

Real Estate Investment Trust



BUS 417: Security Analysis

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AGENDA

- Background Info
- H&R
- RioCan
- SMART

WHAT IS A REIT?

- Real Estate Investment Trust
- Started in 1960, USA
- Similar to mutual funds
- Provide opportunity to participate in different sectors of real estate market
- Product types: equity, mortgage, hybrid
- Market segments: various
- Open ended or close ended

HISTORY

- **1960:** The National Association of Real Estate Investment Funds is incorporated.
- **1965:** Continental Mortgage Investors becomes the first REIT to be listed on the New York Stock Exchange.
- **1970:** Health Care Fund, founded by Bruce Thompson and Frederic Wolfe, becomes the first health care REIT.
- **1972:** NAREIT REIT Index debuts as the first REIT index available to investors.
- **1974:** Foreclosure Property Rules Enacted
- **1976:** As part of the Tax Reform Act of 1976, President Ford signs into law the first package of REIT simplification amendments, most notably allowing REITs to be established as corporations in addition to business trusts.

HISTORY

- **1986:** President Reagan signs the Tax Reform Act of 1986 to prevent taxpayers from using partnerships to shelter earnings from other sources.
- **1989-1991** Dramatic Real Estate Downturn; REIT stock prices decrease well before substantial decline in prices of private real estate begin to be measured.
- **1991** NAREIT adopts the definition of funds from operations (FFO).
- **1993** First Canadian REIT listed in the TSE
- **1999:** As a sign of the growing interest in publicly traded real estate, the European Public Real Estate Association (EPRA) is formed.
- **2000:** The iShares Dow Jones U.S. Real Estate Index Fund launches, becoming the first real estate exchange traded fund.
- **2009:** FTSE, NAREIT and EPRA announce the addition of REITs and listed property companies in Emerging markets to the FTSE EPRA/NAREIT Global Real Estate Index.

GOING GLOBAL

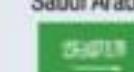
Countries that Have Adopted the U.S. REIT Approach

G7 Countries

Canada	1993	France	2003
			
Germany	2007	Italy	2007
			
Japan	2000	United Kingdom	2007
			
United States	1960		
			

Australia	1971	Bahrain	2015	Belgium	1995	Bulgaria	2005	Dubai	2006
									
Finland	2009	Hong Kong	2003	Hungary	2011	India	2014	Ireland	2013
									
Israel	2006	Kenya	2014	Malaysia	2005	Mexico	2010	Netherlands	1969
									
New Zealand	1969	Pakistan	2008	Philippines	2010	Singapore	1999	South Africa	2013
									
South Korea	2001	Spain	2009	Taiwan	1969	Thailand	2005	Turkey	1995
									
Vietnam	2015								

Countries Considering REITs

China	Indonesia
	
Malta	Nigeria
	
Saudi Arabia	Tanzania
	

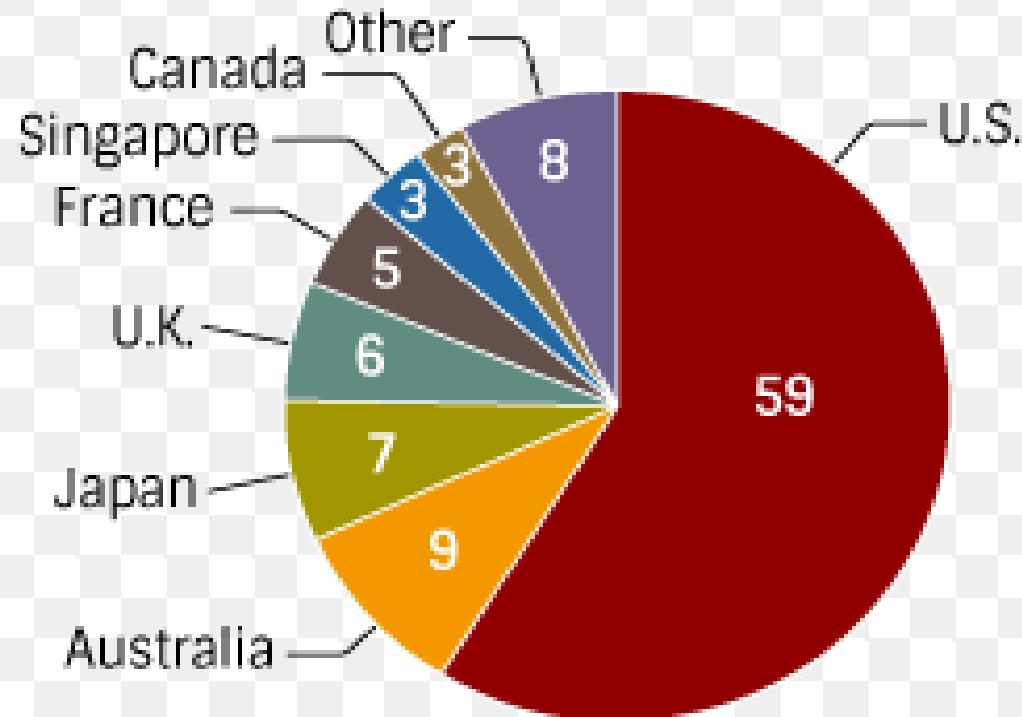
Source: NAREIT®
Date indicates adoption year of REIT rules.

COMPARING INTERNATIONAL REIT RULES

	U.S.	Australia	Netherlands	Canada	Belgium	Singapore	Japan	France	UK
Management internal or external	Either	Either	Internal	Internal	Either	External	External	Either	Either
Investment restrictions									
Real estate investments	75 %+	50 %+ of revenue from rent	100 %	80 %+	100 %	70 %+	75 %+	Flexible	75 %+
Overseas investment	OK	OK	OK	OK	Prohibited	OK	OK	OK	OK
Development	OK	OK	Minimal	OK	Minimal	20 % of total assets	OK (but 50 %+ of assets must be income producing)	OK	OK
Gearing limit	None	None	60 % property assets	None	50 % of total assets	35 % total asset	None	None	DSCR 1.25
Payout	90 %+ of taxable income (post deprec.)	100 % of taxable income (post deprec.)	100 % of fiscal earnings	85 % of distributable cash (pre-deprec.)	80 % of taxable income and net debt paydown	100 % of taxable income (no deprec.)	90 %+ of taxable income (post deprec.)	85 % of taxable income from rentals, 50 % of capital gains	90 %+ of taxable income (post deprec.)
Closed ended	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Listed/unlisted	Both	Both	Both	Listed	Listed	Listed	Listed	Listed	Listed
Tax transparency	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes+

GLOBAL – MARKET CAP

Global REIT market capitalization
by country; in percent

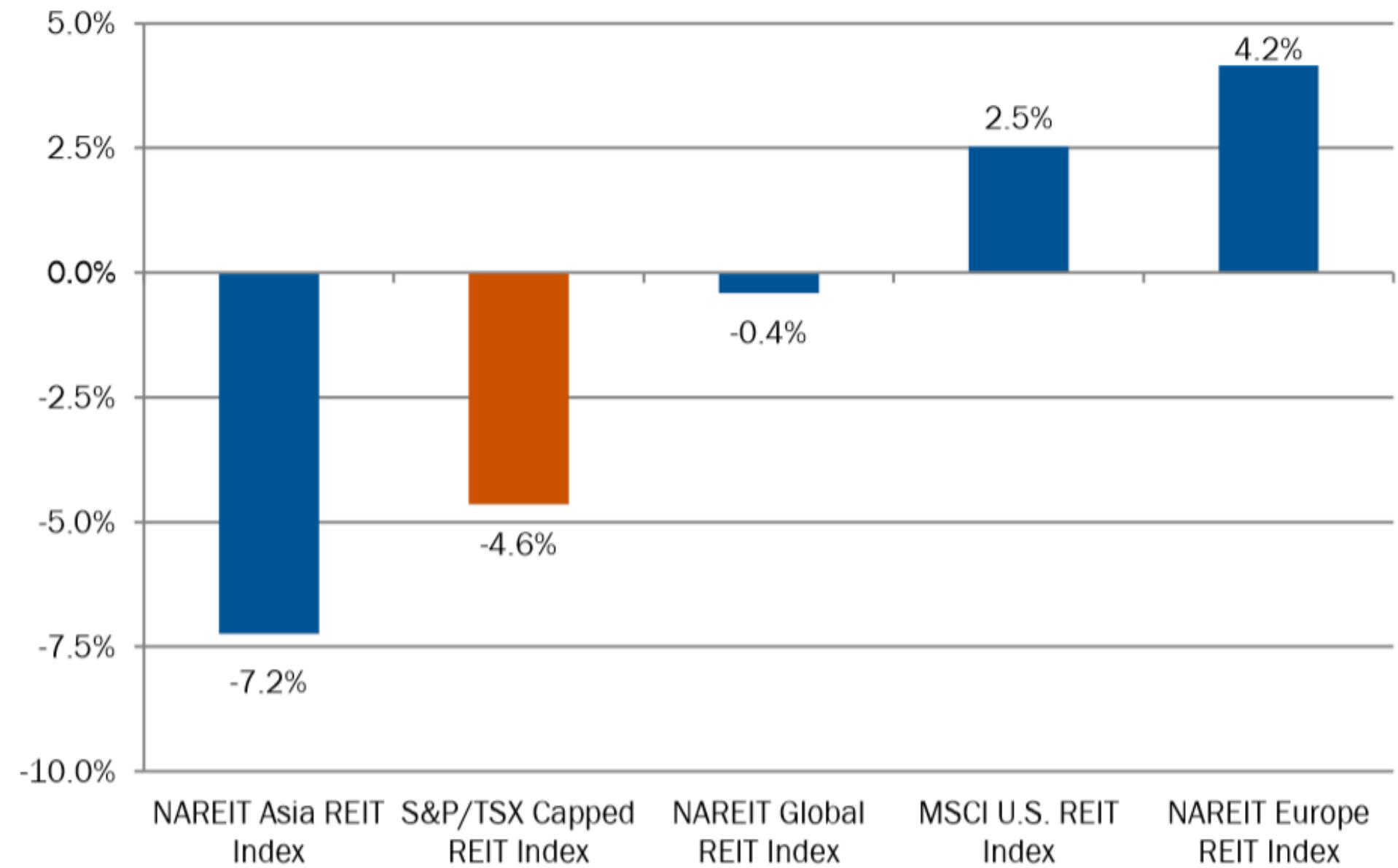


Shares among S&P Global REIT Index constituents
Source: The Nikkei Veritas

GLOBAL – TOP 10 CONSTITUENTS

Constituent	Country	ICB Subsector	Net MCap (USDm)	Wgt %
Simon Property Group	USA	Retail REITs	58,966	4.79
Public Storage	USA	Specialty REITs	36,180	2.94
Equity Residential	USA	Residential REITs	26,842	2.18
Unibail - Rodamco	Netherlands	Retail REITs	24,582	2.00
Avalonbay Communities	USA	Residential REITs	23,494	1.91
Mitsubishi Estate	Japan	Real Estate Holding & Development	23,467	1.91
Welltower Inc.	USA	Specialty REITs	22,363	1.82
Mitsui Fudosan	Japan	Real Estate Holding & Development	22,044	1.79
Prologis	USA	Industrial & Office REITs	20,155	1.64
Sun Hung Kai Props	Hong Kong	Real Estate Holding & Development	18,615	1.51
Totals			276,709	22.47

GLOBAL – TOTAL RETURNS ON REIT INDEX 2015



REITs: USA vs Canada

AMERICA VS CANADA

	US (REIT)	Canada (REIT)
Enacted Year	1960	2007
Governed by or under supervision	<ul style="list-style-type: none">By the US Internal Revenue Code and the Treasury regulations promulgated thereunder	<ul style="list-style-type: none">By the federal Income Tax Act (the "ITA")
Formalities & procedure	<ul style="list-style-type: none">An entity electing to be taxed as a REIT must satisfy specific organizational, asset holding, income source, and distribution requirements.It must elect to be taxed as a REIT or has made such election for a previous taxable year.A REIT must adopt a calendar year as its tax year.	<ul style="list-style-type: none">A REIT is typically structured so as to qualify as a mutual fund trust (a "MFT") as defined in the ITAIf a trust qualifies as a MFT before the 91st day after the end of its first taxation year, and elects in its tax return for that year, the trust will be deemed a MFT from the beginning of its first taxation year.An MFT must have a tax year ending December 31st, or December 15th by election.
Legal form & share capital	<ul style="list-style-type: none">Any entity eligible to be treated as a domestic corporation under US law (including, e.g., a US limited liability company, etc.).The beneficial ownership must be evidenced by transferable shares or transferable certificates of ownership.The entity must be managed by one or more trustees or directors.	<ul style="list-style-type: none">An inter vivos trust created by written agreement typically called a "trust deed" or "declaration of trust".The interest of each beneficiary under the trust is described by reference to units of the trust.Trustees hold legal title to and manage the trust property for the benefit of the beneficiaries of the trust.A MFT must be a "unit trust" resident in Canada (e.g., majority of trustees who exercise management and control of the trust are resident in Canada).A "unit trust" may be 'open-ended' (at least 95% of the fair market value of issued units of the trust are redeemable on demand) or "closed-ended".

AMERICA VS CANADA

US (REIT)	Canada (REIT)
Restriction on shareholdings	<ul style="list-style-type: none"> ■ After the initial REIT year, a REIT must have a minimum 100 direct shareholders during at least 335 days of a taxable year of 12 months, or during a proportionate part of a taxable year of less than 12 months. ■ After the initial REIT year, a REIT must not have more than 50% of the value of its outstanding shares owned directly or indirectly by five or fewer individuals during the last half of a taxable year.
Mandatory listing on stock exchange	<ul style="list-style-type: none"> ■ None
Restrictions on activities & investments	<p>At the end of each calendar quarter:</p> <ul style="list-style-type: none"> ■ At least 75% of the value of a REIT's total assets must be in real estate assets, cash and cash items, and Government securities. ■ Not more than 25% of the value of the REIT's total assets can be represented by securities of taxable REIT subsidiaries. ■ Any other securities of an issuer held by the REIT must not represent more than 5% of the value of the REIT's total assets and must not represent more than 10% of the outstanding securities of such issuer (by vote or value)
	<ul style="list-style-type: none"> ■ A MFT must have a minimum 150 unit holders each of whom holds <ul style="list-style-type: none"> (i) not less than one "block of units" (e.g., 100 units if the fair market value of 1 unit is less than \$25) and (ii) units having an aggregate fair market value of not less than \$500 ■ A MFT cannot be established or maintained primarily for the benefit of non-residents of Canada ■ Mandatory listing of units on Canadian stock exchange if the "unit trust" is "closed ended" and 80% or more of its property was Canadian real property ■ To qualify as a MFT, a class of units of the trust must be "qualified for distribution" or there must be a lawful distribution to the public of units of the trust and a prospectus or similar document was not required to be filed under provincial law

AMERICA VS CANADA

US (REIT)

- A REIT can invest in overseas properties.
- Rents from real property do not include (i) amounts attributable to personal property leased in connection with leasing of real property unless the value of personal property does not exceed 15%; (ii) amounts based on income or profits of any person from the property (except being based on a fixed percentage or percentages of receipts or sales); and (iii) amounts from a tenant which is owned, directly or indirectly, 10% or more by the REIT (except certain leases with a TRS).
- Complex rules restrict tenant services provided by the REIT to customary property management activities related to the use of space for occupancy only, provided such services are not rendered primarily for the convenience of the tenant. Other services or activities need to be performed through a qualified independent contractor from whom the REIT itself does not derive or receive any income, or through a TRS.

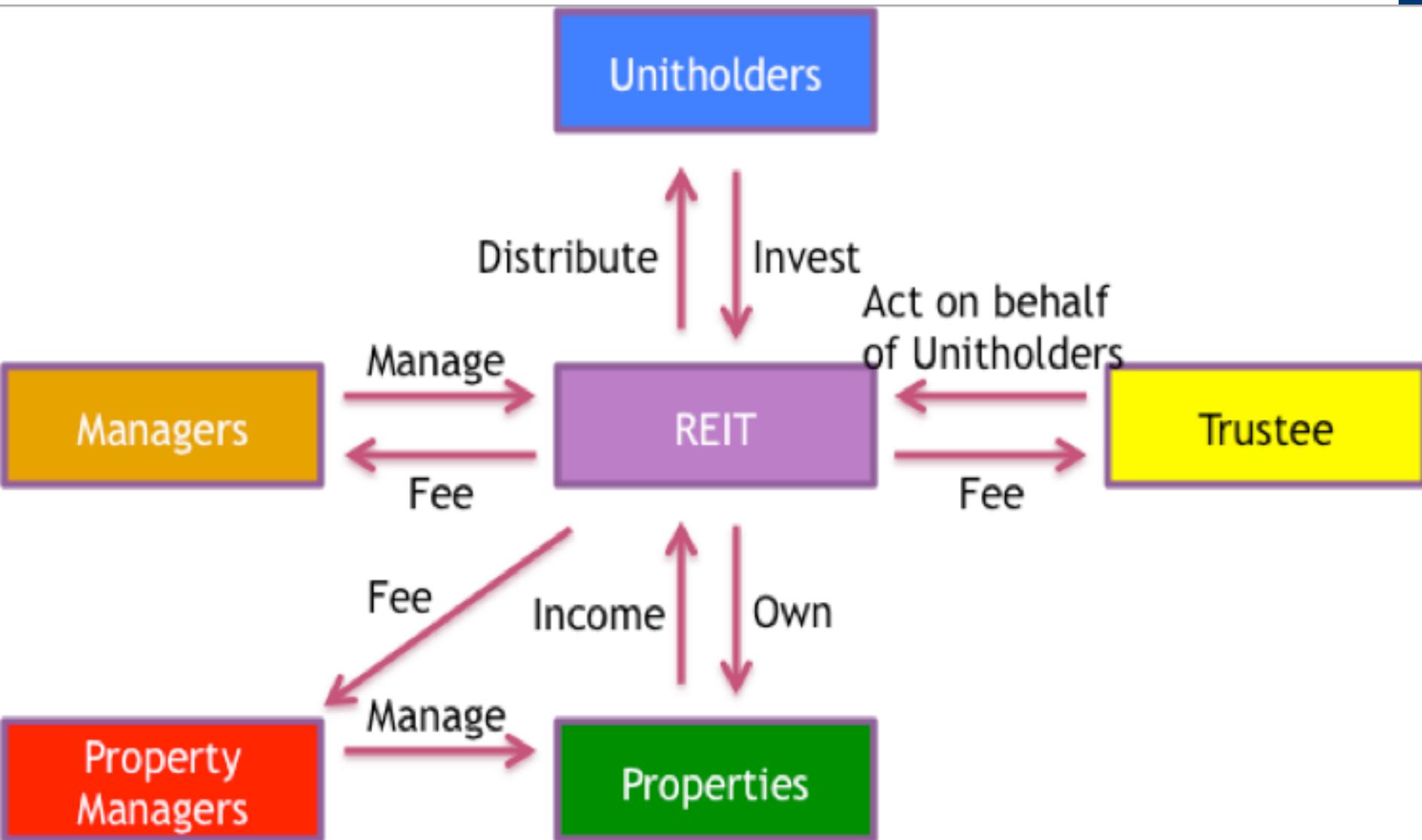
Canada (REIT)

- Investments in the trust are listed or traded on a stock exchange or other public market at any time in a taxation year.

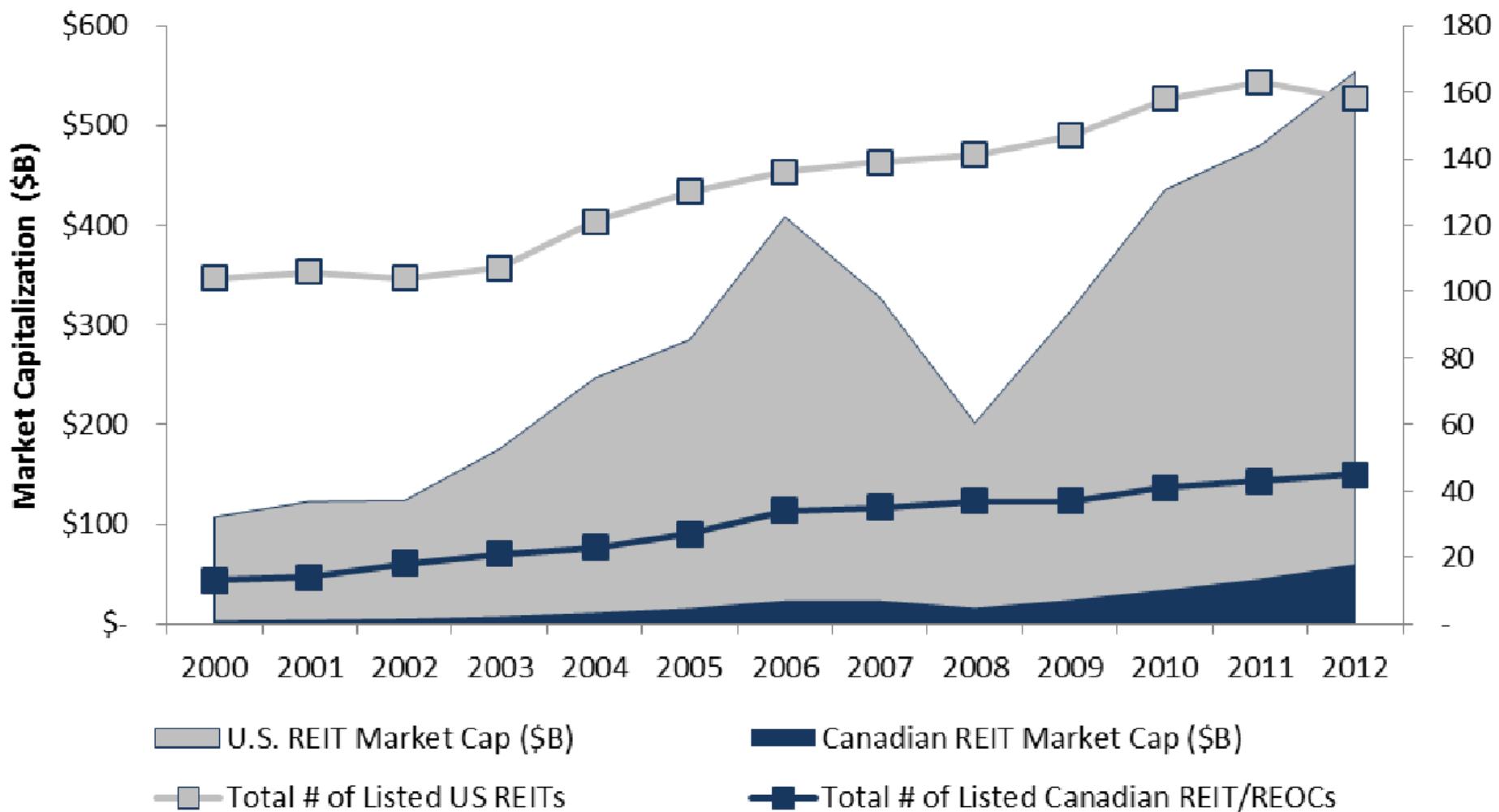
To qualify as an MFT, the trust's only undertaking must be:

- The investing of its funds in property other than real property or an interest in real property.
- The acquiring, holding, maintaining, improving, leasing or managing of any real property that is capital property of the trust.
- Any combination of the foregoing activities.
- In addition, for a "closed-ended" unit trust, at least 80% of the trust's property must consist of any combination of shares, cash, bonds, debentures, mortgages, notes or similar obligations, marketable securities, real property situated in Canada and certain Canadian natural resource properties; not less than 95% of its income must be derived from the above-mentioned property; and not more than 10% of its property may consist of bonds, securities or shares of one corporation or debtor (other than a federal, provincial or municipal government).
- A REIT is permitted to hold "eligible resale property". Limited activity to develop real property for sale is therefore permitted.

TYPICAL STRUCTURE



MARKET CAP: US VS CANADA



TAX QUALIFICATIONS*

1. Property Test

- 90% of its non-portfolio property must be qualified REIT property – allowed to hold up to 10% non-portfolio assets that aren't REIT

2. 90% Passive Revenue Test

- 90% of gross REIT revenue must come from: rent from real/immovable properties, interest, dispositions of real/immovable properties that are capital properties, dividends, royalties, dispositions of eligible resale properties

3. 75% Real Property Revenue Test

- Min. 75% of gross REIT revenue must be from: rent from real/immovable properties, interest from mortgages/hypothecs on real/immovable properties

4. Qualifying Property Value Test

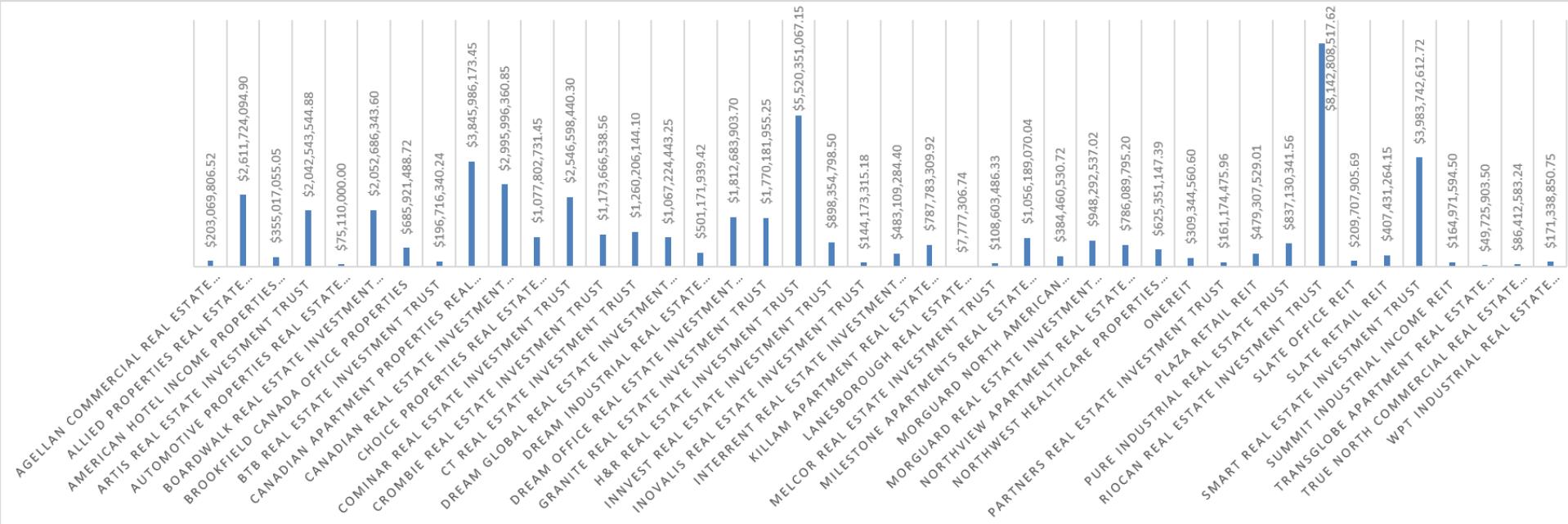
- At least 75% of trust equity value must be total fair market value of a trust's real/immovable property, bankers acceptance of a Canadian corporation, money/certain government debt/deposits with a credit union

5. Publicly traded test

- Listed on Canadian stock exchange, TSE

**For a particular tax year: resident in Canada and passes each of the following tests*

MARKET CAP - CANADA



PRODUCT SEGMENT

Equity REITs (EREITs)

- Purchase, own & manage income producing properties
- Differ from typical real estate developers because they purchase property to operate instead of for resale
- Considered superior for long-term investing

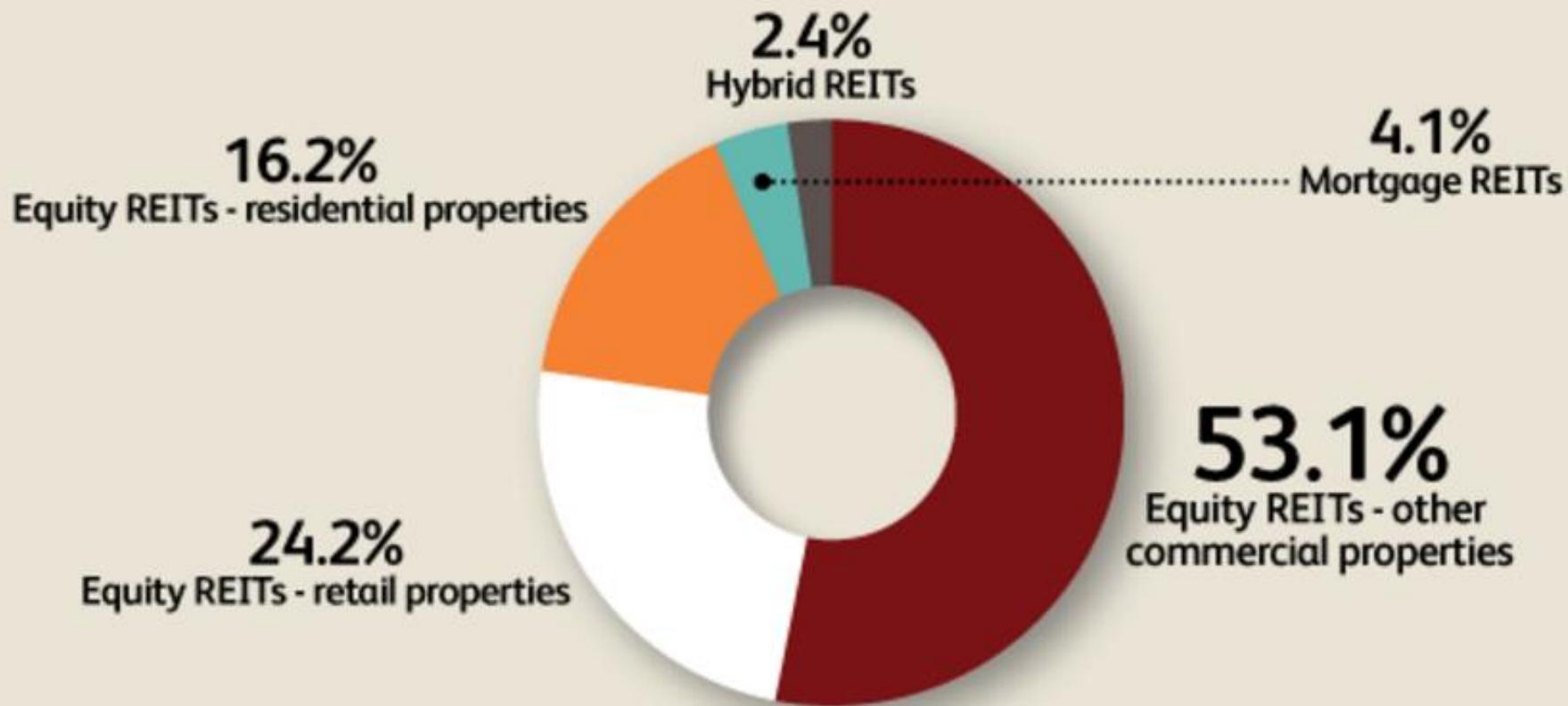
Mortgage REITs (MREITs)

- Loan money for mortgages
- Purchase existing mortgages/mortgage backed securities
- React more quickly to interest rates because dividend comes from interest payments

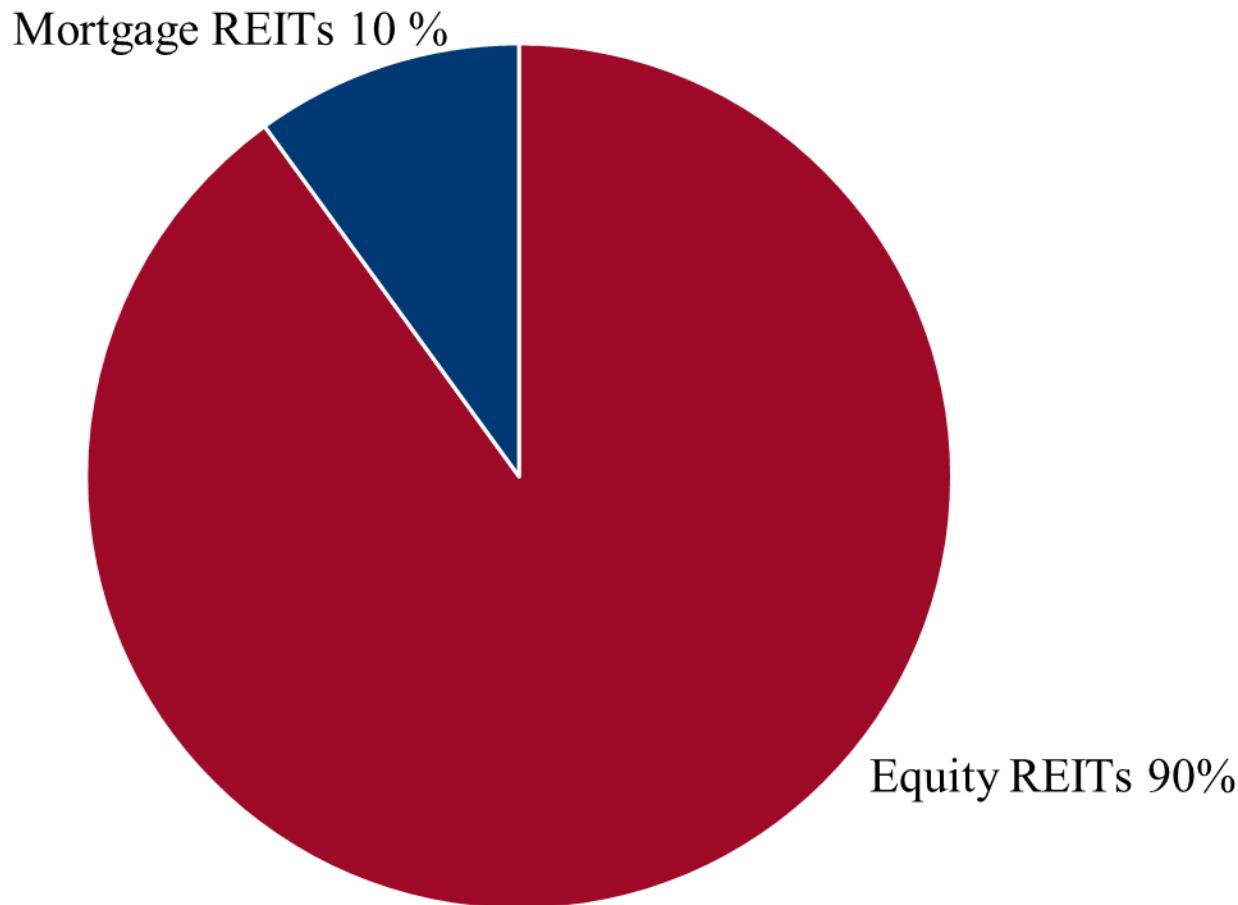
Hybrid REITs

- Combination of equity & mortgage REITs
- Own property & make loans
- Earn money through combination of rents & interest

