, net | **8,242** | 7,667 | 7,303 | 7,327 | 7,026 | 6,381 | 5,724 | 5,058 |
| Transaction costs on investment properties | **3** | 29 | 30 | 30 | 28 | 1 | 1 | 1 |
| Operational lease expenses from ROU assets | **(46)** | (46) | (46) | (44) | (42) | (37) | (33) | (31) |
| **Adjusted EBITDA- RioCan's proportionate share** | **$ 728,543** | $ 744,662 | $ 730,917 | $ 722,541 | $ 713,218 | $ 689,914 | $ 694,389 | $ 679,357 |
| IFRS basis: | | | | | | | | |
| Average total debt outstanding | **$ 6,756,628** | $ 6,756,065 | $ 6,740,402 | $ 6,729,616 | $ 6,773,147 | $ 6,799,684 | $ 6,785,690 | $ 6,754,038 |
| Less: average cash and cash equivalents | **(74,871)** | (78,168) | (87,182) | (88,746) | (119,400) | (115,834) | (111,383) | (108,721) |
| Average Total Adjusted Debt | **$ 6,681,757** | $ 6,677,897 | $ 6,653,220 | $ 6,640,870 | $ 6,653,747 | $ 6,683,850 | $ 6,674,307 | $ 6,645,317 |
| *Add: equity-accounted investments* | | | | | | | | |
| Average total debt outstanding | **$ 251,888** | $ 241,176 | $ 228,546 | $ 216,840 | $ 192,804 | $ 176,193 | $ 160,424 | $ 144,307 |
| Less: average cash and cash equivalents | **(8,791)** | (8,346) | (7,288) | (7,110) | (5,639) | (4,091) | (3,166) | (2,753) |
| Average Total Adjusted Debt | **$ 243,097** | $ 232,830 | $ 221,258 | $ 209,730 | $ 187,165 | $ 172,102 | $ 157,258 | $ 141,554 |
| **Average Total Adjusted Debt - RioCan's proportionate share** | **$ 6,924,854** | $ 6,910,727 | $ 6,874,478 | $ 6,850,600 | $ 6,840,912 | $ 6,855,952 | $ 6,831,565 | $ 6,786,871 |
| **Adjusted Debt to Adjusted EBITDA - RioCan's proportionate share** | **9.51** | 9.28 | 9.41 | 9.48 | 9.59 | 9.94 | 9.84 | 9.99 |

(i) Q1 2021 to Q3 2021 was restated to reflect one-time compensation costs occurring in Q1 2021.

# 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.

The rights granted in RioCan’s Declaration of Trust are granted as contractual rights afforded to Unitholders (rather than as statutory rights). Similar to other existing rights contained in the Declaration of Trust (i.e. the take-over bid provisions and conflict of interest provisions), making these rights and remedies and certain procedures available by contract is structurally different from the manner in which the equivalent rights and remedies or procedures (including the procedure for enforcing such remedies) are made available to shareholders of a corporation, who benefit from those rights and remedies or procedures by the corporate statute that governs the corporation, such as the Canada Business Corporations Act (CBCA). As such, there is no certainty how these rights, remedies or procedures may be treated by the courts in the non-corporate context or that a Unitholder will be able to enforce the rights and remedies in the manner contemplated by the Declaration of Trust. 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 advanced, governments in Canada and several other jurisdictions have eased restrictive measures that were previously imposed to varying degrees, in an effort to contain the spread of COVID-19. This easing of restrictions has led to a resurgence of activity in the global and domestic economies. The Trust will continue to act according to directions provided by the Federal and respective Provincial and Municipal governments. Nevertheless, COVID-19 continues to impose risks and uncertainties on RioCan's business, operations and financial performance.

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 impact RioCan's operations and financial performance, and such effects could be material. 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 macro-economic environment, or otherwise, and are unable to fulfill their lease commitments, a given geographical area suffers an economic decline, or changing consumer/retail trends result in less demand for rental space, we could experience a decline in revenue.

RioCan strives to manage tenant concentration risk through geographical diversification and diversification of revenue sources in order to avoid dependence on any single tenant. RioCan’s objective, as exemplified by the requirements of its Declaration of Trust noted above, is that no individual tenant contributes a significant percentage of its gross revenue and that a considerable portion of our revenue is earned from national and anchor tenants. RioCan attempts to lease to credit worthy tenants, will conduct credit assessments for new tenants when considered appropriate and generally is provided security by 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 10 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, 2022, 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 indicate 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. Confirmed closures represent 0.02% and 0.14% of the total portfolio in 2022 and 2021, 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, 2022, RioCan had a commercial NLA, at its interest, of 31,639,000 square feet of income producing properties and a portfolio in-place occupancy rate of 96.8%. Based on our current annualized portfolio weighted average commercial rental revenue of approximately $33.95 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 $401.0 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 $4.0 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.

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***

Any reintroduction of rent control legislation in the future and/or prolonged rent freezes, as a result of the pandemic or otherwise, could impact the Trust's existing residential rental operations and also 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. As at January 1, 2023, the guideline on rent increases for 2023 in Ontario is 2.5%.

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. The City of Toronto approved its inclusionary zoning framework in 2021. Based on the City of Toronto’s framework, RioCan’s existing held developmental lands and projects in the City of Toronto located within identified Protected Major Transit Station Areas, intended for development or re-development, will be subject to the City of Toronto’s inclusionary zoning requirements unless (i) complete applications for zoning by-law amendment and site plan approval for the lands are filed with the City of Toronto, or (ii) a Section 37 Agreement is executed with the City of Toronto in regard to the lands, prior to the later of September 18, 2022 or the date of the approval of an applicable Protected Major Transit Station Area by the Minister of Municipal Affairs and Housing. The City of Toronto inclusionary zoning policy is being phased in, based on each project's application status. At this time, the Minister has not approved any Protected Major Transit Station Areas in the City of Toronto and therefore inclusionary zoning is not in force in the City of Toronto as of the date hereof. The financial impact of the new requirements on the originally contemplated development plans remains unknown, particularly as other municipalities move forward with their own inclusionary zoning frameworks. Further, recent legislative changes have been proposed that would potentially impact the inclusionary zoning requirements imposed by municipalities by imposing a cap on the number of units required and limiting the affordability period for each unit.

#### *Development Risk*

As discussed in the *Our Business and Our Business Environment* 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, shortage of experienced labour in certain construction related trades, rising interest rates and potential increased competition to RioCan’s existing sites due to the lessening of restrictions related to the Greenbelt. The pandemic imposed additional risks and uncertainties on development, some of which continue to be relevant even as the economy strives for a return to normalcy, including, but not limited to, potential development or construction delays or shutdowns, rising costs in some cases and lower costs in other cases, slower pace of property lease-up or condominium pre-sale, lower residential rent or condominium sales price, and lower property valuation. 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 for those projects in early stages. In regard to development charges specifically, the City of Toronto passed a new development charge by-law in 2022 which increased the development charges payable on new residential development by 46 percent, with the increase phased in through May of 2024. The Province subsequently passed legislation (Bill 23) which imposed a phased in reduction in the development charges imposed under existing and future Development Charge By-laws across the province with a 20% reduction during the first year a by-law is in force, followed by a 15% reduction the second year, a 10% reduction in the third year, and 5% reduction in the fourth year. Although these reductions mitigate against development charge increases, the cost of development charges continue to rise, particularly in the City of Toronto.

#### *Residential Rental Business Risk*

RioCan expects to be increasingly involved in mixed-use development projects that include residential condominiums and rental apartments. Purchaser demand for residential condominiums is cyclical and is affected by changes in general market and economic conditions, such as consumer confidence, employment levels, availability of financing for home buyers, interest rates, demographic trends, housing supply and housing demand. As a landlord of its properties that include rental apartments, RioCan is subject to the risks inherent in the multi-unit residential rental business, including, but not limited to, fluctuations in occupancy levels, individual credit risk, heightened reputation risk, tenant privacy concerns, potential changes to rent control regulations, increases in operating costs including the costs of utilities and the imposition of new taxes or increased property taxes.

### Financial and Liquidity Risk

#### *Access to Capital*

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

As at December 31, 2022, RioCan’s total debt at proportionate share had a 3.36 year weighted average term to maturity bearing interest at a weighted average contractual interest rate of 3.48% 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. Diversifying funding sources, maintaining a strong liquidity position, and maintaining a well-distributed debt maturity profile mitigate (re)financing risk. RioCan’s $1.25 billion revolving unsecured line of credit acts as a backstop to refinance maturing debt, provides financial flexibility to execute the strategic plan, provides a low cost bridge to "permanent" financing, and safeguards against a liquidity/financial crisis. Limiting floating rate debt exposure and maintaining a well-distributed debt maturity profile also help to mitigate interest rate risk.

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. In an attempt to combat recent inflation through cooling demand, the Bank of Canada continued to tighten monetary policy in Q1 2023 by increasing the overnight lending rate. A continued increase in interest rates may result in a significant increase in the amount paid by the Trust to service debt, which could in turn adversely affect RioCan’s financial condition and results of operations. Further, in a rising interest rate environment, the cost of acquiring, financing, developing, expanding and renovating investment property also increases, and together with upward pressure on capitalization rates and decreased investment property demand, the Trust’s investment property values may decline as a result.

RioCan has proactively employed a variety of financial tactics to protect against rising interest rates. The Trust seeks to reduce 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, 2022, 8.0% 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 fixed rate debt and the time the fixed rate debt is issued. The intent is to use the bond forwards to manage the change in cash flows of the future interest payments on the anticipated fixed rate debt. As at December 31, 2022, the carrying value of our floating rate debt, not subject to a hedging strategy, is $441.3 million. A 50 basis point increase in market interest rates would result in a $2.2 million decrease in our net income.

***Inflation Risk***

Although Canada's inflation rate declined from June 2022 to December 2022, it still remains at a high level. The rate of inflation impacts the general economic and business environment in which the Trust operates. Recent inflationary pressures experienced domestically and globally, external supply constraints, tight labour markets and strong demand for goods and resources, together with the imposition by governments of higher interest rates or wage and price controls as a means of curbing inflationary increases, will put pressure on RioCan’s development, financing, operation and labour costs and could negatively impact levels of demand for real property. Accordingly, continued inflationary pressures and the resulting economic impacts may adversely affect RioCan’s financial condition and results of operations.

RioCan’s use of fixed price contracts allows for the Trust’s existing development projects to be insulated from fluctuations in inflation. For the majority of RioCan’s next tranche of planned development projects, the Trust will be developing on lands that are already owned by RioCan with in-place income, which affords the Trust with the ability to maintain discipline in a challenging economic environment. Nonetheless, if inflation at elevated levels persists and interest rates continue to climb, an economic contraction could be possible. Higher inflation and the prospect of moderated growth also negatively impacts the debt and equity markets in which RioCan seeks capital, and in turn might impact RioCan’s ability to obtain capital in the future on favourable terms, or at all. While RioCan’s portfolio and market position, as well as its strong and stable tenant base, provide the Trust flexibility to navigate volatile economic conditions, there can be no assurances regarding the impact of a significant economic contraction on the business, operations, and financial performance of RioCan and its tenants.

***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 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 may 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. 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 to the effect that such obligation will not be binding upon Unitholders personally or upon any annuitant under a plan of which a Unitholder acts as trustee or carrier. In conducting its affairs, RioCan has acquired and may acquire real property investments subject to existing contractual obligations, including obligations under mortgages and leases that do not include such provisions. RioCan will use its best efforts to ensure that provisions disclaiming personal liability are included in contractual obligations related to properties acquired, and leases entered into, in the future.

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

### *Income Taxes*

RioCan currently qualifies as a mutual fund trust and for the REIT Exemption for income tax purposes. RioCan expects to distribute the Trust’s taxable income to Unitholders such that it will not be subject to tax. From time to time, RioCan may retain some taxable income and net capital gains in order to utilize the capital gains refund available to mutual fund trusts without incurring any income taxes. In order to maintain RioCan’s current mutual fund trust status, the Trust is required to comply with specific restrictions regarding its activities and the investments held by the Trust. If the Trust was to cease to qualify as a mutual fund trust, or for the REIT Exemption for income tax purposes, the consequences could be material and adverse.

No assurance can be given that the provisions of the Tax Act regarding mutual fund trusts and the REIT Exemption will not be changed in a manner that adversely affects RioCan and its Unitholders. From year to year, there is a risk that the taxable allocation to Unitholders can change depending upon the Trust’s activities.

RioCan is of the view that the expenses it has claimed by it and its subsidiaries will be reasonable and deductible, that the cost amount and capital cost allowance claims of the Trust and entities directly or indirectly owned by the Trust will have been correctly determined, and the calculation of its tax disposition gains will be appropriate. However, there can be no assurance that the Tax Act, or the interpretation of the Tax Act, will not change, or that the Canada Revenue Agency (the “CRA”) will agree. If the CRA successfully challenges the deductibility and positions taken or the allocation of such income, RioCan's taxable income, and indirectly the taxable income of Unitholders, will increase or change.

