

# BUS417 Presentation Draft

(Canadian REITS)

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# What are REITs?

## (1) REIT: Real Estate Investment Trusts

- A company that owns/finances a pool of income-generating real estates

## (2) Similar to Mutual Funds

- Pool capital into real estates → regular income streams, diversification, long-term capital appreciation
- investors: be able to invest in large-scale properties: purchase of stocks

## (3) Typically pay-out a majority of their taxable income as dividend

- Investors receive high dividend yield

# Evolution of REITs

1960

- REIT was created when President Eisenhower signs Cigar Excise Tax Extension on Sept 14
- The National Association of Real Estate Investment Funds (NAREIT's predecessor) incorporated on Sept 15

1965

- Continental Mortgage Investors becomes the first REIT to be listed on the New York Stock Exchange.

1972

- NAREIT REIT Index debuts as the first REIT Index available to investors

# Evolution of REITs Cont.

1976

- President Ford signs first package of REIT simplification amendments, allowing REITs to be established as corporations in addition to business trusts

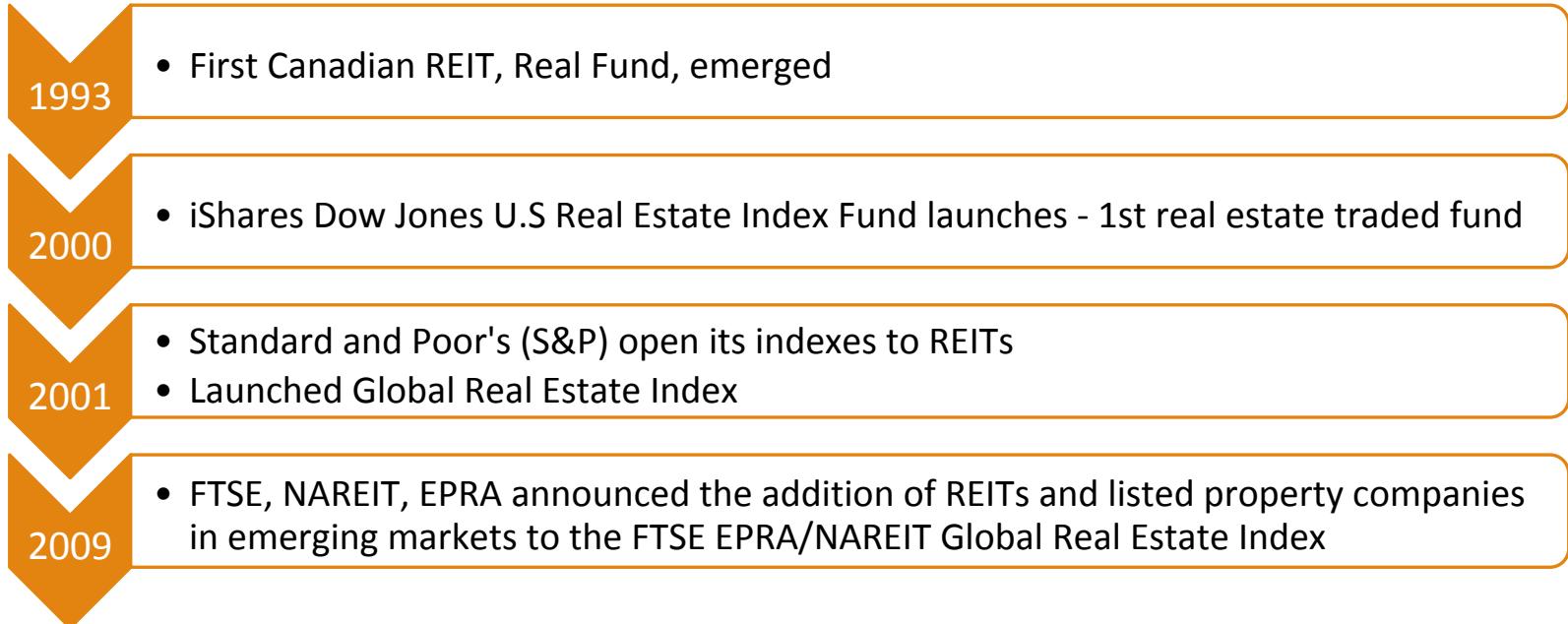
1986

- President Reagan signs the Tax Reform Act
  - Prevent taxpayers from using partnerships to shelter earnings from other sources
  - REITs to be internally advised and managed

1991

- NAREIT adopts FFO

# Evolution of REITs Cont.



# How REITs Operate

Investors purchase shares in REITs

- Rely upon external funding as key source of capital

REIT acquires properties

- Funds used to buy, develop and manage real estate assets

Income is generated

- Income is generated through renting, leasing or selling of property

REIT pays distribution

- Required to distribute 90% of their taxable income to investors. Distributes among shareholders as a percentage of paid-out taxable income on a regular basis

# Types of REITs

## Equity REITs (EREITs)

- invest directly in real estate properties
- may focus on commercial office space, properties for health care and storage spaces
- generate revenue based upon the rent received from those properties
- 90% of all REITs

## Mortgage REITs (MREITs)

- invest in property mortgages
- may buy mortgage-backed securities (MBS) or even offer mortgages directly to property owners
- income: interest received on the mortgages or from price appreciation in the value of the MBS

## Hybrid REITs

- Combination of both EREITs and MREITs
- Own properties and make loans
- Earn money through combination of rents and interests
- the smallest percentage of the REIT sector

# How to Purchase REITs

## Publicly Traded

- Registered with Security and Exchange Commission (SEC) and traded in major stock exchanges
- Simple for investors to buy and sell
- Great liquidity

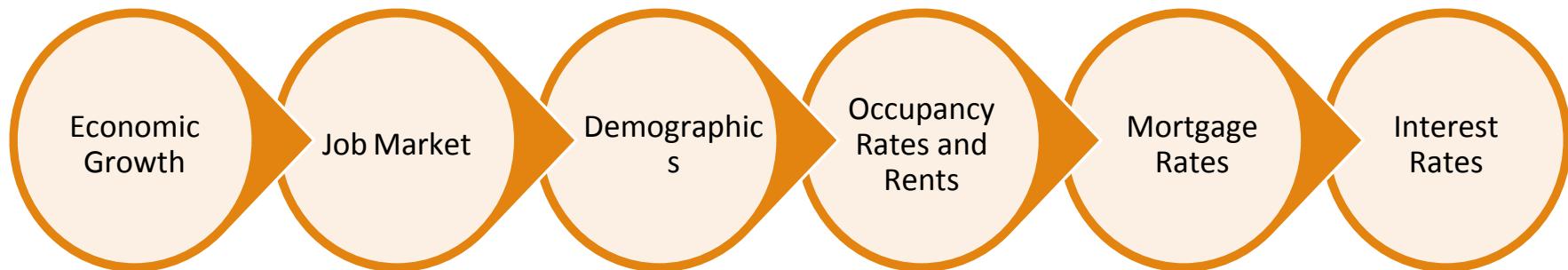
## Non-Exchange Traded

- Registered with SEC but not traded on any public exchanges
- They have private sponsors who market them to investors
- Relative stability, but illiquid