PRODUCT SEGMENT ~ CANADA



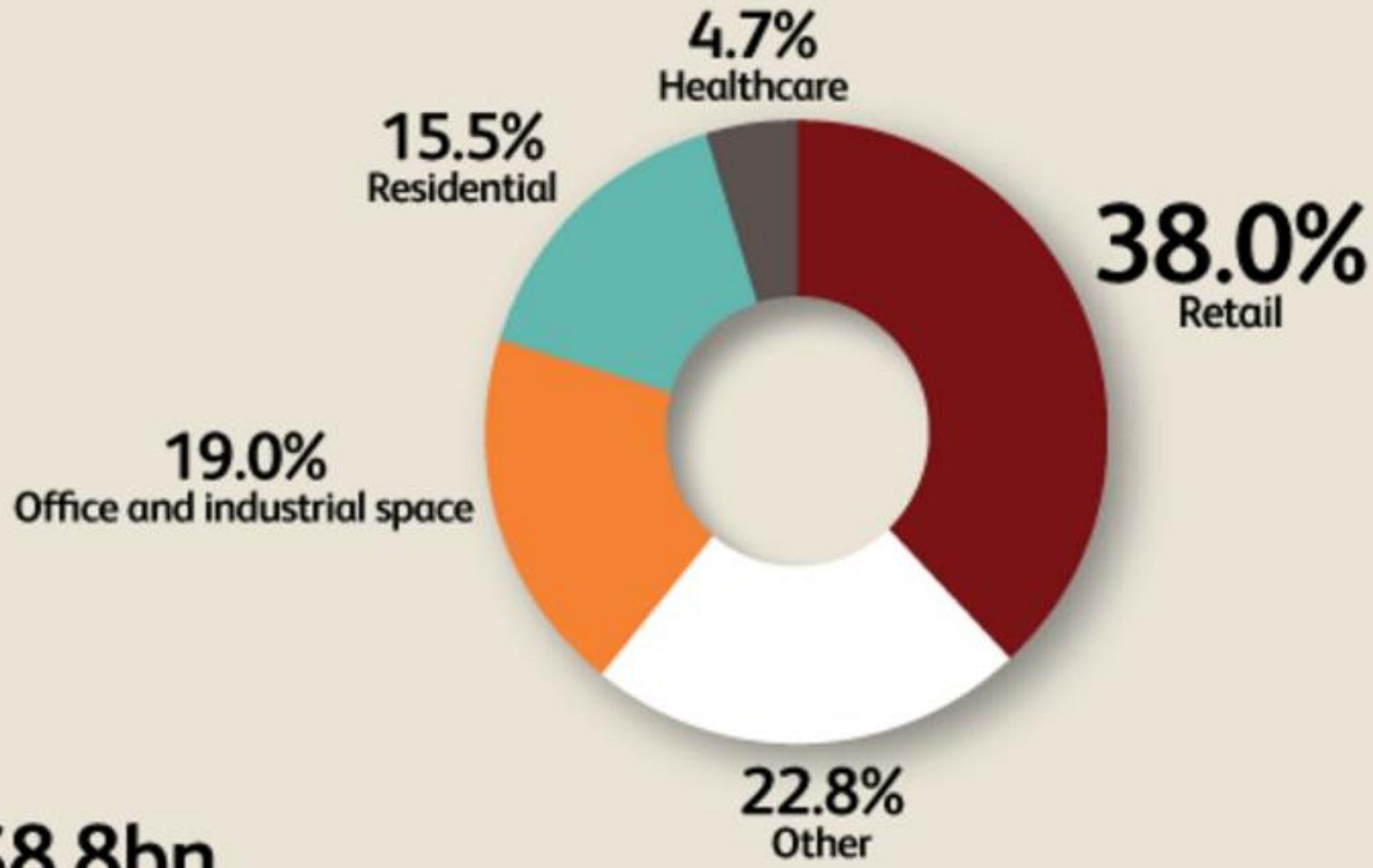
PRODUCT SEGMENT ~ USA



MARKET SEGMENT



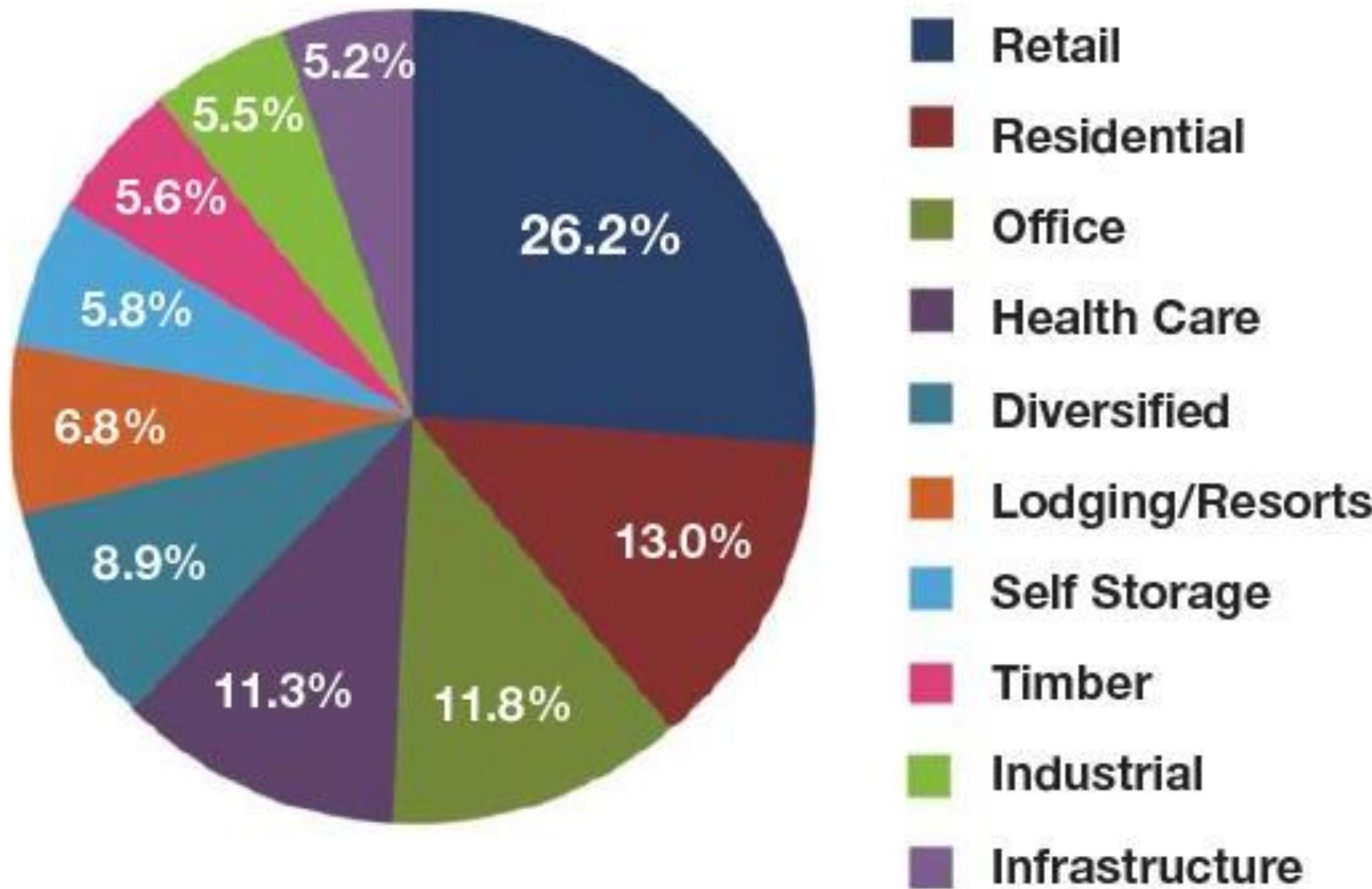
MARKET SEGMENT ~ CANADA



Total \$8.8bn

Source: IBISWORLD 2016

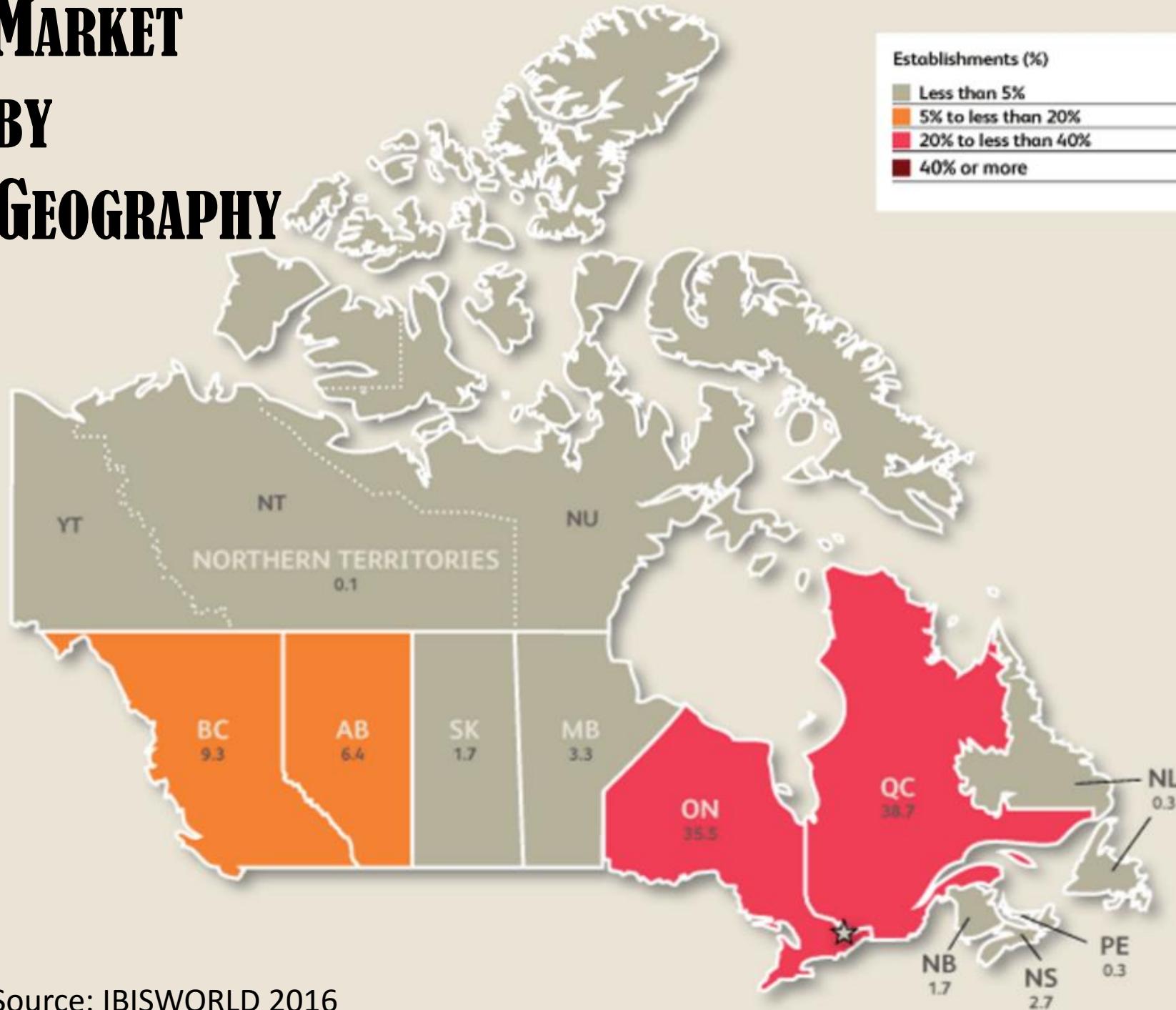
MARKET SEGMENT (EQUITY) - USA



MARKET

BY

GEOGRAPHY



Source: IBISWORLD 2016

WHY INVEST?

DIVERSIFICATION

- Low Correlation with Broader Market
- Increases Return/Reduces Risk
- Completes Asset Allocation
- [Learn More](#)

INCOME

- Dividends & Wealth Accumulation
- Reliable Income Returns
- Reduce Portfolio Volatility
- [Learn More](#)

INFLATION PROTECTION

- Returns Consistently Outpace CPI
- Natural Inflation Hedge
- High & Low Inflation
- [Learn More](#)

PERFORMANCE

- Outperformed S&P Over Most Periods
- Better Returns vs. Corp. Bonds
- Deliver Growth/Income
- [Learn More](#)

LIQUIDITY

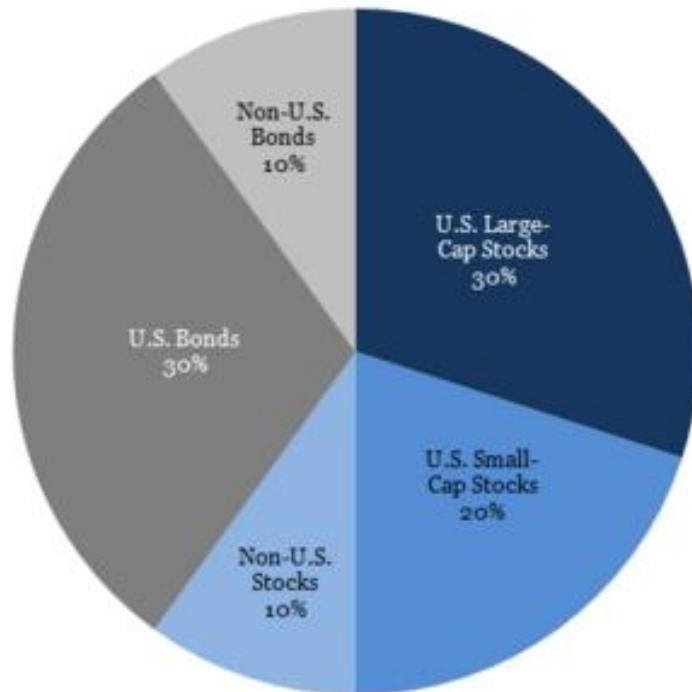
- Bought & Sold Like Other Equities
- Tactical Asset Allocation
- Portfolio Rebalancing
- [Learn More](#)

TRANSPARENCY

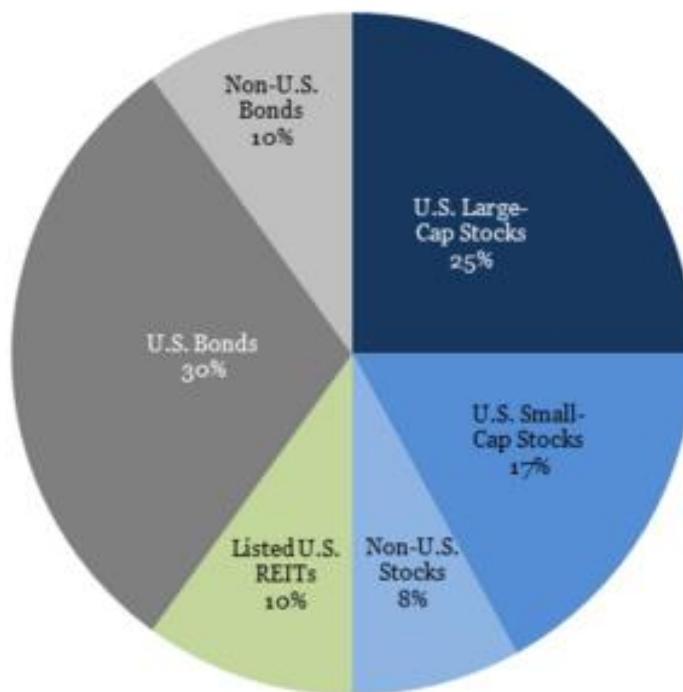
- Strong Corporate Governance
- Tax Transparency
- Market Transparency
- [Learn More](#)

BENEFITS: DIVERSIFICATION

Listed U.S. equity REITs have increased portfolio returns while reducing portfolio risk



Portfolio without REITs
Average total return 8.32% per year
Average portfolio volatility 9.57%



Portfolio with listed U.S. REITs
Average total return 8.57% per year
Average portfolio volatility 9.36%

Note: Based on monthly total returns, January 1990–December 2014.

Sources: NAREIT® analysis of data from S&P 500 Index (U.S. large-cap stocks), Russell 2000 Index (U.S. small-cap stocks), MSCI EAFE Index (non-U.S. stocks), BC US Aggregate Index (U.S. bonds), BC Global ex-US Index (non-U.S. bonds), and FTSE NAREIT All REITs Index (listed U.S. REITs).

BENEFITS: LIQUIDITY

Historical Compound Annual Total Returns of REITs and Leading U.S. Benchmarks (%)

	Listed U.S. REITs	Large-Cap U.S. Stocks (S&P 500)	Small-Cap U.S. Stocks (Russell 2000)	U.S. Bonds (BofA US Aggregate)	U.S. Inflation (CPI)
1-Year	27.15	13.69	4.89	5.97	0.76
3-Year	16.39	20.41	19.21	2.66	1.33
5-Year	16.63	15.45	15.55	4.45	1.69
10-Year	7.50	7.67	7.77	4.71	2.12
15-Year	12.29	4.24	7.38	5.70	2.25
20-Year	11.13	9.85	9.63	6.20	2.28
25-Year	10.60	9.62	9.75	6.49	2.52
30-Year	9.52	11.35	10.27	7.44	2.71
35-Year	11.14	11.83	11.09	8.16	3.25
40-Year	12.83	12.19	NA	NA	3.85

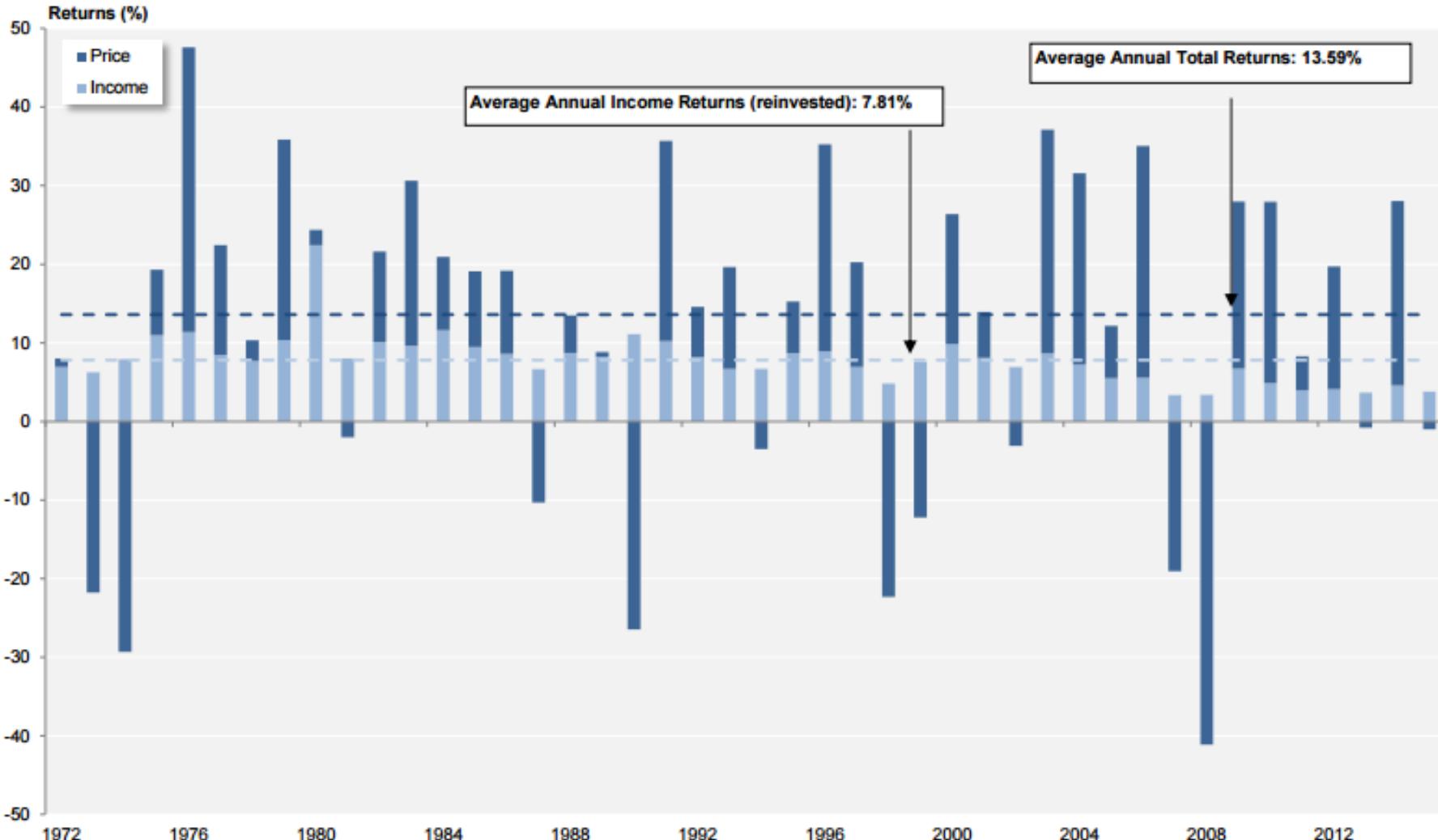
Note: Annual data as of the end of 2014

Source: NAREIT® analysis.

BENEFITS: LIQUIDITY

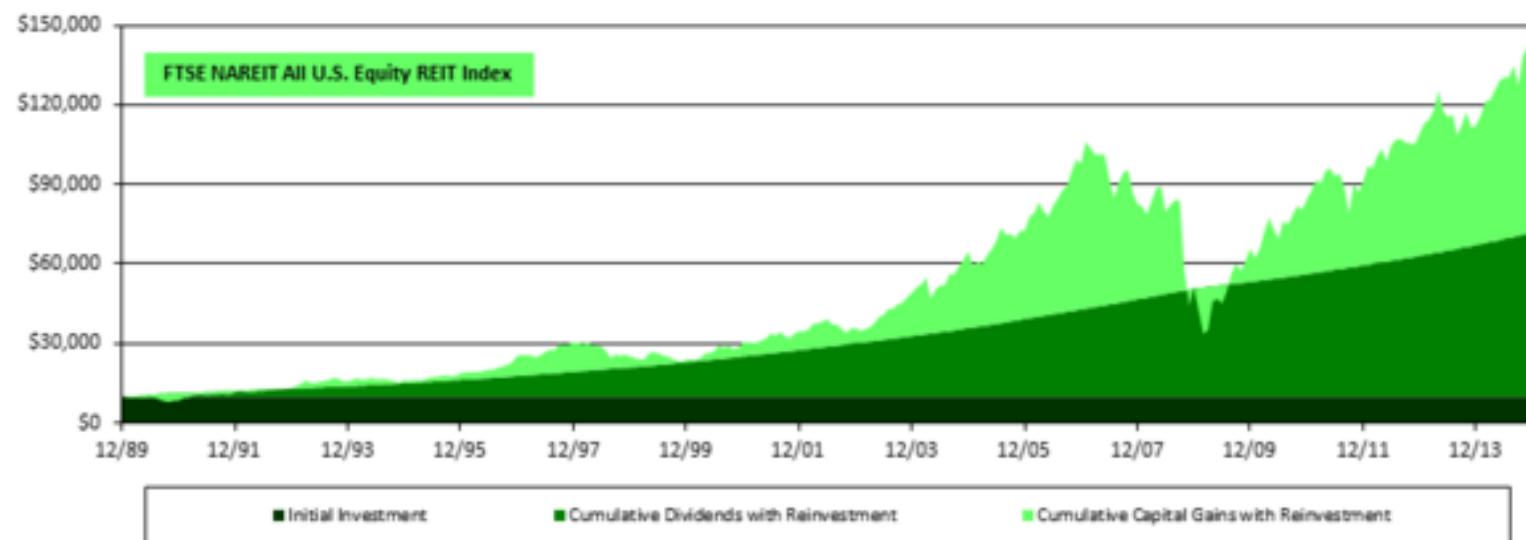
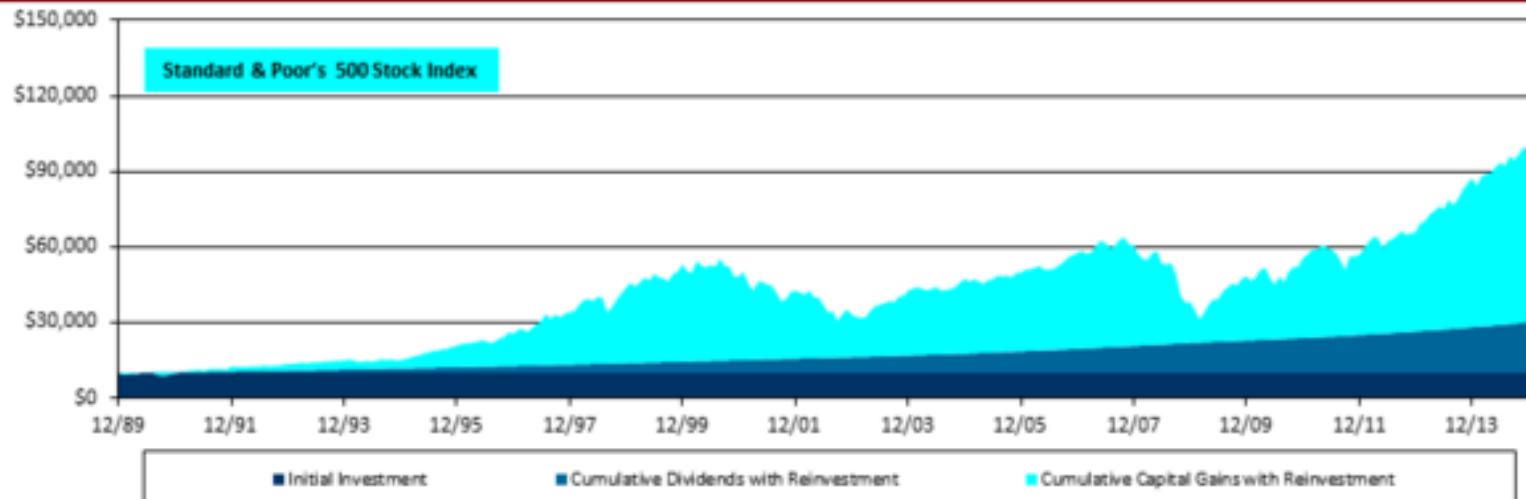
FTSE NAREIT All Equity REITs

Annual Returns
1972 - 2015



BENEFITS: DIVIDEND INCOME

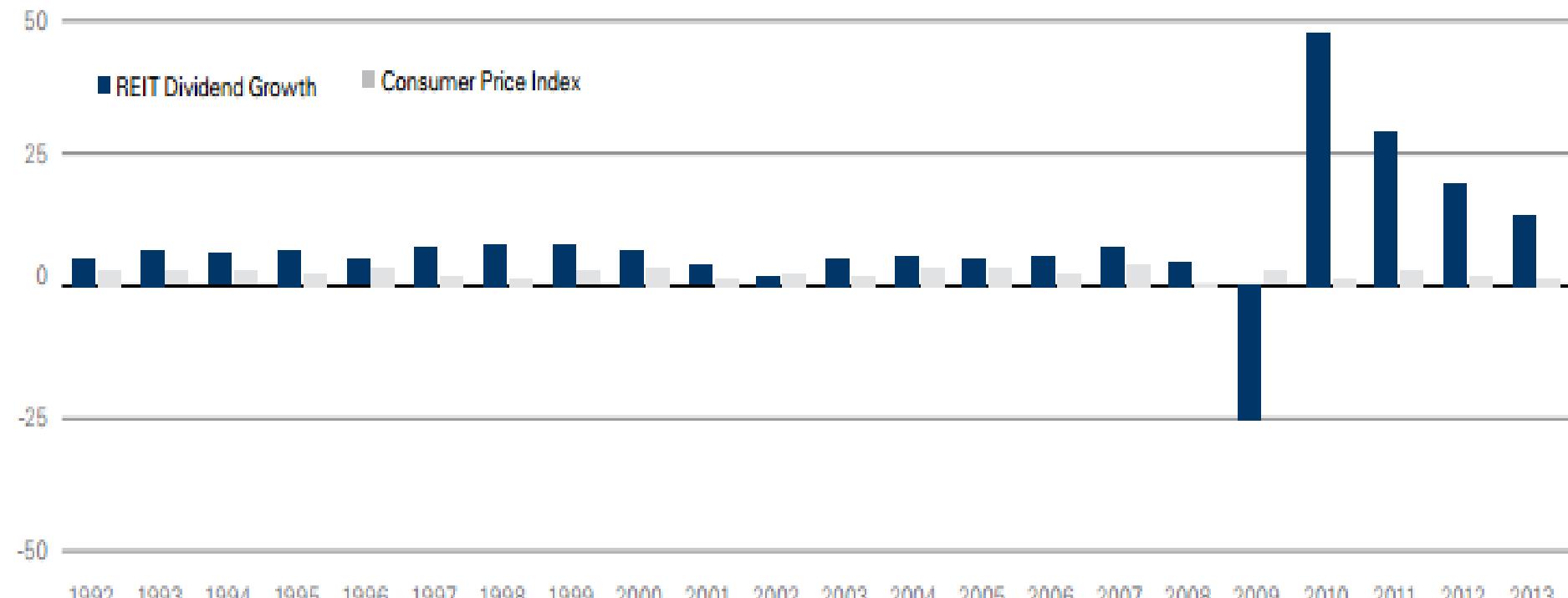
Dividend and Capital Gains, January 1990 – February 2015



Note: Based on monthly total returns and price appreciation returns, January 1990 – February 2015
Sources: NAREIT® analysis of data from IDP accessed through FactSet.