REAL VISION, SOLID GROUND.

## Audited Annual Consolidated Financial Statements for the Years Ended December 31, 2022 and 2021

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# 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 given 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. The annual consolidated financial statements have been properly prepared within reasonable limits of materiality and in light of information available up to February 15, 2023.

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, 2022, 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. The Audit 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 independent auditor, reviewing and approving, with the delegated authority from the Trustees, the interim condensed 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 2022 and 2021 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*

Jonathan Gitlin
President & Chief Executive Officer

*(signed) Dennis Blasutti*

Dennis Blasutti
Chief Financial Officer

Toronto, Canada
February 15, 2023

# 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, 2022 and 2021, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Trust as at December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

## Basis for opinion

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

## Key audit matters

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

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

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Valuation of investment properties**<br><br>The Trust's investment property portfolio comprises income producing properties and properties under development with a fair value of $13.8B, which represents 91% of total assets at December 31, 2022.<br><br>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 or a per buildable square foot basis. Depending on the property asset type and location, the Trust may also obtain independent third-party valuations from firms that employ qualified appraisers.<br><br>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.<br><br>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.<br><br>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.<br><br>For properties under development, depending on the complexity and stage of completion, costs to complete construction as well as leasing and construction risk are additional significant assumptions that impact the final valuation. | With the assistance of our real estate valuation specialists, we obtained an understanding of the valuation process, evaluated the appropriateness of the underlying valuation methodology, and performed the following audit procedures, among others:<br><br>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.<br><br>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.<br><br>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.<br><br>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.

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
February 15, 2023

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

| As at | Note | **December 31, 2022** | December 31, 2021 |
|---|---|---|---|
| **Assets** | | | |
| Investment properties | *3, 8* | **$ 13,807,740** | $ 14,021,338 |
| Equity-accounted investments | *4* | **364,892** | 327,335 |
| Mortgages and loans receivable | *5* | **269,339** | 237,790 |
| Residential inventory | *6* | **272,005** | 217,043 |
| Assets held for sale | *3* | **42,140** | 47,240 |
| Receivables and other assets | *7, 8* | **259,514** | 248,959 |
| Cash and cash equivalents | | **86,229** | 77,758 |
| **Total assets** | | **$ 15,101,859** | $ 15,177,463 |
| **Liabilities** | | | |
| Debentures payable | *10* | **$ 2,942,051** | $ 2,990,692 |
| Mortgages payable | *11* | **2,659,180** | 2,334,016 |
| Lines of credit and other bank loans | *12* | **1,141,112** | 1,285,910 |
| Accounts payable and other liabilities | *8, 13* | **630,624** | 655,501 |
| **Total liabilities** | | **$ 7,372,967** | $ 7,266,119 |
| **Equity** | | | |
| Unitholders' equity | | **7,728,892** | 7,911,344 |
| **Total liabilities and equity** | | **$ 15,101,859** | $ 15,177,463 |

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

Approved on behalf of the Board of Trustees

*(signed) Janice Fukakusa*
Janice Fukakusa
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**
**(In thousands of Canadian dollars, except per unit amounts)**

| Years ended December 31, | Note | | 2022 | | 2021 |
|---|---|---|---|---|---|
| **Revenue** | | | | | |
| Rental revenue | *17* | **$** | **1,074,192** | $ | 1,066,562 |
| Residential inventory sales | *6, 17* | | **118,659** | | 93,727 |
| Property management and other service fees | *17* | | **20,996** | | 14,772 |
| | | | **1,213,847** | | 1,175,061 |
| **Operating costs** | | | | | |
| Rental operating costs | | | | | |
| Recoverable under tenant leases | | | **376,914** | | 367,297 |
| Non-recoverable costs | | | **27,955** | | 40,753 |
| Residential inventory cost of sales | *6* | | **96,286** | | 65,346 |
| | | | **501,155** | | 473,396 |
| **Operating income** | | | **712,692** | | 701,665 |
| **Other income (loss)** | | | | | |
| Interest income | *19* | | **20,902** | | 13,666 |
| Income from equity-accounted investments | *4* | | **2,349** | | 19,189 |
| Fair value (loss) gain on investment properties, net | *3* | | **(241,128)** | | 124,052 |
| Investment and other income (loss), net | *18* | | **(1,842)** | | 2,743 |
| | | | **(219,719)** | | 159,650 |
| **Other expenses** | | | | | |
| Interest costs, net | *20* | | **180,365** | | 171,521 |
| General and administrative | *21* | | **54,437** | | 51,400 |
| Internal leasing costs | | | **12,204** | | 11,807 |
| Transaction and other costs | *22* | | **8,274** | | 17,343 |
| Debt prepayment costs, net | | | **—** | | 10,914 |
| | | | **255,280** | | 262,985 |
| **Income before income taxes** | | | **237,693** | | 598,330 |
| Current income tax expense (recovery) | | | **921** | | (59) |
| **Net income** | | **$** | **236,772** | $ | 598,389 |
| | | | | | |
| **Net income** | | | | | |
| Unitholders | *23* | **$** | **236,772** | $ | 598,389 |
| | | **$** | **236,772** | $ | 598,389 |
| | | | | | |
| **Net income per unit** | | | | | |
| Basic | *23* | **$** | **0.77** | $ | 1.89 |
| Diluted | *23* | **$** | **0.77** | $ | 1.89 |

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

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

| Years ended December 31, | Note | 2022 | 2021 |
|---|---|---|---|
| **Net income** | | **$ 236,772** | $ 598,389 |
| **Other comprehensive income** | | | |
| Items that may be reclassified subsequently to income, net of tax: | | | |
| Interest rate swap agreements: | | | |
| Unrealized gain during the year | *14, 25* | **43,024** | 20,459 |
| Reclassified during the year to income | *14, 25* | **1,225** | 21,665 |
| Bond forward agreement: | | | |
| Unrealized gain (loss) during the year | *14, 25* | **6,092** | (1,751) |
| Realized gain during the year | *14, 25* | **37,136** | — |
| Reclassified during the year to income | *14, 25* | **(2,217)** | — |
| Other comprehensive income from equity-accounted investments | *4, 14* | **583** | 206 |
| Item that is not to be reclassified to income, net of tax: | | | |
| Actuarial gain on pension plan | *14* | **3,071** | 1,222 |
| **Other comprehensive income, net of tax** | | **88,914** | 41,801 |
| **Comprehensive income, net of tax** | | **$ 325,686** | $ 640,190 |

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, 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 |

| | Note | Trust Units | Contributed surplus | Retained earnings | Accumulated other comprehensive income (loss) | Total equity |
|---|---|---|---|---|---|---|
| Balance, December 31, 2021 | | $ 4,696,785 | $ 54,030 | $ 3,187,070 | $ (26,541) | $ 7,911,344 |
| Changes during the year: | | | | | | |
| Net income | | **—** | **—** | **236,772** | **—** | **236,772** |
| Other comprehensive income | 14 | **—** | **—** | **—** | **88,914** | **88,914** |
| Unit-based compensation exercises, net of Units repurchased for settlement of Unit exercises | 14 | **4,415** | **(9,951)** | **—** | **—** | **(5,536)** |
| Units issued, net of issuance costs | 14 | **304** | **—** | **—** | **—** | **304** |
| Units purchased and cancelled | 14 | **(144,721)** | **—** | **(59,153)** | **—** | **(203,874)** |
| Unit-based compensation awards | 14 | **—** | **11,131** | **—** | **—** | **11,131** |
| Distributions to Unitholders | 16 | **—** | **—** | **(310,163)** | **—** | **(310,163)** |
| **Balance, December 31, 2022** | | **$ 4,556,783** | **$ 55,210** | **$ 3,054,526** | **$ 62,373** | **$ 7,728,892** |

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 | **2022** | 2021 |
|---|---|---|---|
| **Operating activities** | | | |
| Net income | | **$ 236,772** | $ 598,389 |
| Items not affecting cash: | | | |
| Depreciation and amortization | | **4,774** | 4,022 |
| Amortization of straight-line rent | | **(1,884)** | (6,928) |
| Amortization of bond forward hedge settlement | | **(2,217)** | — |
| Amortization of deferred financing charges | | **5,314** | 5,467 |
| Unit-based compensation expense | | **9,056** | 12,546 |
| Income from equity-accounted investments | | **(2,349)** | (19,189) |
| Fair value loss (gain) on investment properties, net | | **241,128** | (124,052) |
| Fair value loss on marketable securities | | **3,783** | — |
| Transaction losses, net on disposition of investment properties | | **1,081** | 6 |
| Proceeds from bond forward hedge settlement | | **37,136** | — |
| Adjustments for changes in other working capital items | *29* | **(26,470)** | 20,136 |
| **Cash provided by operating activities** | | **506,124** | 490,397 |
| **Investing activities** | | | |
| Acquisitions of investment properties | | **(90,026)** | (17,177) |
| Construction expenditures on properties under development | | **(291,506)** | (385,923) |
| Capital expenditures on income properties | | **(101,467)** | (77,956) |
| Proceeds from sale of investment properties | | **420,970** | 659,979 |
| Earn-outs on investment properties | | **—** | (1,323) |
| Contributions to equity-accounted investments | | **(16,817)** | (149,562) |
| Distributions received from equity-accounted investments | | **14,565** | 62,510 |
| Advances of mortgages and loans receivable | | **(87,224)** | (53,218) |
| Repayments of mortgages and loans receivable | | **86,826** | 48,107 |
| Purchases of marketable securities | | **(19,241)** | — |
| Proceeds from investment maturity | | **—** | 5,500 |
| Lease payments received from finance lease receivables | | **4,235** | 3,455 |
| **Cash provided by (used in) investing activities** | | **(79,685)** | 94,392 |
| **Financing activities** | | | |
| Proceeds from mortgage financing, net of issue costs | | **345,842** | 388,216 |
| Repayments of mortgage principal | | **(45,642)** | (772,204) |
| Advances from bank credit lines, net of issue costs | | **177,438** | 492,553 |
| Repayment of bank credit lines | | **(323,742)** | — |
| Proceeds from issuance of debentures, net of issue costs | | **248,603** | 447,623 |
| Repayment of unsecured debentures | | **(300,000)** | (800,000) |
| Distributions paid to Unitholders | | **(309,416)** | (317,497) |
| Units repurchased under normal course issuer bid | | **(203,874)** | (178,062) |
| Units repurchased for settlement of Unit compensation exercises and proceeds received from issuance of Units, net of issue costs | | **(5,232)** | (4,108) |
| Repayment of lease liabilities | | **(1,945)** | (2,008) |
| **Cash used in financing activities** | | **(417,968)** | (745,487) |
| **Net change in cash and cash equivalents** | | **8,471** | (160,698) |
| Cash and cash equivalents, beginning of year | | **77,758** | 238,456 |
| **Cash and cash equivalents, end of year** | | **$ 86,229** | $ 77,758 |
| Supplemental cash flow information | *28* | | |

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

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## 1. GENERAL INFORMATION

RioCan Real Estate Investment Trust and its consolidated subsidiaries (collectively, the Trust or RioCan) own, develop and operate one of Canada's largest 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, 2022 and 2021 were authorized for issue by RioCan's Board of Trustees on February 15, 2023.

## 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) 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 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 judgements*

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.

*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 would 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.

### 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 and related disclosures over the following reporting period. Estimates made by management are based on events and circumstances that existed as at the consolidated balance sheet date. Accordingly, actual results may differ from these estimates.

Given the volatility in the current macroeconomic environment, it is difficult to predict with certainty the nature and extent of, and the impact of higher inflation, rising interest rates and their combined effects on demand and economic growth. Estimates and assumptions that are most subject to increased uncertainty caused by the current macroeconomic environment relate to the valuation of investment properties (Note 3).

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 from the volatility in the current macroeconomic environment, 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 and management fees), 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, 2022 (Note 3).

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

*(ii) Associates and joint ventures*

Associates are entities over which RioCan has significant influence but not control or joint control, generally accompanying an ownership between 20% and 50% of the voting rights, although other factors such as the ability to impact key operating decisions could also indicate significant influence.

Joint ventures are entities over which the Trust has joint control and whereby the parties that share joint control have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Investments in associates and joint ventures are accounted for using the equity method. Under the equity method, the investment is initially recorded at cost and adjusted by RioCan's share of the post-acquisition results of operations, of other comprehensive income (OCI) and changes in the net assets of the associate or joint venture. The financial statements of RioCan's associates and joint ventures are prepared for the same reporting period as the Trust, and where necessary, adjustments are made to bring the accounting policies of such entities in line with those of the Trust.