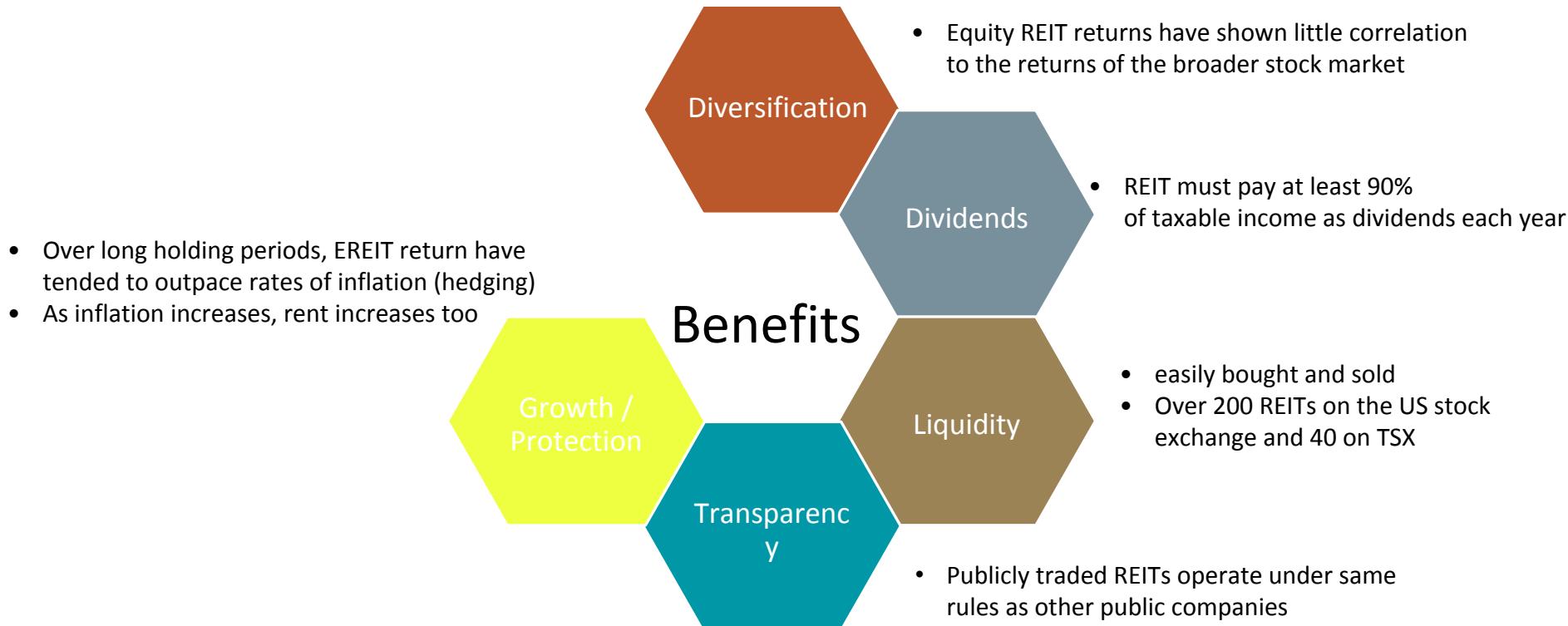
## Private

- Neither registered nor traded on SEC
- Raise equity from individuals, trusts, or other entities ( accredited under federal securities law)
- Less regulations – only guidelines to maintain REIT status

# Factors Driving REIT Earnings



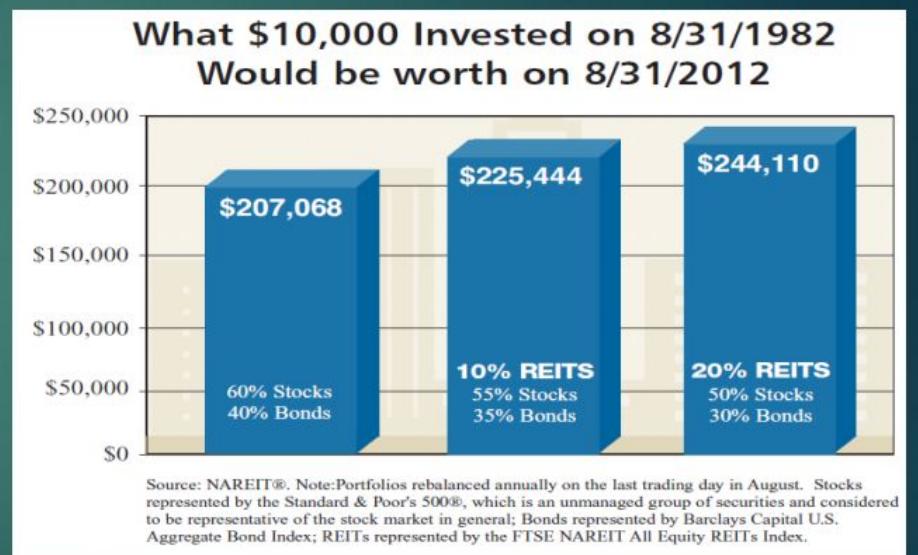
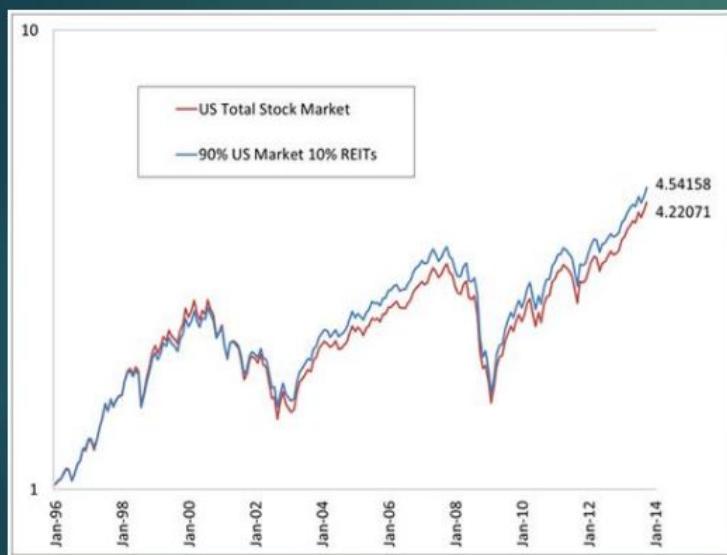
# REITs: Investment Advantages