BENEFITS: DIVIDEND GROWTH > INFLATION

Listed Equity REIT Dividend Growth vs. CPI, 1992–2013 (%)

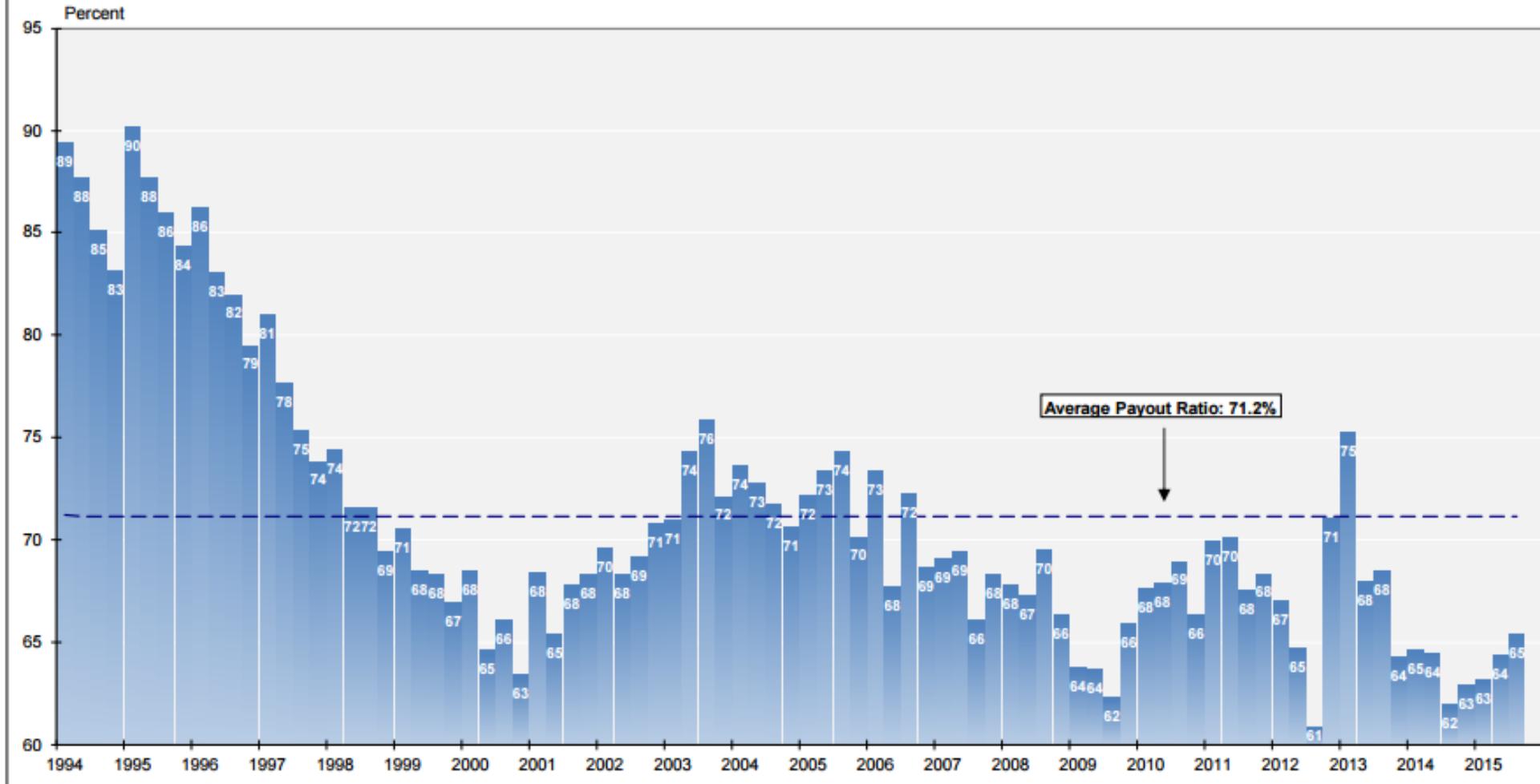


Sources: NAREIT, SNL Financial

As of December 31, 2013

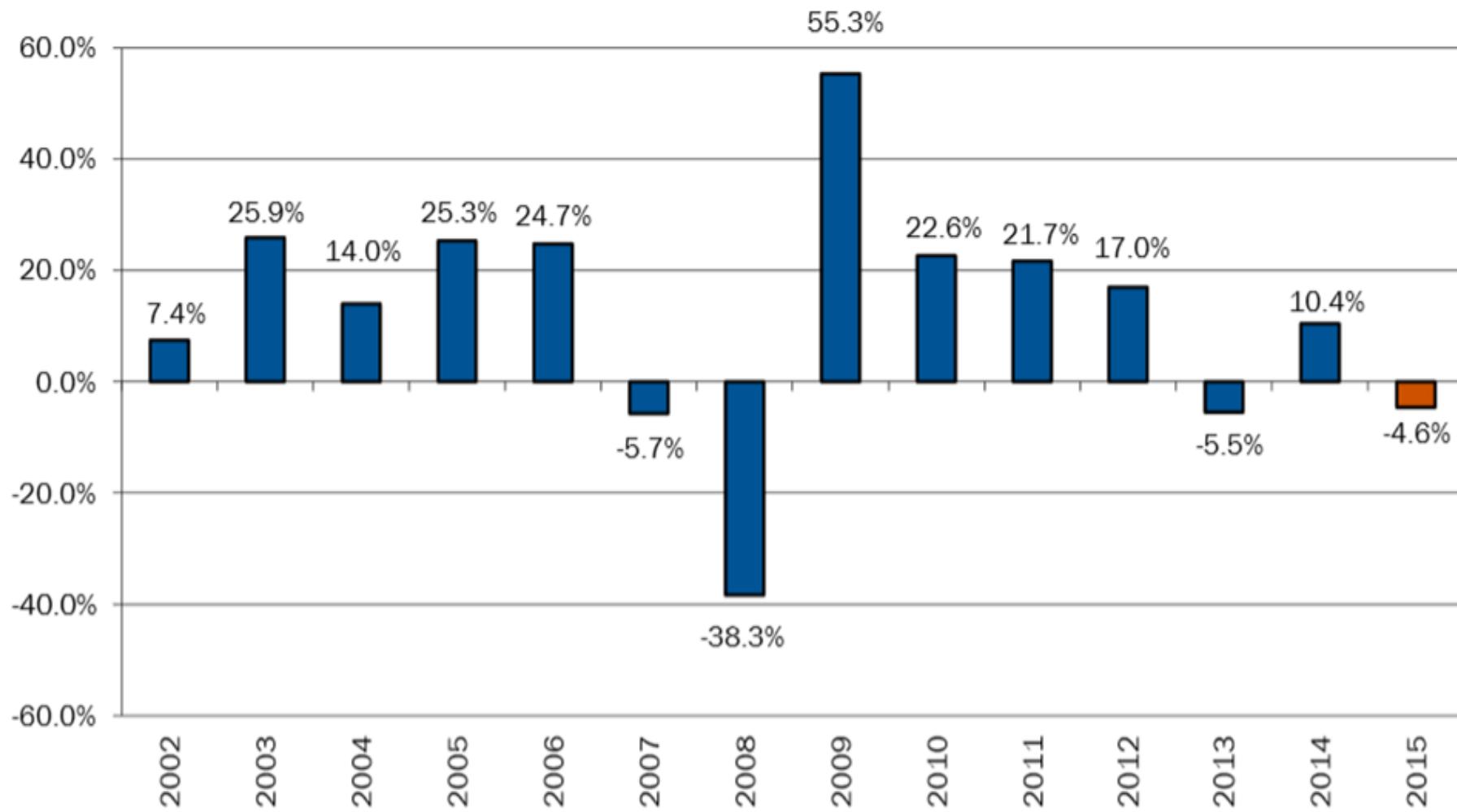
BENEFITS: PAYOUT RATIOS

Dividends as a Percent of FFO
1994: Q1 - 2015: Q3



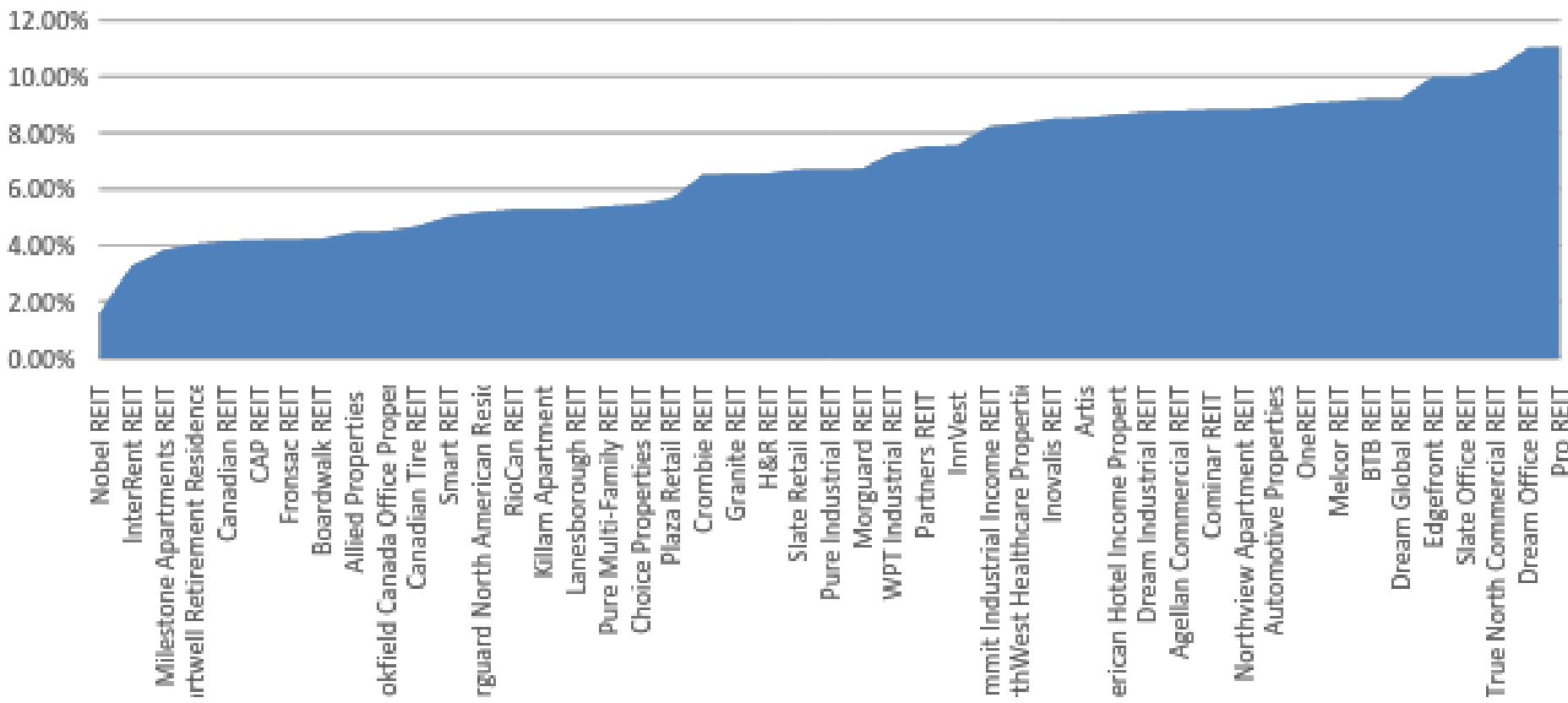
REIT's in Canada: Financials

S&P/TSX CAPPED REIT INDEX RETURNS

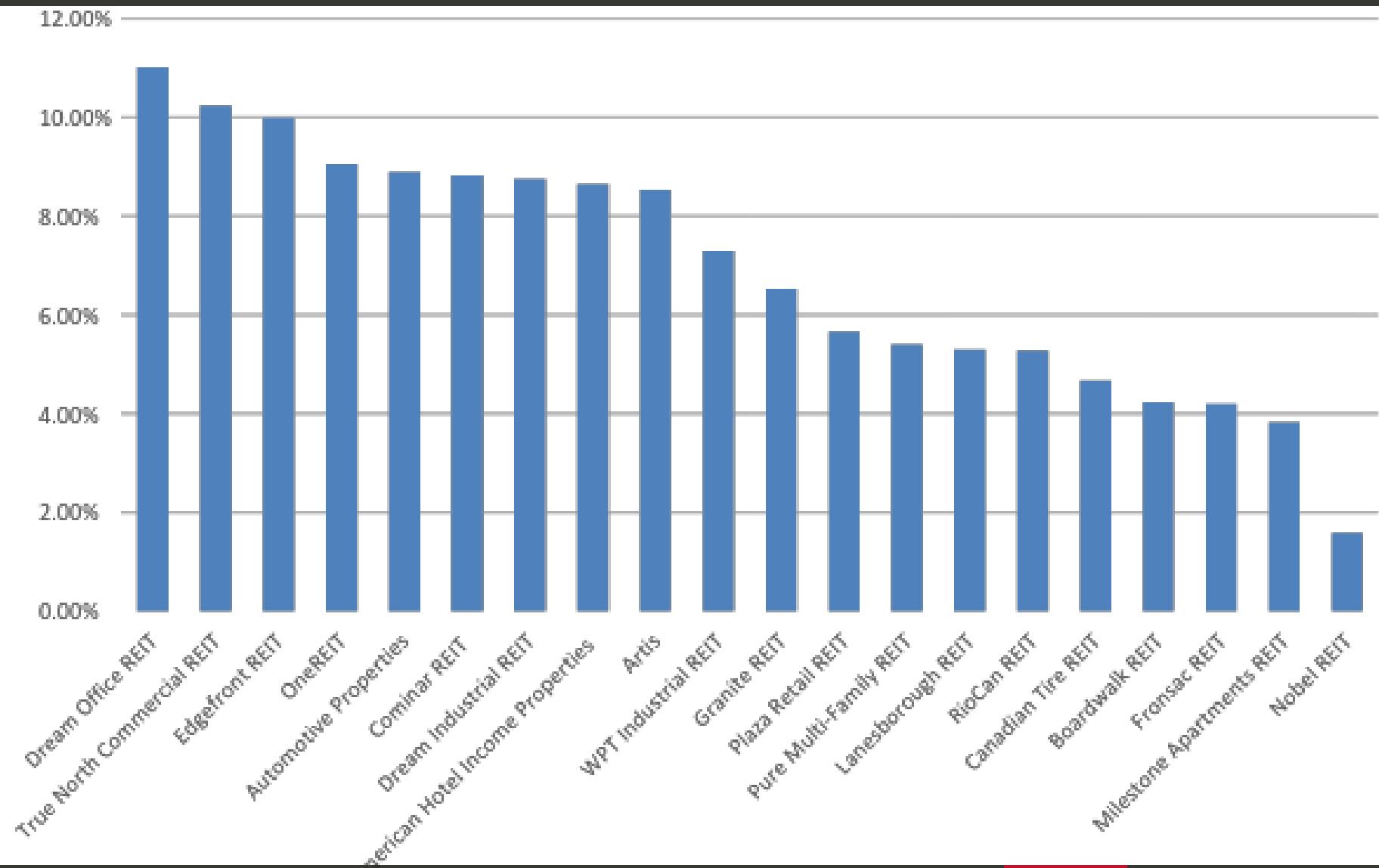


Source: Bloomberg, Canaccord Genuity

REIT's YIELD



TOP 10 RETI'S YIELD



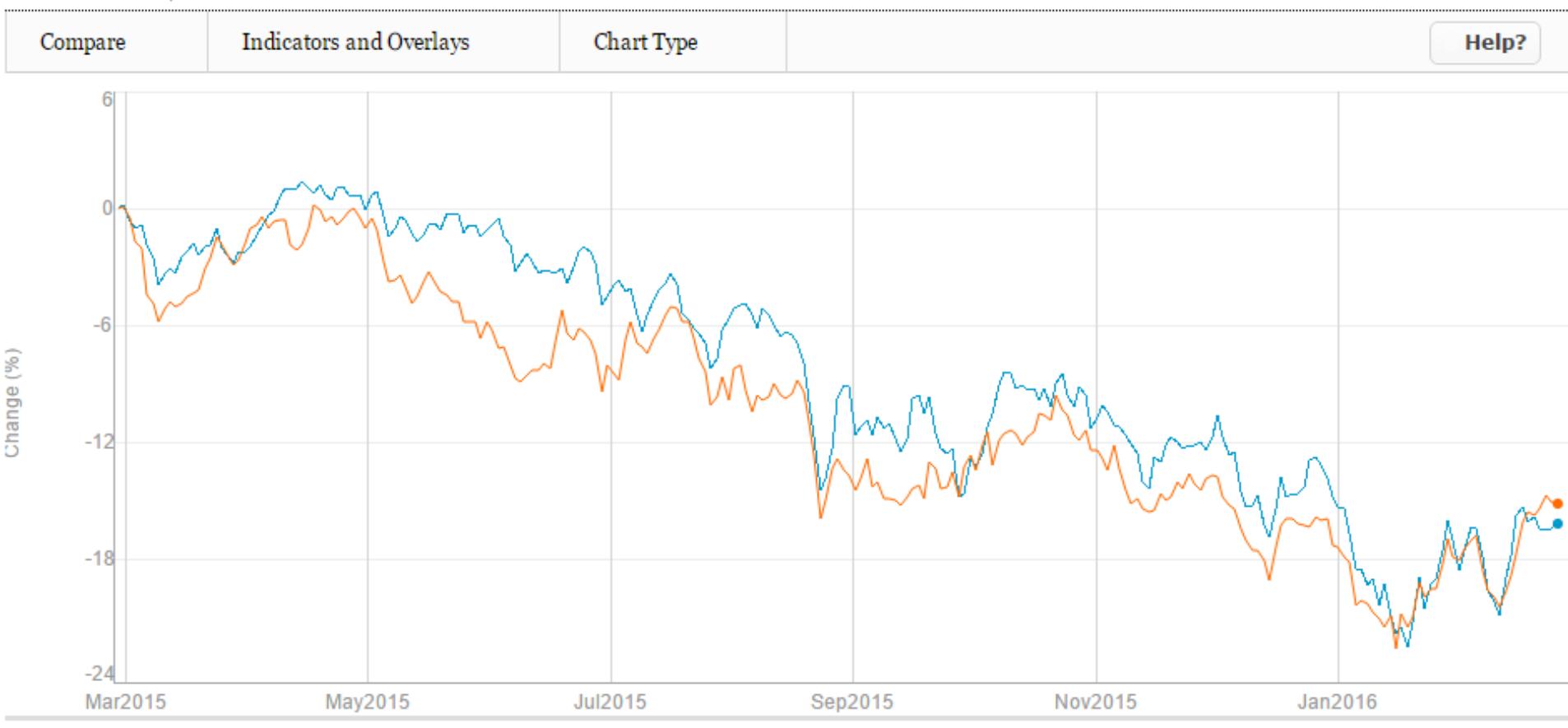
S&P/TSX CAPPED REIT

VS

S&P/TSX COMPOSITE (1 YEAR)

RTRE-I Feb. 27, 2016

• TSX-I: -15.99 • RTRE-I: -15.00



S&P/TSX CAPPED REIT vs S&P/TSX COMPOSITE (5 YEARS)

RTRE-I Feb. 27, 2016 10:43 AM

• TSX-I: -10.21 • RTRE-I: 2.36



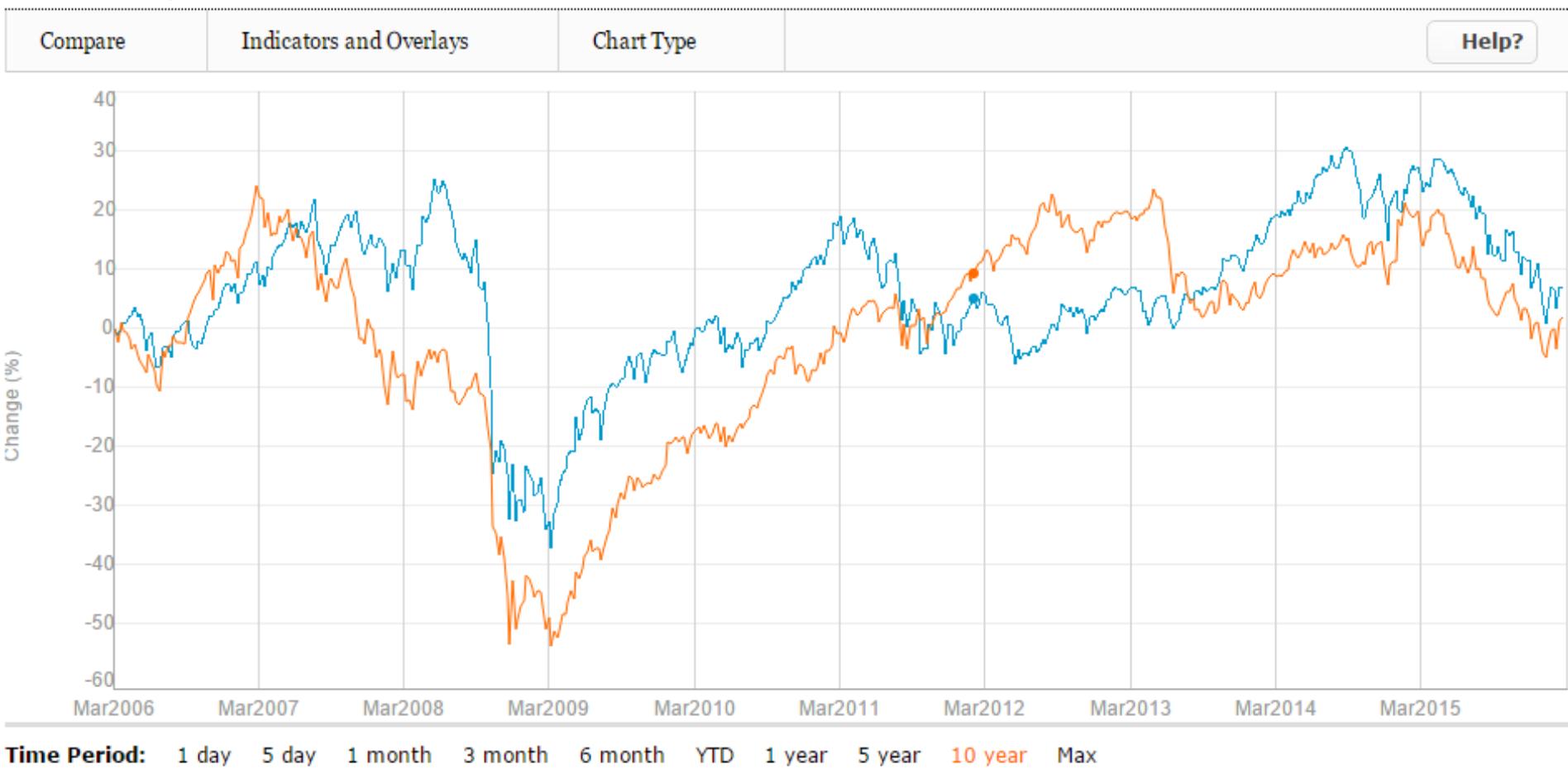
S&P/TSX CAPPED REIT

VS

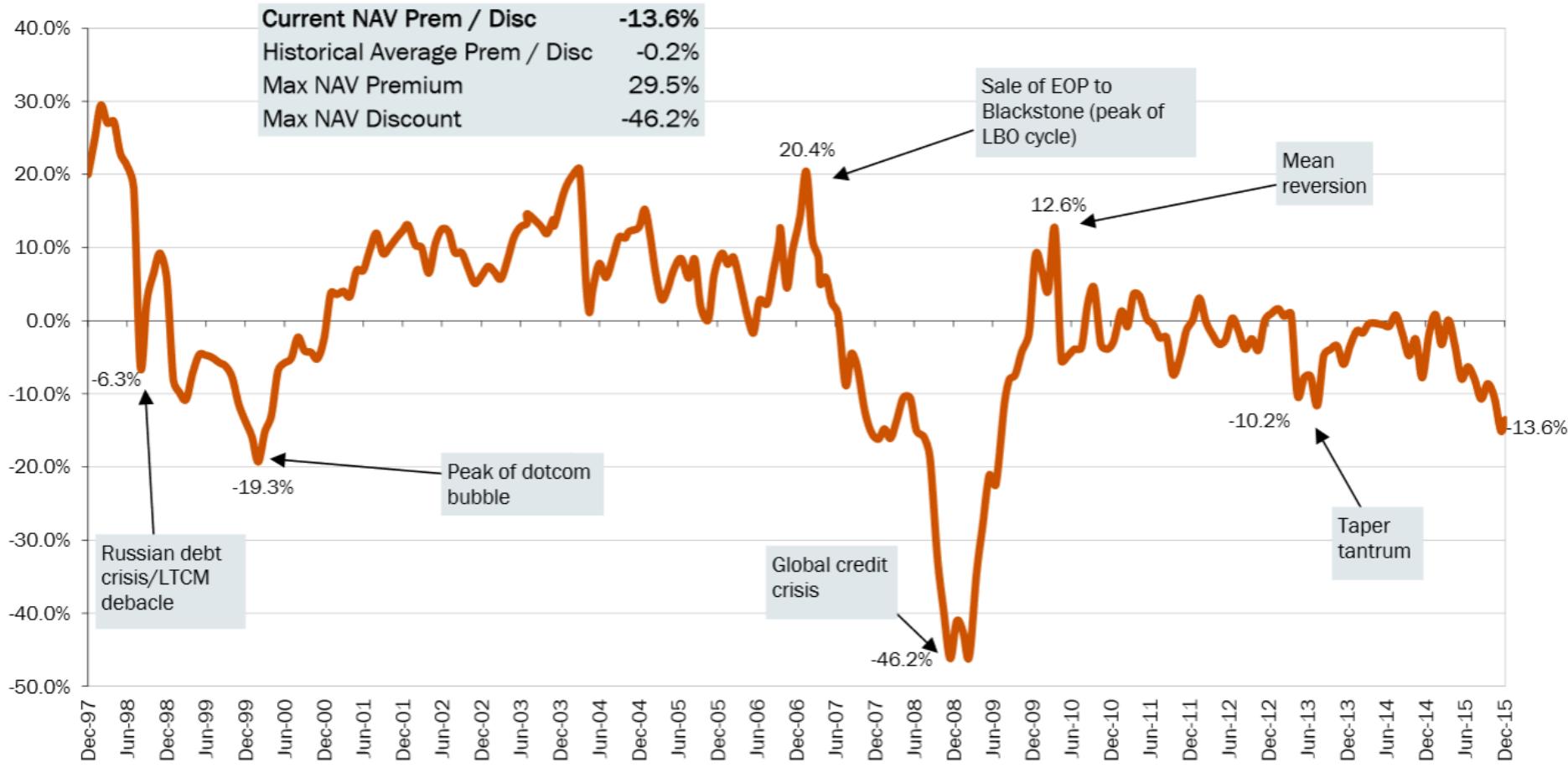
S&P/TSX COMPOSITE (10 YEARS)

RTRE-I Feb. 27, 2016 10:44 AM

• TSX-I: 5.00 • RTRE-I: 9.44



HISTORICAL PRICE TO NAV

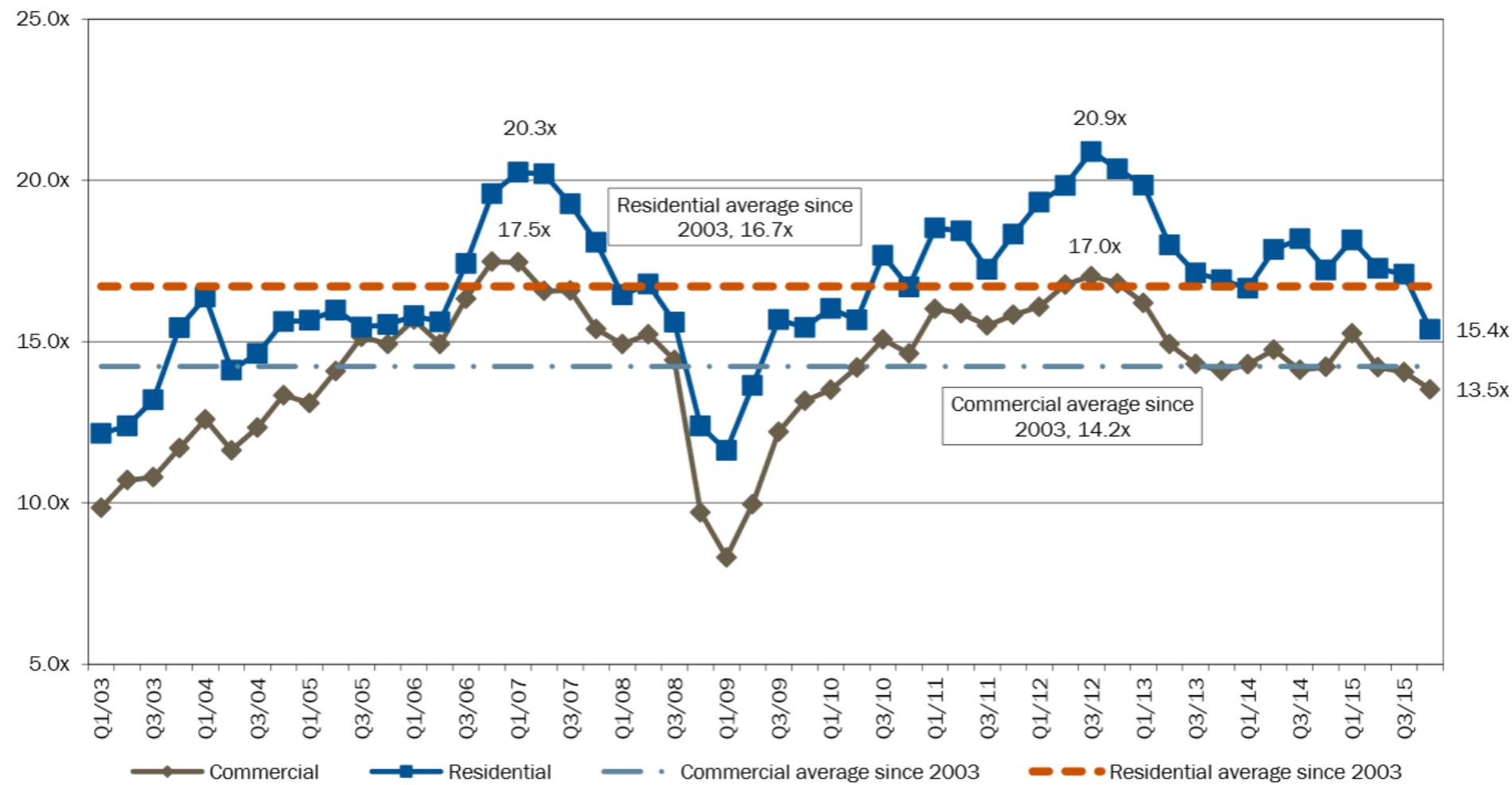


*Canaccord research coverage is currently suspended for a number of REITs/REOCs. NAV estimates for those REITs/REOCs used in this figure reflect consensus estimates per FactSet. Source: FactSet, REIT/REOC Reports, Canaccord GenuityEstimates 06/01/2016

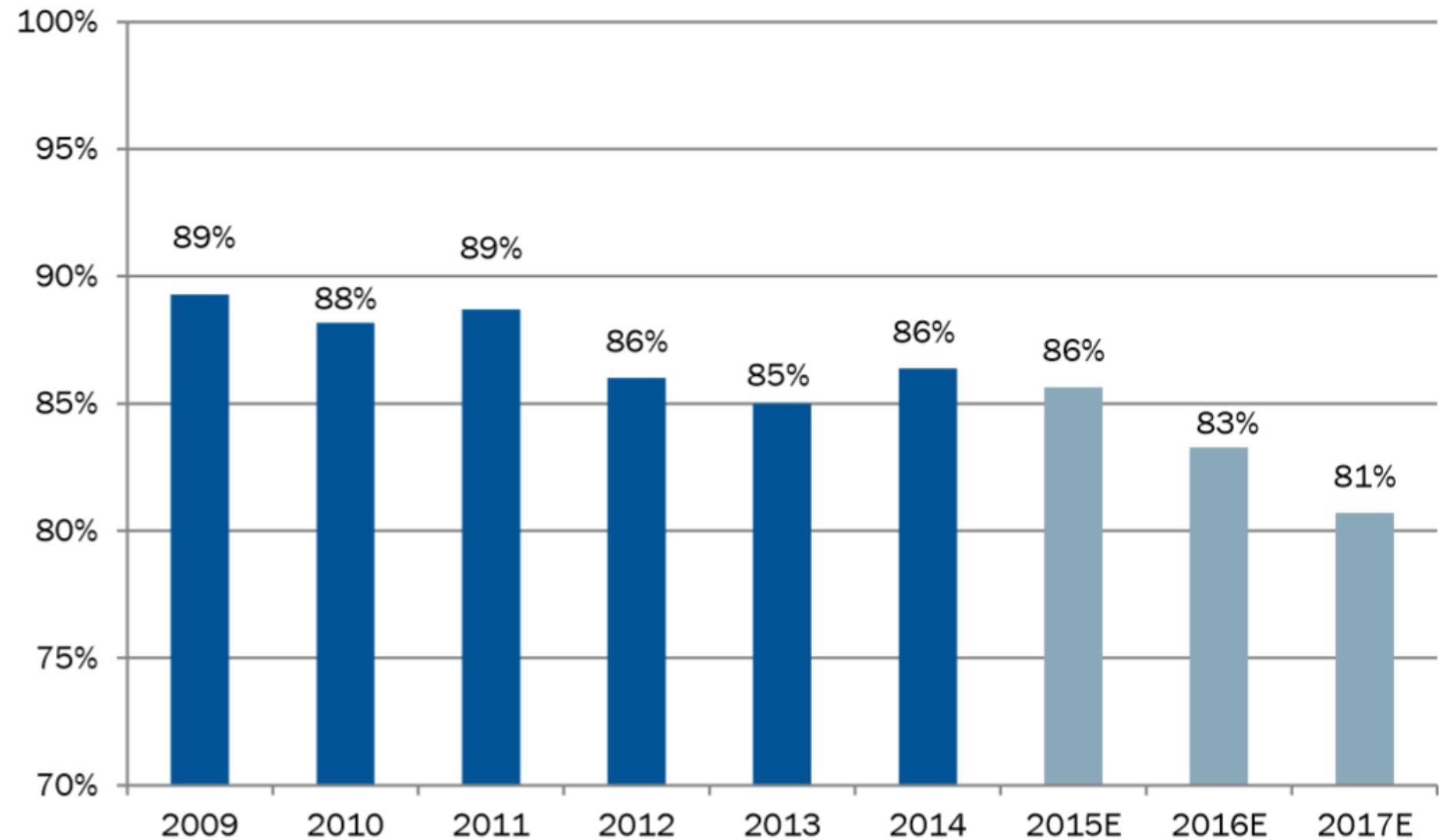
WEIGHTED AVERAGE PRICE

TO

FORWARD AFFO MULTIPLE

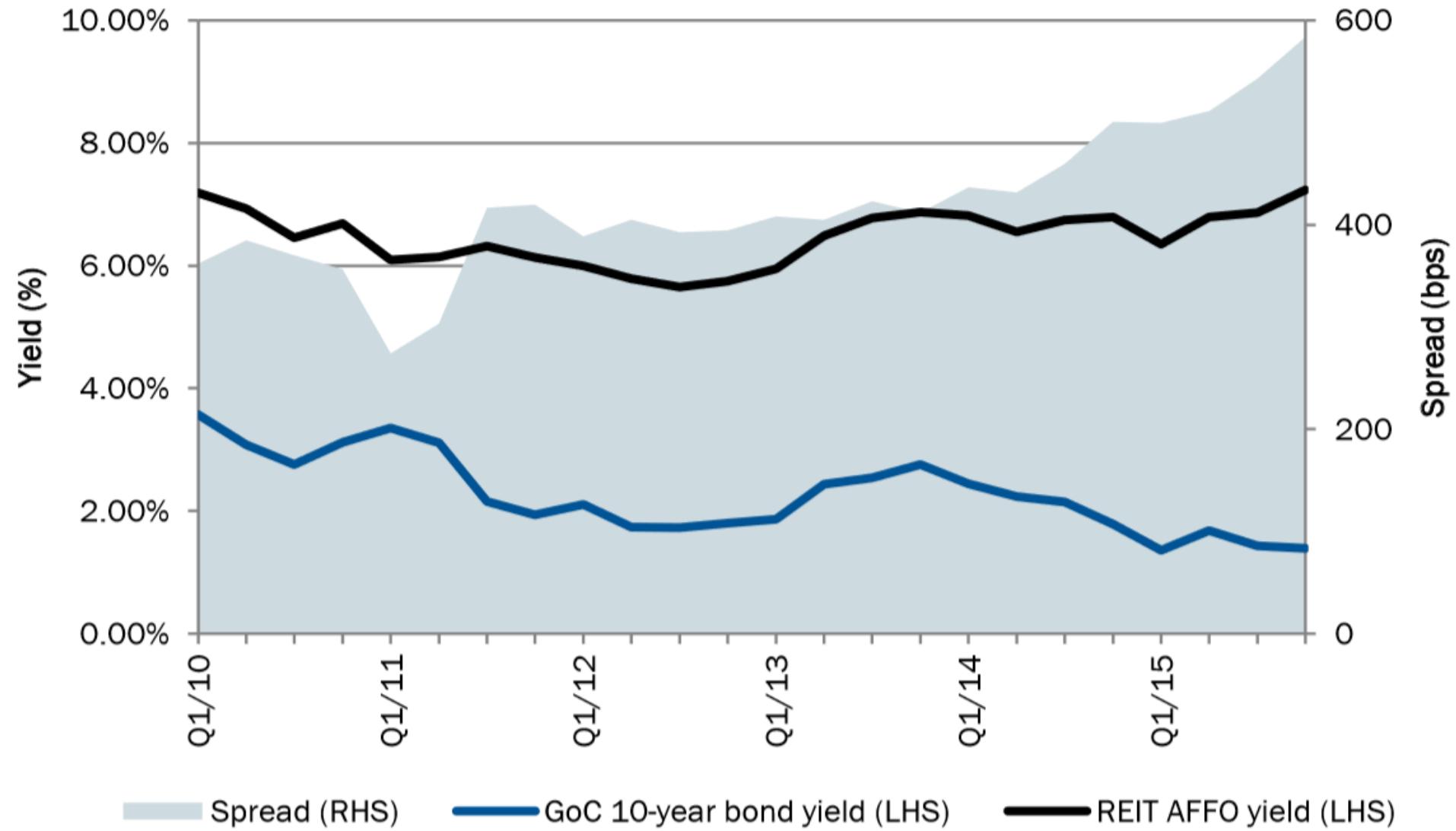


WEIGHTED AVERAGE AFFO PAYOUT RATIOS



*2015-2017 AFFO Payout Ratio are estimates based on current distribution levels.