*(iii) Joint operations*

A joint operation is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. RioCan records only its share of the assets, liabilities and share of the results of operations of the joint operation. The assets, liabilities and results of joint operations are included within the respective line items of the consolidated balance sheets, consolidated statements of income and consolidated statements of comprehensive income.

### *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, the extent to which significant processes are acquired is taken into consideration. If no significant processes, or only insignificant processes, are acquired, the acquisition is treated as an asset acquisition rather than a business combination.

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

The cost of a business combination is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the acquisition date. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair value at the date of acquisition. The Trust recognizes assets or liabilities, if any, resulting from a contingent consideration arrangement at their acquisition date fair value and such amounts form part of the cost of the business combination. Subsequent changes in the fair value of contingent consideration arrangements are recognized in net income.

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 as 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; and
- 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 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 in the period in which they arise.

*(ii) Properties under development*

Properties under development include those properties, or components thereof, that will undergo activities that will take a substantial period of time to prepare the properties for their intended use as income properties.

The cost of a development property that is an asset acquisition comprises the amount of cash, or the fair value of other consideration, paid to acquire the property, including transaction costs. Subsequent to the acquisition, the cost of a development property includes costs that are directly attributable to these assets, including development costs, common area maintenance costs, property taxes and borrowing costs on both specific and general debt (Development Carrying Costs). Development Carrying Costs are capitalized when the activities necessary to prepare an asset for development or redevelopment begin, and continue until the date that construction is substantially complete and the unit of the property can operate in a manner intended by management, which may include that all necessary occupancy and related permits have been received, whether or not the space is leased. If RioCan is required as a condition of a lease to construct tenant improvements that enhance the value of the property, then capitalization of costs continues until 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 as at each consolidated balance sheet date with fair value adjustments recognized in net income.

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

### *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, which is developed for sale in the ordinary course of business within the normal operating cycle 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. The Trust intends to sell residential inventory projects in the ordinary course of business within the normal operating cycle, which may be greater than 12 months from the balance sheet date.

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

Transfers between residential inventory and investment property occur when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property based on management's intentions and there is observable evidence of a change in use.

### *2.10 Investment properties classified as held for sale*

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

### *2.11 Leases*

*A. As a lessee*

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

The Trust recognizes ROU assets at the commencement date of the lease (i.e. the date the underlying asset is available to the Trust for use). As lessee, the Trust has used the practical expedient to combine lease and non-lease components for gross leases. At inception, the ROU assets are recognized at the present value of the future minimum lease payments, and an equivalent amount is recognized as a lease obligation. Subsequent to initial recognition, ROU assets for property leases are carried at fair value.

*(ii)* Lease liabilities

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

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

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

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

*B. As a lessor*

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

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

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

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

*(i)* *Finance lease receivables*

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

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

*(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 (loss), net, and transaction losses included in transaction and other costs on the consolidated statements of income, are recognized on the settlement date or on the settlement of post-transaction adjustments and represent the excess proceeds of disposition relating to subsidiaries, investments or assets over their carrying values in the case of transaction gains, and the excess carrying value of assets over proceeds of disposition in the case of transaction losses. Transaction gains and losses may also arise from the settlement of liabilities for more or less than their carrying values.

### *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. 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, 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.

| **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, 2022 and 2021 cash equivalents were $Nil.

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

(iii) Financial instruments in receivables and other assets that are classified as 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 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 as it is designated in an effective cash flow hedging relationship.

(vi) Financial instruments in accounts payable and other liabilities that are classified as 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 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 rate method. The amortized cost is reduced by impairment losses, if any. Interest income and impairment losses are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

*(ii) Financial assets at FVTPL*

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

*Financial liabilities*

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

*(i) Financial liabilities at amortized cost*

Financial liabilities are subsequently measured at amortized cost using the effective interest rate 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 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 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. 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.

*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.

For continuing cash flow hedge arrangements, amounts accumulated in the cash flow hedge reserve are reclassified from the cash flow hedge reserve as a reclassification adjustment in the same periods during which the hedged future cash flow affects the consolidated statements of income. Hedge accounting ceases when the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy); or when it no longer qualifies for hedge accounting. Amounts accumulated in the cash flow hedge reserve at that time remain in equity if the forecasted transaction is still expected to occur and reclassified from OCI and into the consolidated statements of income in the period the forecasted transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in the cash flow hedge reserve is immediately reclassified from OCI to the consolidated statements of income.

### 2.20 Comprehensive income

Comprehensive income comprises net income and OCI, which generally would include changes in the fair value of the effective portion of cash flow hedging instruments, actuarial gains and losses related to RioCan's defined benefit pension plans and other comprehensive income of equity-accounted investments. The Trust reports consolidated statements of comprehensive income comprising net income and OCI for the year.

### 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 as 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.

### *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, 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, 2022 as follows:

*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 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 applied the standard on financial liabilities modified or exchanged after January 1, 2022. These amendments did not impact the Trust's consolidated financial statements upon adoption.

### *2.28 Future changes in accounting policies*

RioCan monitors the potential changes proposed by the IASB and analyzes the effect that changes in the standards may have on RioCan's operations.

Standards issued but not yet effective up to the date of issuance of these consolidated financial statements are described below. This description is of the standards and interpretations issued that the Trust reasonably expects to be applicable at a future date. The Trust intends to adopt these standards when they become effective.

*Amendments to 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 judgments 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. Since the amendments to the IFRS Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

Management is currently reviewing the Trust's accounting policy disclosures to ensure consistency with the amended requirements.

*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.

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

In January 2020 and October 2022, 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, 2024, with early adoption permitted. The amendments are to be applied retrospectively. Management is currently assessing the impact of these amendments.

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

## 3. INVESTMENT PROPERTIES

| As at | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Income properties | $ 12,635,332 | $ 12,573,286 |
| Properties under development | 1,172,408 | 1,448,052 |
| | $ 13,807,740 | $ 14,021,338 |

| Year ended December 31, 2022 | Income properties | Properties under development | Total (v) |
|---|---|---|---|
| Balance, beginning of year | $ 12,611,276 | $ 1,457,302 | $ 14,068,578 |
| Acquisitions | 96,031 | 11,946 | 107,977 |
| Dispositions | (425,491) | (34,277) | (459,768) |
| Development expenditures | — | 298,409 | 298,409 |
| Capital expenditures: | | | |
| Recoverable and non-recoverable expenditures | 63,666 | — | 63,666 |
| Leasing commissions and tenant improvements | 45,147 | — | 45,147 |
| Transfers, net (i) | 544,193 | (544,193) | — |
| Transfers to residential inventory (ii) | — | (14,247) | (14,247) |
| Fair value loss, net | (239,417) | (1,711) | (241,128) |
| Straight-line rent (iii) | 1,884 | — | 1,884 |
| Transfers to finance lease receivables | (3,669) | — | (3,669) |
| Transfer to equity-accounted investment (iv) | (17,500) | — | (17,500) |
| Other changes | 303 | — | 303 |
| Earn-out consideration | 228 | — | 228 |
| Balance, end of year | $ 12,676,651 | $ 1,173,229 | $ 13,849,880 |
| | | | |
| Investment properties | $ 12,635,332 | $ 1,172,408 | $ 13,807,740 |
| Properties held for sale | 41,319 | 821 | 42,140 |
| | $ 12,676,651 | $ 1,173,229 | $ 13,849,880 |

(i) During the year ended December 31, 2022, transfers to income properties from properties under development totalled $569.5 million, reflecting completed developments. Transfers from income properties to properties under development totalled $25.3 million, reflecting the commencement of active development on certain income properties during the year.

(ii) During the year ended December 31, 2022, the residential portion of the discrete parcel under development at RioCan Durham Centre was transferred to residential inventory from investment property as appropriate evidence of a change in use was established. In addition, in conjunction with the closing of the land transaction, RioCan transferred pre-acquisition costs incurred at Queen & Ashbridge (QA) to residential inventory from investment property.

(iii) Included in investment properties is $115.8 million of net rents receivable arising from the recognition of rental revenue on a straight-line basis over the lease term (December 31, 2021 - $119.1 million).

(iv) On March 14, 2022, RioCan disposed of a 100% ownership interest in 85 Bloor Street West for $35.0 million to PR Bloor Street LP (Note 4) as part of the consideration to obtain a 50.0% interest in the joint venture.

(v) Included in investment properties are 12 properties held as right-of-use assets as at December 31, 2022. Refer to Note 8.

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

| Year ended December 31, 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. Refer to Note 8.

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

### Acquisitions

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

| | Income properties | | Properties under development | |
|---|---|---|---|---|
| For the years ended December 31, | **2022** | 2021 | **2022** | 2021 |
| Properties acquired during the year: | | | | |
| Total consideration | **$ 96,031** | $ 11,482 | **$ 11,946** | $ 5,563 |
| Vendor take-back mortgage (VTB) or debt assumed | **—** | — | **(9,191)** | — |
| Purchase price payable | **—** | — | **(2,368)** | — |
| Total consideration, net of VTB, purchase price payable and/or debt assumed | **$ 96,031** | $ 11,482 | **$ 387** | $ 5,563 |

*Investment properties acquisitions*

| Property name and location | Date acquired | Interest acquired | IPP purchase price (i) | PUD purchase price (i) | VTB mortgage, purchase price payable and/or debt assumed |
|---|---|---|---|---|---|
| **Q4 2022** | | | | | |
| Building at South Cambridge SC, Cambridge, ON (ii) | November 22 | 100.0 % | $ 5,011 | $ — | $ — |
| | | | $ 5,011 | $ — | $ — |
| **Q3 2022** | | | | | |
| 4980 Boulevard des Sources, Pierrefonds, QC | August 8 | 100.0 % | $ 1,072 | $ — | $ — |
| | | | $ 1,072 | $ — | $ — |
| **Q2 2022 - no acquisitions** | | | | | |
| **Q1 2022** | | | | | |
| Queen & Ashbridge (QA), Toronto, ON (iii) | February 17 | 50.0 % | $ — | $ 11,946 | $ 11,559 |
| 3302 Dufferin Street, Toronto, ON | February 11 | 100.0 % | 22,218 | — | — |
| Market, Laval, QC | February 8 | 90.0 % | 48,349 | — | — |
| Bloor Street West & Lansdowne Ave Portfolio, Toronto, ON (iv) | January 28 | 100.0 % | 19,381 | — | — |
| | | | $ 89,948 | $ 11,946 | $ 11,559 |
| **Total acquisitions for the year ended December 31, 2022** | | | **$ 96,031** | **$ 11,946** | **$ 11,559** |

(i) Purchase price includes transaction costs.

(ii) RioCan acquired a tenant-owned building located at the property, and converted the tenant lease into a land and building lease.

(iii) The Queen & Ashbridge (QA) acquisition included both property under development and residential inventory components, and was allocated as $11.9 million and $19.4 million, respectively. Vendor take-back mortgage plus purchase price payable on the acquisition totalled $30.4 million, of which $11.6 million was allocated towards properties under development and $18.8 million towards residential inventory.

(iv) Bloor Street West & Lansdowne Ave Portfolio acquisition comprises four properties, which are part of a larger land assembly.

*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 2025, at a 6.0% capitalization rate.

The Trust has agreed to purchase its partners' interest in the retail and residential rental components of Queen & Ashbridge, currently estimated to be during 2025, at the greater of pre-determined capitalization rates of 4.75% and 4.15%, respectively, or total cost plus 5%.