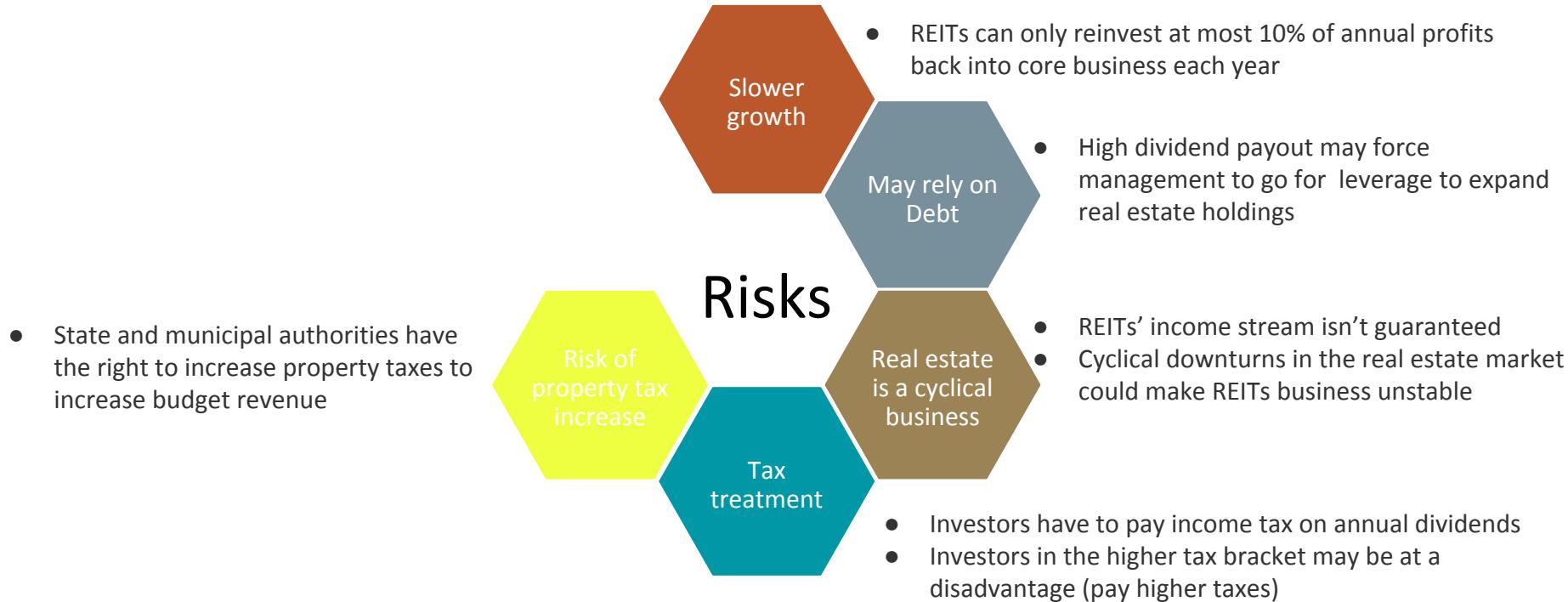
# Benefits of Diversification



# Benefits of Diversification



# Risks of Investing in REITs



# Globalization

## Countries and Regions that Have Adopted the U.S. REIT Approach



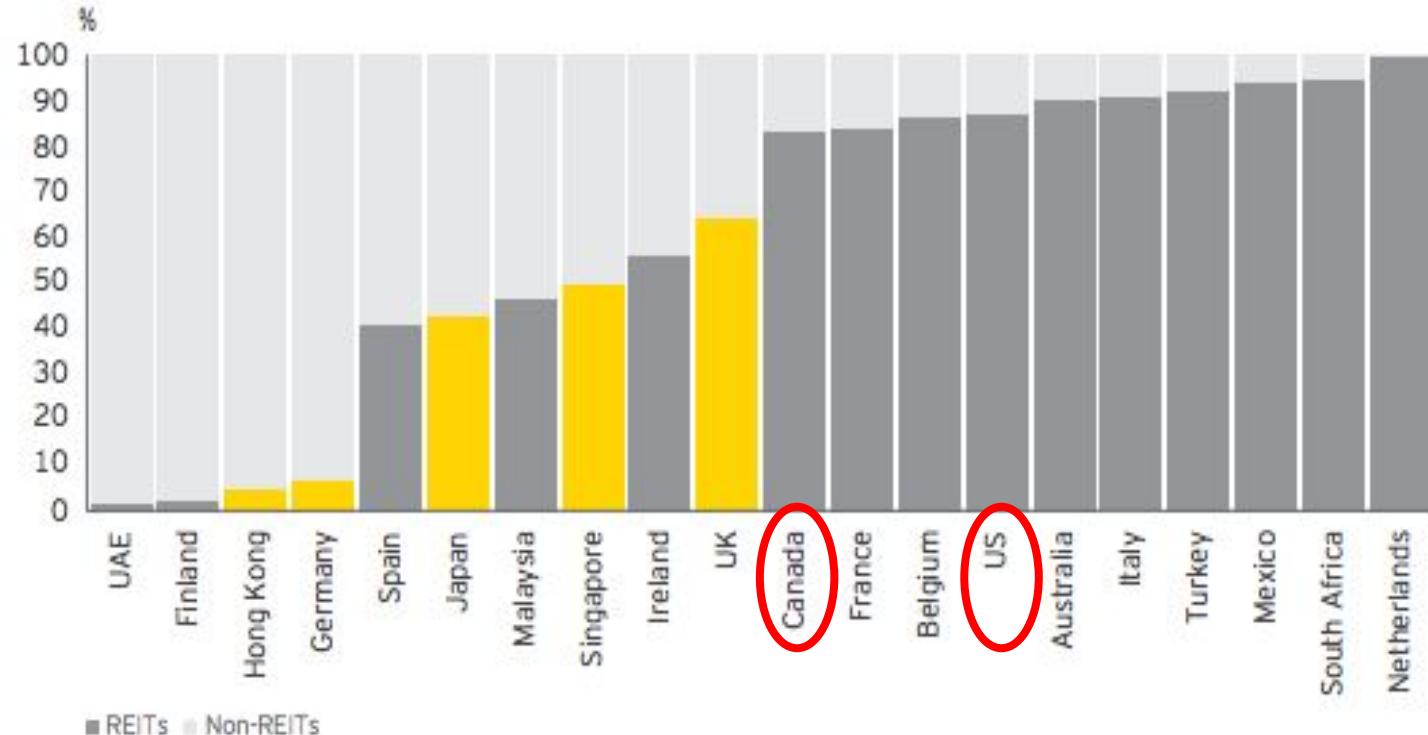
# Global REIT Industry

Global Evolution of REIT					
1960-1970	1971-1980	1991-2000	2001-2010	2011-2016	Under consideration
USA	Australia	Canada	South Korea	Hungary	China
Netherlands		Belgium	France	Ireland	Indonesia
New Zealand		Brazil	Hong Kong	South Africa	Malta
Taiwan		Turkey	Bulgaria	Kenya	Nigeria
		Singapore	Malaysia	Bahrain	Poland
		Japan	Thailand	India	Saudi Arabia
		Greece	Costa Rica	Vietnam	Sweden
			Israel		Tanzania
			Germany		
			Italy		
			UK		
			Pakistan		
			Finland		
			Spain		
			Mexico		
			Philippines		
			UAE		

- The major growth of REITs happened only after 2000
- With the introduction of REITs in most of the countries, the global listed real estate witnessed astonishing growth

# Global – Market Cap (2016)

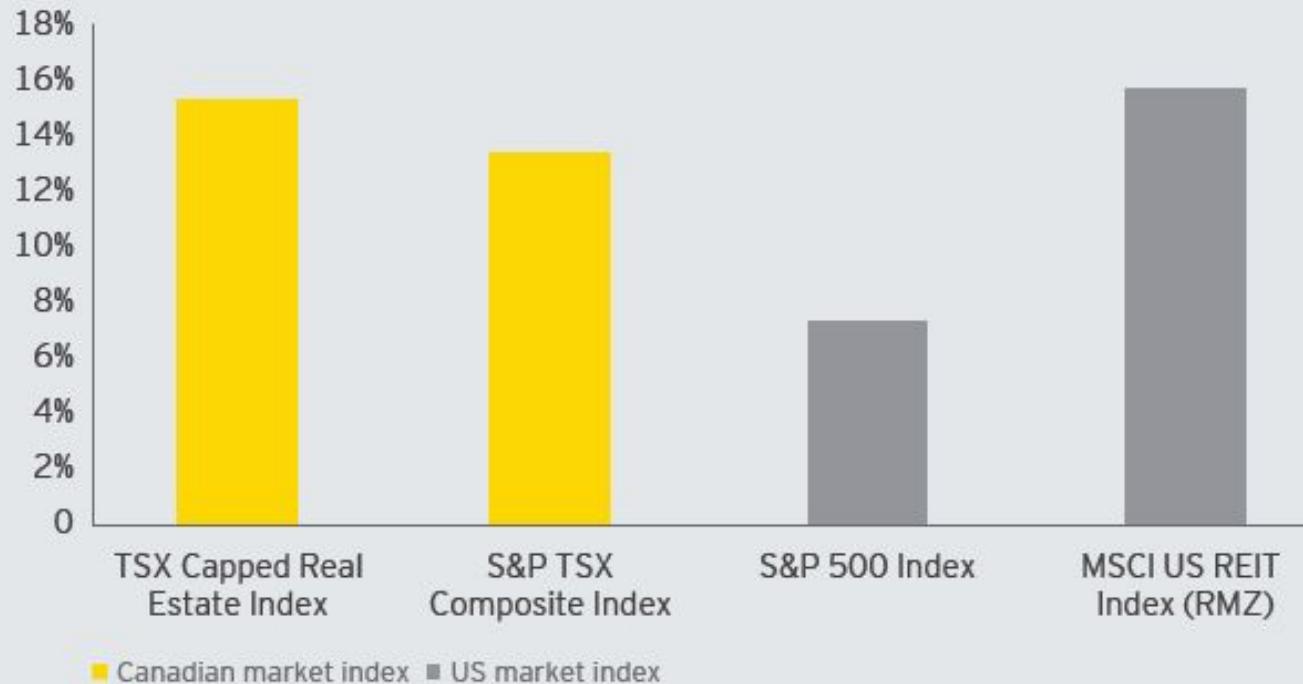
Figure 6: REIT market cap as a percentage of listed real estate market cap