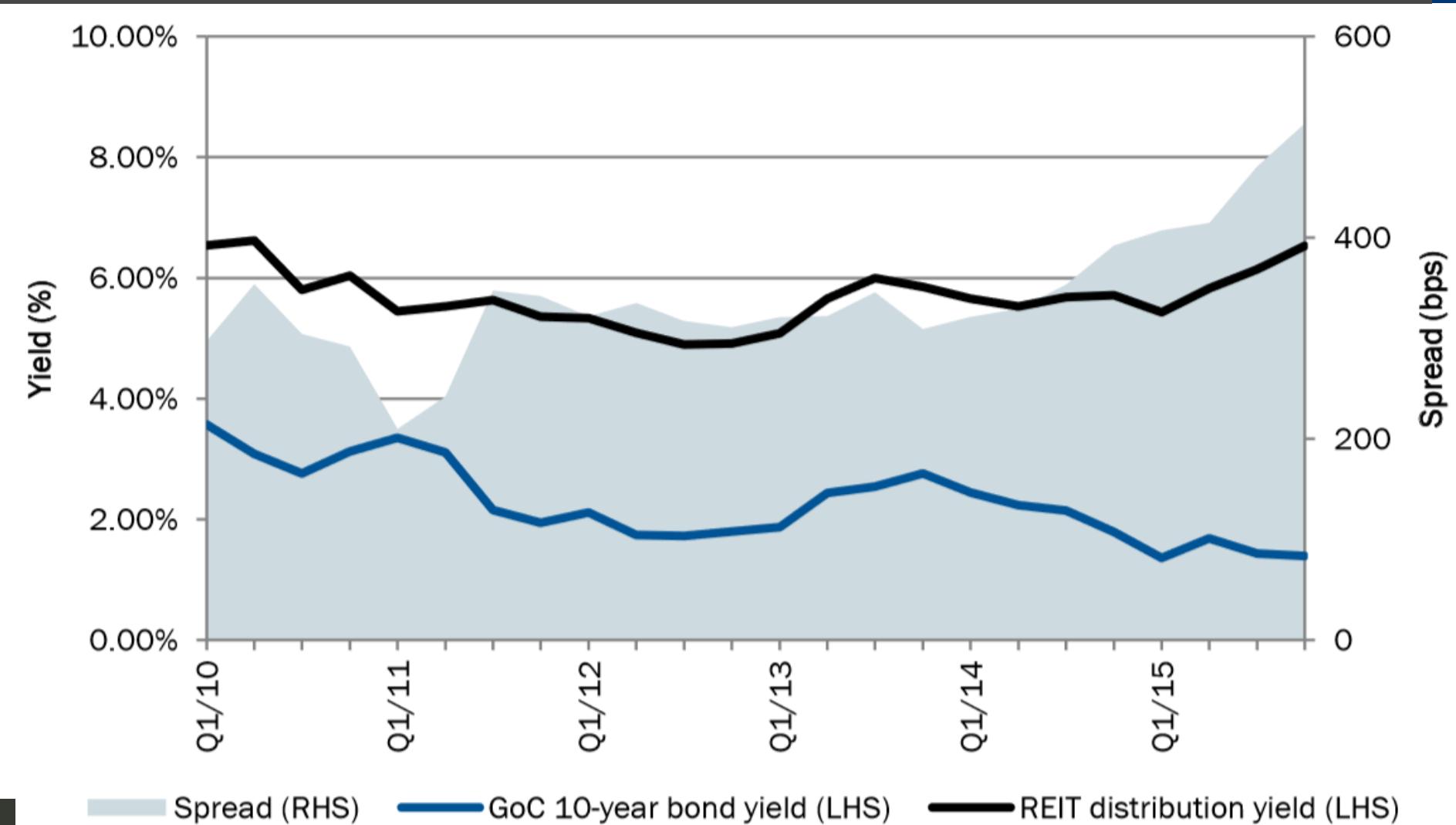
AFFO YIELDS VS 10 YEAR GoC BOND YIELD



DISTRIBUTION YIELDS

VS

10 YEAR GoC BOND YIELD



Calculations

FUNDS AVAILABLE FOR DISTRIBUTION

$$\begin{aligned} & \text{Funds from operation} \\ + & \text{ Rent adjustments} \\ - & \text{ Capital improvements} \\ \hline = & \text{ Funds Available for Distribution} \end{aligned}$$

FREE CASH FLOW TO EQUITY

Funds available for distribution

- Real estate acquisitions (new investments)
- Changes in working capital
- Principal payments
- + New debt issue
- + Gain on sale of real estate
- + New equity issue

- = **Free Cash Flow to Equity**

NET INCOME

Real estate revenue

- Real estate expense
- Depreciation & amortization of real estate

= Income from real estate

- + Other Income
- General and administrative expense

= **Net Income per GAAP**

FUNDS FROM OPERATIONS (FFO)

Net Income per GAAP

- Profit/ Loss from Real Estate Sale
- + Depreciation & Amortization

= Funds from Operations

ADJUSTED FUNDS FROM OPERATION (AFFO)

Funds from Operations

- Recurring Capital Expenditures
- Amortization of Tenant Improvements
- Amortization of leasing Commissions
- Adjustment for Rent Straight-lining

= Adjusted Funds from Operations

AFFO PAYOUT RATIO

Dividend per unit

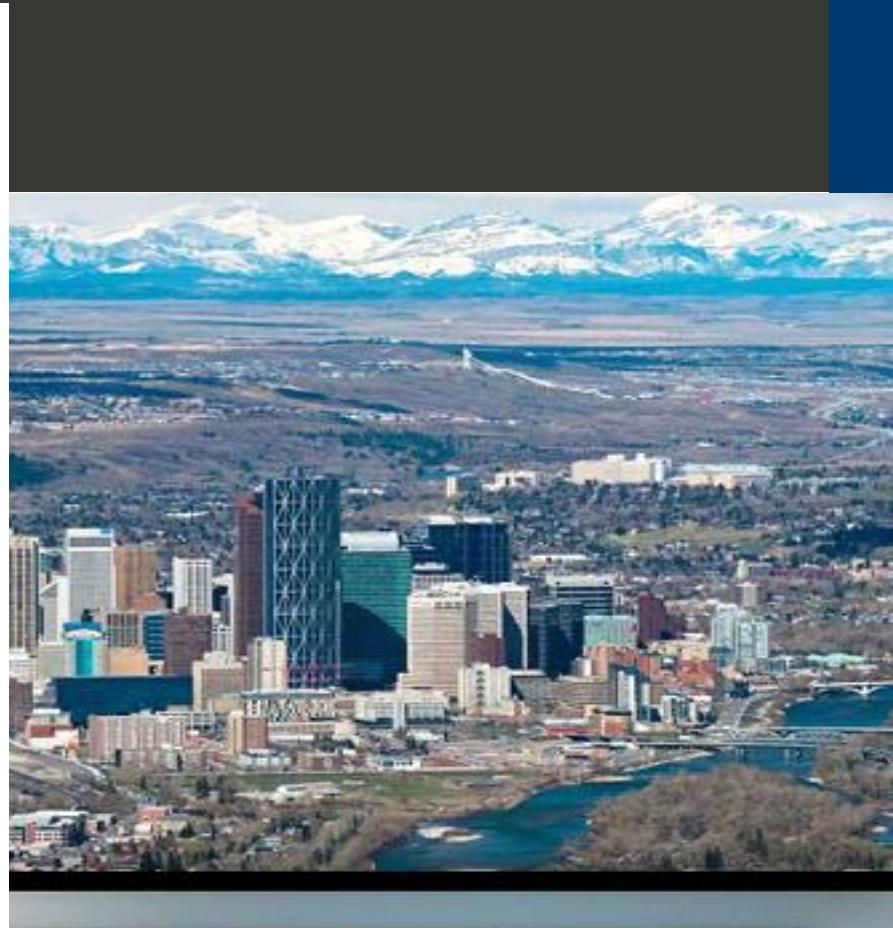
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AFFO per Unit

AFFO Payout Ratio



REITS



COMPANY SNAPSHOT

H&R Real Estate Investment Trust

18.79  0.31

Today

5d

1m

3m

1y

2y

Prev Close:	20.53	Day's Range:	20.40 - 20.70
Open:	20.67	52wk Range:	20.40 - 25.27
Bid:	20.59	Volume:	672,725
Ask:	20.64	Avg Vol (3m):	421,341
1y Target Est:	N/A	Market Cap:	5.56B
Beta:	0.575027	P/E (ttm):	15.24
Next Earnings Date:	N/A	EPS (ttm):	1.23
		Div & Yield:	1.35 (6.98%)

1 YEAR (MONTHLY) WITH SMA 20 MA 20

HR
R E I T

Simple Moving Average (20) Exponential Moving Average (20)



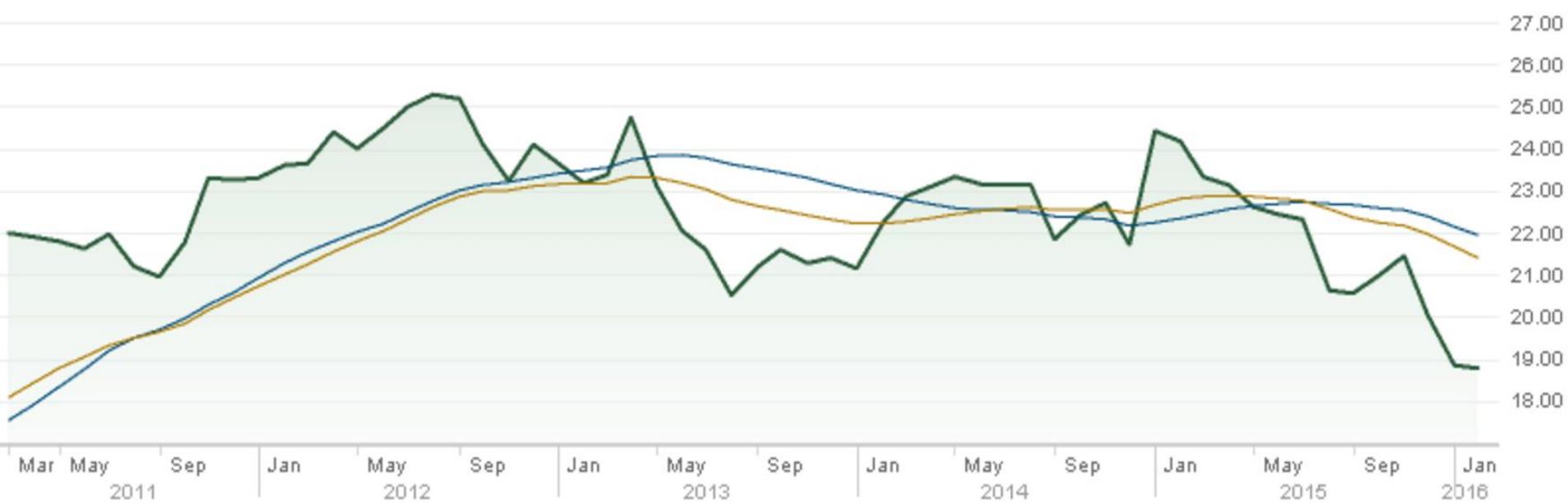
HR.UN 4/1/2015

Open: 23.33

High: 23.71

Low: 22.83

Close: 23.15



Volume

Volume: 7.2



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SIMON FRASER UNIVERSITY
ENGAGING THE WORLD

5 YEARS (MONTHLY) WITH SMA 20 MA 20

HR
R E I T

Simple Moving Average (20)

Exponential Moving Average (20)



HR.UN 2/1/2016

Open: 18.90

High: 19.38

Low: 18.12

Close: 18.79



Volume

Volume: 5.0M

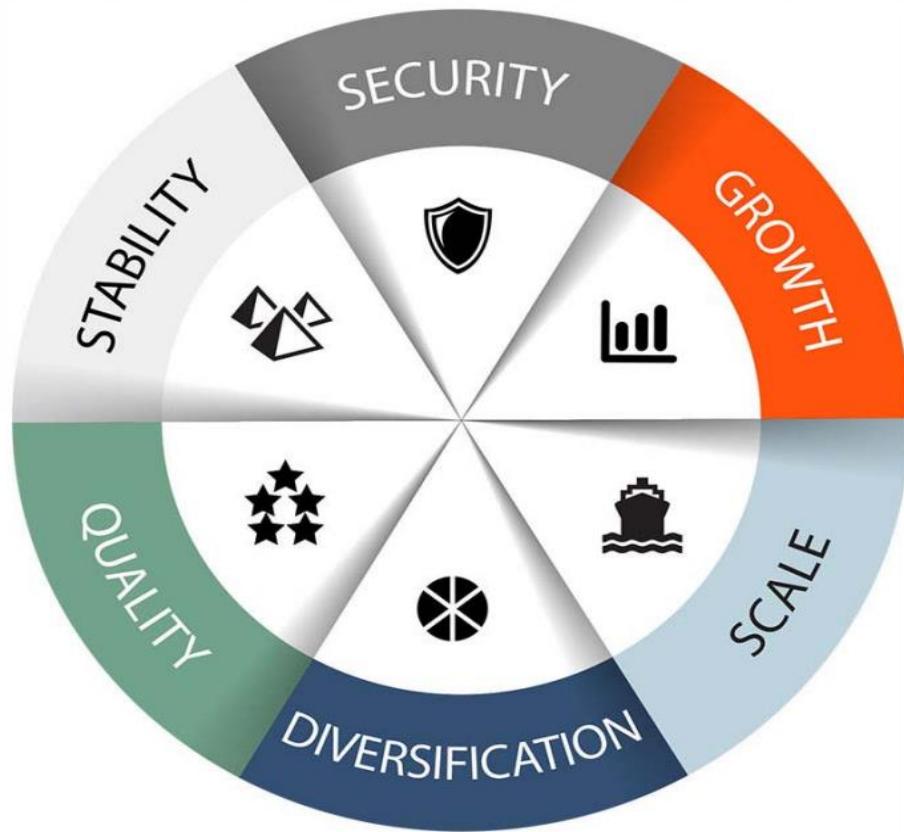


1 YEAR VS. S&P/TSX CAPPED REIT



5 YEARS VS. S&P/TSX CAPPED REIT





STABILITY, SECURITY & GROWTH

through QUALITY, DIVERSIFICATION
& SCALE

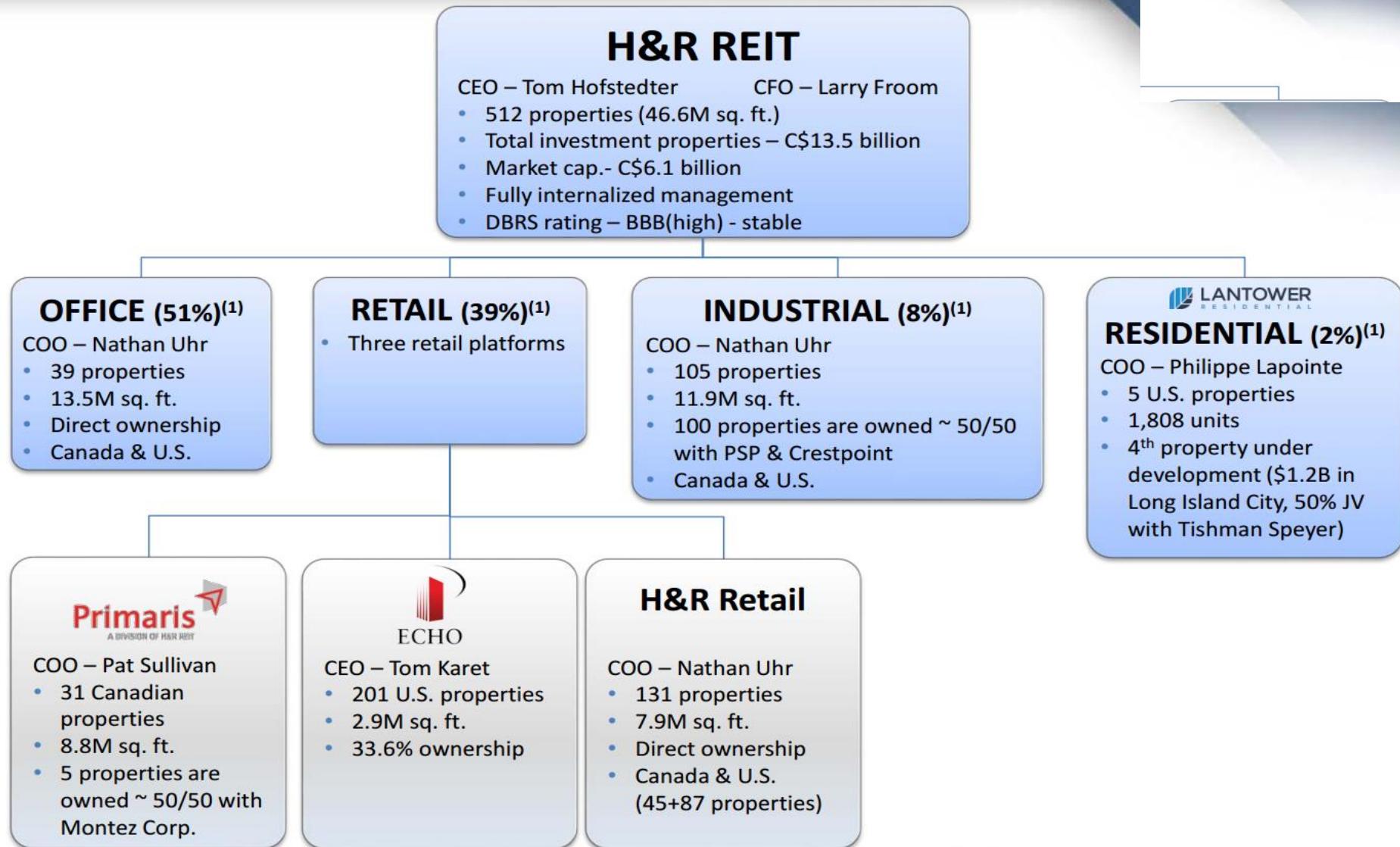
STABILITY, SECURITY & GROWTH *through* QUALITY, DIVERSIFICATION & SCALE

CORPORATION INFORMATION



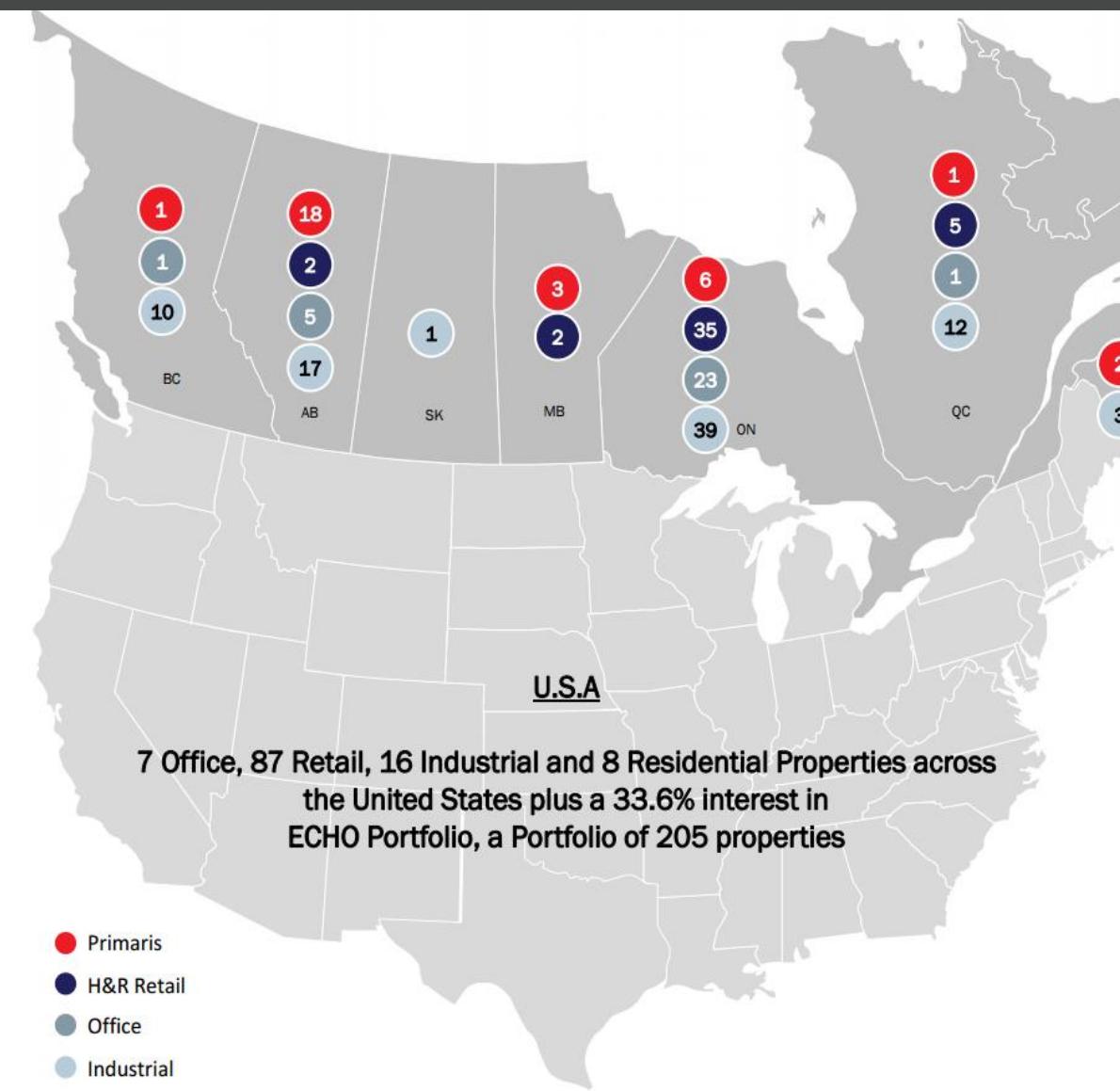
IPO Date	December 1996
Investment	US CAD
Open-Ended Trust	Redemption obligation (restriction on amount during specified time) Limited cash requirement for redemption
Main Investment	Office Complex
HR Finance Trust	Oct 2008 to save US tax Invest in notes issued by HR REIT US subsidiary

CRITICAL MASS ACROSS PROPERTY SEGMENTS



(1) % of fair value

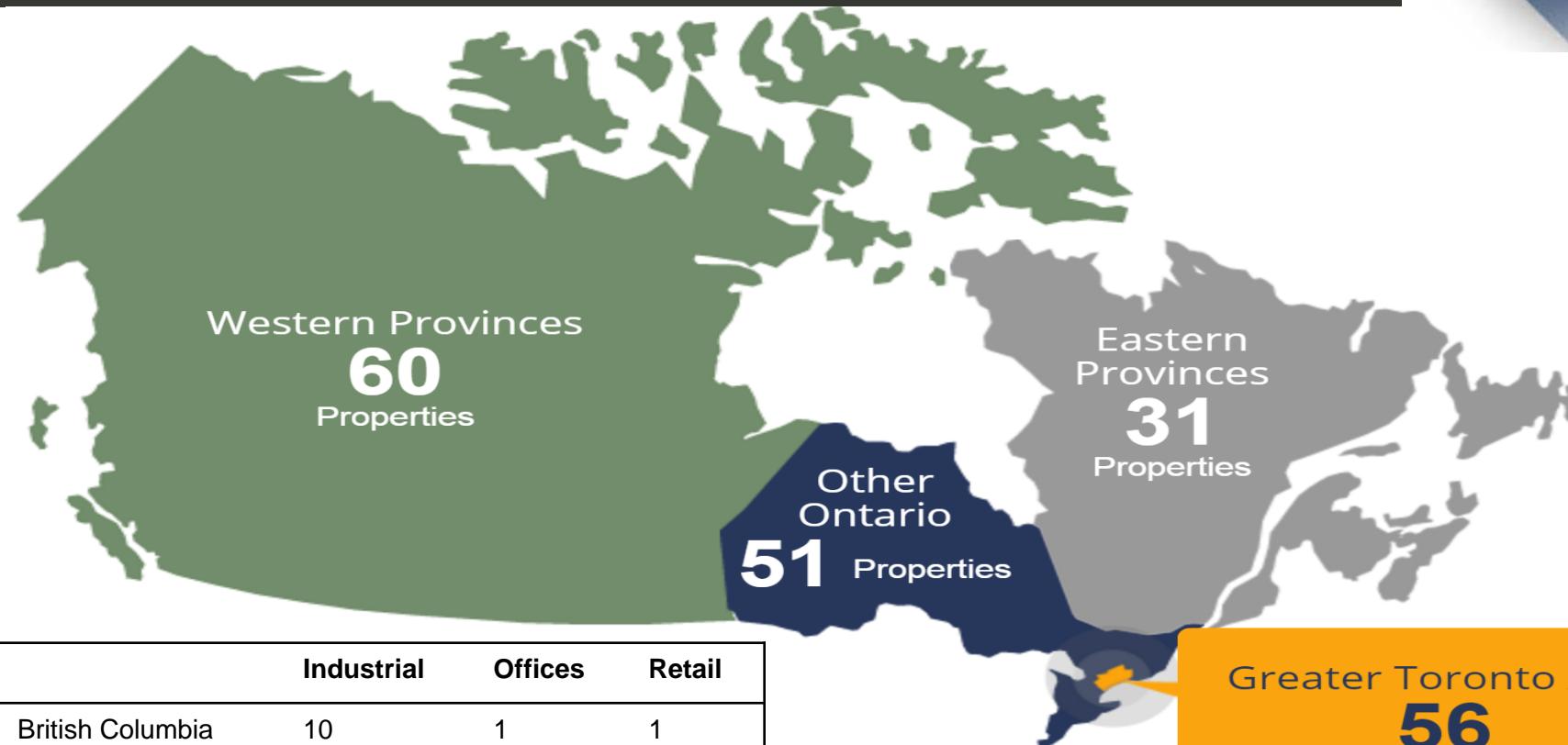
PORTFOLIO OVERVIEW



517
Properties
47.2
million sq.ft.
of GLA

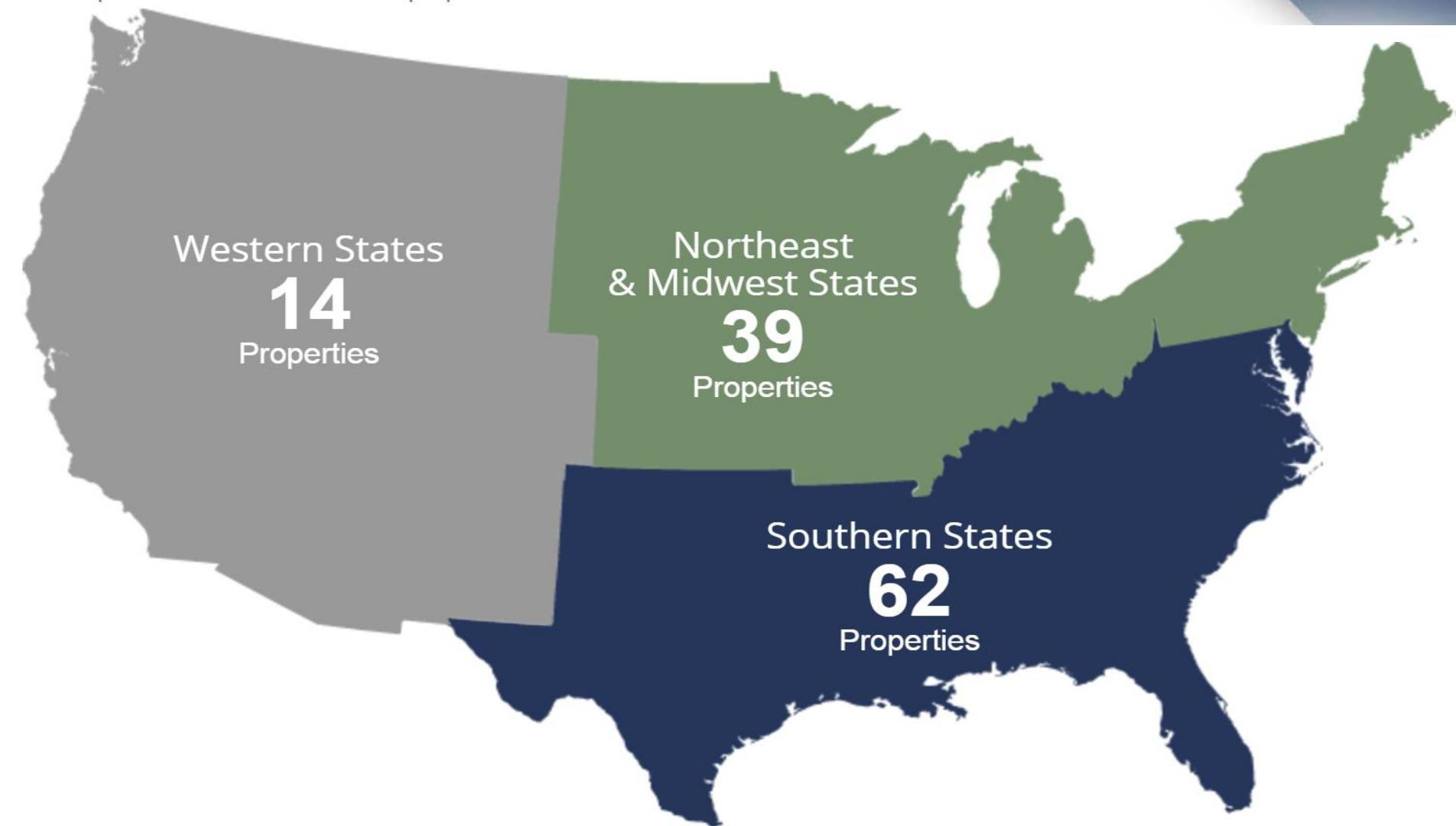
Commercial Properties	Number of Properties	GLA (sq.ft.) (in thousands) ⁽¹⁾
Retail:		
Primaris	31	8,756
H&R Retail	131	7,868
ECHO	205	2,867
Total Retail	367	19,491
Industrial	103	11,786
Office	39	13,525
Residential	8	2,358
Total	517	47,160

CANADIAN PROPERTIES OWNED



Greater Toronto Area
56
Properties

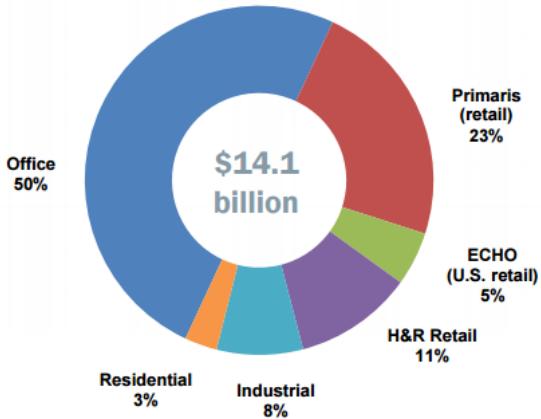
US PROPERTIES OWNED



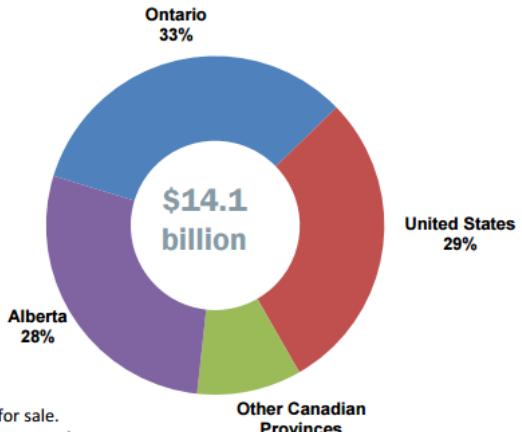
PORTFOLIO DIVERSIFICATION

Properties by Asset Class

Fair Value of Investment Properties⁽¹⁾
(As at December 31, 2015)

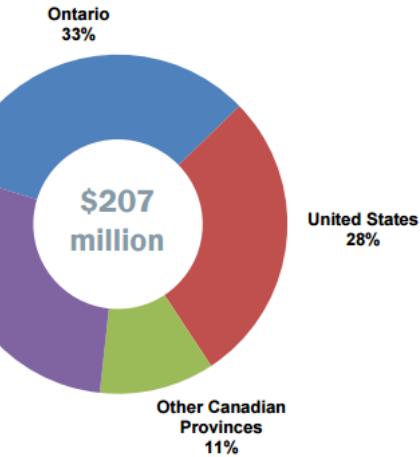
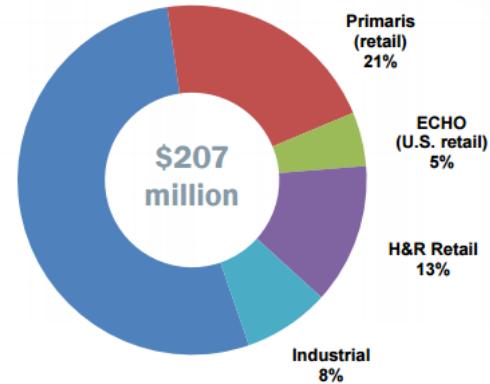


Properties by Geography



Same-Asset Property Operating Income⁽¹⁾⁽²⁾⁽³⁾

(For the quarter ended December 31, 2015)



(1) Includes equity accounted investments and assets held for sale.