(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:

| | Income properties | | Properties under development | |
|---|---|---|---|---|
| For the years ended December 31, | **2022** | 2021 | **2022** | 2021 |
| Properties disposed during the year: | | | | |
| Total consideration | **$ 425,491** | $ 658,369 | **$ 34,277** | $ 107,652 |
| Mortgages associated with investment property dispositions | **—** | (82,636) | **—** | — |
| Vendor take-back mortgages receivable on dispositions | **(22,286)** | (3,000) | **—** | (23,720) |
| Total consideration, net of related debt | **$ 403,205** | $ 572,733 | **$ 34,277** | $ 83,932 |

*Investment properties dispositions*

| Property name and location | Date disposed | Interest disposed | IPP sales proceeds | PUD sales proceeds |
|---|---|---|---|---|
| **Q4 2022** | | | | |
| Abbotsford Power Centre, Abbotsford, BC | December 19 | 100 % | $ 53,000 | $ — |
| Mill Woods Town Centre, Edmonton, AB | December 15 | 100 % | 58,269 | 10,470 |
| Fallingbrook Shopping Centre, Ottawa, ON (i) | December 6 | 100 % | 38,856 | — |
| Shoppes on Queen West, Toronto, ON | December 1 | 100 % | 51,218 | — |
| Chahko Mika Mall, Nelson, BC | November 28 | 100 % | 28,312 | — |
| | | | $ 229,655 | $ 10,470 |
| **Q3 2022** | | | | |
| Parkwood Place, Prince George, BC | September 13 | 100 % | $ 30,500 | $ — |
| RioCan Greenfield, Greenfield Park, QC | September 8 | 100 % | 47,838 | — |
| Trinity Conception Square,Carbonear, NFLD | August 29 | 100 % | 14,900 | — |
| 107th Avenue Northwest, Edmonton, AB | July 7 | 100 % | 3,400 | — |
| | | | $ 96,638 | $ — |
| **Q2 2022** | | | | |
| Lethbridge Walmart Centre, Lethbridge, AB | June 6 | 100 % | $ 27,625 | $ — |
| RioCan Centre Vaughan, Vaughan, ON | May 3 | 100 % | — | 9,300 |
| | | | $ 27,625 | $ 9,300 |
| **Q1 2022** | | | | |
| Mega Centre Notre-Dame, Sainte-Dorothée, QC (ii) (iii) | March 30 | 50 % | $ 32,728 | $ — |
| Highbury Shopping Plaza, London, ON | March 29 | 100 % | 10,750 | — |
| 97th Street Northwest, Edmonton, AB | March 17 | 100 % | 2,000 | — |
| Eastcourt Mall, Cornwall, ON | March 14 | 50 % | 6,945 | — |
| Timiskaming Square, New Liskeard, ON | March 14 | 50 % | 1,650 | — |
| 85 Bloor Street West, Toronto, ON (ii) (iv) | March 14 | 50 % | 17,500 | — |
| The Well (Building C), Toronto, ON (v) | January 24 | 40 % | — | 14,507 |
| | | | $ 71,573 | $ 14,507 |
| **Total dispositions for the year ended December 31, 2022** | | | **$ 425,491** | **$ 34,277** |

(i) RioCan provided a vendor take-back mortgage with a fair value of $22.3 million related to this transaction.

(ii) The following represent partial interest dispositions. RioCan retained the remaining ownership interest in these properties.

(iii) Includes Desserte Ouest located in Sainte-Dorothée, QC.

(iv) RioCan disposed of a 100% ownership interest in 85 Bloor Street West for $35.0 million to PR Bloor Street LP (Note 4) as part of the consideration to obtain a 50.0% interest in the joint venture.

(v) The Well (Building C) disposition includes cost recoveries of $1.1 million.

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

### Properties held for sale

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

| As at | **December 31, 2022** | December 31, 2021 |
|---|---|---|
| **Assets** | | |
| Income properties | **$ 41,319** | $ 37,990 |
| Properties under development | **821** | 9,250 |
| Total assets held for sale | **$ 42,140** | $ 47,240 |

As at December 31, 2022, RioCan has two investment properties held for sale with a carrying value of $42.1 million. As at December 31, 2021, RioCan had five investment properties held for sale with a carrying value of $47.2 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 29 external property appraisals (including 3 vacant land parcels), which supported an IFRS fair value of approximately $2.5 billion, or 18.0% of the Trust's investment property portfolio (at 100% interest), as at December 31, 2022. In 2023, the Trust intends to select approximately six income properties for external appraisal on a quarterly basis.

*Valuation techniques*

Income properties

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

- SNOI is based on budgeted rents and expenses and supported by the terms of any existing lease, other contracts or external evidence such as current market rents for similar properties, adjusted to incorporate allowances for estimated vacancy rates, management fees based on current and expected future market conditions after expiry of any current lease. 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 or per buildable square foot 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 undeveloped land 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, 2022, the weighted average capitalization rate for the Trust's investment properties and properties held for sale is 5.33% (December 31, 2021 - 5.29%). The carrying value of the Trust's investment properties reflects its best estimate for the highest and best use as at December 31, 2022.

The Trust has reviewed the valuation of its properties in light of the difficulty in anticipating the impact of the current global macroeconomic environment on property cash flows and capitalization rates. The impact of higher inflation, rising interest rates and their effect on demand and economic growth continue to be uncertain. Such effects could be material to investment properties valuations. As events associated with the current macroeconomic environment 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.

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

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

The following table is a sensitivity analysis applied to the portion of the Trust's investment properties and properties held for sale carrying value that is measured using the direct capitalization approach and, therefore, is sensitive to changes in capitalization rates:

| Capitalization rate sensitivity increase (decrease) | Weighted average capitalization rate | Fair value variance |
|---|---|---|
| (1.00%) | 4.33% | $ 3,555,506 |
| (0.75%) | 4.58% | 2,471,526 |
| (0.50%) | 4.83% | 1,544,531 |
| (0.25%) | 5.08% | 728,386 |
| **December 31, 2022** | **5.33%** | **—** |
| 0.25% | 5.58% | (654,334) |
| 0.50% | 5.83% | (1,247,066) |
| 0.75% | 6.08% | (1,785,476) |
| 1.00% | 6.33% | (2,277,761) |

A 0.25% increase in capitalization rate would result in a lower portfolio fair value of $654.3 million. A 0.25% decrease in capitalization rate would result in a higher portfolio fair value of $728.4 million. In addition, a 1% increase in SNOI would result in a higher portfolio fair value of $136.1 million.  A 1% decrease in SNOI would result in a lower portfolio fair value of $136.4 million. A 1% increase in SNOI coupled with a 0.25% decrease in capitalization rates would result in a higher portfolio fair value of $872.5 million. A 1% decrease in SNOI coupled with a 0.25% increase in capitalization rates would result in a lower portfolio fair value of $784.7 million. A 1% increase in costs to complete for the development properties would result in a lower portfolio fair value of $2.9 million, and a 1% decrease in costs to complete for the development properties would result in a higher portfolio fair value of $2.9 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, 2022** | December 31, 2021 |
|---|---|---|---|
| PR Bloor Street LP | Development and sale of residential inventory | **50.0 %** | — % |
| 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 %** | 20.2 % |
| RC (Queensway) LP | Development and sale of residential inventory | **20.0 %** | 20.0 % |
| RC (Leaside) LP - Class B | Development and sale of residential inventory | **25.0 %** | 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 %** | 14.2 % |

(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, | **2022** | 2021 |
|---|---|---|
| Balance, beginning of year | **$ 327,335** | $ 209,676 |
| Contributions | **16,817** | 149,562 |
| Distributions | **(14,565)** | (62,510) |
| Total cash flow activities | **2,252** | 87,052 |
| Non-cash contributions: | | |
| Contribution accrual | **100** | — |
| Investment properties (i) | **34,462** | — |
| Transfer from residential inventory | **—** | 9,712 |
| Share of net income | **2,349** | 19,189 |
| Other comprehensive income from equity-accounted investments | **583** | 206 |
| Other | **(2,189)** | 1,500 |
| Balance, end of year | **$ 364,892** | $ 327,335 |

(i) Represents $35.0 million of investment property contribution (50% disposition and 50% transfer of investment property in Note 3) and additional $0.8 million of development costs, net of a $1.4 million equalization payment. Refer to PR Bloor Street LP below.

### 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, 2022** | | | December 31, 2021 | | |
|---|---|---|---|---|---|---|
| | RioCan-HBC JV | Other | Total | RioCan-HBC JV | Other | Total |
| Current assets (i) | **$ 7,702** | **$ 849,520** | **$ 857,222** | $ 7,840 | $ 640,397 | $ 648,237 |
| Non-current assets (ii) | **1,924,339** | **38,521** | **1,962,860** | 1,993,503 | 29,218 | 2,022,721 |
| Current liabilities (iii) | **162,581** | **242,788** | **405,369** | 486,103 | 153,377 | 639,480 |
| Non-current liabilities (iv) | **633,003** | **258,949** | **891,952** | 325,911 | 229,788 | 555,699 |
| Net assets | **$ 1,136,457** | **$ 386,304** | **$ 1,522,761** | $ 1,189,329 | $ 286,450 | $ 1,475,779 |
| **Equity-accounted investments** | **$ 256,588** | **$ 108,304** | **$ 364,892** | $ 267,266 | $ 60,069 | $ 327,335 |

| Years ended December 31 | **2022** | | | 2021 | | |
|---|---|---|---|---|---|---|
| | RioCan-HBC JV | Other | Total | RioCan-HBC JV | Other | Total |
| Revenue | **$ 142,383** | **$ 21,536** | **$ 163,919** | $ 142,429 | $ 27,808 | $ 170,237 |
| Operating expenses | **21,608** | **13,496** | **35,104** | 22,011 | 7,411 | 29,422 |
| Fair value (losses) gains | **(81,596)** | **785** | **(80,811)** | (5,537) | 18 | (5,519) |
| Interest expense | **39,921** | **407** | **40,328** | 35,342 | 411 | 35,753 |
| Net income | **$ (742)** | **$ 8,418** | **$ 7,676** | $ 79,539 | $ 20,004 | $ 99,543 |
| **Income from equity-accounted investments** | **$ (153)** | **$ 2,502** | **$ 2,349** | $ 15,368 | $ 3,821 | $ 19,189 |

(i) As at December 31, 2022, total current assets include $793.2 million of residential inventory (December 31, 2021 - $577.9 million), for which the expected completion and sale may be greater than 12 months.

(ii) 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 90.6% of the JV's investment property portfolio.

(iii) As at December 31, 2022, total current liabilities include $329.9 million of mortgages payable and other loans (December 31, 2021 - $556.1 million).

(iv) As at December 31, 2022, total non-current liabilities include $810.3 million of mortgages payable and lines of credit with maturities beyond twelve months (December 31, 2021 - $487.4 million).

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

### PR Bloor Street LP

On December 10, 2021, RioCan and Parallax formed a new jointly controlled 50/50 partnership, PR Bloor Street LP, for the purpose of acquiring a number of properties to allow for the development of a mixed-use high-rise condominium project. On March 14, 2022, in exchange for partnership units, RioCan and Parallax sold 100% interest in their respective properties, 85 Bloor Street West and 93 Bloor Street West, to the partnership at agreed-upon prices of $35.0 million and $20.0 million, respectively. In addition, Parallax contributed an equalization payment of $13.6 million, and RioCan received an equalization payment of $1.4 million. On March 14, 2022, the partnership acquired 83 Bloor Street, 89-91, 95 and 95 A Bloor Street for an aggregate purchase price of $105.0 million or $52.5 million at RioCan's ownership interest, excluding transaction costs. The partnership financed a portion of the acquisitions with a land loan of $96.0 million or $48.0 million at RioCan's ownership interest.

### 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, 2022, the Trust had 45 such joint operations, of which one is considered individually significant: RioCan's 50% ownership interest in the commercial component of The Well, located in Toronto, Canada.

## 5. MORTGAGES AND LOANS RECEIVABLE

| For the years ended December 31, | | **2022** | | 2021 |
|---|---|---|---|---|
| Current | **$** | **100,581** | $ | 90,110 |
| Non-current | | **168,758** | | 147,680 |
| Mortgages and loans receivable measured at amortized cost | **$** | **269,339** | $ | 237,790 |

As at December 31, 2022, mortgages and loans receivable bear interest at a weighted average effective and contractual rate of 8.26% and 7.73% per annum, respectively (December 31, 2021 - 5.74% and 5.40%, respectively) and mature between 2023 and 2033.

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

| | | |
|---|---|---|
| 2023 | $ | 100,581 |
| 2024 | | 1,261 |
| 2025 | | 7,466 |
| 2026 | | 43,055 |
| 2027 | | 31,605 |
| Thereafter | | 85,371 |
| | **$** | **269,339** |

## 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, | | **2022** | | 2021 |
|---|---|---|---|---|
| Balance, beginning of year | **$** | **217,043** | $ | 214,181 |
| Acquisitions (i) | | **19,440** | | — |
| Dispositions | | **(91,322)** | | (65,032) |
| Development expenditures | | **112,597** | | 62,351 |
| Transfers from investment properties (ii) | | **14,247** | | 21,816 |
| Transfers to equity-accounted investments | | **—** | | (16,273) |
| Balance, end of year | **$** | **272,005** | $ | 217,043 |

(i) On February 17, 2022, RioCan acquired 50% interest in Queen & Ashbridge (QA) property for total purchase price of $31.4 million, including transaction costs, which included both property under development and residential inventory components and was allocated as $11.9 million and $19.4 million, respectively. Total vendor take-back mortgage and purchase price payable on the acquisition totalled $30.4 million, of which $11.6 million was allocated towards properties under development and $18.8 million towards residential inventory.

(ii) During the year ended December 31, 2022, the residential portion of the discrete parcel under development at RioCan Durham Centre was transferred to residential inventory from investment property as appropriate evidence of a change in use was established. In addition, in conjunction with the closing of the land transaction, RioCan transferred pre-acquisition costs incurred at Queen & Ashbridge (QA) to residential inventory from investment property.