Source: SNL Financial

# Canadian REITs v. U.S. REITs (July 2016)

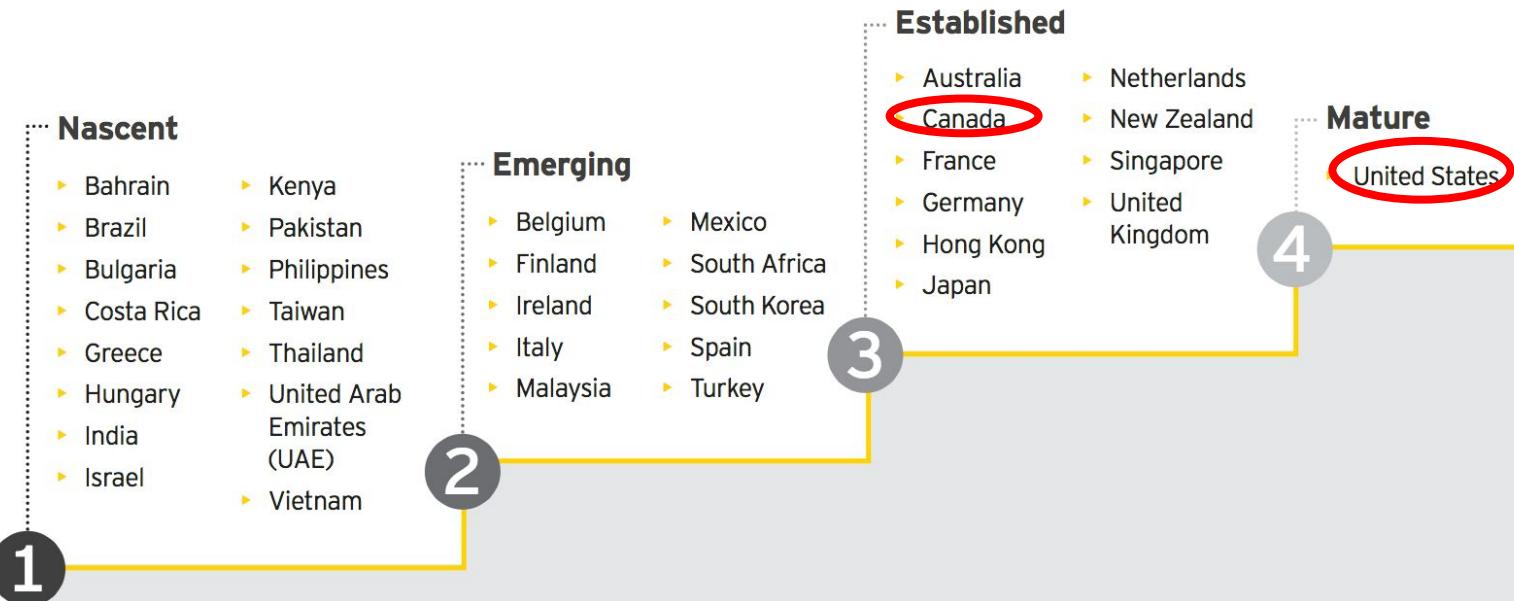
Figure 2: Canada REIT total returns vs. broad markets  
(YTD through July 2016)



Source: Thomson Reuters

# REITS JURISDICTION DEVELOPMENT

Figure 3: REIT jurisdictions – maturity\*



\*A detailed description of the analysis used to evaluate the REIT regimes' maturity can be found in the Appendix on page 36.

# Rules & Regulations

Features	U.S. REITs	Canadian REITs
Governed by	<ul style="list-style-type: none"><li>Requirement of Internal Revenue code</li></ul>	<ul style="list-style-type: none"><li>Self Imposed Trust Declaration and certain requirements of the Income Tax Act</li></ul>
Vehicle	<ul style="list-style-type: none"><li>May be a corporation, trust or association (mostly corporation)</li><li>As long as corporate vehicle meets requirement for tax law, it can appearance and tax advantages of a trust</li></ul>	<ul style="list-style-type: none"><li>Must be an open-or closed ended mutual fund trust</li></ul>
Investors	<ul style="list-style-type: none"><li>Min 100 investors with less than 50% of units held by five or fewer individuals</li></ul>	<ul style="list-style-type: none"><li>Min 150 unitholders and be listed on a recognized Canadian exchange</li></ul>
Revenue Rules	<ul style="list-style-type: none"><li>At least 75% of gross income must consist of real property rents, mortgage interest, gains from sale and other real estate related sources</li><li>At least 95% must be from the sources in the 75% test plus "passive income" sources such as dividends and interest</li></ul>	<ul style="list-style-type: none"><li>At least 95% of its income must be derived from the disposition of, or income earned from qualifying investments (doesn't apply to open ended mutual funds)</li></ul>

# Rules & Regulations

Features	U.S. REITs	Canadian REITs
<b>Asset Rules</b>	<ul style="list-style-type: none"> <li>At close of each quarter of the taxable year</li> <li>At least 75% of gross asset value of total assets is represented by real estate assets, cash and cash items, and government securities</li> <li>Not more than 25% of the value of total assets is represented by securities other than those in 1.</li> <li>Not more than 20% of the value of total assets is represented by securities of one or more taxable REIT subsidiaries</li> <li>Not more than 5% of the value of the assets is represented by securities of any one issuer, other than those securities included in 1 &amp; 3 above</li> <li>The REIT does not hold securities possessing more than 10% of the total voting power or having more than 10% of the total value of the outstanding securities of any one issuer, other than those securities included in 1 &amp; 3 above</li> </ul>	<ul style="list-style-type: none"> <li>At least 80% of its property must be held in any combination of real property in Canada and other qualifying investments</li> <li>No more than 10% of its property consisted of bonds, securities or shares in the capital stock of any one corporation or debtor</li> </ul>
<b>Distributions</b>	<ul style="list-style-type: none"> <li>Generally must be at least 90% of taxable income without regard to distribution and excluding net capital gains</li> </ul>	<ul style="list-style-type: none"> <li>Set individually by the trust declaration, however usually around 85% - 95% of distributable income</li> </ul>
<b>Taxation</b>	<ul style="list-style-type: none"> <li>Income is not taxed as long as it is distributed to investors or it will be taxed at normal corporate rates</li> </ul>	<ul style="list-style-type: none"> <li>Income is not taxed within the trust as long as it is distributed to unitholders</li> </ul>
<b>Transfer of Real Estate to the REIT</b>	<ul style="list-style-type: none"> <li>Companies able to move assets to REIT on a tax deferred basis</li> </ul>	<ul style="list-style-type: none"> <li>Limited ability to move assets to REIT on a tax deferred basis</li> </ul>

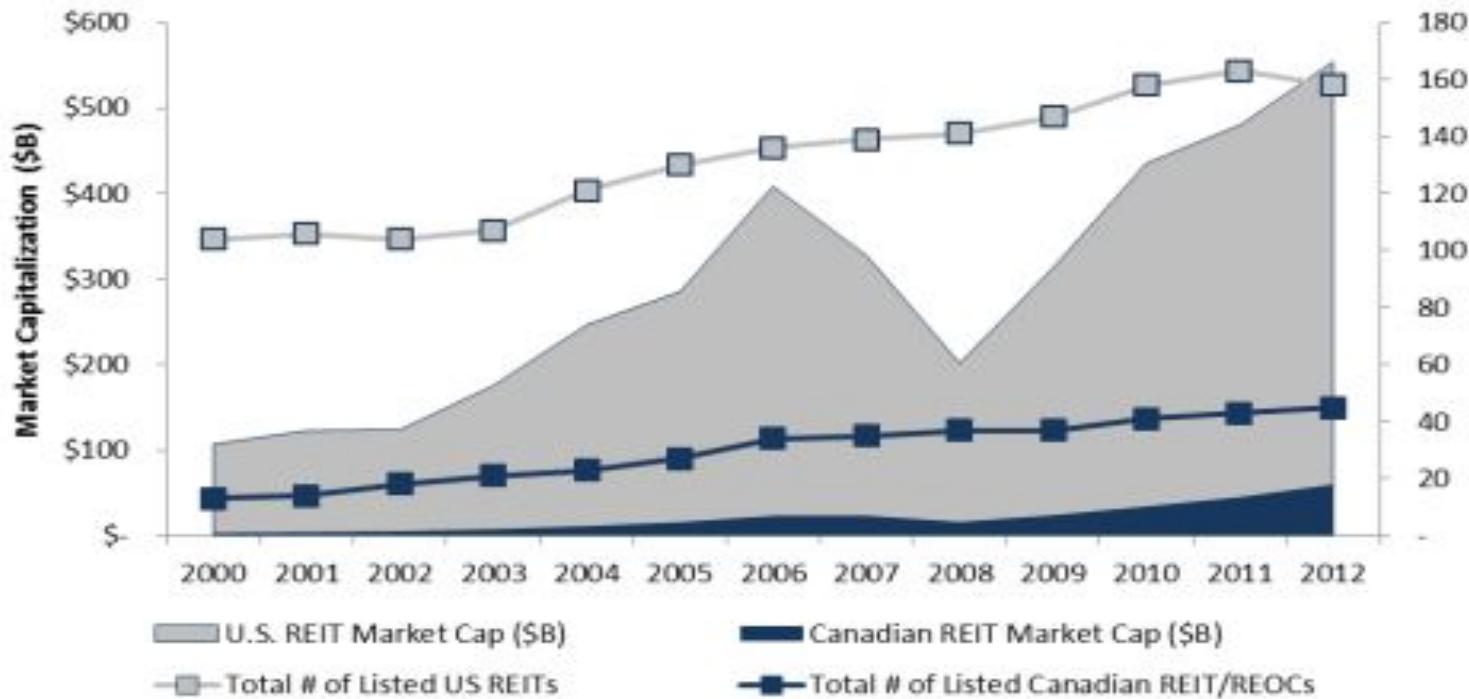
High dividend yield!