(2) Property operating income is calculated before finance costs and excludes realty taxes accounted for under IFRIC 21.

(3) "Same-asset" refers to those properties owned by the REIT for the 2-year period ending December 31, 2015.

PRIMARIS PORTFOLIO SUMMARY



Property	Location	Major Tenants	GLA (sq.ft.)	Sales per sq.ft. \$(3)	Occupancy
Enclosed Centres					
Sunridge Mall	Calgary, AB	Hudson's Bay, Sport Chek	830,704	535	81%
Place d'Orléans ⁽¹⁾	Orleans, ON	Hudson's Bay, Sport Chek, Fed. Govt.	777,300	435	68%
Orchard Park Shopping Centre	Kelowna, BC	Hudson's Bay, Sears	720,925	639	99%
Catarqui Centre	Kingston, ON	Sears, Hudson's Bay	621,368	489	79%
Place du Royaume	Chicoutimi, QC	Wal-Mart	603,963	420	97%
Dufferin Mall	Toronto, ON	Wal-Mart, No Frills, Marshalls	588,592	619	99%
Medicine Hat Mall	Medicine Hat, AB	Hudson's Bay, Sears, Galaxy Cinemas	546,410	521	79%
Stone Road Mall	Guelph, ON	Sears	522,777	614	89%
Northland Village Mall	Calgary, AB	Wal-Mart	505,450	518	97%
Regent Mall ⁽¹⁾	Fredericton, NB	Wal-Mart, Sears	499,767	578	99%
McAllister Place ⁽¹⁾	Saint John, NB	Sears, Sobeys	490,734	500	75%
Park Place Shopping Centre	Lethbridge, AB	Sears	479,061	590	98%
Sherwood Park Mall	Sherwood Park, AB	Safeway, Galaxy Cinemas	464,036	493	73%
Kildonan Place ⁽¹⁾	Winnipeg, MB	Sears, Famous Players, Shoppers Drug Mart	462,587	(4)	73%
Grant Park ⁽¹⁾	Winnipeg, MB	Canadian Tire, Red River Co-op	398,169	460	84%
St Albert Centre	St. Albert, AB	Hudson's Bay, Sport Chek	373,834	499	65%
Peter Pond Mall	Fort McMurray, AB	Boomtown Casino, Sport Chek, Atmosphere	203,170	802	98%
Total / Weighted Average			9,088,847	548	86%
Other Properties					
Northpointe Towne Centre	Calgary, AB	Landmark Cinemas, Canadian Tire	199,502	-	100%
Canada One	Niagara Falls, ON	Tommy Hilfiger, Roots Canada, Nike, Danier Leather	167,091	-	90%
Garden City	Winnipeg, MB	Safeway, Staples	160,889	-	92%
Five Other Plazas	Medicine Hat, AB	Best Buy, Dollarama	154,194	-	79%
Edinburgh Market Place	Guelph, ON	Metro, Mark's Work Warehouse	112,892	-	93%
Northland Professional Centre	Calgary, AB	Dental, Medical, Chiropractic	52,305	-	98%
Sherwood Park Plaza	Sherwood Park, AB	Little Caesar's Pizza, Overtime Broiler & Tap	44,248	-	100%
3619 61st Ave. S.E.	Calgary, AB	Staples Canada Inc.	40,480	-	100%
Sunridge Plaza	Calgary, AB	Mark's Work Warehouse, CIBC	35,933	-	100%
Northland Shoppes	Calgary, AB	A&W, Cheesecake Company	14,263	-	58%
Total / Weighted Average			981,797	-	92%
Total / Weighted Average			10,070,644	548	87%

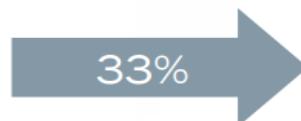


H&R Post PRIMARIS Acquisition

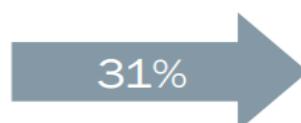


H&R – Pre-Transaction

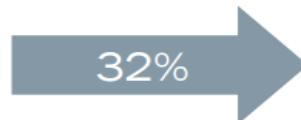
\$4.7 billion
Market Capitalization



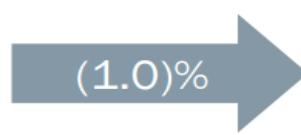
\$10.0 billion
Fair Value



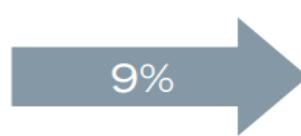
\$528 million
LTM NOI



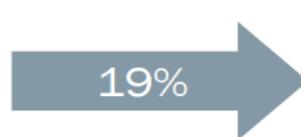
52.1%
Total Debt² / FV



295
Properties



45.1 million
sq.ft. of GLA



H&R – Post-Transaction

\$6.3 billion
Market Capitalization

\$13.1 billion
Fair Value

\$696 million
LTM NOI¹

51.1%
Total Debt² / FV

321
Properties

53.7 million
sq.ft. of GLA

INSTITUTIONAL QUALITY ASSETS: OFFICE



The Bow | Calgary



Scotia Plaza | Toronto



Place Bell | Ottawa



2 Gotham Centre | New York



Hess Tower | Houston



Corus Quay | Toronto

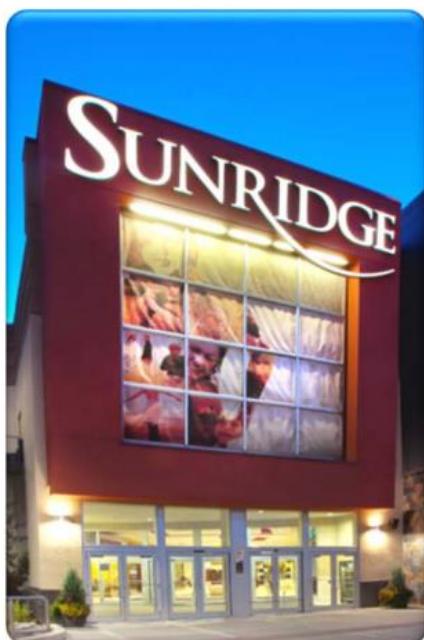
INSTITUTIONAL QUALITY ASSETS: INDUSTRIAL & RETAIL



Orchard Park | Kelowna



Sunridge | Calgary



Dufferin Mall | Toronto



Canadian Tire | Brampton



PORTFOLIO OF PROPERTIES

	Office	Industrial	Retail	Residential	Development
# of Properties	40	105	161	5	2
Net Rentable Area (sf)	53,948,214	57,098,945	55,318,442	1,995,995	N/A
Occupancy Rate	97%	97%	97%	96%	N/A
Ownership Interest	82%	81%	82%	100%	100%
Fair Value	7.043 billion	1.038 billion	5.253 billion	52 million	N/A

PROPERTY DIVERSIFICATION

Segment (millions)	Fair Value December 31, 2015 ⁽¹⁾	Fair Value December 31, 2014 ⁽¹⁾
Office	\$7,043	\$6,885
Primaris	3,205	3,227
H&R Retail	1,621	1,547
ECHO	734	528
Industrial	1,062	1,019
Residential	423	52
Total portfolio	\$14,088	\$13,258
Region (millions)	Fair Value December 31, 2015 ⁽¹⁾	Fair Value December 31, 2014 ⁽¹⁾
Ontario	\$4,649	\$4,591
Alberta	3,916	4,120
Other	1,432	1,499
Canada	9,997	10,210
United States	4,091	3,048
Total portfolio	\$14,088	\$13,258

PROPERTY OPERATING INCOME

Same-asset property operating income for the year ended December 31, 2015

(in thousands of Canadian dollars)	Office ⁽¹⁾	Primaris	H&R Retail	ECHO	Industrial	Residential	The Trusts' interests
Rentals from investment properties	\$677,806	\$302,274	\$139,067	\$44,580	\$92,832	\$ -	\$1,256,559
Property operating costs	(241,893)	(126,610)	(32,051)	(8,760)	(24,256)	\$ -	(433,570)
Property operating income	435,913	175,664	107,016	35,820	68,576	\$ -	822,989
Realty taxes accounted for under IFRIC 21	-	-	-	-	-	-	-
Adjusted property operating income	\$435,913	\$175,664	\$107,016	\$35,820	\$68,576	\$ -	\$822,989

2015 PROPERTY DISPOSITION



2015 Dispositions:

Property	Segment	Date Sold	Square Feet	Gross Proceeds (\$ Millions)	Ownership Interest Sold
1400 Church St., Pickering, ON	Industrial	Jan 29, 2015	716,261	\$70.2	100%
2800 Skymark Ave., Mississauga, ON	Office	Q1 and Q2 2015	11,098	5.3	100%
Industrial Portfolio - Tranche 2 ⁽¹⁾	Industrial	Mar 24, 2015	3,497,440	239.6	49.5%-50%
6315 Kenway Dr., Mississauga, ON ⁽¹⁾	Industrial	April 13, 2015	34,339	3.7	50%
75 Graham Rd., Cuyahoga Falls, OH ⁽¹⁾	ECHO	April 17, 2015	25,048	1.3	33.6%
1 Kenview Blvd., Brampton, ON	Office	May 28, 2015	74,338	6.3	100%
44285 Ice Rink Plaza, Ashburn, VA	H&R Retail	June 25, 2015	13,815	10.5	100%
46651 Algonkian Pkwy., Sterling, VA	H&R Retail	June 25, 2015	16,838	12.3	100%
4527 Losee Rd., Las Vegas, NV	Industrial	June 26, 2015	50,659	5.5	100%
17887 South Park Ctr., Strongsville, OH ⁽¹⁾	ECHO	July 7, 2015	24,742	1.8	33.6%
14111-14300 Entertainment Blvd. & 14140 Triangle Rd., Richmond, BC	H&R Retail	Sept 1, 2015	314,033	103.0	100%
360 Spinnaker Way, Vaughan, ON ⁽¹⁾	Industrial	Oct 9, 2015	31,429	5.3	75%
5635 South Ave., Youngstown, OH ⁽¹⁾	ECHO	Oct 16, 2015	24,387	0.2	33.6%
7900 Airport Rd., Brampton, ON ⁽²⁾	Development	Dec 3, 2015	-	10.3	100%
11 Kenview Blvd., Brampton, ON ⁽¹⁾	Industrial	Dec 8, 2015	72,118	5.9	50%
Total			4,906,545	\$481.2	

December 31 2014 Disposition Summary:

- Office property and adjacent parcel of land
- 50% ownership interest in office property
- 5 industrial property and 50% ownership interest on 84 industrial properties
- Two office property
- 3 industrial property and parcel of land held for development

2015 KEY ACQUISITIONS



Property	Year Built	Segment	Date Acquired	Square Feet	Cash Purchase Price (\$ Millions)	Anchor/Major Tenants	Average Remaining Lease Term (years)
8401 Memorial Lane, Plano, TX	2008	Residential	Feb 10, 2015	362,976	\$65.8	N/A	N/A
12932 Mallory Circle, Orlando, FL	2004	Residential	Apr 15, 2015	351,052	61.0	N/A	N/A
12101 Fountainbrook Blvd., Orlando, FL	2000	Residential	Apr 21, 2015	379,600	65.5	N/A	N/A
105 Purcellville Gateway Dr., Purcellville, VA ⁽¹⁾	2012	ECHO	May 15, 2015	29,708	15.5	Harris Teeter	12.3
5920 Carolina Beach Rd., Wilmington, NC ⁽¹⁾	2007	ECHO	July 15, 2015	25,558	5.5	Harris Teeter	7.7
2800 Artic Ave., Virginia Beach, VA ⁽¹⁾	1998	ECHO	July 7, 2015	16,844	4.6	Harris Teeter	15.2
2012 S. Croatan Hwy., Kill Devil Hills, NC ⁽¹⁾	2006	ECHO	July 7, 2015	17,985	3.1	Harris Teeter	17.2
118 Argus Lane, Mooresville, NC ⁽¹⁾	2007	ECHO	July 15, 2015	26,798	7.4	Harris Teeter	6.8
5119 Washington Rd., Evans, GA ⁽¹⁾	2009	ECHO	July 15, 2015	27,813	9.1	Publix	9.4
5810 Highland Shoppes Dr., Charlotte, NC ⁽¹⁾	2000	ECHO	July 15, 2015	22,331	6.9	Harris Teeter	4.0
6990 Pendleton Pike, Indianapolis, IN ⁽¹⁾	-	ECHO-Land	July 17, 2015	-	0.5	-	-
SEC Rockville Rd. & Country Club Rd., Indianapolis, IN ⁽¹⁾	-	ECHO-Land	July 17, 2015	-	0.5	-	-
1251 N. Toledo Blade Blvd., North Port FL ⁽¹⁾	2007	ECHO	July 28, 2015	24,108	8.7	Publix	8.8
2338 E. Irlo Bronson Memorial Hwy., Kissimmee, FL ⁽¹⁾	2012	ECHO	July 28, 2015	22,024	8.7	Publix	11.2
10383 E. US Hwy 40, Plainfield, IN ⁽¹⁾	-	ECHO-Land	Aug 26, 2015	-	0.8	-	-
4927 East 146 th St., Carmel, IN ⁽¹⁾		ECHO-Land	Sept 28, 2015	-	0.6	-	-
1801 Warner Ranch Rd., Round Rock, TX	2001	Residential	Oct 8, 2015	337,838	61.5	N/A	N/A
7756 Reynolds Rd., Mentor, OH ⁽¹⁾		ECHO-Development	Oct 19, 2015	-	1.0	-	-
3351 Center Rd., Brunswick, OH ⁽¹⁾		ECHO-Development	Oct 23, 2015	2,056	0.6	-	-
325 Murray Farm Rd., Fairview, TX	2008	Residential	Oct 28, 2015	278,146	57.4	N/A	N/A
125 & 175 Fountain Crt., Fairview, TX	2008	Residential	Oct 28, 2015	104,908	19.1	N/A	N/A
Total				2,029,745	\$403.8		

CREDITWORTHY TENANTS

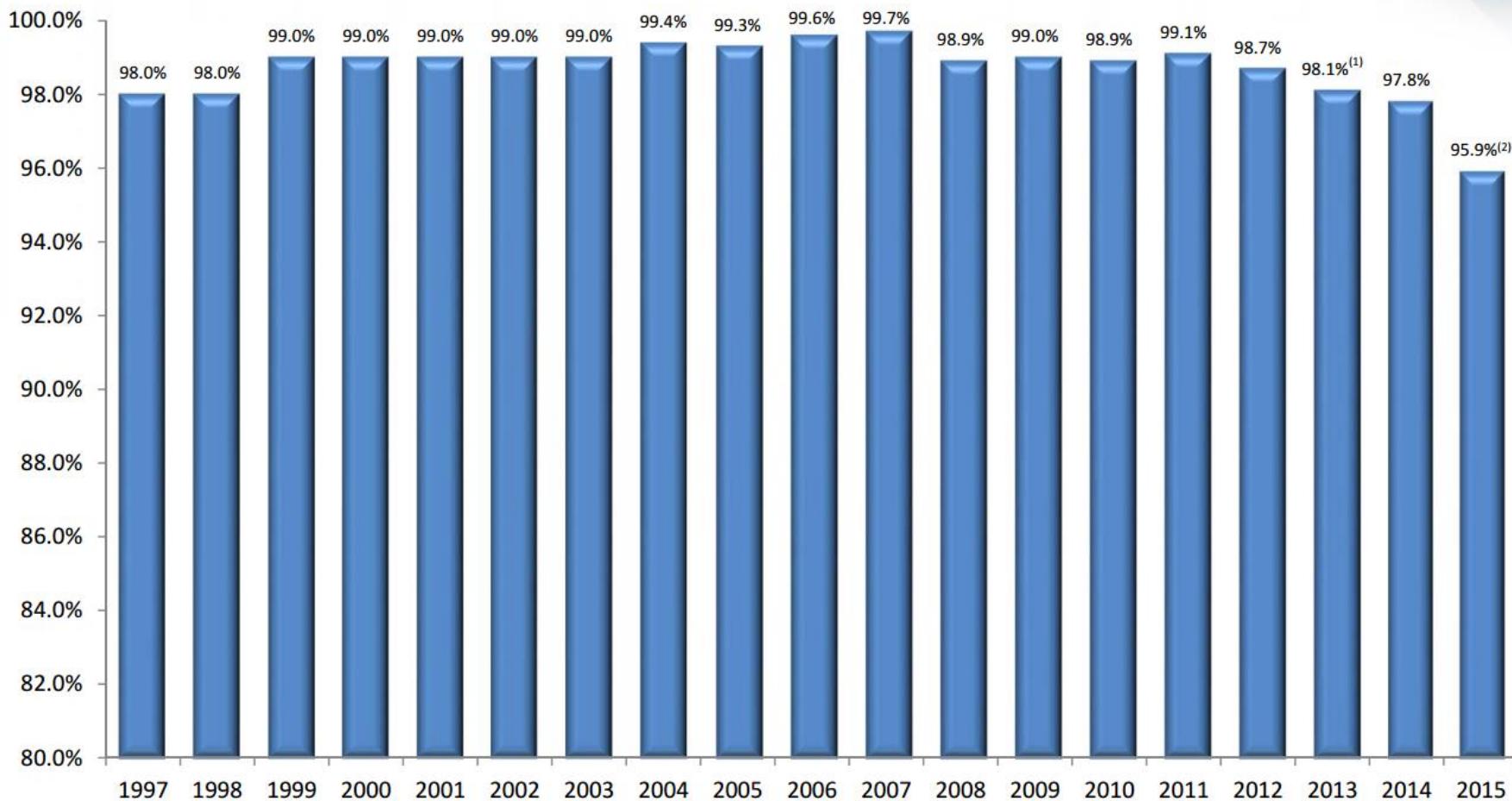


Tenant	% of rentals from investment properties ⁽²⁾	Number of locations	REIT owned sq.ft. (in 000's)	Average lease term to maturity (in years) ⁽³⁾	Credit Ratings (S&P)
1. Encana Corporation	11.3%	2	2,059	22.0	BBB Stable
2. Bell Canada	7.7%	26	2,542	9.6	BBB+ Stable
3. Hess Corporation	4.8%	1	845	(7)	BBB Stable
4. TransCanada PipeLines Limited	3.7%	1	931	15.3	A- Stable
5. New York City Department of Health	3.3%	1	660	14.9	AA Stable
6. Giant Eagle, Inc.	3.2%	185	1,925	13.8	Not Rated
7. Canadian Tire Corporation ⁽⁴⁾	2.4%	21	2,625	9.3	BBB+ Stable
8. Bank of Nova Scotia	2.2%	7	478	9.0	A+ Stable
9. Telus Communications	2.2%	18	619	4.9	BBB+ Stable
10. Rona Inc.	1.8%	15	1,914	4.1	BB+ Stable
11. Corus Entertainment Inc.	1.6%	1	472	17.2	BB+ Watch Negative
12. Canadian Imperial Bank of Commerce	1.6%	9	550	8.3	A+ Stable
13. Nestle Canada and USA	1.5%	4	1,266	2.7	AA Stable
14. Ontario Realty Corporation and other Ontario Agencies ⁽⁵⁾	1.2%	3	360	3.9	A+ Stable
15. Shell Oil Products	1.1%	17	223	6.4	AA- Negative
16. Loblaw Companies Limited ⁽⁶⁾	0.9%	21	299	9.7	BBB Stable
17. Marsh Supermarkets	0.9%	9	548	10.9	Not Rated
18. Sobeys Inc./Safeway	0.9%	15	554	5.5	BBB- Stable
19. Public Works and Government Services, Canada	0.8%	3	283	4.2	AAA Stable
20. Royal Bank of Canada	0.8%	3	230	8.6	AA- Stable
Total	53.9%	362	19,383	12.4	

19 YEARS OF STABLE OCCUPANCY



- Consistently strong and stable occupancy in excess of 95% since 1997



(1) Due to acquisition of Primaris.

(2) Primarily due to Target disclaiming their leases in Canada.

LIMITED LEASE ROLLOVER

Canadian Portfolio:

	Office		Primaris		H&R Retail		Industrial		Total	
LEASE EXPIRIES	Sq.ft.	Rent per sq.ft. (\$) on expiry	Sq.ft.	Rent per sq.ft. (\$) on expiry	Sq.ft.	Rent per sq.ft. (\$) on expiry	Sq.ft.	Rent per sq.ft. (\$) on expiry	Sq.ft.	Rent per sq.ft. (\$) on expiry
2016	414,978	24.08	812,895	28.11	28,278	14.20	27,096	6.39	1,283,247	26.04
2017	247,054	19.40	1,037,020	22.07	77,252	11.41	203,637	6.26	1,564,963	19.07
2018	505,459	20.33	1,028,088	23.72	163,718	11.12	1,001,382	5.05	2,698,647	15.39
2019	570,385	28.96	1,209,427	16.27	1,012,116	10.47	826,553	5.88	3,618,481	14.27
2020	174,604	26.03	1,123,138	20.81	131,877	14.76	680,541	8.30	2,110,160	16.83
	1,912,480	24.12	5,210,568	21.72	1,413,241	11.07	2,739,209	6.21	11,275,498	17.02

U.S. Portfolio:

	Office		H&R Retail		ECHO		Industrial		Total	
LEASE EXPIRIES	Sq.ft.	Rent per sq.ft. (\$) on expiry	Sq.ft.	Rent per sq.ft. (\$) on expiry	Sq.ft.	Rent per sq.ft. (\$) on expiry	Sq.ft.	Rent per sq.ft. (\$) on expiry	Sq.ft.	Rent per sq.ft. (\$) on expiry
2016	-	-	14,601	22.00	67,741	12.34	659,943	3.42	742,285	4.60
2017	-	-	494,785	10.87	171,428	9.21	-	-	666,213	10.44
2018	-	-	333,692	13.07	141,122	12.58	928,280	3.65	1,403,094	6.79
2019	-	-	409,815	11.06	128,322	10.74	242,785	3.69	780,922	8.72
2020		97,239	40.41	337,554	6.39	-	-	-	434,793	14.00
	-	-	1,350,132	13.72	846,167	9.13	1,831,008	3.57	4,027,307	8.14

WELL STAGGERED DEBT MATURITIES

- Weighted Average Interest Rate* - 4.4%
- Weighted Average Term* - 5.3 years

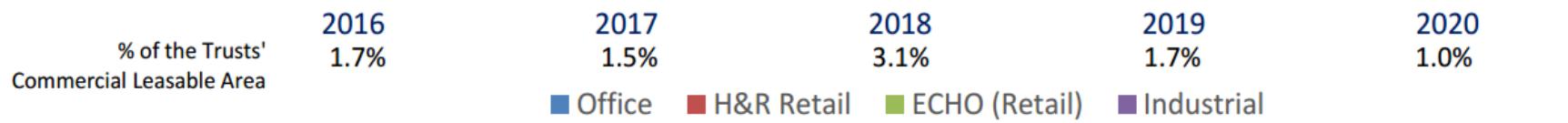


LIMITED LEASE ROLLOVER

Canadian Portfolio (in '000s sq.ft.)



U.S. Portfolio (in '000s sq.ft.)



(1) Includes the Trusts' interests in equity accounted investments.

(2) Excludes residential properties.

PROPERTIES UNDER DEVELOPMENT

Long Island City Project

In June 2014, the REIT purchased a 50% interest in the LIC Project. Tishman Speyer, a U.S. real estate company, is the developer and manager of the project. The parcel is zoned for 1.3 million square feet of mixed-used development, potentially accommodating up to approximately 1,871 residential rental units and approximately 15,000 square feet of retail space. The site is located adjacent to the REIT's 2 Gotham Center office property. Construction commenced in Q1 2015 with occupancy expected to begin in late 2017. The REIT's share of the total land cost was U.S. \$55.6 million. The total project cost of all phases at the 100% level is expected to be approximately U.S. \$1.2 billion. As at December 31, 2015, the REIT's investment in the LIC Project was U.S. \$196.3 million, of which U.S. \$150.4 million was included in properties under development. Construction financing for up to U.S. \$640.0 million has been secured through a syndicate of lenders co-led by two U.S. banks. The REIT has U.S. \$64.4 million in remaining capital contributions prior to construction financing commencing in 2016. Trade contracts for approximately 73% of total hard costs have been awarded.

ECHO

During the year ended December 31, 2015, there were 11 ECHO properties transferred from properties under development to investment properties. The REIT's share of square footage was 51,406 and the value transferred was \$22.5 million.

Properties under development:

Project	Address	December 31 2015	December 31 2014
Heart Lake	Mayfield West Business Park, Caledon, ON	\$ 82,097	\$ 80,612
Airport Road	7900 Airport Road, Brampton, ON	15,407	24,394
		\$ 97,504	\$ 105,006

LONG TERM STABILITY

OPERATIONS⁽¹⁾		Office	Primaris	H&R Retail	ECHO	Industrial	Residential	Total*
<i>Average remaining term to maturity of leases (in years)</i>	Dec 31, 2015	13.1	4.5	7.5	11.7	7.8	N/A	9.9
	Dec 31, 2014	13.0	4.7	8.3	12.2	7.9	N/A	9.8
<i>Average remaining term to maturity of mortgages payable (in years)</i>	Dec 31, 2015	5.9	5.6	5.0	11.2	6.9	9.3	6.2
	Dec 31, 2014	6.8	4.8	5.4	10.5	6.8	9.9	6.4

Average term to maturity

Lease: 9.9 years

Debt: 5.3 years

Mortgage: 6.2 years

Outstanding

NOTABLE RISK



1. Real property ownership
2. Lease rollover risk
3. Interest and other debt related risks
4. Construction risk
5. Currency risk
6. Credit risk and tenant concentration
7. Environment risk
8. Joint arrangement risk
9. Unit prices
10. Availability of cash for distribution
11. Ability to access capital market
12. Dilution
13. Unitholder liability
14. Redemption right
15. Debenture
16. Tax risk

Management Profile

CHIEF EXECUTIVE OFFICER: THOMAS HOFSTEDTER



- Founder of H&R REIT in 1996
- As head of H&R Development's Office Division, Tom was responsible for developing many of the properties that comprised the REIT's initial public offering
- More than 25 years of experience in commercial real estate
- Chartered accountant and graduate of University of Toronto

CHIEF FINANCIAL OFFICER: LARRY FROOM



- Previously a manager of Ernst & Young serving clients in real estate industry
- Mr. Froom has been with the H&R group since 1997 and has served as CFO of the REIT since September 2006. Mr. Froom is responsible for overseeing all transactions, corporate finance, financial reporting and investor relations
- Earned a Bachelor of Accounting at the University of Witwatersrand in South Africa and holds a Chartered Accountant designation

CHIEF OPERATING OFFICER: NATHAN UHR



- Mr. Uhr has over 30 years of real estate industry experience
- Joined H&R since 1996
- Mr. Uhr is a member of BOMA (Building Owners and Managers Association) and the Canadian Urban Institute

CHIEF OPERATING OFFICER (PRIMARIS): PATRICK SULLIVAN



- Mr. Sullivan leads the senior management group at Primaris and is responsible for strategic and operational aspects for the company.
- Senior Vice President of Portfolio Management at Primaris Retail Real Estate Investment Trust since 2011, Chief Operating Officer of Primaris Retail Real Estate Investment Trust since 2013
- Earned a Bachelors of Commerce from University Of British Columbia.

DRIP PROGRAM & UNIT PURCHASE PLAN

- Since January 2000
- Reinvest their monthly cash distribution in additional units of H&R

REIT at the weighted average price of units on TSX for 5 trading days

- Receive 3% if each cash distribution reinvested pursuant to DRIP
- Minimum purchase: \$250 per month (maximum: \$13,500 per year)
- Enable eligible holders to invest any and all cash distributions on

Eligible Stapled Unit and/or Optional Cash Payment.

Financial Information

FINANCIAL HIGHLIGHTS



(in 000's except per unit amounts)

December 31 2015

December 31 2014

Total assets ⁽¹⁾	\$14,714,535	\$13,941,980
Number of properties ⁽²⁾	517	501
Square footage ⁽²⁾	47.2M	49.9M
Ratio of debt to total assets per the Trusts' Financial Statements ⁽³⁾	46.2%	46.3%
Weighted average interest rate of mortgages and debentures ⁽³⁾	4.4%	4.7%
Weighted average term to maturity of mortgages and debentures (in years) ⁽³⁾	5.3	5.7
Unencumbered assets (excludes ECHO)	\$2,063,794	\$1,657,865

Three months ended
December 31 2015 Three months ended
December 31 2014

Property rental revenue ⁽¹⁾	\$331,331	\$335,301
Adjusted property operating income ⁽¹⁾⁽³⁾⁽⁴⁾	217,273	218,378
Funds from operations (FFO) ⁽³⁾	142,879	138,459
FFO per basic Stapled Unit ⁽³⁾	\$0.48	\$0.48
Distributions paid per Stapled Unit	\$0.34	\$0.34
Payout ratio per unit as a % of basic FFO ⁽³⁾	70.8%	70.8%
Interest coverage ratio ⁽¹⁾⁽³⁾	2.82	2.70

SIGNIFICANT LIQUIDITY

Liquidity (\$ millions)	Limit	Used	Available
Cash and cash equivalents ⁽¹⁾	\$ -	\$ -	\$82.9
H&R REIT Unsecured Operating Facility	500.0	227.8	272.2
Primaris Secured Operating Facility	300.0	138.4	161.6
H&R REIT and CrestPSP Secured Operating Facility	15.0	14.0	1.0
Retail Co-ownership secured Operating Facility	3.5	3.5	-
Total			\$517.7

(1) Per the Trust's interests excluding ECHO.