(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 the years ended December 31, 2022 and 2021:

| Years ended December 31 | | **2022** | | 2021 |
|---|---|---|---|---|
| Residential inventory sales | **$** | **118,659** | $ | 93,727 |
| Residential inventory cost of sales: | | | | |
| Dispositions | | **91,322** | | 65,032 |
| Commission cost and other | | **4,964** | | 314 |
| Residential inventory cost of sales | | **96,286** | | 65,346 |
| Residential inventory gains | **$** | **22,373** | $ | 28,381 |

## 7. RECEIVABLES AND OTHER ASSETS

The following table details the Trust's receivables and other assets as at December 31, 2022 and December 31, 2021:

| As at | | **December 31, 2022** | | | | | | December 31, 2021 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | **Current** | | **Non-current** | | **Total** | | Current | | Non-current | | Total |
| Prepaid expenses and other assets | **$** | **52,855** | **$** | **19,570** | **$** | **72,425** | $ | 30,218 | $ | 18,124 | $ | 48,342 |
| Net contractual rents and other tenant receivables | | **27,639** | | **—** | | **27,639** | | 29,011 | | — | | 29,011 |
| Finance lease receivables | | **4,709** | | **36,883** | | **41,592** | | 3,961 | | 38,197 | | 42,158 |
| Amounts due on condominium final closings | | **3,018** | | **—** | | **3,018** | | 10,168 | | — | | 10,168 |
| Other receivables (i) | | **9,527** | | **20,445** | | **29,972** | | 16,610 | | 15,263 | | 31,873 |
| Funds held in trust | | **30,948** | | **26,765** | | **57,713** | | 29,685 | | — | | 29,685 |
| Interest rate swap agreements | | **3,428** | | **19,386** | | **22,814** | | 42 | | 52 | | 94 |
| Cash held for banker's acceptance settlement (ii) | | **—** | | **—** | | **—** | | 57,628 | | — | | 57,628 |
| Bond forward agreements | | **4,341** | | **—** | | **4,341** | | — | | — | | — |
| | **$** | **136,465** | **$** | **123,049** | **$** | **259,514** | $ | 177,323 | $ | 71,636 | $ | 248,959 |

(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.

### 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 income occurs when the revenue associated with the sale is recognized.

*Selling commissions (contract costs)*

The following table shows the change in selling commissions:

| Years ended December 31, | | **2022** | | 2021 |
|---|---|---|---|---|
| Balance, beginning of year | **$** | **10,612** | $ | 7,447 |
| Additions | | **4,955** | | 3,479 |
| Selling commissions expensed during the year | | **(4,964)** | | (314) |
| Balance, end of year | **$** | **10,603** | $ | 10,612 |

### 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 $13.5 million as at December 31, 2022 (December 31, 2021 - $16.6 million).

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

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

The Trust recognized a $1.2 million net provision of rent abatements and bad debts for the year ended December 31, 2022 (year ended December 31, 2021 - provision of $17.2 million). These provisions (recoveries) are recorded to non-recoverable operating costs.

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

| Years ended December 31, | | 2022 | | 2021 |
|---|---|---|---|---|
| Allowance for doubtful accounts, beginning of year | $ | **16,604** | $ | 12,515 |
| Provision for credit losses | | **1,218** | | 17,214 |
| Write-offs, net of recoveries | | **(4,353)** | | (13,125) |
| Allowance for doubtful accounts, end of year | $ | **13,469** | $ | 16,604 |

**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 final closing of units within 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, 2022 (December 31, 2021 - 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 $215.4 million (December 31, 2021 - $250.6 million). The corresponding lease liability in accounts payable and other liabilities is $36.6 million (December 31, 2021 - $38.0 million).

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

| Years ended December 31 | | 2022 | | 2021 |
|---|---|---|---|---|
| Balance, beginning of year | $ | **37,975** | $ | 40,725 |
| Renewal of leases of properties held under lease and other changes in estimates | | **542** | | (742) |
| Repayments of lease liabilities | | **(1,945)** | | (2,008) |
| Balance, end of year | $ | **36,572** | $ | 37,975 |

Future lease payments under these leases are as follows:

| For the years ended December 31, | | 2022 |
|---|---|---|
| Within twelve months | $ | **8,535** |
| Two to five years | | **12,657** |
| Over five years | | **56,982** |
| Total future lease payments (inclusive of renewal options) (i) | $ | **78,174** |
| Less: Future interest costs | | **41,602** |
| Present value of lease payments (inclusive of renewal options) | $ | **36,572** |

(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:

| Years ended December 31 | | 2022 | | 2021 |
|---|---|---|---|---|
| Revenue from subleasing ROU assets (i) | $ | **22,540** | $ | 22,613 |
| Interest expense on lease liabilities | | **(1,883)** | | (1,885) |
| Office equipment lease payments | | **(1,122)** | | (1,175) |

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

During the year ended December 31, 2022, the Trust had total cash outflows for leases of $6.1 million (December 31, 2021 - $6.2 million), including office equipment lease payments and variable lease payments of $2.3 million (December 31, 2021 - $2.4 million).

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

## 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 sheets.

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

| Years ended December 31, | **2022** | 2021 |
|---|---|---|
| Balance, beginning of year | **$ 42,158** | $ 40,465 |
| New sublease arrangements classified as finance leases | **3,669** | 5,148 |
| Repayments of finance lease receivables | **(4,235)** | (3,455) |
| Balance, end of year | **$ 41,592** | $ 42,158 |

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

| For the years ended December 31, | **2022** |
|---|---|
| 2023 | **$ 6,978** |
| 2024 | **7,173** |
| 2025 | **7,242** |
| 2026 | **7,335** |
| 2027 | **7,465** |
| Thereafter | **14,467** |
| Total minimum lease payments | **$ 50,660** |
| Less: Future interest income | **9,068** |
| Present value of minimum lease payments | **$ 41,592** |

### *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:

| For the years ended December 31, | **2022** |
|---|---|
| 2023 | **$ 664,160** |
| 2024 | **582,130** |
| 2025 | **488,186** |
| 2026 | **409,017** |
| 2027 | **329,173** |
| Thereafter | **1,272,656** |
| Total | **$ 3,745,322** |

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 | **2022** | 2021 |
|---|---|---|
| Variable lease payments from realty tax and insurance recoveries (i) | **$ 199,437** | $ 203,384 |
| Variable lease payments from percentage and contractual rent credits (i) | **9,092** | 6,585 |
| Interest income from finance subleases | **2,514** | 2,425 |

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

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

## 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. DEBENTURES PAYABLE

| As at | **December 31, 2022** | December 31, 2021 |
|---|---|---|
| Current | **$ 500,000** | $ 300,000 |
| Non-current | **2,442,051** | 2,690,692 |
| | **$ 2,942,051** | $ 2,990,692 |

As at December 31, 2022, total debentures payable bear interest at weighted average contractual interest rates of 2.99% and a weighted average effective interest rate of 3.06% inclusive of bond forward hedges (December 31, 2021 - 2.84% and 2.97%, respectively).

**Issuance and redemption activity**

On April 18, 2022, RioCan issued $250.0 million of Series AF senior unsecured debentures. These debentures were issued at a coupon rate of 4.628% per annum and will mature on May 1, 2029. Inclusive of the benefit of bond forward hedges, the all-in rate is 3.870%.

On October 3, 2022, RioCan redeemed, in full, its $300.0 million, 2.830% Series Y unsecured debenture upon maturity. The repayment was primarily funded through six mortgages totalling $295.5 million at a weighted average hedged interest rate of 3.667%, of which, $86.0 million was funded in September at a weighted average hedge interest rate of 4.220%, and the remaining funded in October at a weighted average hedged interest rate of 3.440%.

The Trust has the following series of senior unsecured debentures outstanding as at December 31, 2022 and 2021:

*(thousands of dollars)*

| As at | | | | **December 31,** | December 31, |
|---|---|---|---|---|---|
| Series | Maturity date | Coupon rate | Interest payment frequency | **2022** | 2021 |
| Y | October 3, 2022 | 2.83 % | Semi-annual | **$ —** | $ 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** | 450,000 |
| AF | May 1, 2029 | 4.63 % | Semi-annual | **250,000** | — |
| Contractual obligations | | | | **$ 2,950,000** | $ 3,000,000 |

(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: | 2023 | 3.42 % | $ | 500,000 |
| | 2024 | 3.29 % | | 300,000 |
| | 2025 | 2.58 % | | 500,000 |
| | 2026 | 2.64 % | | 600,000 |
| | 2027 | 2.36 % | | 350,000 |
| | Thereafter | 3.47 % | | 700,000 |
| Contractual obligations | | | | 2,950,000 |
| Unamortized debt financing costs | | | | (7,949) |
| | | | $ | 2,942,051 |

**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, 2022, the Trust was in compliance with its covenants pursuant to the Declaration and debenture indentures.

## 11. MORTGAGES PAYABLE

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

| As at | | **December 31, 2022** | | December 31, 2021 |
|---|---|---|---|---|
| Current | **$** | **320,177** | $ | 54,386 |
| Non-current | | **2,339,003** | | 2,279,630 |
| | **$** | **2,659,180** | $ | 2,334,016 |

Future repayments of mortgages payable by year of maturity are as follows:

| Year | Weighted average contractual interest rate (i) | | Scheduled principal amortization | | Principal maturities | | Total repayments |
|---|---|---|---|---|---|---|---|
| 2023 | 3.55% | $ | 48,232 | $ | 271,945 | $ | 320,177 |
| 2024 | 3.44% | | 44,218 | | 194,495 | | 238,713 |
| 2025 | 3.32% | | 40,101 | | 487,890 | | 527,991 |
| 2026 | 3.55% | | 35,869 | | 102,571 | | 138,440 |
| 2027 | 2.55% | | 34,791 | | 162,832 | | 197,623 |
| Thereafter | 3.48% | | 50,990 | | 1,190,706 | | 1,241,696 |
| | 3.39% | $ | 254,201 | $ | 2,410,439 | $ | 2,664,640 |
| Unamortized debt financing costs, net of premiums, discounts, market interest rate differential on debt assumed and debt modification losses | | | | | | | (5,460) |
| | | | | | | **$** | **2,659,180** |

(i) Inclusive of interest rate swap hedges.

As at December 31, 2022, total mortgages payable bear interest at a weighted average contractual interest rate of 3.39%, and a weighted average effective interest rate of 3.29% inclusive of bond forward hedges (December 31, 2021 - 3.18% and 3.22%, respectively), and mature between 2023 and 2034.

During the year ended December 31, 2022, RioCan completed new term mortgage borrowings of $347.6 million at a weighted average interest rate of 3.58% including the benefit of bond forward hedges and a weighted average term of eight years, and assumed vendor take-back mortgage of $24.2 million. During the year ended December 31, 2022, repayments of mortgage balances and scheduled amortization amounted to $45.6 million.

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

### Pledged properties

As at December 31, 2022, $5.9 billion of the aggregate carrying value of investment properties, properties held for sale, residential inventory and certain other assets serve as security for RioCan's mortgages payable (December 31, 2021 - $5.0 billion).

## 12. 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, 2022** | | December 31, 2021 |
|---|---|---|---|---|
| Revolving unsecured operating line of credit | **$** | **131,601** | $ | 363,732 |
| Non-revolving unsecured credit facilities | | **699,823** | | 699,573 |
| Construction lines and other bank loans | | **309,688** | | 222,605 |
| | **$** | **1,141,112** | $ | 1,285,910 |
| Current | **$** | **332,461** | $ | 94,073 |
| Non-current | | **808,651** | | 1,191,837 |
| | **$** | **1,141,112** | $ | 1,285,910 |

### Revolving unsecured operating line of credit

During the year, the Trust increased the credit limit on its revolving unsecured operating line of credit by $250.0 million to $1.25 billion and extended the maturity till May 31, 2027. All other terms and conditions remained the same.

As at December 31, 2022, RioCan had a drawn balance of $133.6 million and $1,116.4 million of credit available to be drawn from this revolving unsecured operating line of credit (December 31, 2021 - $365.9 million and $634.1 million, respectively). The weighted average contractual interest rate on amounts drawn under this facility was 6.34% as at December 31, 2022 (December 31, 2021 - 1.90%).

### 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 3.53% (December 31, 2021 - 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 3.68% (December 31, 2021 - 3.43%) through interest rate swaps.

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 interest rate swaps, bears an annual all-in fixed interest rate of 3.59% (December 31, 2021 - 3.34%).

As at December 31, 2022, 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 increased 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 $1.25 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, 2022, these facilities have an aggregate maximum borrowing capacity of $577.3 million (December 31, 2021 - $464.5 million) and mature between December 2023 to February 2026, of which the Trust had drawn $309.7 million (December 31, 2021 - $222.6 million). The weighted average contractual interest rate on amounts outstanding is 5.89% (December 31, 2021 - 1.75%).