# Rules & Regulations

Features	U.S. REITs	Canadian REITs
<b>Liability of investors</b>	<ul style="list-style-type: none"><li>Liability of investors is limited due to use of corporate structure</li></ul>	<ul style="list-style-type: none"><li>Unlimited Liability (However, it is generally believed that there are no material differences between a trust and a corporation)</li><li>All REITs have adopted a strategy to reinforce their limited liability only to the assets of the REIT and not to unitholders. They have done this by incorporating a clause in their material contracts under which the service providers acknowledge that their only recourse is either to a specific asset of the REIT or all the assets of the REIT</li><li>Some REITs have partially achieved legal limited liability through the use of corporations or limited liability partnerships</li></ul>

# MARKET CAP. & NUMBER OF CAN. & US REITS

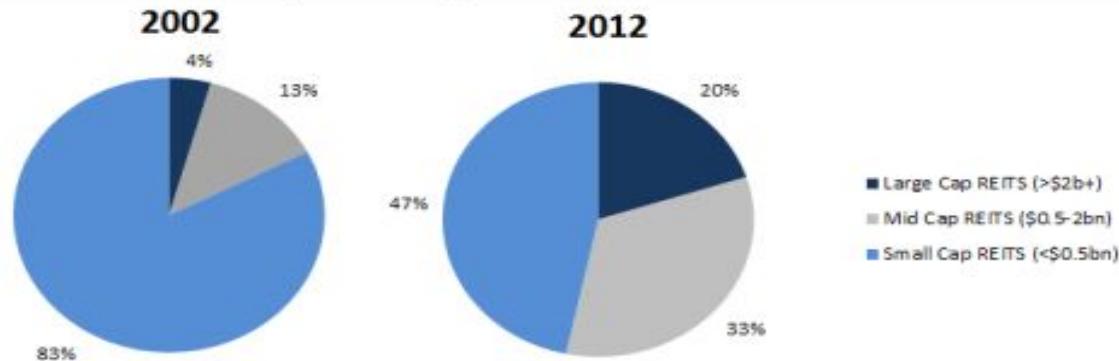
**Exhibit 3: Market Capitalization and Number of Canadian and US REITs**



Source: Capital IQ, Raymond James & Associates

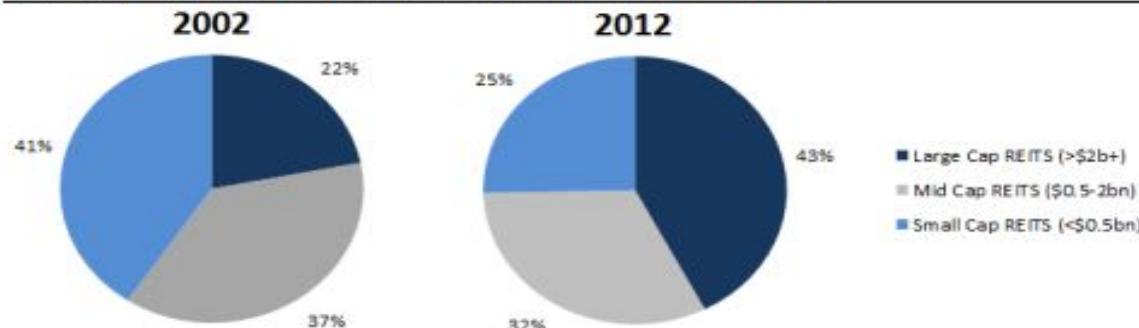
# MARKET CAP. DISTRIBUTION OF CAN. & US REITS

**Exhibit 4: Distribution by Market Cap 2000 vs. 2012 – Canadian REITs**



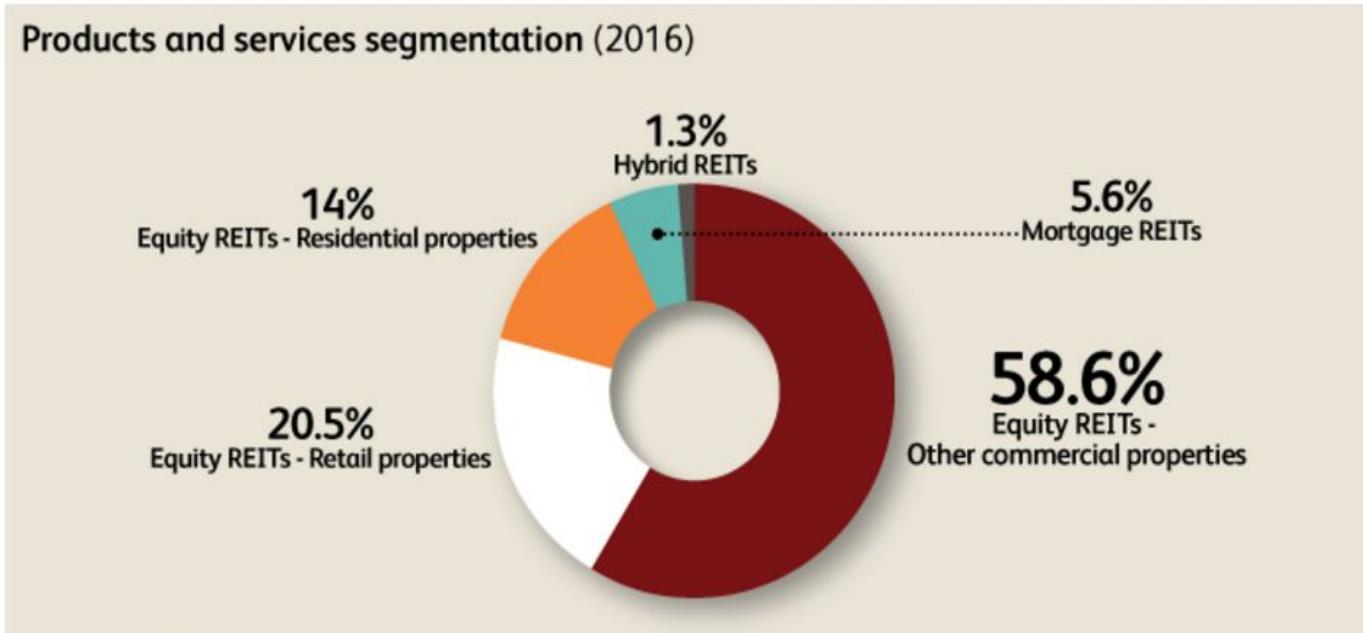
Source: Capital IQ, SNL Financial, Raymond James & Associates