BALANCE SHEET

(In thousands of Canadian dollars)

		December 31	December 31
	Note	2015	2014
Assets			
Real estate assets:			
Investment properties	3	\$12,576,075	\$12,116,983
Properties under development	3, 4	97,504	105,006
		12,673,579	12,221,989
Equity accounted investments	5	1,117,786	703,019
Mortgages receivable	6	103,353	79,922
Assets classified as held for sale	7	3,000	296,992
Other assets	8	54,310	42,703
Cash and cash equivalents	9	38,287	23,755
		\$13,990,315	\$13,368,380

BALANCE SHEET - CONTINUED



Liabilities and Unitholders' Equity

Liabilities:

Mortgages payable	10	\$ 4,537,278	\$ 4,318,136
Debentures payable	11	1,550,769	1,535,838
Exchangeable units	12	334,110	362,105
Deferred tax liability	27	189,658	129,864
Liabilities classified as held for sale	7	-	66,179
Loan payable	13	55,717	147,608
Bank indebtedness	14	321,033	123,863
Accounts payable and accrued liabilities	15	176,830	157,119
		7,165,395	6,840,712
Unitholders' equity		6,824,920	6,527,668
Commitments and contingencies	28		
Subsequent event	13		
		\$13,990,315	\$13,368,380

INCOME STATEMENT



(In thousands of Canadian dollars)
Years ended December 31, 2015 and 2014

	Note	2015	2014
Property operating income:			
Rentals from investment properties	19	\$1,188,314	\$1,227,803
Property operating costs		(414,801)	(424,527)
		773,513	803,276
Net income from equity accounted investments	5	841	44,123
Finance costs:			
Finance income		3,770	901
Finance cost - operations	20	(295,010)	(323,955)
Gain (loss) on change in fair value	21	36,240	(8,029)
		(255,000)	(331,083)
Trust expenses		(9,327)	(11,091)
Fair value adjustment on real estate assets	3	(178,868)	(42,523)
Loss on sale of real estate assets	3	(5,428)	(16,025)
Gain on foreign exchange		49,375	22,602
Net income before income taxes		375,106	469,279

INCOME STATEMENT - CONTINUED



Income tax expense	27	(34,958)	(44,624)
Net income		340,148	424,655
Other comprehensive income:	18		
Unrealized gain on translation of U.S. denominated foreign operations		227,430	90,140
Transfer of realized loss on cash flow hedges to net income	31		395
		227,461	90,535
Total comprehensive income all attributable to unitholders		\$ 567,609	\$ 515,190

SHAREHOLDER'S EQUITY

Years ended December 31, 2015 and 2014

UNITHOLDERS' EQUITY	Note	Value of Units	Accumulated other comprehensive income (note 18)			Total
			Accumulated net income	Accumulated distributions	income (note 18)	
Unitholders' equity, January 1, 2014		\$ 5,028,278	\$ 3,398,726	\$ (2,181,794)	\$ 28,591	\$ 6,273,801
Proceeds from issuance of units		106,943	-	-	-	106,943
Issue costs		(28)	-	-	-	(28)
Net income		-	424,655	-	-	424,655
Distributions to unitholders	17(b)	-	-	(366,802)	-	(366,802)
Conversion of convertible debentures, net	11(c)	16	-	-	-	16
Units repurchased and cancelled	17(e)	(1,452)	-	-	-	(1,452)
Other comprehensive income		-	-	-	90,535	90,535
Unitholders' equity, December 31, 2014		5,133,757	3,823,381	(2,548,596)	119,126	6,527,668
Proceeds from issuance of units		107,000	-	-	-	107,000
Issue costs		(353)	-	-	-	(353)
Net income		-	340,148	-	-	340,148
Distributions to unitholders	17(b)	-	-	(373,072)	-	(373,072)
Conversion of convertible debentures, net	11(c)	5	-	-	-	5
Units repurchased and cancelled	17(e)	(3,937)	-	-	-	(3,937)
Other comprehensive income		-	-	-	227,461	227,461
Unitholders' equity, December 31, 2015		\$ 5,236,472	\$ 4,163,529	\$ (2,921,668)	\$ 346,587	\$ 6,824,920

STATEMENT OF CASH FLOWS

(In thousands of Canadian dollars)
Years ended December 31, 2015 and 2014

	Note	2015	2014
Cash provided by (used in):			
Operations:			
Net income		\$340,148	\$424,655
Items not affecting cash:			
Net income from equity accounted investments	5	(841)	(44,123)
Finance cost - operations	20	295,010	323,955
Rent amortization of tenant inducements	19	2,100	1,725
Gain on foreign exchange		(49,375)	(22,602)
Fair value adjustment on real estate assets	3	178,868	42,523
Loss on sale of real estate assets	3	5,428	16,025
Finance cost - (gain) loss on change in fair value	21	(36,240)	8,029
Unit-based compensation	17(a)(ii)	(697)	3,849
Deferred income taxes	27	32,617	43,704
Change in other non-cash operating items	22	4,524	(31,822)
		771,542	765,918
Investing:			
Properties under development	3, 22	(2,436)	(49,548)
Investment properties:			
Net proceeds on disposition of real estate assets		355,714	535,123
Acquisitions	3, 22	(301,668)	(151,942)
Redevelopment	3, 22	(43,331)	(56,606)
Capital expenditures	3	(41,716)	(38,206)
Leasing expenses and tenant inducements	3	(54,628)	(32,941)
Equity accounted investments, net		(207,986)	(75,906)
Mortgages receivable		13,016	(254)
Restricted cash	8	(7,773)	1,939
		(290,808)	131,659

STATEMENT OF CASH FLOWS - CONTINUED

Financing:

Bank indebtedness	197,170	7,101
Interest paid	(281,692)	(304,409)
Mortgages payable:		
New mortgages payable	418,732	141,580
Principal repayments	(408,042)	(443,169)
Repayment of loan payable	(119,886)	-
Proceeds from issuance of debentures payable	11(c)	370,752
Repayment of debentures payable	11(c)	(350,000)
Proceeds from issuance of units, net of issue costs		847
Units repurchased and cancelled	17(e)	(3,937)
Finance cost - exchangeable unit distributions	20	(22,496)
Distributions to unitholders	17(b)	(267,650)
		(466,202)
Increase in cash and cash equivalents		14,532
Cash and cash equivalents, beginning of year	9	23,755
Cash and cash equivalents, end of year	9	\$ 38,287
		\$ 23,755

ADJUSTED FUNDS FROM OPERATIONS



(in thousands of Canadian dollars except per unit amounts)	Three months ended December 31		Year ended December 31	
	2015	2014	2015	2014
FFO	\$142,879	\$138,459	\$569,943	\$542,951
Add (deduct):				
Straight-lining of contractual rent	(116)	(3,432)	(15,823)	(16,177)
Rent amortization of tenant inducements	511	434	2,100	1,725
Effective interest rate accretion	(594)	(918)	(4,337)	(4,304)
Unit-based compensation	856	629	3,309	4,277
Capital expenditures	(15,419)	(10,410)	(41,716)	(38,206)
Tenant expenditures	(21,829)	(9,064)	(54,628)	(32,941)
Incremental leasing costs	(1,508)	(1,658)	(5,973)	(6,042)
AFFO adjustments from equity accounted investments (page 22)	(2,027)	(529)	(13,473)	(6,207)
AFFO	\$102,753	\$113,511	\$439,402	\$445,076
Weighted average number of Stapled Units (in thousands of Stapled Units adjusted for conversion of exchangeable Stapled Units) ⁽¹⁾	294,944	290,378	293,026	288,871
Diluted weighted average number of Stapled Units (in thousands of Stapled Units) for the calculation of AFFO ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾	301,202	300,865	303,651	299,464
AFFO per Stapled Unit (basic - adjusted for conversion of exchangeable units)	\$0.35	\$0.39	\$1.50	\$1.54
AFFO per Stapled Unit (diluted)	\$0.35	\$0.39	\$1.49	\$1.53

Recommendation:

BUY

RIO CAN

REAL ESTATE INVESTMENT TRUST



COMPANY SNAPSHOT

RIO CAN

REAL ESTATE INVESTMENT TRUST

RioCan Real Estate Investment Trust

TSE: REI.UN - Mar 11 4:00 PM EST

26.77 CAD ↓0.09 (0.34%)

1 day

5 day

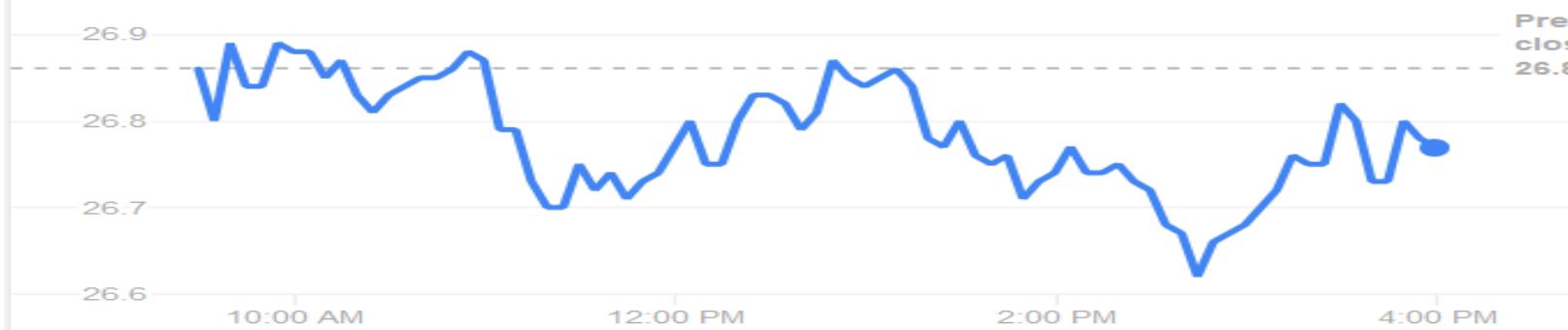
1 month

3 months

1 year

5 years

max



Prev Close:	26.07	Day's Range:	25.75 - 26.18
Open:	26.04	52wk Range:	25.11 - 30.25
Bid:	25.79	Volume:	513,326
Ask:	25.97	Avg Vol (3m):	491,297
1y Target Est:	N/A	Market Cap:	8.35B
Beta:	0.654422	P/E (ttm):	17.20
Next Earnings Date:	N/A	EPS (ttm):	1.51
		Div & Yield:	1.41 (5.56%)

1 YEAR CHART AND MOVING AVERAGE AT 10 & 100



1 YEAR CHART AND MOVING AVERAGE AT 50 & 200



5 YEAR CHART AND MOVING AVERAGE AT 10 & 100



5 YEAR CHART AND MOVING AVERAGE AT 50 & 200



10 YEAR CHART AND MOVING AVERAGE AT 10 & 100



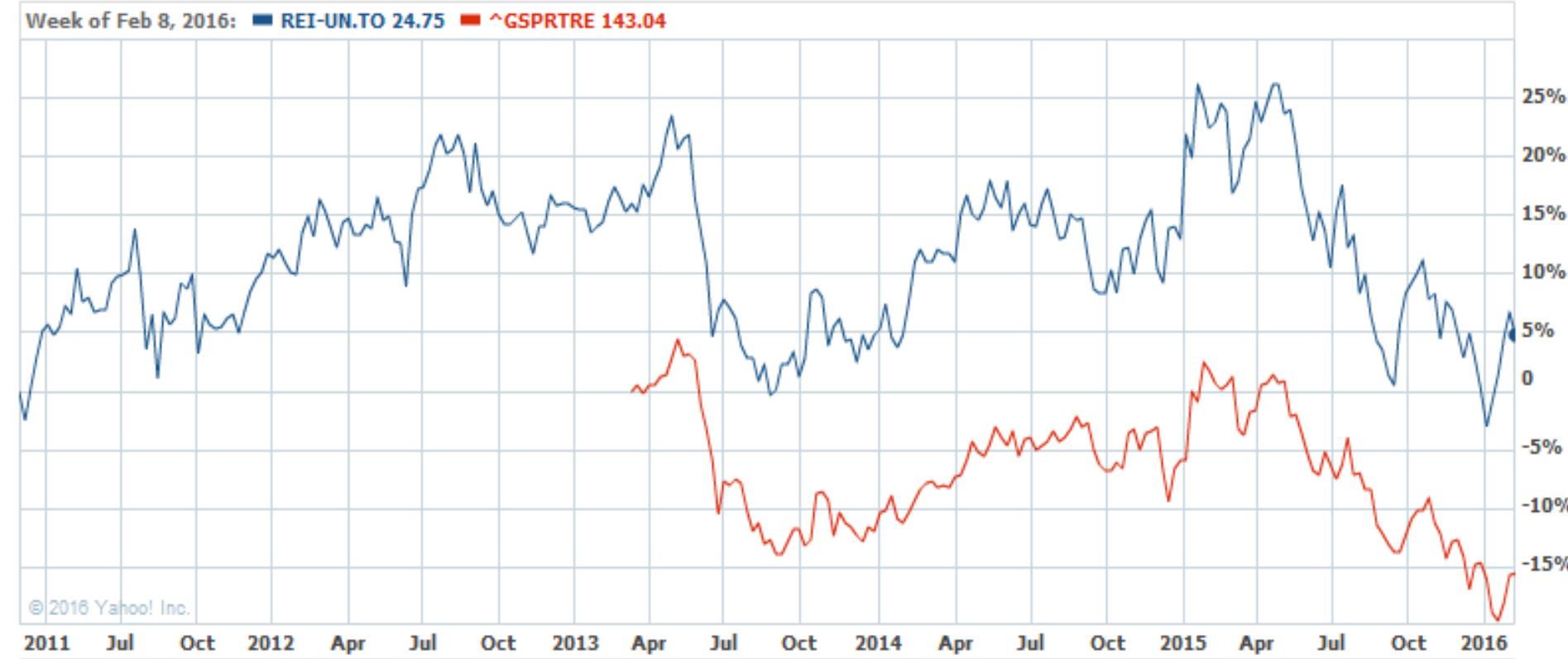
10 YEAR CHART AND MOVING AVERAGE AT 50 & 200



1 YEAR VS S&P/TSX CAPPED REIT



5 YEAR VS S&P/TSX CAPPED REIT



COMPANY OVERVIEW

One of North America's Largest Retail REITS

353

retail properties
in Canada & U.S.



79 million

sqft total portfolio

54 million

sqft owned

\$8.6 billion
market cap

\$15.6 billion
enterprise value

~7,600
tenancies

~84%

revenue generated by
national and anchor
tenants



2015 Q4 OVERVIEW

- Operating Funds From Operations for the three months ended December 31, 2015 increased 9.8% to \$142 million compared to \$130 million for the same period in 2014
- Concentration of annualized net rental revenue in Canada's six major markets as at December 31, 2015 increased to 74.8% from 73.3% as at December 31, 2014
- Strategic joint venture with Hudson's Bay Company will enable RioCan and HBC to build on the strength of existing real estate assets through potential future redevelopment, as well as identify retail and enclosed mall acquisition opportunities
- Acquired Kimco Realty Corporation's interest in 23 properties in Canada that were previously jointly owned

TARGET LEAVES CANADA

- On January 15, 2015, Target Corporation announced plans to discontinue its Canadian operations.
- At that time RioCan had 26 locations under lease with Target's wholly-owned subsidiary, Target Canada.
- Target Canada disclaimed the leases and ceased paying rent at 19 of these locations pursuant to the Companies' Creditors Arrangement Act.
- RioCan reached a full settlement with the U.S. parent of Target Canada for \$149 million, of which \$105 million represents RioCan's share, with the remainder distributed to various co-owners.

OTHER STORE CLOSURES

Future Shop:

- In March 2015, Best Buy Canada announced its consolidation of Future Shop and Best Buy stores under the Best Buy format.
- RioCan had 10 Future Shop locations under lease, of which 5 locations were converted to a Best Buy and the remaining 5 Future Shop locations were later filled by national tenants that include Ikea, Winners and Michaels.
- These deals were done at an average rent that exceeded what Future Shop paid on the premises.

Danier Leather:

- In February 2016, Danier Leather announced that it entered insolvency proceedings. As at December 31, 2015 RioCan has 8 Danier Leather locations under lease with an average remaining lease term of 3.63 years.

PROPERTY Acquisitions - 2015

- During the year ended December 31, 2015, RioCan completed acquisitions of interests in 49 income properties aggregating \$997 million at a weighted average capitalization rate of 5.9%, representing RioCan's share of the purchase price and comprised of approximately 3,744,000 additional square feet.
- The most recent acquisitions in Canada are the Kimco Joint Venture dissolution (22 properties) and Tillicum Centre in Victoria, BC.

RECENT ACQUISITIONS - CANADA

Property name and location	Capitalization rate	RioCan's purchase price (i) (thousands)	NLA at RioCan's interest (in thousands of sqft)	Weighted average in place rent	Asset class (ii)	Year built	% Leased	Weighted average remaining lease term (years) (iii)	Largest tenant(s) and NLA (thousands of sqft)	RioCan's ownership interest
Q4 2015: CANADA										
Kimco Joint Venture dissolution - 22 properties	6.0%	\$ 715,016	2,835	\$ 16.69	Various		93 %	4.1	Various	(iv)
Tillicum Centre, Victoria, BC (remaining 50%)	5.9%	\$ 58,947	236	\$ 16.12	ENC	1982	97 %	4.1	Lowe's (121)	100%
Canada - Q4 2015 Acquisitions	6.0%	\$ 773,963	3,071	\$ 16.65						

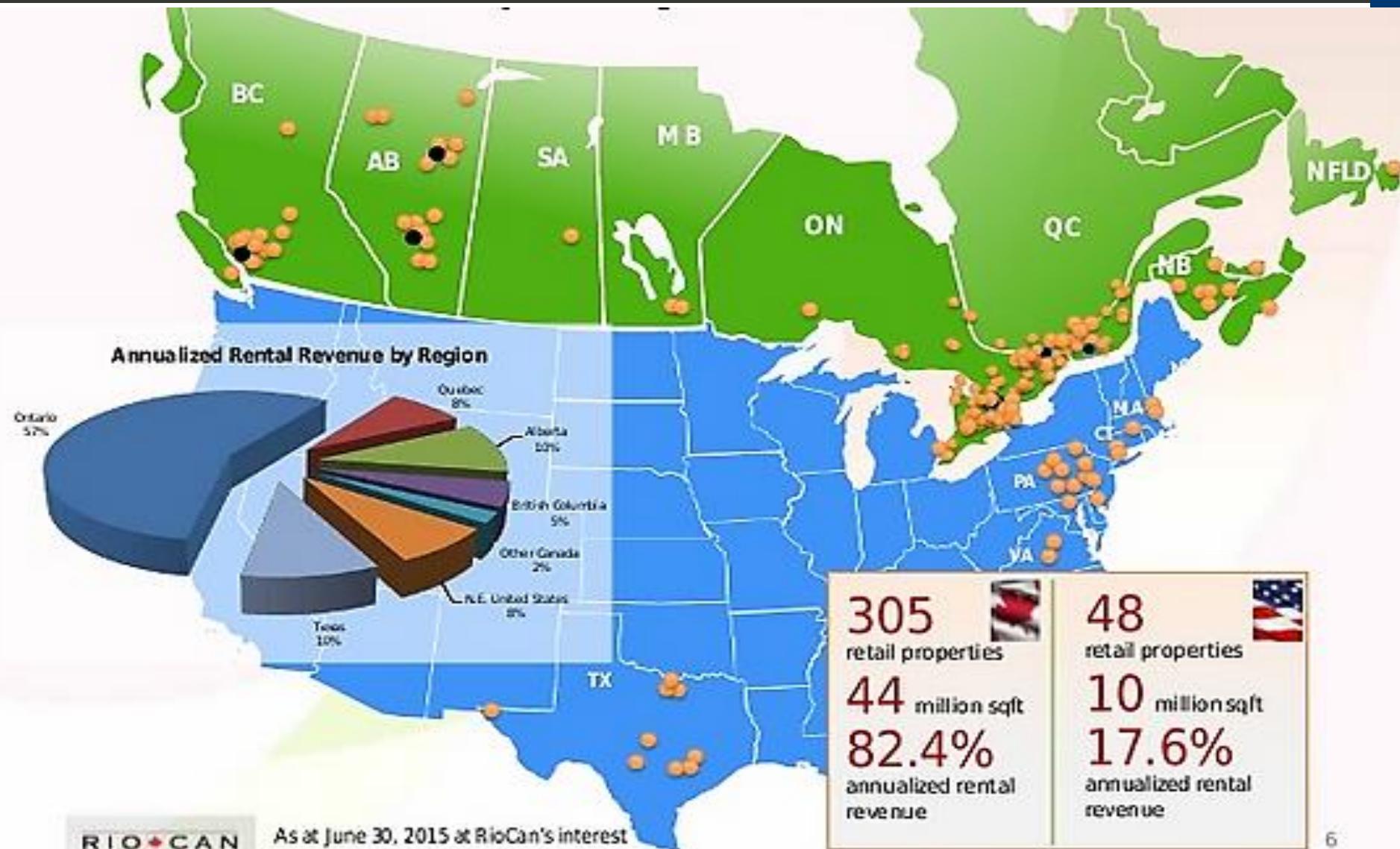
PROPERTY DISPOSITIONS - 2015

- During the year ended December 31, 2015, RioCan disposed of interests in nine income properties aggregating \$448 million representing a weighted average capitalization rate of 5.7%, comprised of approximately 1,405,000 square feet.

RECENT DISPOSITIONS IN CANADA

Property name and location	Capitalization rate	RioCan's sales price (thousands)	Debt associated with property (thousands)	GLA disposed of at RioCan's interest (in thousands of sqft)	Asset class (i)	Ownership interest disposed of by RioCan
Q4 2015						
None						
Total Q4 2015 Dispositions		\$ —	\$ —	—		
Q3 2015						
Georgian Mall, Barrie, ON (ii)	5.3%	\$ 174,313	\$ 88,291	256	ENC	50%
Oakville Place, Oakville, ON (ii)	5.0%	124,692	53,734	235	ENC	50%
Centre Jacques Cartier, Longueuil, QC	7.9%	8,875	—	109	ENC	50%
Brant Street Power Centre, Burlington, ON	5.8%	20,275	—	57	NFR	50%
Total Q3 2015 Dispositions	5.3%	\$ 328,155	\$ 142,025	657		

PROPERTY PORTFOLIO - CANADA

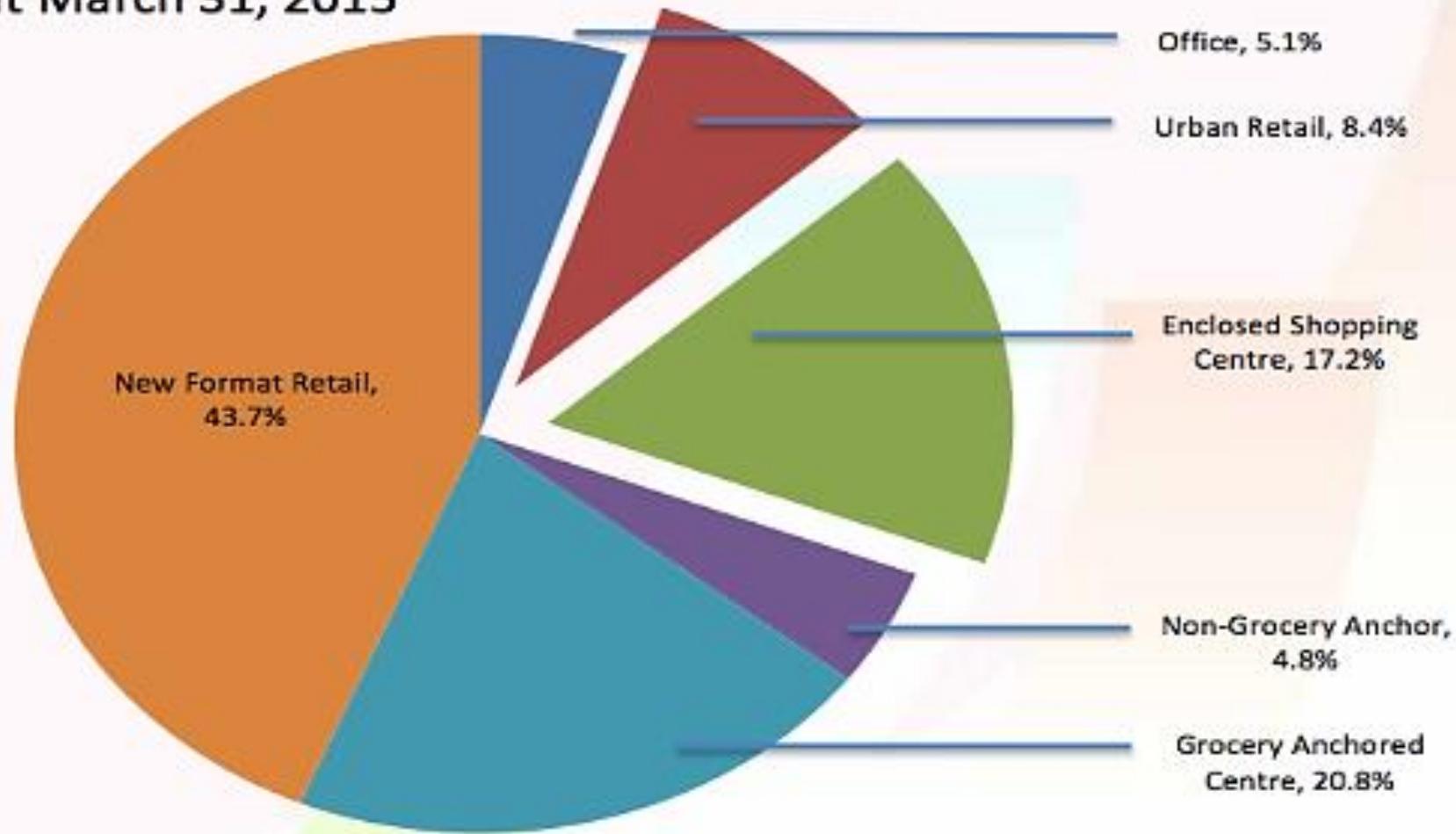


PROPERTY OWNERSHIP – GEOGRAPHY

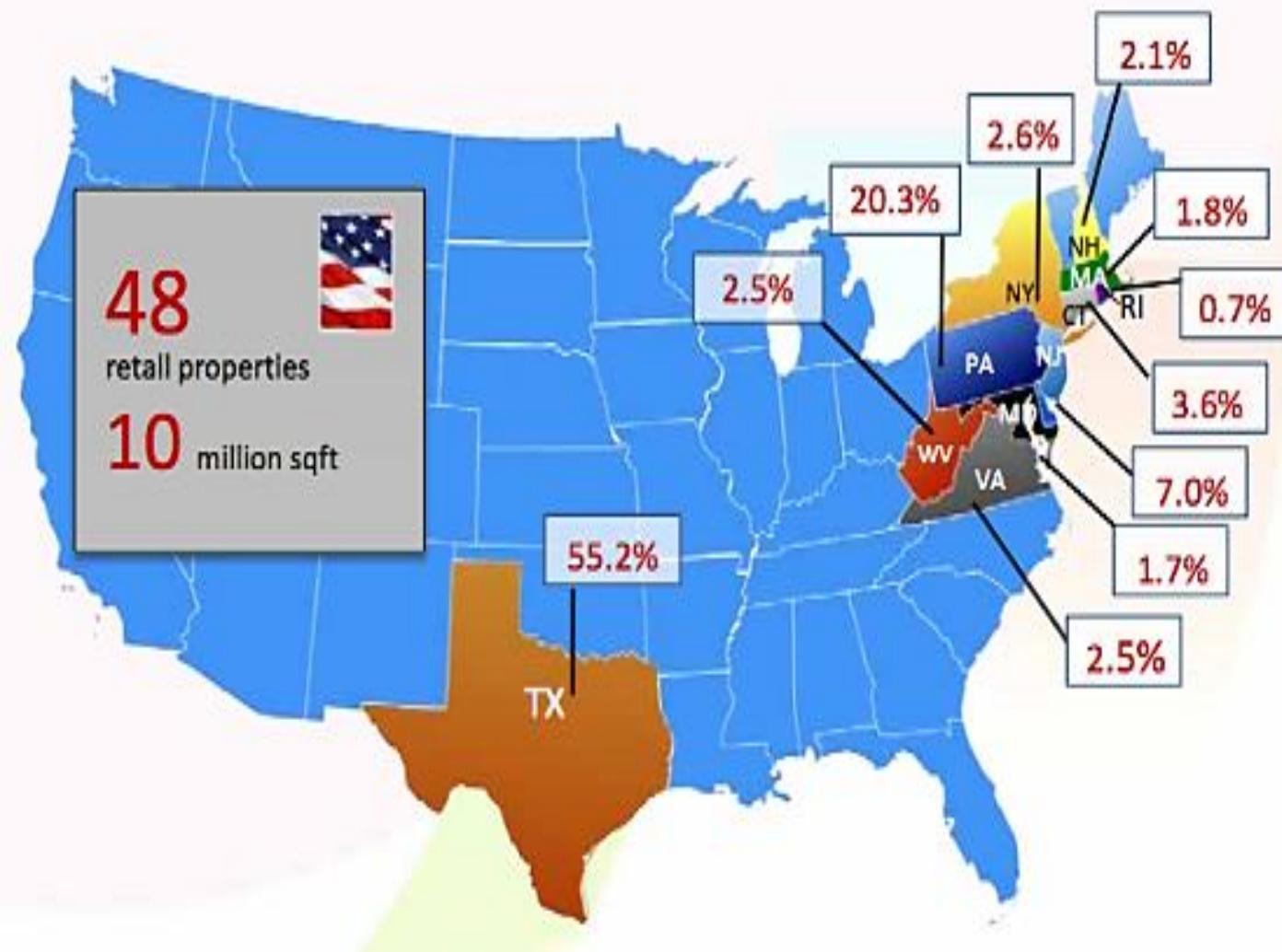
<i>(in thousands of sqft)</i> As at December 31, 2015	NLA at RioCan's Interest	NLA at Partners' Interest	Retailer Owned Anchors	Total Site NLA	Percentage of annualized gross rental revenue	Occupancy percentage
Ontario	27,020	4,015	5,086	36,121	67.7%	93.5%
Alberta	5,143	1,537	2,175	8,855	12.5%	97.4%
Quebec	5,071	436	657	6,164	9.4%	93.2%
British Columbia	3,329	678	426	4,433	7.3%	97.1%
Eastern Canada	1,029	375	95	1,499	2.0%	84.0%
Manitoba / Saskatchewan	532	201	93	826	1.1%	94.8%
Income producing properties	42,124	7,242	8,532	57,898	100.0%	94.0%
Properties under development	3,939	2,730	316	6,985	—%	—%
Canadian investment properties	46,063	9,972	8,848	64,883	100.0%	94.0%
U.S. income producing properties	10,027	—	3,181	13,208		96.3%

PROPERTY TYPE – CANADA

As at March 31, 2015



PROPERTY PORTFOLIO - USA



Annualized Rental Revenue



STRONG TENANT RELATIONSHIP

RIO CAN
REAL ESTATE INVESTMENT TRUST



WAL-MART

PETSMART

COSTCO
WHOLESALE

BEST BUY

Loblaws

METRO

Ahold

WINNERS
HOMESENSE

BED BATH & BEYOND
Beyond any store of its kind.

LOWE'S
HOME IMPROVEMENT WHOLESALE
Improving Home Improvement

ROSS
DRESS FOR LESS

cineplex
entertainment

STAPLES
Business DEPOT
www.bossstaplesdepot.com

SHOPPERS
DRUG MART

H-E-B

SPORTS
AUTHORITY

sobeys
SAFEWAY

Michaels
Where Creativity Happens

SFU

SIMON FRASER UNIVERSITY
ENGAGING THE WORLD

TOP 10 TENANTS* - CANADA

*As of December 2015

Rank	Tenant name	Annualized rental revenue	Number of locations	NLA (in thousands of square feet)	Percentage of total NLA	Weighted average remaining lease term (years) (i)
1	Loblaw/Shoppers Drug Mart (ii)	4.6%	82	2,099	5.0%	7.4
2	Canadian Tire Corporation (iii)	4.4%	90	2,402	5.7%	8.1
3	Walmart	4.0%	30	3,505	8.3%	10.9
4	Cineplex/Galaxy Cinemas	3.8%	29	1,443	3.4%	8.4
5	Metro/Super C/Loeb/Food Basics	3.5%	52	2,133	5.1%	6.7
6	Winners/HomeSense/Marshalls	3.4%	72	1,825	4.3%	7.4
7	Sobeys/Safeway	1.8%	33	1,053	2.5%	7.3
8	Cara/Prime Restaurants	1.7%	106	489	1.2%	5.8
9	Dollarama	1.5%	82	725	1.7%	6.5
10	Lowe's (iv)	1.4%	11	1,379	3.3%	12.7

LEASE ROLLOVER PROFILE

Broadly Distributed Lease Expiries

 **Canadian Portfolio**
As at June 30, 2015
'000s Square Feet

% Square Feet expiring / portfolio NLA

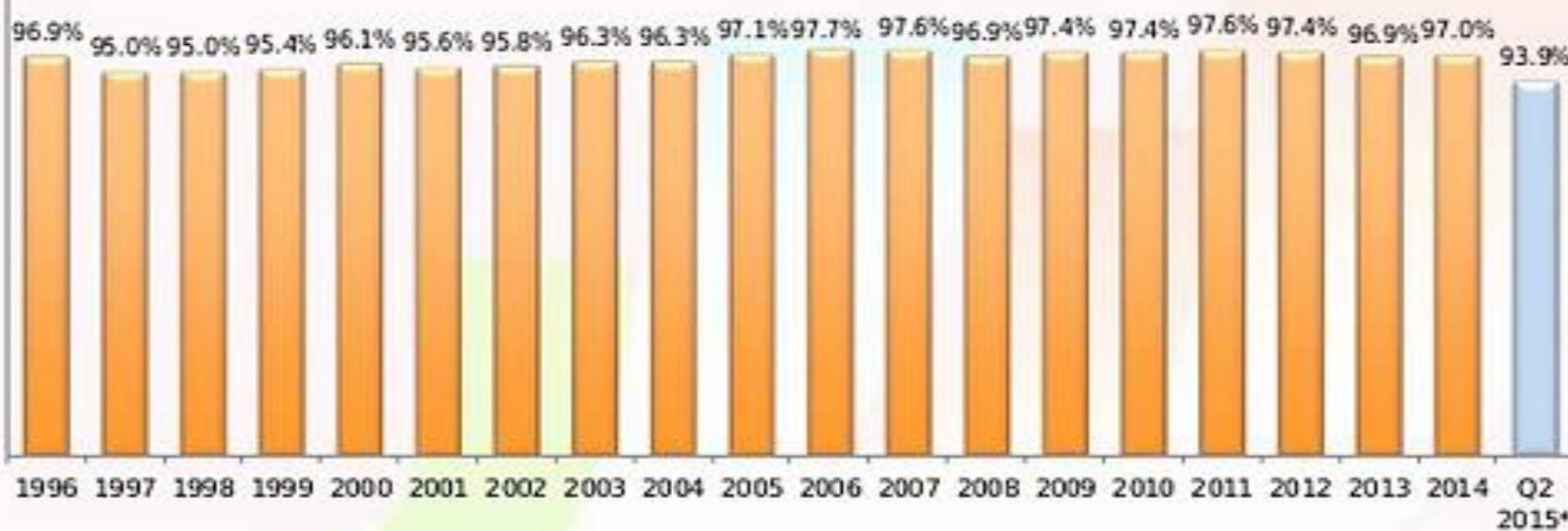


 **U.S. Portfolio**
As at June 30, 2015
'000s Square Feet

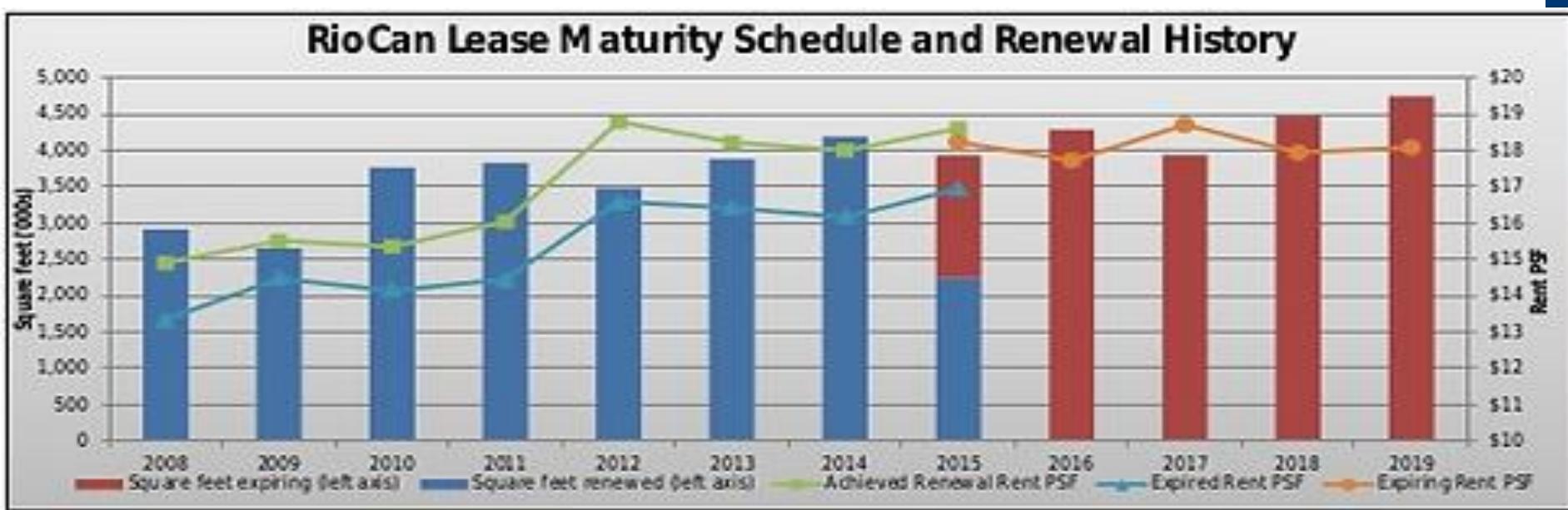


OCCUPANCY RATES

Historical Committed Occupancy Rates 1996 to Q2 2015



ORGANIC GROWTH – CANADA



Lease Expiries							
(thousands except psf and % amounts)	Portfolio NLA	2015 remaining	2016	2017	2018	2019	
Total	39,926	1,690	4,288	3,936	4,468	4,748	
Square Feet expiring/portfolio NLA		4.2%	10.7%	9.9%	11.2%	11.9%	
Total average net rent psf	\$17.02	\$18.23	\$17.72	\$18.70	\$17.94	\$18.08	

ORGANIC GROWTH – USA



Lease Expiries						
(thousands except % amounts)	Portfolio NLA	2015 remaining	2016	2017	2018	2019
Total	10,038	406	495	725	1,079	1,525
Square Feet expiring/portfolio NLA		4.1%	4.9%	7.2%	10.7%	15.2%

DISTRIBUTION REINVESTMENT PLAN (DRIP)

- Allows holders of RioCan Real Estate Investment Trust units to have their regular monthly distributions reinvested in additional units of the Trust at the average market price for the units.
- In addition, participants will receive a number of bonus units equal to 3.1% of the number of additional units acquired upon the reinvestment.
- The average market price is calculated based on the current average of the closing price for RioCan on The Toronto Stock Exchange for the 5 trading days immediately preceding the distribution payment date.