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

## 13. ACCOUNTS PAYABLE AND OTHER LIABILITIES

| As at | **December 31, 2022** | | | December 31, 2021 | | |
|---|---|---|---|---|---|---|
| | **Current** | **Non-current** | **Total** | Current | Non-current | Total |
| Property operating costs (i) | **$ 88,616** | **$ 39,312** | **$ 127,928** | $ 92,253 | $ 36,506 | $ 128,759 |
| Development expenditures | **149,549** | **—** | **149,549** | 120,102 | — | 120,102 |
| Capital expenditures and leasing commissions on income properties | **41,688** | **—** | **41,688** | 34,342 | — | 34,342 |
| Deferred revenue | **41,359** | **118,896** | **160,255** | 55,435 | 97,050 | 152,485 |
| Unitholder distributions payable | **25,528** | **—** | **25,528** | 24,781 | — | 24,781 |
| Interest payable | **28,745** | **—** | **28,745** | 28,879 | — | 28,879 |
| Lease liability (ii) | **6,777** | **29,795** | **36,572** | 6,727 | 31,248 | 37,975 |
| Income taxes payable | **14,357** | **—** | **14,357** | 13,504 | — | 13,504 |
| Unfunded employee future benefits | **—** | **10,148** | **10,148** | — | 13,568 | 13,568 |
| Contingent consideration | **—** | **228** | **228** | — | — | — |
| Interest rate swap agreements | **—** | **—** | **—** | — | 21,530 | 21,530 |
| Bond forward agreement | **—** | **—** | **—** | 1,751 | — | 1,751 |
| Other payables and accruals | **35,626** | **—** | **35,626** | 20,197 | — | 20,197 |
| Cash collateralized banker's acceptance (iii) | **—** | **—** | **—** | 57,628 | — | 57,628 |
| | **$ 432,245** | **$ 198,379** | **$ 630,624** | $ 455,599 | $ 199,902 | $ 655,501 |

(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.

### Deferred revenue

Deferred revenue consists of the following:

| As at | **December 31, 2022** | December 31, 2021 |
|---|---|---|
| Deposits received on residential inventory sales (contract liabilities) | **$ 129,400** | $ 118,288 |
| Other deferred revenue (i) | **30,855** | 34,197 |
| | **$ 160,255** | $ 152,485 |

(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, 2022** | December 31, 2021 |
|---|---|---|
| Balance, beginning of year | **$ 118,288** | $ 70,105 |
| Amounts deferred from new contracts with customers during the year | **33,235** | 49,951 |
| Recognized as revenue during the year | **(22,123)** | (1,768) |
| Balance, end of year | **$ 129,400** | $ 118,288 |

During the year ended December 31, 2022, $22.1 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, 2021 - $1.8 million).

### Income taxes payable

Income taxes payable relate primarily to the realized gain on sale of the Trust's U.S income property portfolio during May 2016.

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

## 14. UNITHOLDERS' EQUITY

### Trust Units

The Trust is authorized to issue an unlimited number of Units. The Units are entitled to distributions, as and when declared by the Board (and upon liquidation), and to a pro rata share of the residual net assets remaining after the preferential claims, thereon, of debt holders and preferred Unitholders. As the Trust is a closed-end trust, the Units are not puttable.

The following represents the number of Units issued and outstanding, and the related carrying value of Unitholders' equity, for the years ended December 31, 2022 and 2021:

| Years ended December 31 | **2022** | | 2021 | |
|---|---|---|---|---|
| | Units | $ | Units | $ |
| Balance, beginning of year | **309,797** | **$ 4,696,785** | 317,748 | $ 4,815,230 |
| Units issued: | | | | |
| Unit-based compensation exercises, net of Units repurchased for settlement of Unit exercises | **88** | **4,415** | — | 2,004 |
| Direct purchase plan | **14** | **304** | 16 | 327 |
| Exchangeable limited partnership units | **—** | **—** | 6 | 101 |
| Units repurchased and cancelled | **(9,540)** | **(144,721)** | (7,973) | (120,877) |
| Balance, end of year | **300,359** | **$ 4,556,783** | 309,797 | $ 4,696,785 |

Included in Units outstanding as at December 31, 2022 are exchangeable limited partnership Units totalling 0.5 million (December 31, 2021 - 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 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.

On November 3, 2022, RioCan received TSX approval of its notice of intention to renew its NCIB (the 2022/2023 NCIB), to acquire up to a maximum of 30,247,803 Units, or approximately 10% of the public float as at October 31, 2022, for cancellation or to satisfy RioCan's obligation to deliver Units under the REU and PEU Plans, over the next 12 months, effective November 7, 2022.

The number of Units that can be purchased pursuant to the 2022/2023 NCIB is subject to a current daily maximum of 207,826 Units (which is equal to 25% of 831,305, being the average daily trading volume of Units 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 2022, 9,539,675 Units were acquired and cancelled at a weighted average purchase price of $21.36 per Unit for a total cost of $203.9 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 $59.2 million.

On December 12, 2022, RioCan established an automatic securities purchase plan ("ASPP") in connection with its previously announced 2022/2023 NCIB applicable to its outstanding Units. The ASPP is intended to allow for the purchase of Units under the NCIB at times when RioCan would ordinarily not be permitted to purchase Units due to regulatory restrictions and customary self-imposed blackout periods. Pursuant to the ASPP, purchases will be made by RioCan's designated broker based on periodically pre-established purchasing parameters, in accordance with the rules of the TSX and applicable securities laws. Outside of pre-determined blackout periods, Units may be purchased under the NCIB at such times as RioCan determines to be appropriate in compliance with TSX rules and applicable securities laws.

#### *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, 2022, RioCan recorded $11.1 million in unit-based compensation costs (year ended December 31, 2021 - $14.7 million). In addition, for the year ended December 31, 2021, $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.

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

**Accumulated other comprehensive income (loss)**

Accumulated other comprehensive income (loss) as at and for the year ended December 31, 2022 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, 2021 | $ (3,517) | $ (20,946) | $ (327) | $ (1,751) | $ (26,541) |
| Other comprehensive income | 3,071 | 44,249 | 583 | 41,011 | 88,914 |
| As at December 31, 2022 | **$ (446)** | **$ 23,303** | **$ 256** | **$ 39,260** | **$ 62,373** |

## 15. UNIT-BASED COMPENSATION PLANS

### Restricted Equity Unit Plans (REU Plans)

***Senior Executive REU Plan***

As at December 31, 2022, 439,174 Senior Executive REUs are outstanding (December 31, 2021 - 434,621), of which 148,864 are vested (December 31, 2021 - 100,905). 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, 2022, the Trust granted 114,697 REUs under its Senior Executive REU Plan. The weighted average grant date price was $24.35 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.

***Employee REU Plan***

As at December 31, 2022, 410,447 Employee REUs are unvested and outstanding (December 31, 2021 - 351,943). 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.

During the year ended December 31, 2022, the Trust granted 171,666 REUs under its Employee REU Plan. The weighted average grant date price was $23.95 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 $4.1 million.

### Performance Equity Unit Plan (PEU Plan)

As at December 31, 2022, 419,137 PEUs are unvested and outstanding (December 31, 2021 - 502,770). 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 22, 2022, the Trust granted 114,697 PEUs under its PEU Plan at a fair value of $3.4 million.

The grant date fair value assumptions using a Monte-Carlo simulation model are as follows:

| Years ended December 31, | | **2022** | | 2021 |
|---|---|---|---|---|
| Fair value of PEUs granted | **$** | **3,363** | $ | 4,106 |
| PEUs granted (in thousands) | | **115** | | 193 |
| Weighted average grant date fair value per unit | **$** | **29.32** | $ | 21.25 |
| Weighted average expected risk-free interest rate (i) | | **1.6%** | | 0.3% |
| Weighted average expected unit price volatility (ii) | | **32.0%** | | 30.5% |
| Weighted average initial total Unitholder return (iii) | | **11.0%** | | 10.9% |

(i) Derived using the yield on Government of Canada benchmark bonds with an average term similar to the PEU vesting period.

(ii) Expected unit price volatility is calculated based on the average of the actual daily closing price of RioCan's trust Units measured over a three-year historical period up to the grant date.

(iii) PEUs are subject to certain internal and external measures of performance. The 2022 PEU grants will vest based on the following performance metrics: 40% is subject to internal performance hurdle over three-year funds from operations (FFO) per unit growth, 40% is 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, 10% is subject to internal performance hurdle over three-year cumulative average net asset value (NAV) per Unit growth and 10% is subject to internal hurdle on ESG objectives.

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, 2022 to February 22, 2022 for the 2022 PEU grants.

## Units Purchased for Settlement

During the year ended December 31, 2022, RioCan purchased 149,639 Units at an average price of $24.11, for satisfying RioCan's existing obligations under the REU and PEU Plans (December 31, 2021 - 109,953 Units at average price of $18.84).

## 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, 2022, 13.5 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.

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, 2022, there were no Unit options granted to senior management (year ended December 31, 2021 - 1.3 million).

The following summarizes the changes in Unit options outstanding during the years ended December 31, 2022 and 2021:

| Years ended December 31, | **2022** | | | 2021 | | |
|---|---|---|---|---|---|---|
| Options | **Units (in thousands)** | | **Weighted average exercise price** | Units (in thousands) | | Weighted average exercise price |
| Outstanding, beginning of year | **7,336** | **$** | **25.27** | 6,367 | $ | 26.71 |
| Granted | **—** | | **—** | 1,300 | | 18.13 |
| Exercised | **(88)** | | **24.00** | — | | — |
| Expired | **(943)** | | **26.77** | (301) | | 24.74 |
| Forfeited | **(614)** | | **25.30** | (30) | | 27.17 |
| Outstanding, end of year | **5,691** | **$** | **25.03** | 7,336 | $ | 25.27 |
| Options exercisable at end of year | **4,641** | **$** | **26.41** | 5,698 | $ | 26.88 |
| Average fair value per unit of options granted during the year | | **$** | **—** | | $ | 1.93 |

The following table summarizes the Trust's outstanding options and related exercise price ranges of units granted under the plan:

| | | Outstanding options | | | Vested options | | |
|---|---|---|---|---|---|---|---|
| Exercise price range ($/unit) | Number of Units issuable (in thousands) | | Weighted average exercise price per unit | Weighted average remaining life (years) | Number of Units issuable (in thousands) | | Weighted average exercise price per unit |
| As at December 31, 2022 | | | | | | | |
| $18.13 to $21.07 | **1,200** | **$** | **18.13** | **5.1** | **250** | **$** | **18.13** |
| $21.08 to $26.14 | **1,548** | | **25.38** | **3.6** | **1,548** | | **25.38** |
| $26.15 to $27.32 | **927** | | **26.55** | **3.4** | **827** | | **26.56** |
| $27.33 to $27.60 | **834** | | **27.48** | **0.9** | **834** | | **27.48** |
| $27.61 to $29.31 | **1,182** | | **28.66** | **1.3** | **1,182** | | **28.66** |
| | **5,691** | **$** | **25.03** | **3.0** | **4,641** | **$** | **26.41** |

## 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, during the year ended December 31, 2021, 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, 2022, there are 648,207 deferred Units vested and outstanding (December 31, 2021 - 549,807).

During the year ended December 31, 2022, 70,490 deferred Units were granted at weighted average grant price of $22.17 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 $1.6 million, and no deferred Units were exercised (year ended December 31, 2021 - 73,026 deferred Units granted and no deferred Units exercised).

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

## 16. DISTRIBUTIONS TO UNITHOLDERS

Total distributions declared to Unitholders are as follows:

| Years ended December 31 | | **2022** | | 2021 |
|---|---|---|---|---|
| Distributions declared to Unitholders | **$** | **310,163** | $ | 304,153 |
| Distributions per unit | **$** | **1.0150** | $ | 0.9600 |

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.

On January 16, 2023, RioCan declared a distribution payable of $0.085 per unit for the month of January 2023, which will be paid on February 7, 2023 to Unitholders of record as at January 31, 2023.