**Exhibit 5: Distribution by Market Cap 2000 vs. 2012 – US REITs**

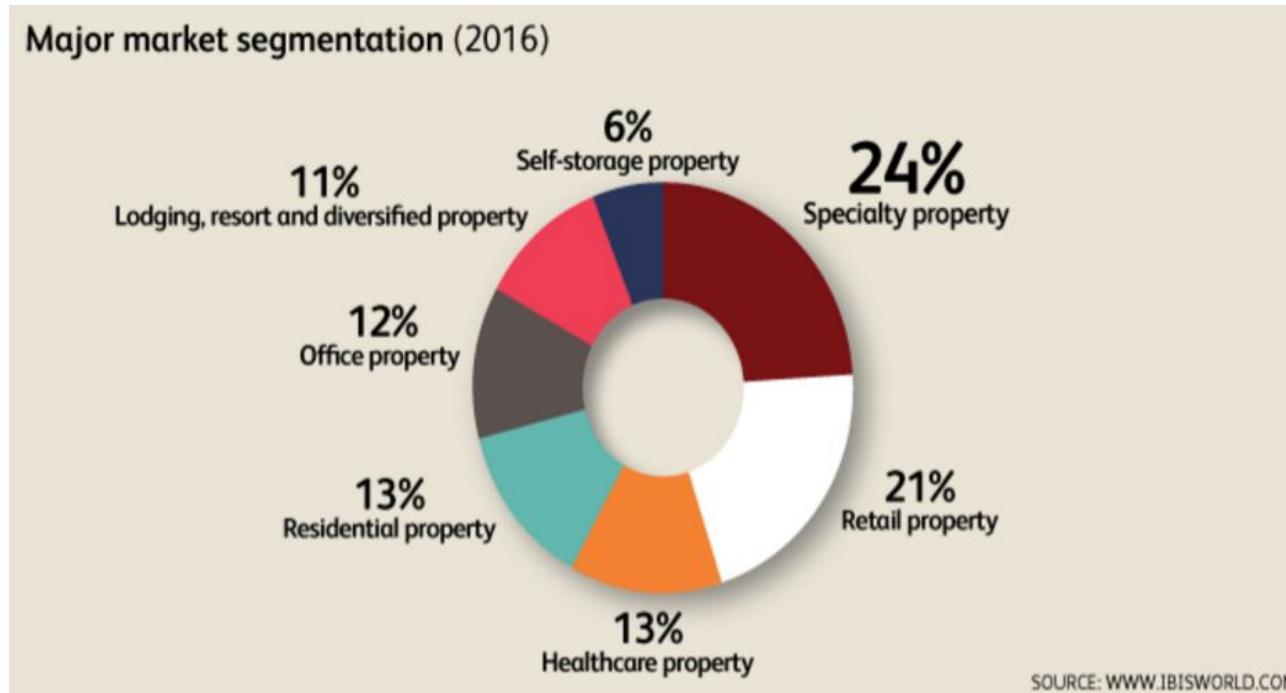


Source: Capital IQ, SNL Financial, Raymond James & Associates

# US: Product & Service Segmentation



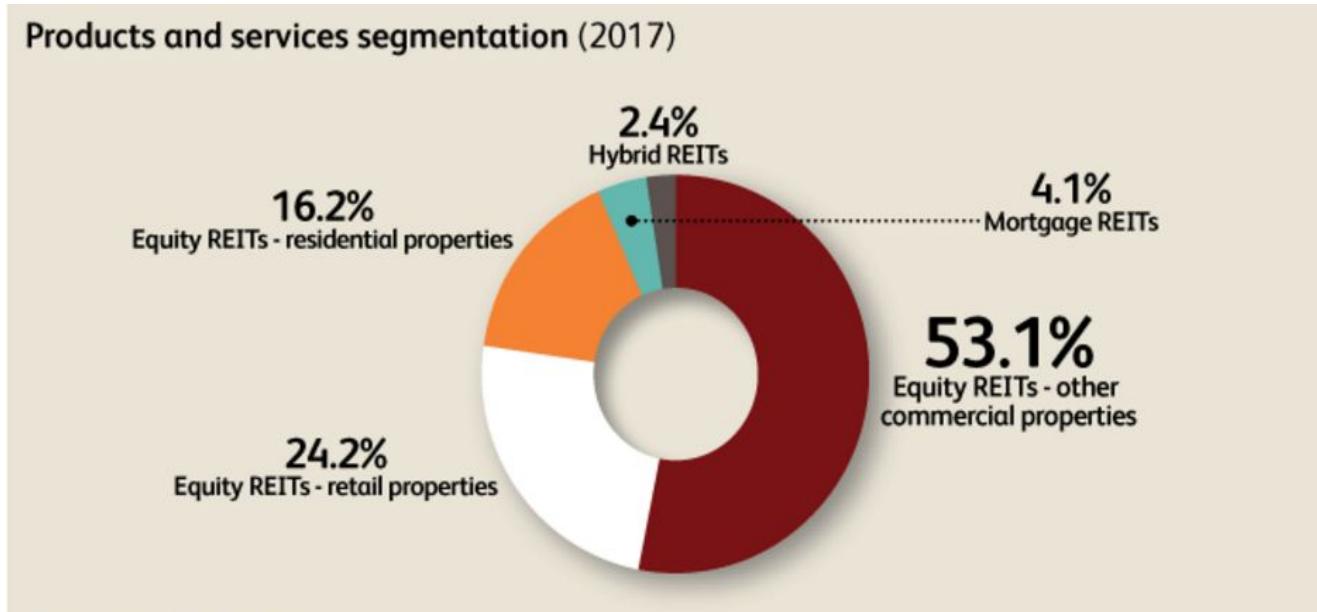
# US: Major Market Segmentation



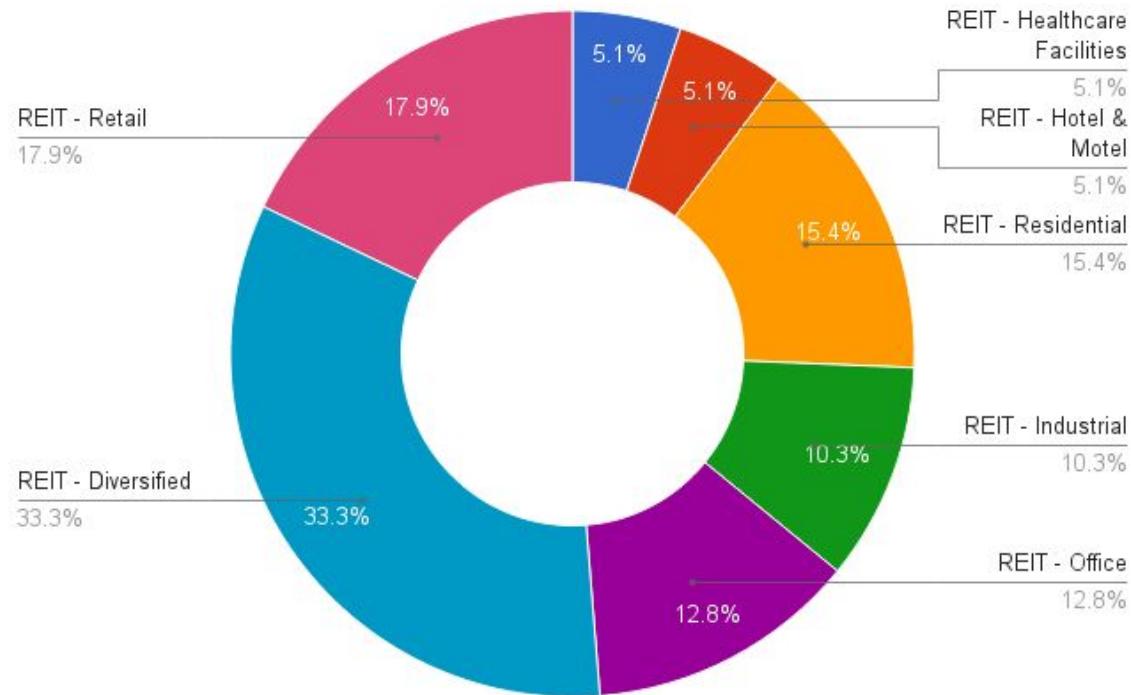
# Canadian REITs

- First Canadian REIT was listed in 1993
- Added into S&P/TSX Composite Index on January 26, 2005
- Canadian REIT sector has 7 industries: Diversified, Retail, Office, Residential, Healthcare, Industrial, and Hotel
- On January 1 2011, relaxed conditions that REITs must satisfy to be exempted from specified investment flow through trust tax (SIFT)