Management Profile

CHIEF EXECUTIVE OFFICER: EDWARD SONSHINE



- Founder and CEO of RioCan since 1993
- Recently accepted a three-year amendment to his employment contract
- Served as the President at RioCan until January 1, 2012
- Started business life as a lawyer
- Converted a Real Estate Mutual Fund Trust into one of Canada's first REITs in late 1993
- Law degree from Osgoode Hall Law School and a Bachelor of Arts from the University of Toronto

CHIEF OPERATING OFFICER: RAGHUNATH DAVLOOR



- President and COO of RioCan since October 20, 2014
- More than 25 years of real estate management, finance, accounting and tax experience to RioCan
- Served as Vice President and Director of Investment Banking at TD securities before joining RioCan in 2008
- Chartered Accountant and holds a Bachelor of Commerce from the University of Manitoba

CHIEF FINANCIAL OFFICER: CYNTHIA DEVINE



- Executive VP and CFO of RioCan since March 2015
- CFO of Tim Hortons from 2003 to December 2014
- Honors Business Administration degree from the Ivey Business School, Western University
- Fellow of the Institute of Chartered Accountants of Ontario

Financial Information

BALANCE SHEET

As at	Note	December 31, 2015	December 31, 2014
Assets			
Investment properties	5	\$ 12,152,176	\$ 13,770,763
Deferred tax assets	9	8,009	9,059
Investments in associates and joint ventures	6	158,994	63,016
Mortgages and loans receivable	7	129,258	136,190
Residential inventory		45,276	80,350
Assets held for sale	4	2,968,095	188,933
Receivables and other assets	8	451,365	373,093
Cash and cash equivalents		83,318	56,273
Total assets		\$ 15,996,491	\$ 14,677,677

BALANCE SHEET – CONTINUED

Liabilities

Debentures payable	11	\$ 2,000,066	\$ 1,856,501
Mortgages payable and lines of credit	10	\$ 4,164,669	\$ 4,566,096
Deferred tax liabilities	9	\$ 230,474	\$ —
Liabilities associated with assets held for sale	4	\$ 1,248,635	\$ 20,968
Accounts payable and other liabilities	12	\$ 425,826	\$ 365,244
Total liabilities		\$ 8,069,670	\$ 6,808,809

Equity

Unitholders' equity:

Preferred	13	\$ 265,451	\$ 265,451
Common	13	\$ 7,660,588	\$ 7,603,119
Total unitholders' equity		\$ 7,926,039	\$ 7,868,570
Non-controlling interests			298
Total equity		\$ 7,926,821	\$ 7,868,868
Total liabilities and equity		\$ 15,996,491	\$ 14,677,677

INCOME STATEMENT

Year ended December 31,	Note	2015	2014
Revenue			
Rental income	16	\$ 1,039,068	\$ 1,009,422
Residential inventory sales		31,937	—
Property and asset management fees		16,731	15,581
		1,087,736	1,025,003
Direct costs			
Property operating costs			
Recoverable under tenant leases		373,698	354,951
Non-recoverable from tenants		20,465	14,583
Residential inventory cost of sales		29,343	—
		423,506	369,534
Operating earnings		664,230	655,469

INCOME STATEMENT - CONTINUED

Other revenue

Share of net earnings in associates and joint ventures	6	10,378	729
Interest		5,370	7,854
Other income	17	98,426	5,944
Fair value gains (losses) on investment properties, net	5	(91,548)	34,423
		22,626	48,950

Expenses

Interest	18	186,772	194,073
General and administrative	19	51,051	48,950
Transaction and other costs	20	10,498	4,938
Leasing costs		9,750	8,693
Expense for early redemption of debentures	11	9,929	—
		268,000	256,654

Earnings before income taxes from continuing operations

Deferred income tax expense	9	1,290	50
Net earnings from continuing operations		\$ 417,566	\$ 447,715
Earnings (loss) from discontinued operations, net of tax	4	(275,129)	216,250
Net earnings		\$ 142,437	\$ 663,965

CASH FLOWS FROM OPERATING ACTIVITIES

Year ended December 31,	Note	2015	2014
Cash flows provided by (used in):			
Operating activities			
Net earnings (loss) from:			
Continuing operations		\$ 417,566	\$ 447,715
Discontinued operations		(275,129)	216,250
Net earnings		142,437	663,965
Items not affecting cash:			
Depreciation and amortization		4,655	4,041
Recognition of rents on a straight-line basis		(9,328)	(9,235)
Incentive unit option compensation expense	13	5,135	4,075
Share of net earnings in associates and joint ventures		(6,233)	(12,905)
Fair value (gains) losses on investment properties, net	5	238,608	(147,432)
Deferred income taxes from discontinued operations	9	230,474	—
Net change in non-cash operating items	28	3,507	(815)
Cash flows provided by operating activities		609,255	501,694

CASH FLOWS FROM INVESTING ACTIVITIES

Investing activities

Acquisition of investment properties	(732,635)	(191,349)
Capital expenditures on properties under development	(187,062)	(230,681)
Capital expenditures on income properties	(34,705)	(30,026)
Tenant installation costs	(33,208)	(29,902)
Proceeds on disposition of investment properties	135,376	54,352
Contributions to associates and joint ventures	(3,108)	(3,328)
Distributions from associates and joint ventures	13,447	1,036
Proceeds on disposition of associates and joint ventures	43,079	—
Mortgages and loans receivable		
Advances	(24,255)	(54,452)
Repayments	33,439	59,538
Purchases related to available-for-sale investments, net of financing	(12,749)	(95,534)
Cash flows used in investing activities	(802,381)	(520,346)

CASH FLOWS FROM FINANCING ACTIVITIES

Financing activities

Mortgages payable

Borrowings	653,536	248,400
Repayments	(704,195)	(410,620)
Advances on lines of credit	777,296	231,003
Repayment of lines of credit	(341,830)	(276,038)
Issue of debentures payable, net	11 484,110	399,272

Repayment of debentures payable	11 (349,900)	—
Acquisition of non-controlling interests	—	(2,236)

Common unit distributions paid, net of distributions reinvested	27 (309,614)	(311,536)
Distributions paid on preferred units	15 (13,590)	(13,590)

Proceeds from issue of common units, net	24,358	171,006
Cash flows provided by financing activities	220,171	35,661

Net increase in cash and cash equivalents	27,045	17,009
Cash and cash equivalents, beginning of year	56,273	39,264

Cash and cash equivalents, end of year	\$ 83,318	\$ 56,273
Supplemental cash flow information	27	

FUNDS FROM OPERATIONS

<i>(thousands of dollars, except per unit amounts)</i>	Three months ended December 31,		Year ended December 31,	
	2015	2014	2015	2014
Net earnings from continuing operations attributable to unitholders	\$ 199,796	\$ 105,483	\$ 416,892	\$ 447,008
<i>Add back/(Deduct):</i>				
Fair value (gains) losses, net	(1,183)	(3,458)	91,548	(34,423)
Non-controlling interest relating to fair value gains	43	—	674	659
Fair value losses included in equity accounted investments and joint ventures	468	—	676	—
Deferred income tax expense (recovery)	1,350	(250)	1,290	50
Leasing costs	2,340	2,986	9,750	8,693
Transaction (gains) losses, net (i)	(4,608)	—	2,632	—
Transaction costs (ii)	4,574	43	8,459	2,753
Preferred unit distributions	(3,397)	(3,397)	(13,590)	(13,590)
Foreign exchange loss	—	128	131	176
FFO from continuing operations	\$ 199,383	\$ 101,535	\$ 518,462	\$ 411,326

FUNDS FROM OPERATIONS- CONTINUED

Net earnings (loss) from discontinued operations attributable to unitholders	\$ (377,837)	\$ 66,285	\$ (275,129)	\$ 216,250
<i>Add back/(Deduct):</i>				
Fair value (gains) losses, net	174,782	(30,196)	147,060	(113,009)
Fair value (gains) losses included in equity accounted investments and joint ventures	—	(4,258)	4,694	(10,030)
Deferred income tax expense	230,474	—	230,474	—
Leasing costs	185	607	2,022	2,248
Accrued property taxes under IFRIC 21	(8,297)	(7,873)	—	—
Foreign exchange gain related to realty taxes (iii)	(1,176)	—	(1,176)	—
Transaction (gains) losses, net (i)	—	—	(7,529)	—
Transaction costs (ii)	3,464	—	3,486	—
FFO from discontinued operations	\$ 21,595	\$ 24,565	\$ 103,902	\$ 95,459
FFO	\$ 220,978	\$ 126,100	\$ 622,364	\$ 506,785

ADJUSTED FUNDS FROM OPERATIONS

(thousands of dollars, except per unit amounts)	Three months ended December 31,		Year ended December 31,	
	2015	2014	2015	2014
FFO (i)	\$ 220,978	\$ 126,100	\$ 622,364	\$ 506,785
<i>Add back/(Deduct):</i>				
Costs not capitalized during the development period: (ii)				
Property recoverable operating costs under tenant leases (ii)	354	541	1,175	1,290
Interest expense (ii)	1,833	1,757	6,811	7,222
Demolition costs (ii)	487	1,049	2,164	2,208
Deduction of straight-line rents	(1,285)	(3,608)	(9,328)	(9,309)
Non-cash unit based compensation expense	1,765	672	5,135	5,451
Normalized capital expenditures:				
Leasing commissions and tenant improvements	(6,250)	(6,250)	(25,000)	(25,000)
Capital expenditures recoverable from tenants	(3,750)	(3,750)	(15,000)	(15,000)
Capital expenditures not recoverable from tenants	(2,500)	(2,500)	(10,000)	(10,000)
Proceeds from sale of residential inventory, net of costs (iii)	(1,285)	71	(2,594)	(91)
Target settlement proceeds, net	(88,267)	—	(88,267)	—
Expense for early retirement of debentures	—	—	9,929	—
Other transaction losses, net (iv)	6,546	—	3,587	—
AFFO (v)	\$ 128,626	\$ 114,082	\$ 500,976	\$ 463,556

Recommendation:

BUY



**SMARTREIT**

COMPANY OVERVIEW

Toronto Stock Exchange: SRU.UN

Smart REITDelayed quote i**\$32.59**

Today's change

+0.52 +1.62%

P/E

18.969

Market cap

4.20B

52-week range



Updated March 8 4:00 PM EST. Delayed by at least 15 minutes.

KEY COMPANY METRICS

Open \$32.09

Previous close \$32.09

High \$32.29

Low \$31.94

Bid / Ask i \$32.12 / \$32.18

YTD % change +6.36%

Volume i 66,818

Average volume (10-day) 298,899

Average volume (1-month) 298,752

Average volume (3-month) 320,185

52-week range \$27.47 to \$32.59

Beta 0.12

Trailing P/E 18.69x

P/E 1 year forward Negative, not meaningful

Forward PEG Negative, not meaningful

Indicated annual dividend \$1.65

Dividend yield 5.14%

Trailing EPS \$1.72

Updated February 25 2:00 PM EST. Delayed by at least 15 minutes.

Five Day Performance

February 25 2:00 PM EST.

5 days



Smart REIT is up just \$0.02 today to \$32.11. Shares have lost 0.28% over the last five days, but sit 1.47% below their 52-week high. This security has outperformed the S&P TSX by 23.38% during the last year.

EARNINGS

Net income grew by 10.83%, year over year, to \$0.42 per share during the most recently completed quarter. This was among the strongest growth seen by any company in this industry.

AVERAGE RATING

Of the nine analysts surveyed by Reuters Estimates that cover Smart REIT, the consensus rating is a buy. The rating changed on February 11, 2016 when it was upgraded from a hold.

PROFIT

Based on its net profit margin of 47.78%, Smart REIT is among the more effective companies in its industry at turning revenues into bottom line profit.

[Company Books](#)

**SMARTREIT**

1 YEAR PRICE

Toronto Stock Exchange: SRU.UN

Smart REITDelayed quote i**\$32.11**

Today's change

+0.02 +0.06%

P/E

Market cap

52-week range

18.689**4.13B**

Updated February 25 2:00 PM EST. Delayed by at least 15 minutes.

+ Indicators**+ Events****+ Comparisons****+ Style****+ Settings****Reset Chart**

1 day

5 days

10 days

1 month

3 months

6 months

9 months

YTD

1 year

3 years

5 years

10 years

max

custom timeframe

Smart REIT

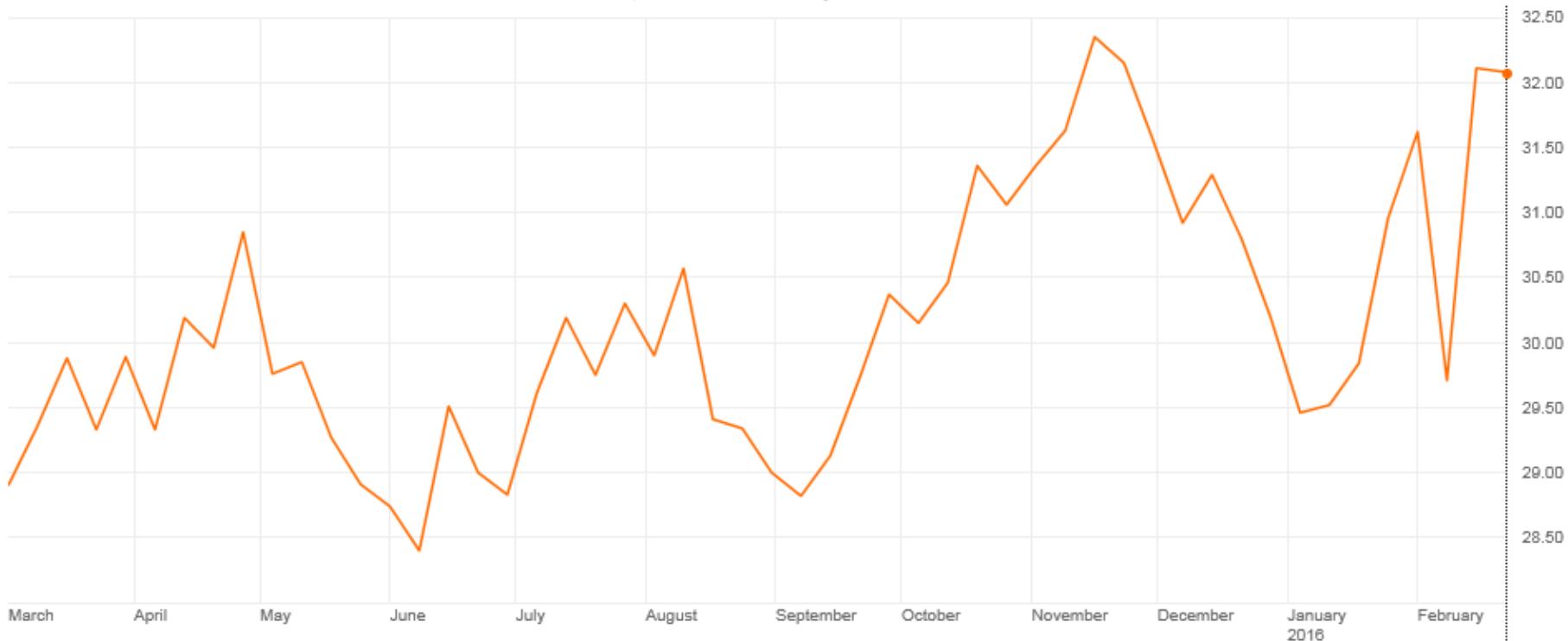
Date: 2/22/2016

Open: 32.15

High: 32.43

Low: 31.63

Close: 32.08



March April May June July August September October November December January February 2016

SFUSIMON FRASER UNIVERSITY
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1 YEAR (MONTHLY) & MA20

SMART REAL ESTATE INVESTMENT TR (SRU-UN.TO) - Toronto

32.59 +0.52(1.62%) 4:00PM EST





SMARTREIT

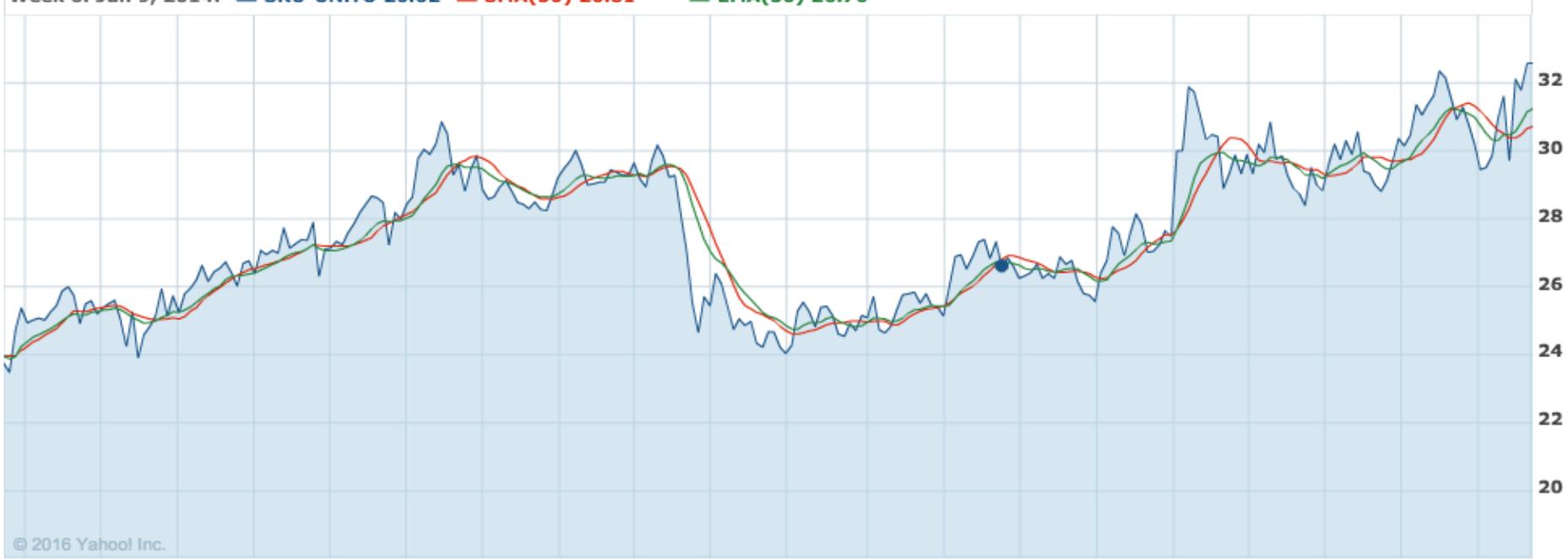
5 YEAR (WEEKLY) & MA50

SMART REAL ESTATE INVESTMENT TR (SRU-UN.TO) - Toronto

32.59 +0.52(1.62%) 4:00PM EST

Enter name or symbol GET CHART COMPARE EVENTS TECHNICAL INDICATORS CHART SETTINGS RESET

Week of Jun 9, 2014: ■ SRU-UN.TO 26.62 ■ SMA(50) 26.81 ■ EMA(50) 26.76



■ Volume: 170,940





SMARTREIT

1 YEAR VS S&P/TSX CAPPED REIT

32.83 -0.08 (-0.24%)

Mar 11 - Close
TSE data delayed by 15 mins - Disclaimer
Currency in CAD

Range 32.69 - 33.18 Div/yield 0.14/5.03
52 week 27.47 - 33.31 EPS 1.72
Open 33.00 Shares 128.81M
Vol / Avg. 153,506.00/306,200.00 Beta -0.01
Mkt cap 4.26B Inst. own -
P/E 19.11

G+1 1

S&P TSX 13,522.00 1.07%
SRU.UN 32.83 -0.24%

Compare: S&P TSX EMP.A CTC.A L RON RET.A PAR.UN MRT.UN CHP.UN TSE:XRE

Zoom: [1d](#) [5d](#) [1m](#) [3m](#) [6m](#) [YTD](#) [1y](#) [5y](#) [10y](#) [All](#)

Mar 16, 2015 - Mar 11, 2016

● TSE:XRE -5.87% ● SRU.UN +11.82%



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SMARTREIT

5 YEAR VS S&P/TSX CAPPED REIT

32.83 -0.08 (-0.24%)

Mar 11 - Close
TSE data delayed by 15 mins - Disclaimer
Currency in CAD

Range 32.69 - 33.18 Div/yield 0.14/5.03
52 week 27.47 - 33.31 EPS 1.72
Open 33.00 Shares 128.81M
Vol / Avg. 153,506.00/306,200.00 Beta -0.01
Mkt cap 4.26B Inst. own -
P/E 19.11

G+1 1

S&P TSX 13,522.00 1.07%
SRU.UN 32.83 -0.24%

Compare: S&P TSX EMP.A CTC.A L RON RET.A PAR.UN MRT.UN CHP.UN TSE:XRE

Zoom: [1d](#) [5d](#) [1m](#) [3m](#) [6m](#) [YTD](#) [1y](#) [5y](#) [10y](#) [All](#)

Mar 18, 2011 - Mar 11, 2016

● TSE:XRE +10.06% ● SRU.UN +38.22%



2011

2012

2013

2014

2015

SFU

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SMARTREIT

TRANSACTION HIGHLIGHTS



Transaction Highlights

1. Acquired a large, high quality portfolio of real estate
2. Created a fully-integrated real estate platform
3. Provides enhanced growth opportunities

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SMARTREIT

TRANSACTION HIGHLIGHTS

Calloway Then¹

CALLOWAY
REAL ESTATE INVESTMENT TRUST

1. 27.4M square feet of GLA
2. 129 properties
3. 98.6% occupancy
4. Weighted average lease term 6.7 years
5. 2.7M square feet of potential retail development²
6. \$7.2B of Total Assets
7. Best-in-class internal property and asset management capabilities



SmartREIT Now²

SMARTREIT[®]

1. 31.1M square feet of GLA
2. 150 properties
3. 98.7% occupancy
4. Weighted average lease term 6.9 years
5. 5.0M square feet of potential retail development³
6. \$8.5B of Total Assets
7. Fully-integrated property, asset development and leasing management capability
8. New Brand - Calloway rebranded itself SmartREIT, trading under a new ticker: SRU.UN, and leveraging SmartCentres' considerable brand equity and our new combined strengths



FINANCIAL TRANSACTION

- Purchase price within formal valuation range
- Approximately \$645.5 million of assumed debt at a weighted average interest rate of 2.5%
- Issuance of \$174.2 million in Class B LP units of SmartREIT subsidiary partnerships to certain vendors, exchangeable for REIT units on a one-for-one basis
- Net proceeds from an offering of \$230 million of subscription receipts in a bought-deal financing
- Remainder financed by cash on hand

TRANSACTION HIGHLIGHTS



SMARTREIT

Acquisition Properties Shopping Centres	Province	% Acquired	SmartREIT GLA at Share (SF 000s)			Occupancy		Major Tenants ¹
			In Place	Development	Future Earnout	Total		
Alliston SmartCentre	ON	100%	171	165	---	336	100%	Walmart Supercentre, Dollarama, Tim Hortons
Aurora North SmartCentre ²	ON	50% ²	249	---	8	257	100%	Walmart Supercentre, RONA, Best Buy, Golf Town, LCBO
Blainville SmartCentre	QC	100%	176	39	---	215	100%	Walmart Supercentre, Dollarama, Bulk Barn, BNS, RBC
Bracebridge SmartCentre	ON	100%	142	62	---	204	100%	Walmart Supercentre, Dollar Tree, Boston Pizza, Bulk Barn
Bradford SmartCentre	ON	100%	238	184	---	422	100%	Walmart Supercentre, GoodLife Fitness, Dollarama, CIBC
Brampton SmartCentre (II)	ON	100%	38	---	---	38	100%	No Frills
Brampton Northeast SmartCentre	ON	100%	210	48	---	258	100%	Walmart Supercentre, GoodLife Fitness, LCBO, CIBC
Cornwall SmartCentre	ON	100%	164	32	---	196	100%	Walmart Supercentre, Dollar Tree
Laval Centre SmartCentre	QC	100%	160	102	---	262	100%	Walmart Supercentre
Markham East SmartCentre	ON	40%	69	---	69	138	100%	Walmart Supercentre, Dollar Tree, CIBC
Mascouche North SmartCentre	QC	100%	51	61	---	112	100%	Jean Coutu, Structube, McDonald's, Bulk Barn
Mississauga (Go Lands) SmartCentre	ON	50% ³	56	---	3	59	100%	Toys R Us, Marshalls, Dollarama
Montreal Premium Outlet (Mirabel)	QC	25% ⁴	91	---	25	116	90%	Hudson's Bay Outlet, Polo, Old Navy, Nike
Oakville SmartCentre	ON	100% ⁵	445	---	110	555	100%	Walmart Supercentre, Loblaws, CIBC, The Beer Store
Oshawa North SmartCentre (II)	ON	100%	160	---	20	180	100%	Home Outfitters, Winners, PetSmart, Party Packagers
Oshawa South SmartCentre	ON	50% ²	268	---	9	277	100%	Walmart Supercentre, Lowe's, Sail, CIBC, Dollarama
Port Elgin SmartCentre	ON	100%	116	---	---	116	100%	Walmart Supercentre
Stoney Creek SmartCentre	ON	100%	263	100	---	363	100%	Walmart Supercentre, Toys R Us, Dollar Tree, CIBC
Sylvan Lake SmartCentre	AB	100%	125	125	---	250	100%	Walmart Supercentre, Dollarama
Vaudreuil SmartCentre	QC	100%	15	39	---	54	100%	Brunet, Coco Fruitti
Vaughan Northwest SmartCentre	ON	100%	163	344	---	507	100%	Walmart Supercentre, CIBC
Waterloo SmartCentre	ON	100%	181	76	---	257	100%	Walmart Supercentre, Value Village, Mark's, Dollarama
Total - Shopping Centres			3,551	1,376	244	5,172	99.7%	



SMARTREIT

PLATFORM FOR GROWTH

PREMIUM OUTLETS

- Toronto Premium Outlet
- Premium Outlook
- Montreal

INCOME PRODUCING PROPERTIES

- 107 Walmart Anchored Centers
- 30.5 Million Sq. ft of income producing property



MIX-USE DEVELOPMENT

Vaughn
Metropolitan Center

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KEY DEVELOPMENT AREA



SMARTREIT



1. Vaughan Metropolitan Centre
2. Westside Mall
3. StudioCentre
4. Toronto Premium Outlets



SMARTREIT

PREMIUM OUTLET





Premium Outlet

- Toronto Premium Outlets (Halton Hills)
 - JV with Simon Property Group
 - 500,000 SF when all phases are completed
 - Phase I opened August 1, 2013
 - Stabilized yield will be in the double digits
- Montreal Premium Outlets (Mirabel)
 - JV with Simon Property Group
 - Phase I - 350,000 SF
 - Opened October 30, 2014
 - Additional 75 acres of potential retail development adjacent to the site
- Actively sourcing other locations



SMARTREIT

COMPANY OVERVIEW - 2015

- One of Canada's premier REITs
- **\$4.8 billion equity capitalization**
(unit price of \$31.16 as of February 9, 2016)
- **\$8.5 billion total asset value**
- 139 shopping centres across Canada
- 31.1 million square feet of owned GLA
- 72% of our properties are anchored by Walmart



SMARTREIT

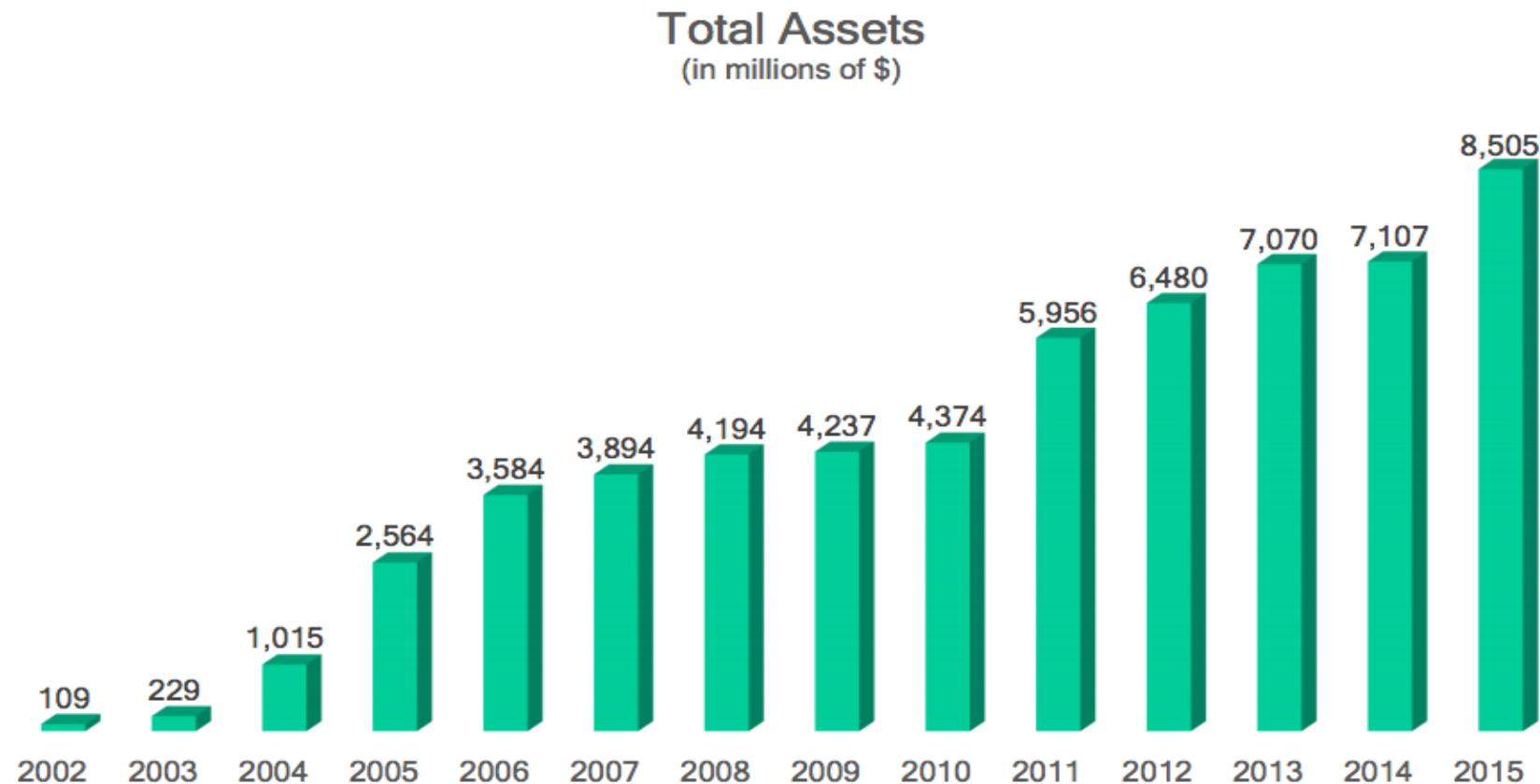
SOLID PERFORMANCE

- 98.7% occupancy
- Portfolio increased in value by \$1.4 billion to \$8.5 billion over 2014
- FFO per unit increased by 7.7% over 2014
- 2015 tenant retention of 75% at an average rental increase of 6.6%
- Montreal Premium Outlets opened to strong consumer response and construction of the first phase of the Vaughan Metropolitan Centre now largely complete