## 17. REVENUE

### Rental revenue

| Years ended December 31 | | **2022** | | 2021 |
|---|---|---|---|---|
| Base rent | **$** | **687,459** | $ | 681,333 |
| Realty tax and insurance recoveries | | **199,437** | | 203,384 |
| Common area maintenance recoveries | | **168,144** | | 159,980 |
| Percentage rent | | **9,092** | | 6,579 |
| Straight-line rent | | **1,884** | | 6,928 |
| Lease cancellation fees | | **5,119** | | 6,457 |
| Parking revenue | | **3,057** | | 1,901 |
| Rental revenue | **$** | **1,074,192** | $ | 1,066,562 |

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 | | **2022** | | 2021 |
|---|---|---|---|---|
| Common area maintenance recoveries | **$** | **168,144** | $ | 159,980 |
| Property management and other service fees | | **20,996** | | 14,772 |
| Parking revenue | | **3,057** | | 1,901 |
| Residential inventory sales | | **118,659** | | 93,727 |
| Revenue from contracts with customers | **$** | **310,856** | $ | 270,380 |

### Property management and other service fees

Property management and other service fees consist of the following:

| Years ended December 31 | | **2022** | | 2021 |
|---|---|---|---|---|
| Property management fees (i) | **$** | **3,031** | $ | 2,754 |
| Construction and development fees (i) | | **12,492** | | 6,782 |
| Leasing fees (ii) | | **515** | | 342 |
| Financing arrangement fees (ii) | | **3,194** | | 1,607 |
| Other (iii) | | **1,764** | | 3,287 |
| Property management and other service fees | **$** | **20,996** | $ | 14,772 |

(i) Recognized over time.
(ii) Recognized at a point in time.
(iii) During the year ended December 31, 2022, $1.6 million is recognized over time and $0.2 million is recognized at a point in time (year ended December 31, 2021 - $1.8 million and $1.5 million, respectively).

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

**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 pre-sold condominiums and townhouses as at December 31, 2022 and 2021:

| As at | **December 31, 2022** | December 31, 2021 |
|---|---|---|
| Within one year | **$ 27,455** | $ 115,708 |
| More than one year | **739,876** | 645,191 |
| Total | **$ 767,331** | $ 760,899 |

## 18. INVESTMENT AND OTHER INCOME (LOSS)

| Years ended December 31 | **2022** | 2021 |
|---|---|---|
| Income earned on marketable securities | **$ 491** | $ — |
| Fair value loss on marketable securities | **(3,783)** | — |
| Transaction gains and other income, net | **1,450** | 2,743 |
| | **$ (1,842)** | $ 2,743 |

The following table breaks down the fair value loss on marketable securities for the years ended December 31, 2022 and 2021:

| Years ended December 31 | **2022** | 2021 |
|---|---|---|
| Change in unrealized fair value on marketable securities during the year | **$ (3,783)** | $ — |
| Fair value loss on marketable securities during the year | **$ (3,783)** | $ — |

## 19. INTEREST INCOME

| Years ended December 31 | **2022** | 2021 |
|---|---|---|
| Interest income from mortgages and loans receivable (i) | **$ 17,356** | $ 10,664 |
| Other interest income (ii) | **3,546** | 3,002 |
| | **$ 20,902** | $ 13,666 |

(i) Measured at amortized cost.

(ii) Includes interest from finance subleases of $2.5 million for the year ended December 31, 2022 (December 31, 2021 - $2.4 million).

## 20. INTEREST COSTS

| Years ended December 31 | **2022** | 2021 |
|---|---|---|
| Total interest (i) | **$ 224,040** | $ 211,808 |
| Less: Interest capitalized | **(43,675)** | (40,287) |
| | **$ 180,365** | $ 171,521 |

(i) Includes interest from lease liabilities of $1.9 million for the year ended December 31, 2022 (December 31, 2021 - $1.9 million).

For the year ended December 31, 2022, interest was capitalized to properties under development and residential inventory at a weighted average effective interest rate of 3.33% (December 31, 2021 - 3.08%).

## 21. GENERAL AND ADMINISTRATIVE

| Years ended December 31 | **2022** | 2021 |
|---|---|---|
| Salaries and benefits | **$ 26,228** | $ 23,823 |
| Unit-based compensation expense | **6,998** | 10,580 |
| Depreciation and amortization | **4,774** | 4,022 |
| Other general and administrative expense | **16,437** | 12,975 |
| | **$ 54,437** | $ 51,400 |

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, 2022, transaction and other costs were $8.3 million, and primarily include property acquisition and disposition costs (December 31, 2021 - $17.3 million).

## 23. NET INCOME PER UNIT

Net income 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 | **2022** | 2021 |
|---|---|---|
| Net income attributable to Unitholders | **$ 236,772** | $ 598,389 |
| Weighted average number of Units outstanding (in thousands): | | |
| Basic | **306,069** | 317,201 |
| Dilutive effect of Unit options (i) | **178** | 83 |
| Diluted | **306,247** | 317,284 |
| Net income per unit (basic) | **$ 0.77** | $ 1.89 |
| Net income per unit (diluted) | **$ 0.77** | $ 1.89 |

(i) The calculation of diluted weighted average number of Units outstanding excludes 5.0 million Unit options for the year ended December 31, 2022 (year ended December 31, 2021 - 6.2 million Unit options), as the exercise price of these Unit options was greater than the average market price of Units.

## 24. FAIR VALUE MEASUREMENT

The fair value hierarchy of assets and liabilities measured at fair value on a recurring basis in the consolidated balance sheets is as follows:

| | **December 31, 2022** | | | December 31, 2021 | | |
|---|---|---|---|---|---|---|
| As at | **Level 1** | **Level 2** | **Level 3** | Level 1 | Level 2 | Level 3 |
| Assets measured at fair value: | | | | | | |
| Marketable securities | **$ 15,887** | **$ —** | **$ —** | $ — | $ — | $ — |
| Other investments | **—** | **—** | **8,932** | — | — | 7,521 |
| Investment properties: | | | | | | |
| Income properties | **—** | **—** | **12,635,332** | — | — | 12,573,286 |
| Properties under development | **—** | **—** | **1,172,408** | — | — | 1,448,052 |
| Properties held for sale | **—** | **—** | **42,140** | — | — | 47,240 |
| Interest rate swaps | **—** | **22,814** | **—** | — | 94 | — |
| Bond forward agreement | **—** | **4,341** | **—** | — | — | — |
| Total assets measured at fair value | **$ 15,887** | **$ 27,155** | **$ 13,858,812** | $ — | $ 94 | $ 14,076,099 |
| Liabilities measured at fair value: | | | | | | |
| Interest rate swaps | **—** | **—** | **—** | — | 21,530 | — |
| Bond forward agreement | **—** | **—** | **—** | — | 1,751 | — |
| Total liabilities measured at fair value | **$ —** | **$ —** | **$ —** | $ — | $ 23,281 | $ — |

For assets and liabilities measured at fair value as at December 31, 2022, there were no transfers between Level 1, Level 2 and Level 3 during the year ended December 31, 2022. 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 amortized cost and whose carrying value reasonably approximates their fair value and lease liabilities. Financial instruments that are classified as amortized cost and 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.

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

| | **December 31, 2022** | | December 31, 2021 | |
|---|---|---|---|---|
| As at | **Carrying value** | **Fair value** | Carrying value | Fair value |
| Financial assets: | | | | |
| Marketable securities | **$ 15,887** | **$ 15,887** | $ — | $ — |
| Other investments | **8,932** | **8,932** | 7,521 | 7,521 |
| Finance lease receivables | **41,592** | **41,592** | 42,158 | 42,158 |
| Mortgages and loans receivable | **269,339** | **266,121** | 237,790 | 241,956 |
| Interest rate swap assets | **22,814** | **22,814** | 94 | 94 |
| Bond forward agreement | **4,341** | **4,341** | — | — |
| Financial liabilities: | | | | |
| Debentures payable | **$ 2,942,051** | **$ 2,719,995** | $ 2,990,692 | $ 3,036,020 |
| Mortgages payable | **2,659,180** | **2,485,578** | 2,334,016 | 2,366,442 |
| Lines of credit and other bank loans | **1,141,112** | **1,141,112** | 1,285,910 | 1,285,910 |
| Interest rate swap liabilities | **—** | **—** | 21,530 | 21,530 |
| 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 and debentures payable*

The fair values of these instruments are estimates made at a specific point in time, based on relevant market information. These estimates are based on quoted market prices for the same or similar issues or on the current rates offered to the Trust for similar financial instruments subject to similar risk and maturities. Fair value measurements of these instruments were estimated using Level 2 inputs. The carrying values of short-term and variable rate debt generally approximate their fair values.

*Interest rate swaps*

The fair values of the interest rate swaps reported in 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, 2022, approximately 6.5% (December 31, 2021 - 8.9%) 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 fixed rate debt and the time the fixed rate debt is issued. The intent is to use the bond forwards to manage the change in cash flows of the future interest payments on the anticipated fixed rate debt.

(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 applied hedge accounting and recorded the changes in fair value for the effective portion of these derivatives in other comprehensive income (OCI) accumulated in the cash flow hedge reserve in equity from the date of hedge designation. Accumulated amounts are reclassified from OCI to net income in the periods where the forecasted cash flows impact net income. For any interest rate swaps for which the Trust does not apply hedge accounting, the change in fair value of the swap contracts is recognized in net income.

As at December 31, 2022, the outstanding notional amount of the floating-for-fixed interest rate swaps is $1.0 billion (December 31, 2021 - $1.0 billion) and the term to maturity of these agreements ranges from January 2023 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 |
|---|---|---|
| 2023 | $ 392,220 | 3.58 % |
| 2024 | 525,737 | 3.59 % |
| 2025 | — | — % |
| 2026 | — | — % |
| 2027 | — | — % |
| Thereafter | 100,000 | 3.94 % |
| | $ 1,017,957 | |

As at December 31, 2022, the Trust had bond forward contracts with an aggregate notional of $200.0 million outstanding, with a maturity on these agreements in April 2023 (December 31, 2021 - $300.0 million, maturity in September 2022). The bond forward contracts outstanding at December 31, 2022, were entered into on November 24, 2022, to sell on April 3, 2023 $200.0 million Government of Canada Bonds due June 1, 2030 with an effective bond yield of 2.876%, to hedge its exposure to movements in underlying risk-free interest rates on highly probable anticipated fixed rate debt issuances.

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 highly probable anticipated fixed rate debt issuances.

During 2022, the Trust settled a total of $500 million of bond forward contracts, which resulted in a weighted average hedged interest rate of 3.68% for $507.5 million of 7-year debt, including the benefit of the $37.1 million realized bond forward gain.

The Trust assessed the effectiveness of its continuing hedging relationships and determined all such designated hedging relationships were effective as at December 31, 2022. As at December 31, 2022, the fair value of the interest rate swaps and bond forward agreements are, in aggregate, a net financial asset of approximately $27.2 million (December 31, 2021 - net financial liability of approximately $23.2 million).

As at December 31, 2022, the carrying value of the Trust's floating rate debt that is not subject to a hedging strategy is $441.3 million and a 50 basis point increase in market interest rates would result in an annualized decrease of $2.2 million in the Trust's net income.

(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:

| | **2022** | | | | **During the year - 2022** | | | |
|---|---|---|---|---|---|---|---|---|
| | Nominal amount of hedging instrument | Carry amount of the hedging instrument Assets | Carry amount of the hedging instrument Liabilities | 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 |
| Interest rate swaps | **$1,017,957** | **$22,814** | **$—** | Receivables and other assets (assets), Accounts payable and other liabilities (liabilities) | **$43,024** | **$—** | **$1,225** | Interest costs |
| Bond forward agreement | **$200,000** | **$4,341** | **$—** | Receivables and other assets (assets), Accounts payable and other liabilities (liabilities) | **$43,228** | **$725** | **$(2,217)** | Interest costs/ Other income |

| | 2021 | | | | During the year - 2021 | | | |
|---|---|---|---|---|---|---|---|---|
| | Nominal amount of hedging instrument | Carry amount of the hedging instrument Assets | Carry amount of the hedging instrument Liabilities | Line item in the consolidated balance sheet | Fair value gain (loss) recognized in OCI | Hedge ineffectiveness recognized in profit or loss | Amounts reclassified from the hedge reserve to profit or loss | Line item in profit or loss affected by reclassification/ ineffectiveness |
| 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 |

The amounts at the reporting date relating to items designated as hedged items were as follows:

| | **2022** | | | 2021 | | |
|---|---|---|---|---|---|---|
| | 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 | **$43,024** | **$23,303** | **$—** | $20,459 | $(20,946) | $— |
| Bond forward agreement | **$43,228** | **$4,341** | **$34,919** | $(1,751) | $(1,751) | $— |

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, 2022. The Trust's hedged items and hedging instruments for interest rate swaps continue to be indexed to one-month CDOR. Under IBOR reform, a new risk-free benchmark interest rate has been introduced as a fallback rate to CDOR, however, the one-month CDOR is expected to continue to exist as a benchmark rate until June 30, 2024. As at December 31, 2022, the Trust had one interest rate swap with a notional amount of $100.0 million that will mature after June 30, 2024. The Trust will update its hedge documentation and adjust effective interest rates as the new benchmark rate is implemented.