# Canada: Product & Service Segmentation

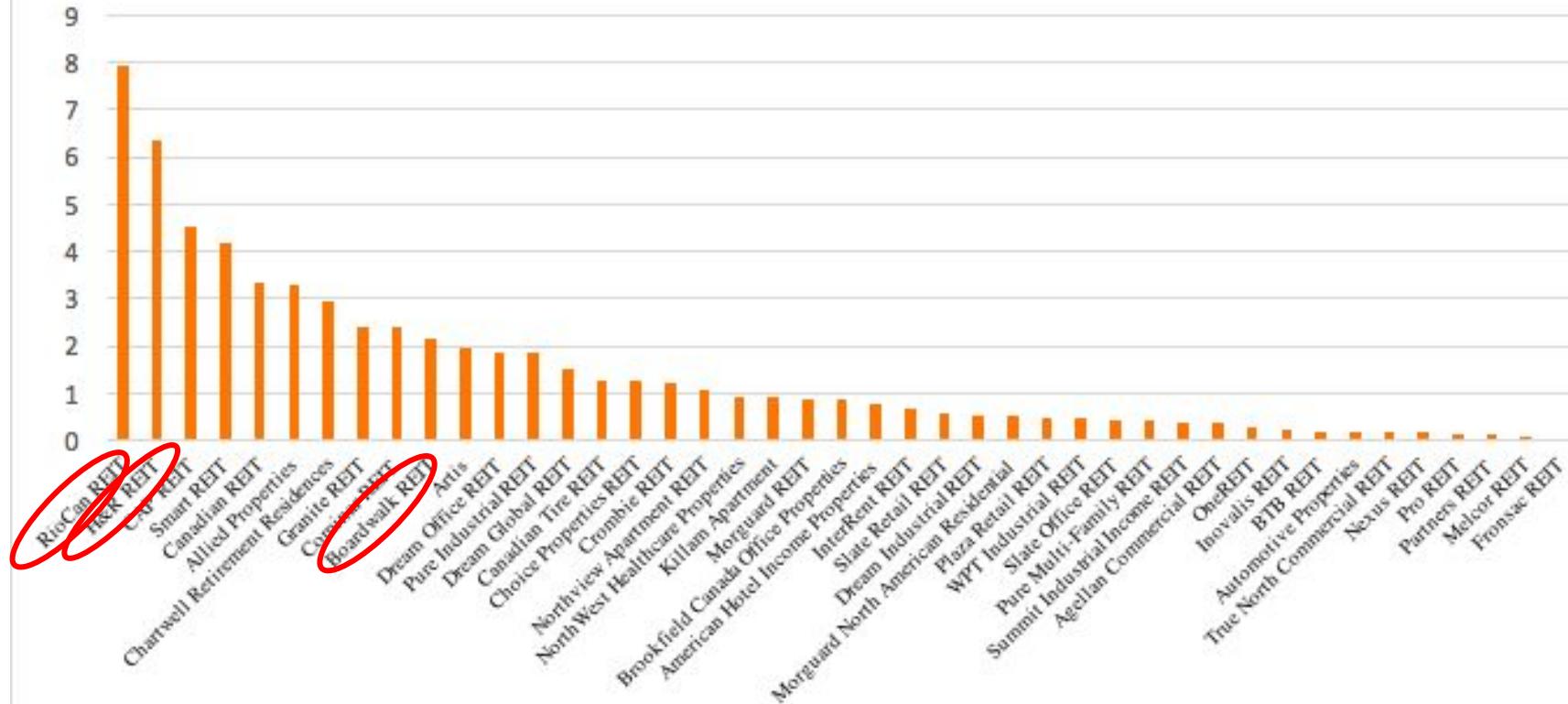


# Canada: REITs by Market Segmentation



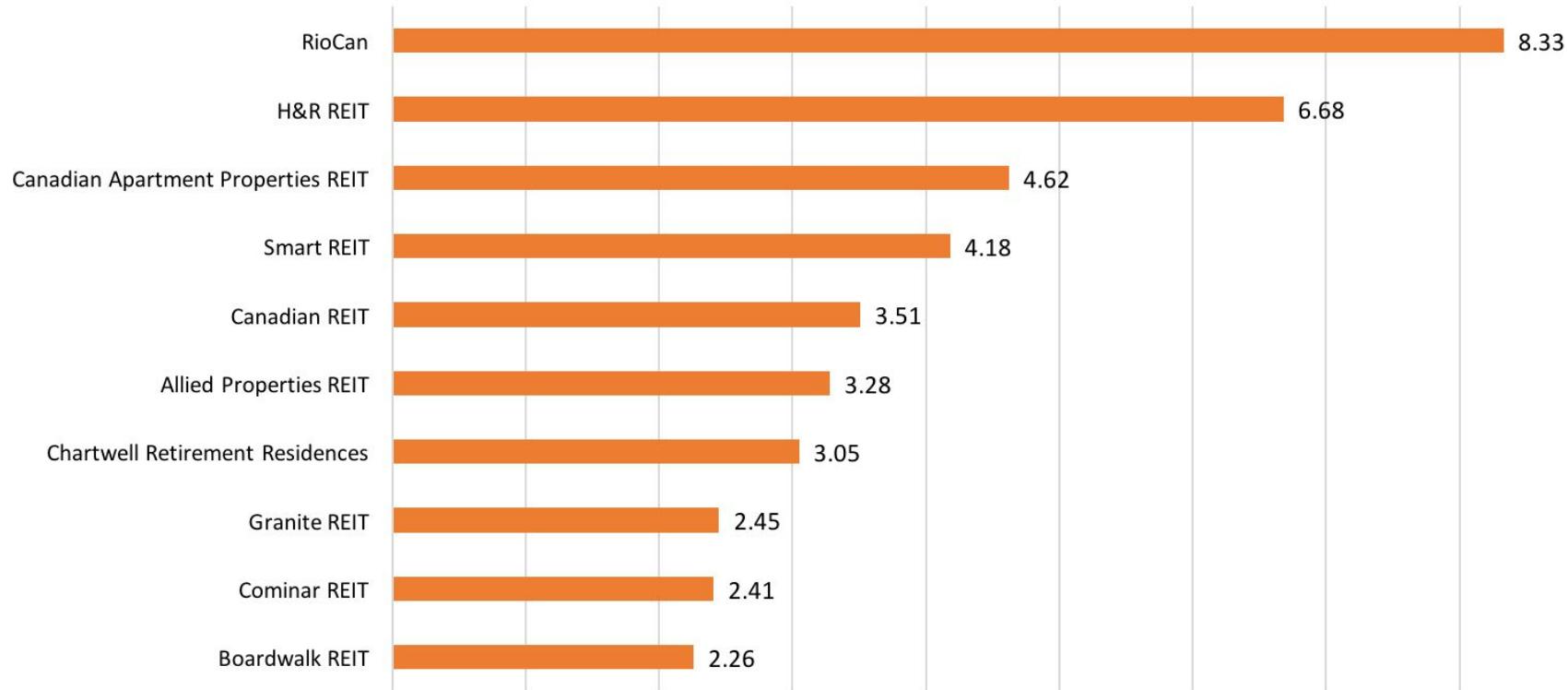
# Canadian REITs Market Cap

Market Cap (Billion \$)