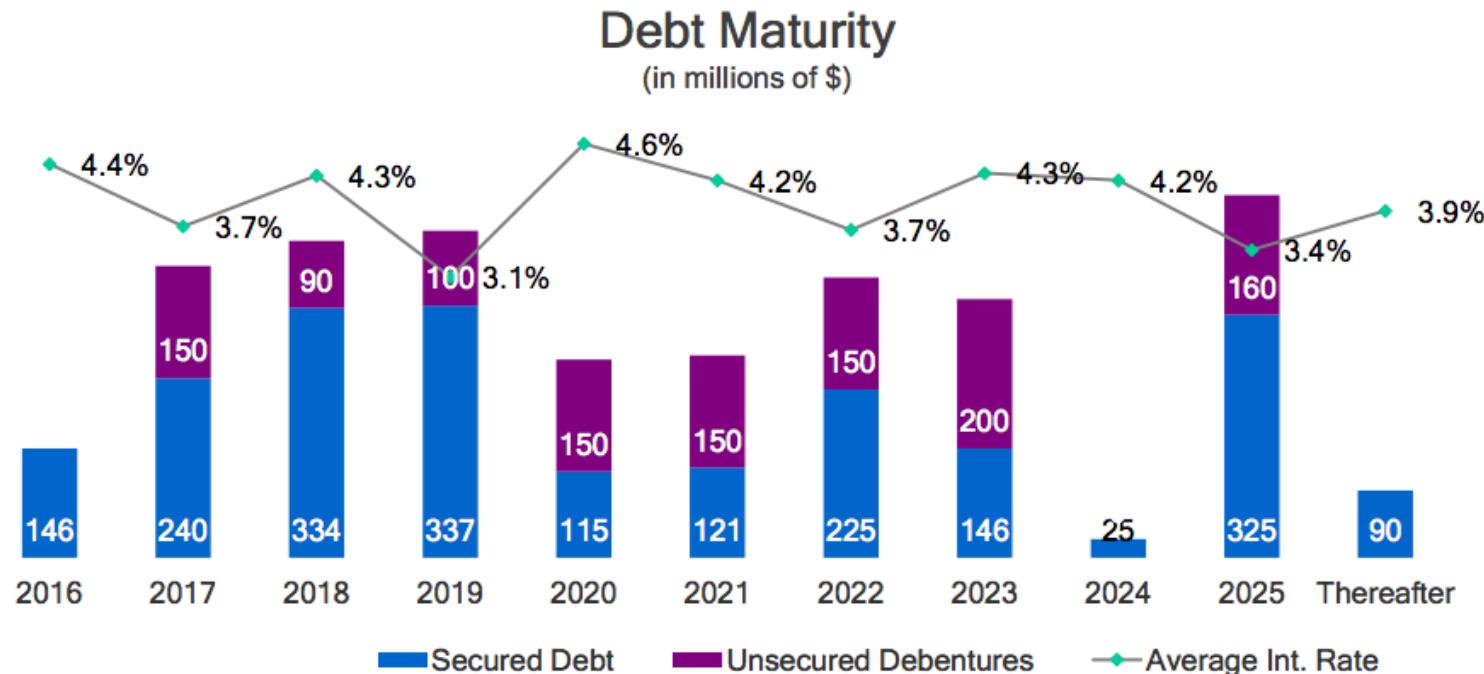
GROWTH IN TOTAL ASSET

- 39.8% CAGR since 2002





DEBT Maturity



- Lower interest costs on refinancing available with 10 year unsecured rates around 4% and secured rates well below that
- Interest Coverage: 3.0X Target: 2.5 - 2.75X
- Debt to EBITDA: 8.4X Target: 7.25 - 7.5X
- Debt to GBV: 52.2% Target: 50 - 60% long-term trend to continue to de-lever
- Unencumbered pool: \$2.5 billion (2.1X) Target: 1.5X unsecured coverage
- Weighted Avg Interest Rate (Secured Debt): 3.87%
- Weighted Avg Term to Maturity (Secured Debt): 5.7 yrs
- DBRS rating of BBB with a Stable trend



SMARTREIT

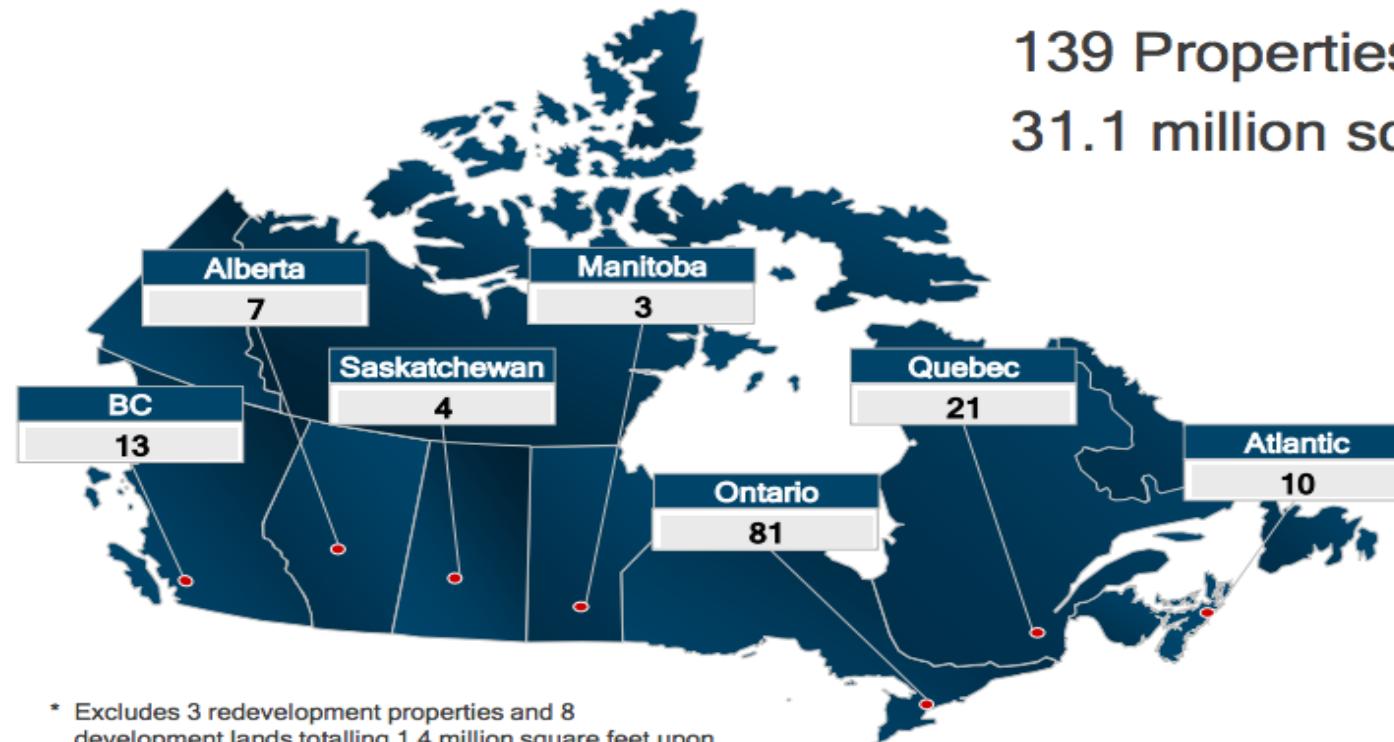
LEVERAGE PORTFOLIO

	Dec. 31 2013	Dec. 31 2014	Dec. 31 2015
Debt to Aggregate Assets	43.8%	42.8%	44.7% ⁽¹⁾
Secured Debt to Aggregate Assets	28.1%	24.7%	31.2% ⁽²⁾
Unencumbered Assets	\$1.5B	\$2.4B	\$2.5B
Debt to Adjusted EBITDA	8.1X	7.4X	8.4X ⁽¹⁾
Interest Coverage	2.5X	2.7X	3.0X
Liquidity: Cash Resources	\$338M	\$324M	\$345M
Weighted Average Interest Rate ⁽³⁾	5.17%	5.03%	3.87%
Weighted Average Term to Maturity ⁽³⁾	5.5 yrs	5.3 yrs	5.4 yrs



SMARTREIT

PROPERTY PORTFOLIO



139 Properties*
31.1 million square feet*

* Excludes 3 redevelopment properties and 8 development lands totalling 1.4 million square feet upon completion and an additional 3.5 million square feet of development density associated with existing centres

- 72% of our sites are Walmart anchored or shadow-anchored (85% by total area)
- High % of the portfolio focused in Ontario, Quebec and BC, which are Canada's fastest growing provinces



PROPERTY PORTFOLIO

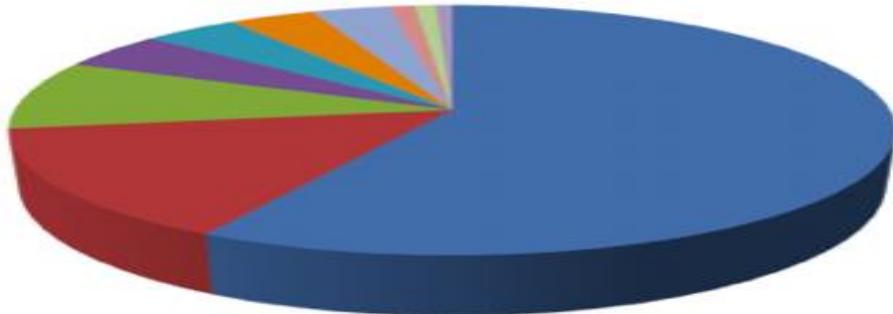
- 31.1 million square feet of shopping centre space
- Average age: 12 years (youngest in the industry)
 - Low capital expenditures
- Coast to coast locations
 - 84% are urban or near urban markets
- Virtually 100% of sites contain both a food store and a pharmacy, either in a Walmart store or independently
- Strong value orientation

Results in high degree of stability:

- 98.7% occupancy as at December 31
- Average occupancy of 99.1% since 2005



PROPERTY PORTFOLIO

Gross Area by Province

- 1 – Ontario – 55.6%
- 2 – Quebec – 14.5%
- 3 – British Columbia – 9.9%
- 4 – Alberta – 4.7%
- 5 – Saskatchewan – 4.5%
- 6 – Manitoba – 4.2%
- 7 – Newfoundland and Labrador – 3.7%
- 8 – Nova Scotia – 1.2%
- 9 – New Brunswick – 1.0%
- 10 – Prince Edward Island – 0.7%

**Gross Revenues by Province
of the Property Portfolio**

- 1 – Ontario – 60.0%
- 2 – Quebec – 14.7%
- 3 – British Columbia – 9.2%
- 4 – Manitoba – 3.8%
- 5 – Saskatchewan – 3.5%
- 6 – Alberta – 3.5%
- 7 – Newfoundland and Labrador – 3.0%
- 8 – Nova Scotia – 1.0%
- 9 – New Brunswick – 0.8%
- 10 – Prince Edward Island – 0.5%

The Property Portfolio is comprised almost exclusively of retail properties and developable lands for retail and mixed use purposes. As at December 31, 2015, substantially all of the gross rental revenue was derived from retail properties containing an aggregate of 31,054,845 square feet. The occupancy rate for the Property Portfolio as at December 31, 2015 was 98.7%.

MAJOR TENANT



SMARTREIT



LCBO



WINNERS®

Marshalls.



sobeys

Mark's

LOWE'S

SFU

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PROPERTY PORTFOLIO CONTINUED

The following table illustrates the top ten tenants for SmartREIT's Property Portfolio as at December 31, 2015, in terms of their percentage contribution to gross rental revenues of SmartREIT's Portfolio:

Tenant	Number of Stores	% of Gross Rental Revenues	Average Remaining Lease Term	DBRS Credit Rating
Walmart	94	26.9	8.8	AA
Canadian Tire, Mark's and FGL Sports	69	4.7	6.7	BBB (high)
Winners, Homesense and Marshalls	43	3.6	5.8	
Reitmans	109	2.5	3.3	
Best Buy	27	2.3	3.2	
Loblaw and Shoppers Drug Mart	19	2.3	6.9	BBB
Sobeys	15	2.2	6.6	BBB (low)
RONA	7	2.0	7.6	BB (high)
Michaels	24	1.6	4.8	
Staples	23	1.4	2.9	
Total		49.5	7.7	



SMARTREIT

PROPERTY PORTFOLIO CONTINUED

- 72% of our sites are Walmart anchored or shadow-anchored (85% by total area)
- 92% of our tenants are national
- Our top ten tenants generate 50% of our revenue
- Adding exciting new tenants all the time

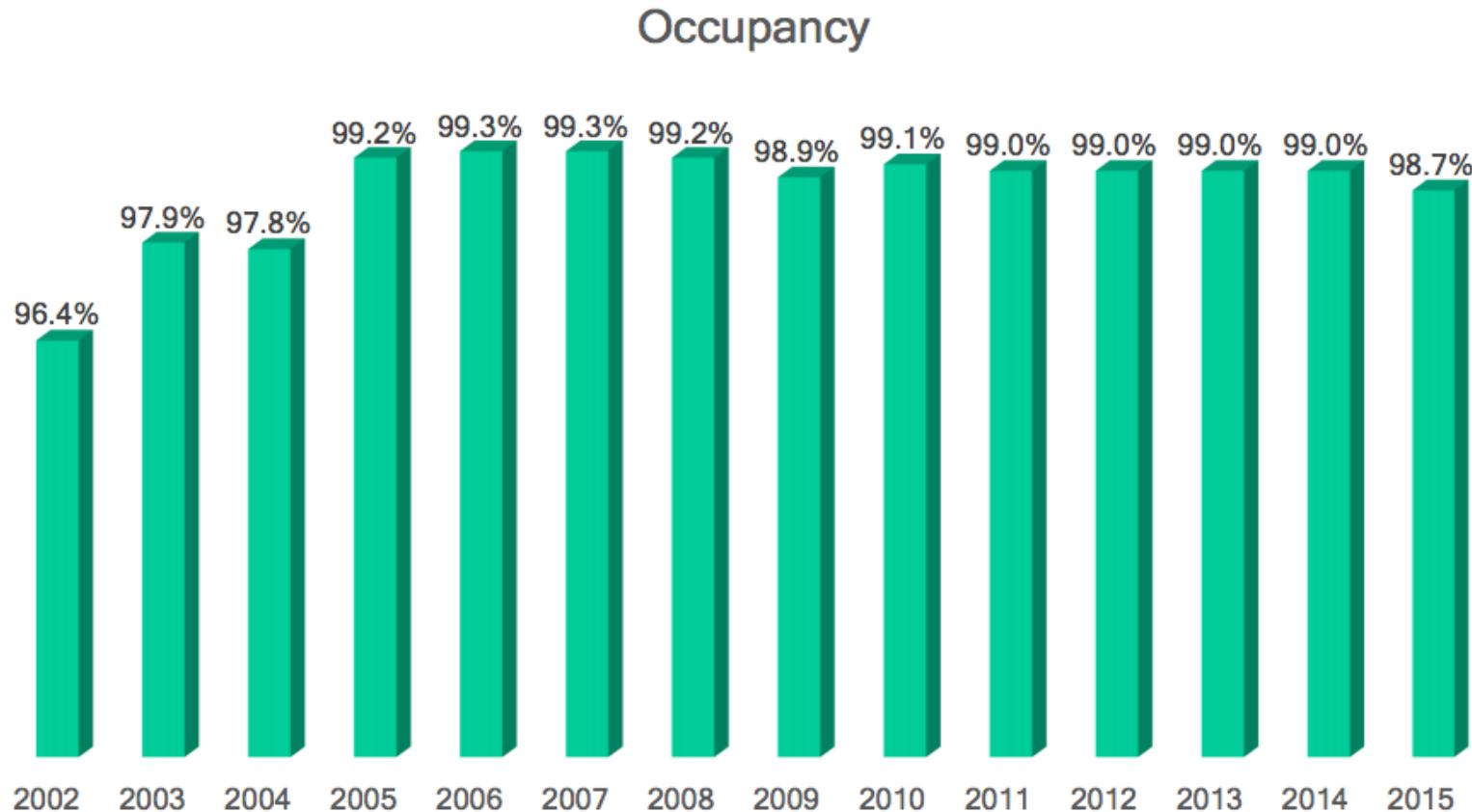
Results in:

- 75% tenant retention as for 2015 renewals, representing 1.1 million square feet
- 6.6% average rental uplifts



OCCUPANCY RATE

- 99.1% average occupancy since 2005



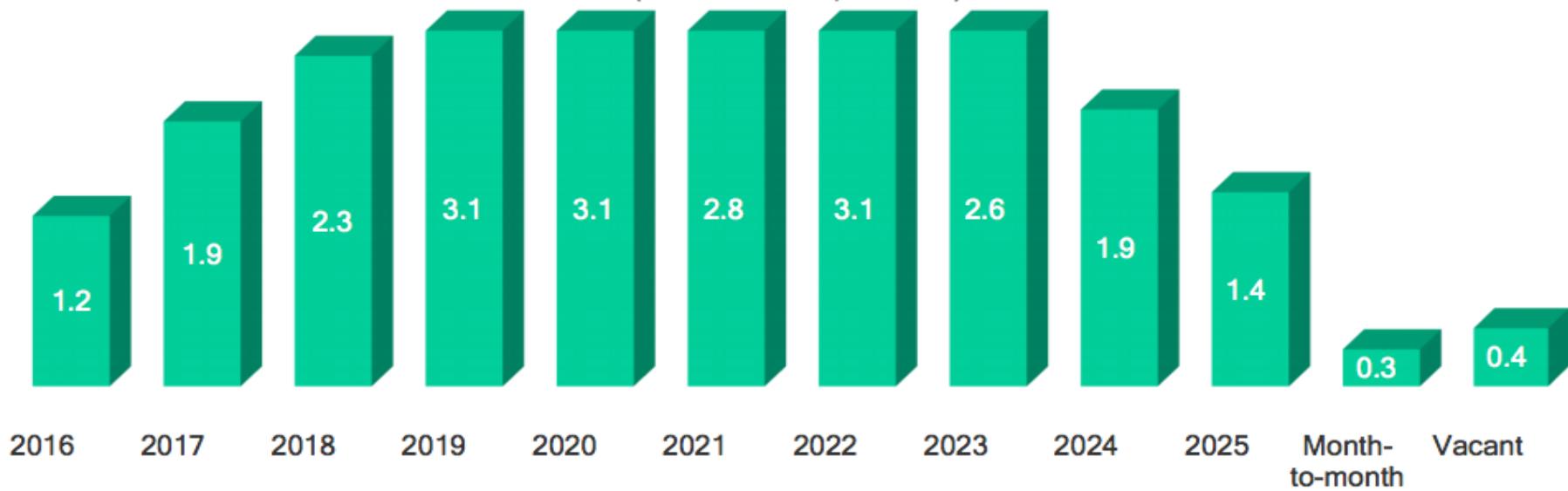


LONG TERM STABILITY

- Average lease term of 6.9 years
- Average remaining lease term of 8.8 years for Walmart, with multiple renewal options of up to 80 years
- Average remaining lease term excluding Walmart is 5.4 years
- 2015 average retention rate at 75% and lifts on renewals of 6.6%
- Average “same property” NOI growth is 1.0% to 1.5% p.a.

Lease Maturity by Area

(in millions of square feet)



✓ Average roll of 2.2 million square feet annually (7.2% of total GLA per year)

- Unitholders who elect to participate will see their monthly cash distributions automatically reinvested in units of SmartREIT at a price equal to 97% of the average TSX market price over the 10 business days preceding the monthly distribution date.

GROWTH STRATEGY

- Leasing
- Developments, Earn outs and Mezzanine finance
- Redevelopment
- Acquisition
- Professional Management



SMARTREIT

MANAGEMENT PROFILE



SMARTREIT

CHIEF EXECUTIVE OFFICER: Huw Thomas



- President, CEO and Trustee since 2013
- Served as several senior financial roles at Canadian Tire including CFO
- Bachelor of science degree in Economic in University of London

CHIEF FINANCIAL OFFICER: PETER SWEENEY



SMARTREIT



- Appointed CFO on June 17th, 2014
- Pricewaterhouse alumus
- Chartered Accountant
- Graduate from
- Ryerson University



CHIEF OPERATIONAL OFFICER: PETER FORDE



- Appointed COO on 1st June, 2015
- 10-year COO experience at SmartCenter Management Inc.
- Professional Accountant
- Bachelor Degree of Business Administration of York University



SMARTREIT

Financial Information



BALANCE SHEET

As at December 31, 2015 and December 31, 2014
(in thousands of Canadian dollars)

	Note	2015	2014
Assets			
Non-current assets			
Investment properties	4	8,016,247	6,696,487
Mortgages and loans receivable	5	143,499	184,151
Investment in associates	6	107,548	100,179
Other assets	7	83,268	76,542
Intangible assets	8	53,126	—
		8,403,688	7,057,359
Current assets			
Current portion of mortgages and loans receivable	5	48,362	7,701
Amounts receivable, prepaid expenses and deferred financing costs	9	31,617	22,091
Cash and cash equivalents	18	21,336	20,252
		101,315	50,044
Total assets		8,505,003	7,107,403
Liabilities			
Non-current liabilities			
Debt	10	3,560,677	2,574,012
Other payables	11	18,179	17,049
Other financial liabilities	12	39,517	40,347
		3,618,373	2,631,408
Current liabilities			
Current portion of debt	10	229,847	427,688
Accounts and other payables	11	174,212	141,883
		404,059	569,571
Total liabilities		4,022,432	3,200,979
Equity			
Trust Unit equity		3,693,085	3,299,986
Non-controlling interests		789,486	606,438
		4,482,571	3,906,424
Total liabilities and equity		8,505,003	7,107,403



INCOME STATEMENT

For the years ended December 31, 2015 and 2014
(in thousands of Canadian dollars)

	Note	2015	2014
Net rental income			
Rentals from investment properties	16	668,653	605,794
Property operating costs		(231,726)	(211,015)
Net rental income		436,927	394,779
Other income and expenses			
Service and other revenues	8	9,006	2,025
Other expenses	8,17	(8,974)	(2,025)
General and administrative expense	17	(19,434)	(12,432)
Earnings from associates	6	1,597	5,226
Fair value gain on revaluation of investment properties	22	32,835	25,458
Loss on sale of investment properties		(17)	(853)
Interest expense	10(e)	(143,959)	(152,496)
Interest income		11,995	11,260
Fair value gain (loss) on financial instruments	22	531	(7,234)
Acquisition costs	8	(1,018)	—
Net income and comprehensive income		319,489	263,708
Net income and comprehensive income attributable to:			
Trust Units		269,167	226,541
Non-controlling interests		50,322	37,167
		319,489	263,708



SMARTREIT

RENTALS FROM INVESTMENT PROPERTY

Rentals from investment properties consist of the following:

	2015	2014
Gross base rent	444,473	403,860
Less: Amortization of tenant incentives	(5,291)	(4,596)
Net base rent	439,182	399,264
Property operating costs recovered	217,949	197,649
Miscellaneous revenue	11,522	8,881
	668,653	605,794



CONSOLIDATED STATEMENT OF CASH FLOW

For the years ended December 31, 2015 and 2014
(in thousands of Canadian dollars)

	Note	2015	2014
Cash provided by (used in)			
Operating activities			
Net income for the year		319,489	263,708
Add (deduct): Items not affecting cash			
Fair value gain on revaluation of investment properties	22	(32,835)	(25,458)
Fair value (loss) gain on financial instruments	22	(531)	7,234
Loss on sale of investment properties		17	853
Earnings from associates, net of distributions	6	(1,019)	(4,461)
Amortization of equipment	7	565	443
Amortization of acquisition date fair value adjustments on assumed debt	10(e)	(2,828)	(1,530)
Amortization of intangible assets	8,17	792	—
Accretion of convertible debentures	10(e)	354	721
Amortization of deferred financing costs	10(e)	4,339	4,332
Amortization of tenant incentives	16	5,291	4,596
Distributions relating to vested deferred units classified as liabilities	12(d)	1,016	1,024
Distributions relating to LP Units classified as liabilities	15	796	486
Capital lease obligation interest		450	99
Straight-line rent adjustments		(2,150)	(2,810)
Deferred unit compensation expense	12(d)	1,967	1,002
Long Term Incentive Plan expense	11	2,165	259
Yield maintenance on redemption of unsecured debentures	10(e)	10,810	13,367
Redemption of deferred units	12(d)	(6,801)	(104)
Expenditures on direct leasing costs		(5,824)	(3,573)
Expenditures on tenant incentives for properties under development		(4,959)	(6,891)
Changes in other non-cash operating items	18	5,144	(12,648)
		296,248	240,649



CONSOLIDATED STATEMENT OF CASH FLOW

Financing activities

Proceeds from issuance of unsecured debentures – net of issuance costs	10(c)	158,800	348,181
Repayment of unsecured debentures including yield maintenance on redemption	10(c)	(260,810)	(213,367)
Redemption of convertible debentures	10(d)	(3,312)	—
Proceeds from revolving operating facility	10(b)	196,000	17,000
Revolving operating facility repayments	10(b)	(203,000)	—
Proceeds from issuance of Trust Units – net of issue costs	14	225,274	(87)
Proceeds from issuance of secured debt		596,300	57,500
Secured debt and other debt repayments		(294,854)	(243,750)
Distributions paid on Trust Units		(161,784)	(153,247)
Distributions paid on non-controlling interests and LP Units classified as liabilities		(36,005)	(29,837)
Expenditures on financing costs		(3,490)	(2,339)
		213,119	(219,946)

Investing activities

Acquisitions and Earnouts of investment properties	3	(394,317)	(81,915)
Acquisition of Penguin platform	8	(55,679)	—
Additions to investment properties	4	(60,655)	(76,876)
Additions to investment in associates	6	(6,350)	(18,180)
Additions to equipment	7	(199)	(28)
Advances of mortgages and loans receivable	5	(9,786)	—
Repayments of mortgages and loans receivable	5	17,862	37,444
Net proceeds from sale of investment property		841	38,881
		(508,283)	(100,674)
Increase (decrease) in cash and cash equivalents during the year		1,084	(79,971)
Cash and cash equivalents – beginning of year		20,252	100,223
Cash and cash equivalents – end of year		21,336	20,252



CONSOLIDATED STATEMENT OF EQUITIES

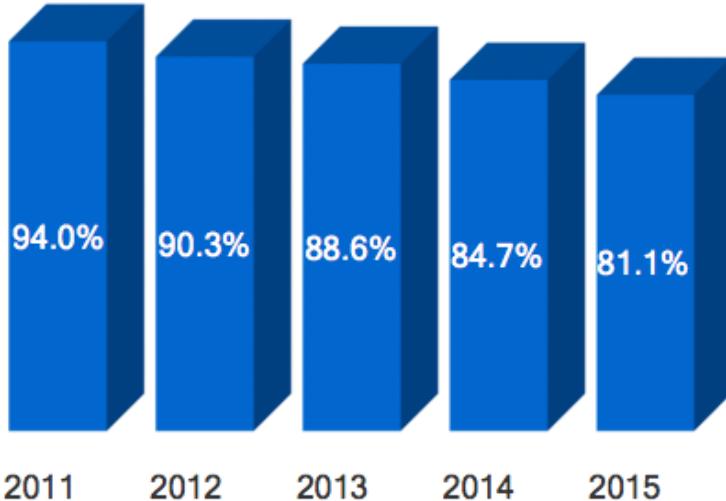
For the years ended December 31, 2015 and 2014
(in thousands of Canadian dollars)

	Attributable to Unitholders			Attributable to LP Units Classified as Non-Controlling Interests			Other Non- Controlling Interest	Total Equity
	Trust Units (Note 14)	Retained Earnings	Unit Equity	LP Units (Note 14)	Retained Earnings	Total		
Equity – January 1, 2014	2,239,123	982,588	3,221,711	438,995	140,947	579,942	2,838	3,804,491
Issuance of Units	34,481	—	34,481	15,995	—	15,995	—	50,476
Net income for the year	—	226,541	226,541	—	36,820	36,820	347	263,708
Contributions by other non-controlling interest	—	—	—	—	—	—	10	10
Distributions for the year (Note 15)	—	(182,747)	(182,747)	—	(29,106)	(29,106)	(408)	(212,261)
Equity – December 31, 2014	2,273,604	1,026,382	3,299,986	454,990	148,661	603,651	2,787	3,906,424
Equity – January 1, 2015	2,273,604	1,026,382	3,299,986	454,990	148,661	603,651	2,787	3,906,424
Issuance of Units	322,774	—	322,774	169,092	—	169,092	—	491,866
Net income for the year	—	269,167	269,167	—	49,953	49,953	369	319,489
Distributions for the year (Note 15)	—	(201,957)	(201,957)	—	(36,085)	(36,085)	(281)	(238,323)
Units exchanged (Note 12 and 14)	3,115	—	3,115	—	—	—	—	3,115
Equity – December 31, 2015	2,599,493	1,093,592	3,693,085	624,082	162,529	786,611	2,875	4,482,571



AFFO PAYOUT RATIO

AFFO Payout Ratio



- ✓ Distribution fully funded from operating cashflow
- ✓ Efficient capital allocation
- ✓ Efficient and transparent distribution

\$ per unit

FFO	1.70	1.79	1.85	1.95	2.10
AFFO	1.65	1.71	1.75	1.84	1.99
Distributions	1.55	1.55	1.55	1.56	1.61

- Management and the Board have endorsed a target payout range of 77% to 82% as of February 2016
- Management expects the payout ratio to remain in the high 70% to low 80% range
- Annual distribution increased in 2014 to \$1.60 from \$1.55, representing a 3.4% increase, with a further increase in October 2015 to \$1.65, representing a 3.125% increase

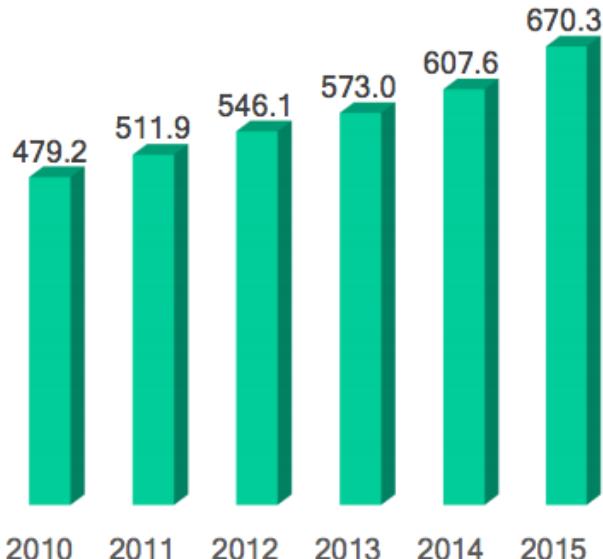
GROWTH IN RENTAL REV & AFFO SINCE 2010



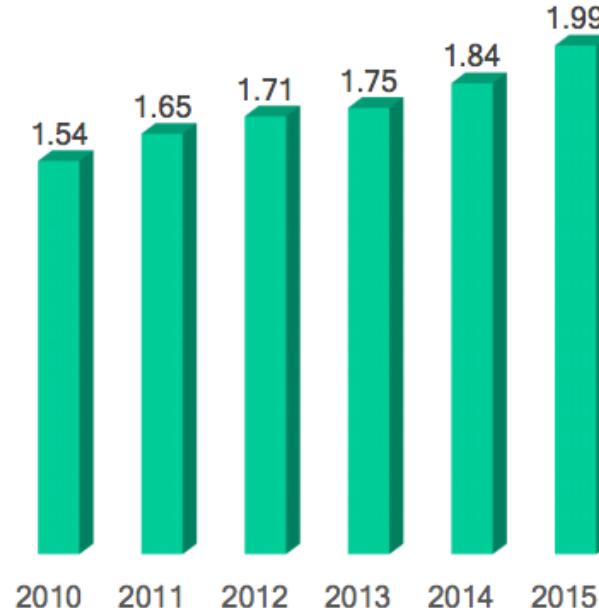
SMARTREIT

- 6.9% CAGR since 2010
- 5.3% CAGR since 2010

Rental Revenue
(in millions of \$)



AFFO / Unit





SMARTREIT

Recommendation:

Hold

THANK YOU