The Trust’s exposure to interest rate benchmark reform as at December 31, 2022 include the following floating rate financial liabilities that will mature after June 30, 2024 and have not transitioned to an alternative benchmark interest rate:

| Financial liabilities | | **December 31, 2022** |
|---|---|---|
| Mortgages payable | **$** | **99,823** |
| Revolving unsecured operating line of credit | | **131,601** |
| Construction lines and other bank loans | | **145,555** |
| | **$** | **376,979** |

### Liquidity risk

Liquidity risk is the risk that the Trust may not have access to sufficient debt and equity capital to 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 12 and 11 for details.
- For current and non-current scheduled repayments of debentures, refer to Note 10 for details.

The Trust expects to continue financing future acquisitions, development, debt obligations and other financing requirements through existing cash balances, internally generated cash flows, refinancing maturing debt, utilization of its operating line of credit, credit facilities, construction financing facilities, mortgaging unencumbered assets, issuance of unsecured debentures, the sale of non-core assets, sales proceeds from residential inventory or air rights sales, strategic development partnerships and the issuance of equity when considered appropriate.

### Credit risk

Credit risk is the risk of financial loss to RioCan that 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 within non-recoverable property operating costs.

As at December 31, 2022 and December 31, 2021, the allowance for doubtful accounts totals $13.5 million and $16.6 million, respectively. RioCan holds approximately $35.6 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.

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, 2022. 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 1.65x for a rolling twelve-month period. As at and for the year ended December 31, 2022, the Trust was in compliance with these covenants.

The following table presents RioCan's capital structure:

| For the years ended December 31, | Note | | 2022 | | 2021 |
|---|---|---|---|---|---|
| Debentures payable | *10* | $ | **2,942,051** | $ | 2,990,692 |
| Mortgages payable | *11* | | **2,659,180** | | 2,334,016 |
| Lines of credit and other bank loans | *12* | | **1,141,112** | | 1,285,910 |
| Total debt | | | **6,742,343** | | 6,610,618 |
| Unitholders' equity | | | **7,728,892** | | 7,911,344 |
| Total capital | | $ | **14,471,235** | $ | 14,521,962 |

### 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, 2022, 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, 2022 |
|---|---|---|
| Total indebtedness (i) (vi) | < 60% | 48.4 % |
| Secured indebtedness (ii) (vi) | < 40% | 21.3 % |
| Debt service coverage (iii) (vi) | > 1.5x | 2.4 x |
| Minimum unitholders' equity (in millions) | > $5,000 | $7,729 |
| Ratio of unencumbered property assets to unsecured indebtedness (iv) (v) (vi) | > 1.5x | 1.8 x |
| Properties held for development as a percentage of consolidated gross book value of assets | < 15% | 9.6 % |

(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.

(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 Mill Woods LP |
| RioCan Management Inc. | RC Coxwell LP |
| RioCan (KS) Management LP | RC 3180 Dufferin LP |
| RioCan (Festival Hall) Trust | RC 2290 Lawrence (White Shield) LP |
| Timmins Square Limited Partnership | RC Well Commercial LP |
| Shoppers World Brampton Investment Trust | RC Kirkland Trust |
| RioCan Realty Investments Partnership Four LP | RC Eglinton Avenue LP |
| RioCan Realty Investments Partnership Seven LP | RC Sheppard Centre LP |
| RioCan Realty Investments Partnership Eleven LP | RC Condo Management Trust |
| RioCan Realty Investments Partnership Twelve LP | RC Durham Centre LP |
| RioCan Realty Investments Partnership Fifteen LP | RC Grand Park LP |
| RioCan Realty Investments Partnership Twenty LP | RC Scarborough Centre LP |
| RioCan Realty Investments Partnership Twenty-Two LP | RioCan (Bloor/St. Thomas) LP |
| RioCan Realty Investments Partnership Twenty-Three LP | RC Clarkson LP |
| RioCan Realty Investments Partnership Twenty-Four LP | RC Yorkville LP |
| RioCan Realty Investments Partnership Twenty-Five LP | RC Windfield Farms LP |
| RioCan Realty Investments Partnership Twenty-Six LP | RC Lachine Trust |
| RioCan Realty Investments Partnership Twenty-Eight LP | RC Sandalwood LP |
| RioCan (GH) Limited Partnership | RC Holding I LP |
| RioCan Property Services Trust | RC Holding II LP |
| RioCan White Shield Limited Partnership | RC Rental IPP LP |
| RC NA Property 5 LP | RioCan Living LP |
| RC Elmvale Acres LP | RC Bloor-Lansdowne LP |
| RC Westgate LP | RC Lender LP |
| RC Lincoln Fields LP | RC Pierrefonds Trust |
| RC Strawberry Hills LP | RC Condo Development Trust |
| RC Yonge Roehampton LP | |
| RC Dufferin 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 PR Bloor Street LP, 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 11 associates and joint ventures that are accounted for using the equity method as at December 31, 2022.

## 28. SUPPLEMENTAL CASH FLOW INFORMATION

### Operating activities

| Years ended December 31, | | **2022** | | 2021 |
|---|---|---|---|---|
| Interest received | **$** | **9,376** | $ | 11,128 |
| Interest paid | | **(220,723)** | | (214,113) |

### Investing activities

The following table provides a reconciliation of capital expenditures on income properties:

| Years ended December 31, | | **2022** | | 2021 |
|---|---|---|---|---|
| Recoverable and non-recoverable costs | **$** | **(52,869)** | $ | (35,121) |
| Tenant improvements and external leasing commissions | | **(48,598)** | | (42,835) |
| Capital expenditures on income properties | **$** | **(101,467)** | $ | (77,956) |

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

**Financing activities**

| Years ended December 31, | | **2022** | | 2021 |
|---|---|---|---|---|
| Distributions paid: | | | | |
| Distributions declared during the year | **$** | **(310,163)** | $ | (304,153) |
| Distributions declared in the prior year paid in the current year | | **(24,781)** | | (38,125) |
| Distributions declared in current year paid in the next year | | **25,528** | | 24,781 |
| Distributions paid | **$** | **(309,416)** | $ | (317,497) |

The following provides a reconciliation of liabilities arising from financing activities:

| Year ended December 31, 2022 | | **Mortgages payable** | | **Lines of credit and other bank loans** | | **Debentures** |
|---|---|---|---|---|---|---|
| Balance, beginning of year | $ | 2,334,016 | $ | 1,285,910 | $ | 2,990,692 |
| Proceeds/advances, net | | 345,842 | | 177,438 | | 248,603 |
| Repayments | | (45,642) | | (323,742) | | (300,000) |
| Non-cash changes: | | | | | | |
| Deferred financing costs and premiums and discounts | | 814 | | 1,506 | | 2,756 |
| VTB mortgage or contractual principal assumed on acquisition/disposition, net | | 24,150 | | — | | — |
| Balance, end of year | **$** | **2,659,180** | **$** | **1,141,112** | **$** | **2,942,051** |

| 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 |
| VTB mortgage or contractual principal 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, | | **2022** | | 2021 |
|---|---|---|---|---|
| Receivables and other assets | **$** | **27,074** | $ | (70,085) |
| Mortgage receivable interest | | **(10,482)** | | (1,810) |
| Residential inventory | | **(25,849)** | | (33,744) |
| Accounts payable and other liabilities | | **(20,087)** | | 122,755 |
| Other | | **2,874** | | 3,020 |
| Net change in other working capital items | **$** | **(26,470)** | $ | 20,136 |

## 30. RELATED PARTY TRANSACTIONS

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

- Associates, joint ventures or entities that are controlled or significantly influenced by the Trust; and
- 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.

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.

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

Effective January 1, 2022, Mr. John Ballantyne was appointed as Chief Operating Officer of RioCan and included as key management personnel. As at December 31, 2022, 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 and Chief Operating Officer, John Ballantyne. 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.

Remuneration of the Trust's Trustees and Key Executives during the years ended December 31, 2022 and 2021 is as follows:

| | Trustees | | Key Executives | |
|---|---|---|---|---|
| | **2022** | 2021 | **2022** | 2021 |
| Compensation and benefits | **$ 420** | $ 249 | **$ 4,597** | $ 6,367 |
| Unit-based compensation | **2,058** | 1,966 | **3,500** | 7,496 |
| Post-employment benefit costs | **—** | — | **176** | 175 |
| | **$ 2,478** | $ 2,215 | **$ 8,273** | $ 14,038 |

## 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, 2022, RioCan's contributions to the defined contribution plan were $2.8 million (December 31, 2021 - $2.8 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, 2022, and the next valuation is scheduled for January 1, 2025.

The fair value of the registered plan assets as at December 31, 2022 is $3.8 million (December 31, 2021 - $3.6 million). The recognized pension obligation (net of plan assets) as at December 31, 2022 is $10.1 million (December 31, 2021 - $13.6 million). Pension costs of $0.2 million were recorded in net income for the year ended December 31, 2022 (pension costs for the year ended December 31, 2021 - $0.3 million). The discount rate used was 4.8% (December 31, 2021 - 2.9%), the compensation growth rate was 4.0% (December 31, 2021 - 4.0%) and the expected long-term rate of return on plan assets was 4.8% (December 31, 2021 - 2.9%).

Actuarial gains and losses for the defined benefit plans are recognized in full in the period in which they occur in OCI 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.

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

## 33. CONTINGENCIES AND OTHER COMMITMENTS

### Third-party guarantees

As at December 31, 2022, RioCan is contingently liable, as guarantor for debt, for approximately $284.7 million (December 31, 2021 - $255.4 million), which expires between 2023 and 2030, and which includes guarantees of $255.4 million (December 31, 2021 - $225.4 million) on behalf of co-owners. Debt guaranteed by RioCan that relates to the assumption of mortgages on property dispositions is $29.3 million (December 31, 2021 - $30.0 million). There have been no defaults by the primary obligors for debts on which the Trust has provided its guarantees and no provision for expected losses on these guarantees has been recognized in the annual audited consolidated financial statements.

Expiry of guarantees by year is as follows:

| | | |
|---|---|---|
| 2023 | $ | 125,939 |
| 2024 | | — |
| 2025 | | 79,945 |
| 2026 | | — |
| 2027 | | — |
| Thereafter | | 78,805 |
| Total | $ | 284,689 |

### Letters of credit and surety bonds

The Trust has aggregate letter of credit facilities with certain Schedule I banks totalling $111.6 million (December 31, 2021 - $94.9 million). As at December 31, 2022, the Trust's outstanding letters of credit under these facilities were $53.0 million (December 31, 2021 - $58.1 million).

The Trust is contingently liable for surety bonds that have been provided to support condominium developments and warranties in the amount of $147.7 million (December 31, 2021 - $110.5 million).

### Investment commitments

As at December 31, 2022, the Trust has total unfunded investment commitments of $96.2 million relating to equity-accounted investments (December 31, 2021 - $105.3 million). In addition, within RioCan's investment in equity-accounted investments there are $35.1 million construction commitments at RioCan's ownership interest pertaining to development activities.

### Construction commitments

RioCan has entered into commitments for development activity and building renovations from leasing activity. As at December 31, 2022, the commitments for investment properties and residential inventory were $366.7 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 annual audited consolidated financial statements.

## 34. EVENTS AFTER THE BALANCE SHEET DATE

### Non-revolving unsecured credit facility

On January 31, 2023, RioCan refinanced its $200 million non-revolving unsecured credit facility with a weighted average annual all-in fixed rate of 4.93% through interest rate swaps and a maturity date of February 5, 2025 with an option to extend to January 30, 2026, all other terms were similar to the matured facility.

### Dispositions

On January 16, 2023 and February 2, 2023, RioCan disposed 100% interest in two properties located in Calgary, Alberta and London, Ontario for sales proceeds of $42.1 million.

### Unit distributions

On February 15, 2023, RioCan's Board of Trustees approved an increase to its per unit monthly distributions to Unitholders from $0.085 to $0.090 beginning with the distribution declared in February 2023 bringing RioCan's annualized distribution to $1.08 per unit.

# 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, Leasing and Tenant Experience
**Franca Smith,** Senior Vice President, Finance
**Jennifer Suess,** Senior Vice President, General Counsel, ESG & Corporate Secretary

## Board of Trustees



## Unitholder Information

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RioCan Real Estate Investment Trust
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Website: www.riocan.com | Email: ir@riocan.com

## Investor Contact

**Kim Lee,** Vice President, Investor Relations
Tel: (416) 646-8326 | Email: klee@riocan.com

## Transfer Agent and Registrar

**TSX Trust Company**
P.O. Box 700, Station B
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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

## Stock Exchange Listing

**The Toronto Stock Exchange**
Trading Symbol: Trust Units – REI.UN

1 Member of the Nominating and Environmental, Social and Governance Committee
2 Member of the Audit Committee
3 Member of the People, Culture and Compensation Committee
4 Member of the Investment Committee

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REAL VISION, SOLID GROUND.
















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