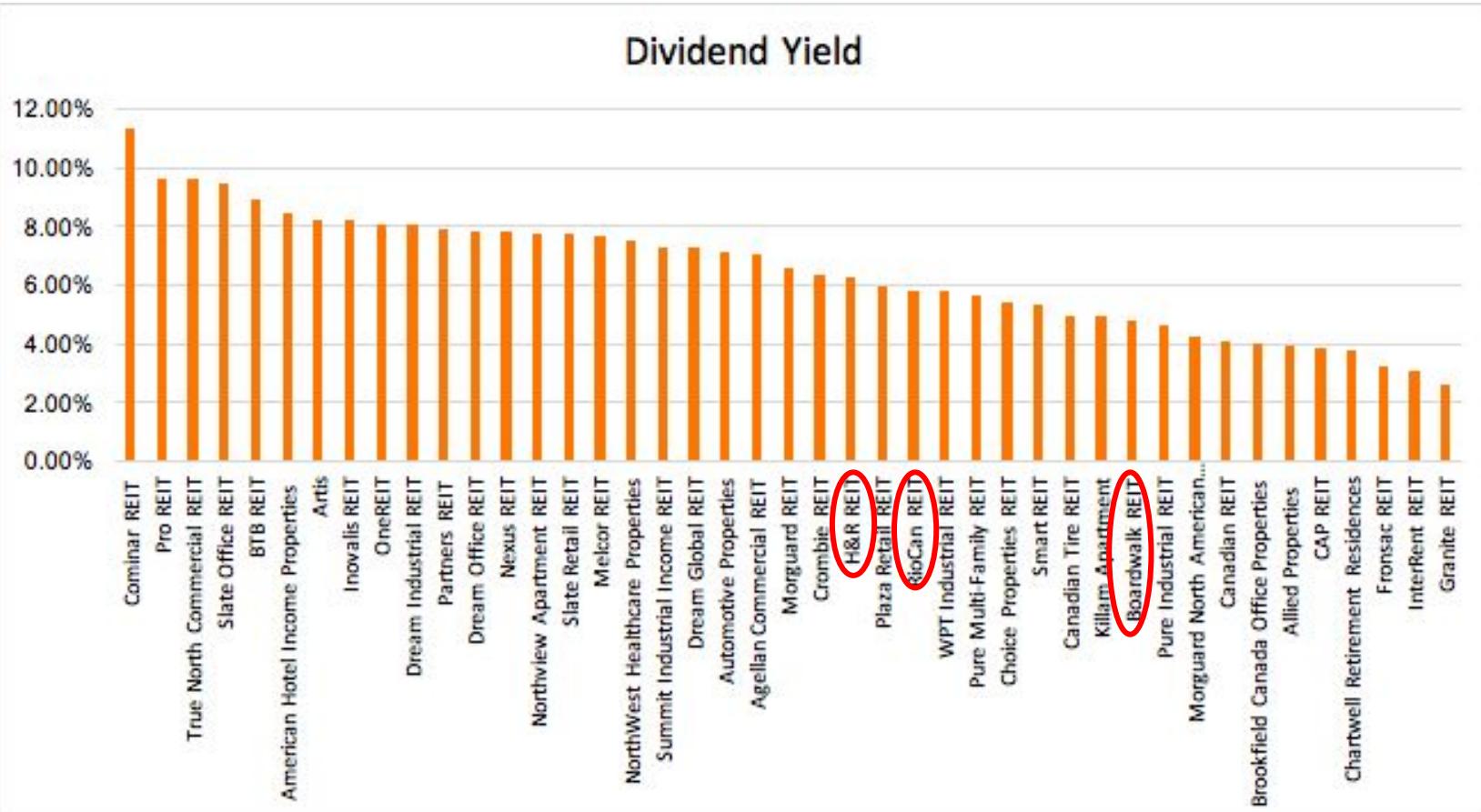


# Top 10 Canadian REITs Market Cap

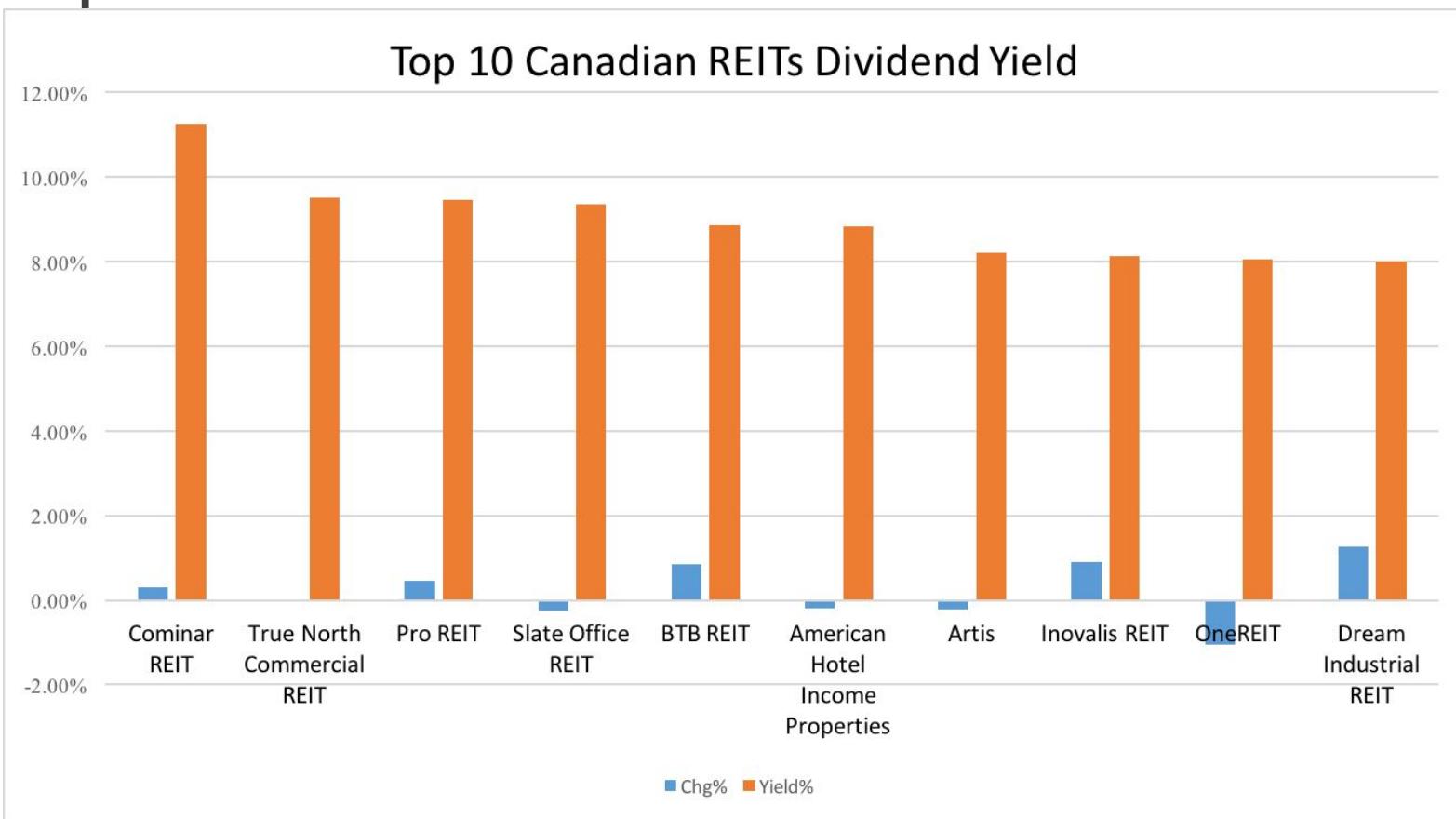
Top 10 Canadian REITs Market Cap (\$ bil)



# Canadian REITs Dividend Yield



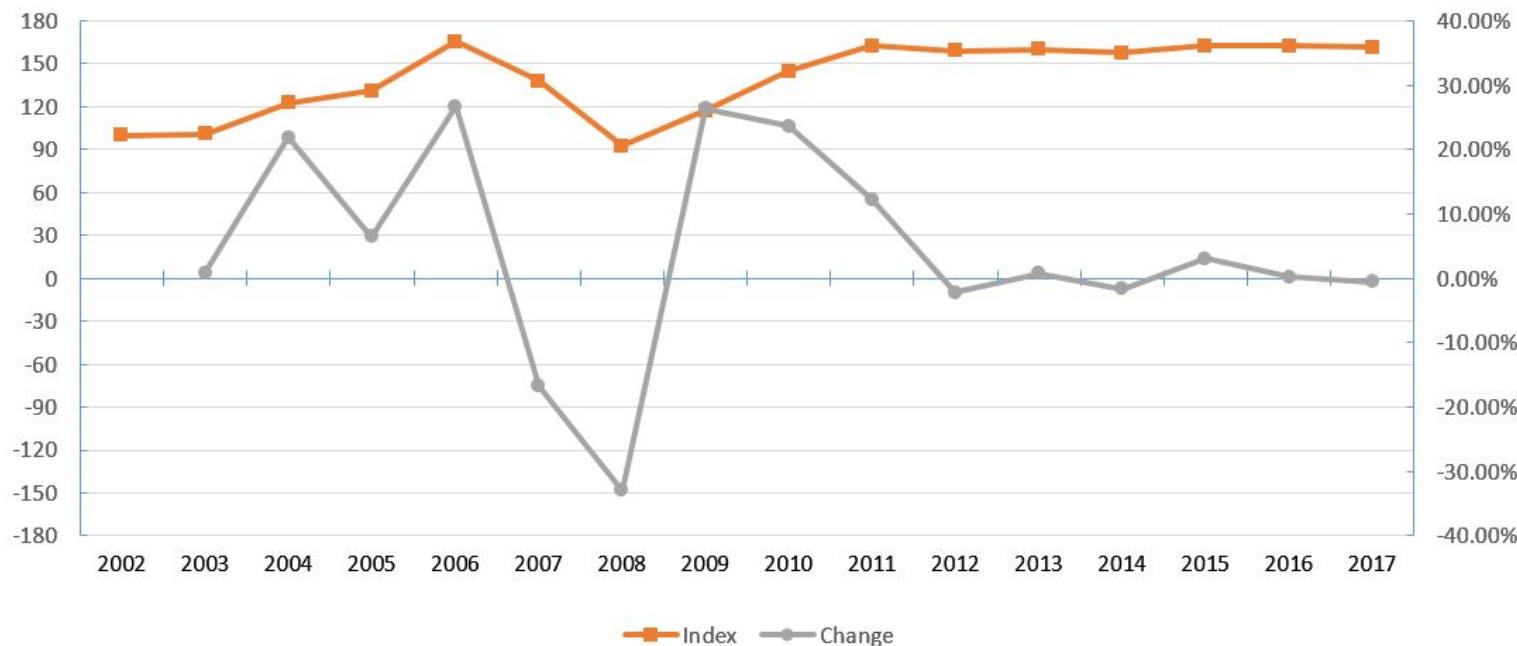
# Top 10 Canadian REITs Dividend Yield



# S&P/TSX Capped REIT Index v. S&P/TSX Composite



# S&P/ TSX Capped REIT Index and Change



# How to Evaluate a REIT

# Net Income

Real Estate Revenue  
– Real Estate Expense  
– Depreciation

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= Income from Real Estate  
+ Other Income  
– General and Administrative Expense

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= **Net Income per GAAP**

- Not accurate as it assume real estate asset value diminishes predictably over time.
- Real Estate generally retains or increases in value

# Net Asset Value (NAV)

Total Assets

- Intangible Assets
- Liabilities

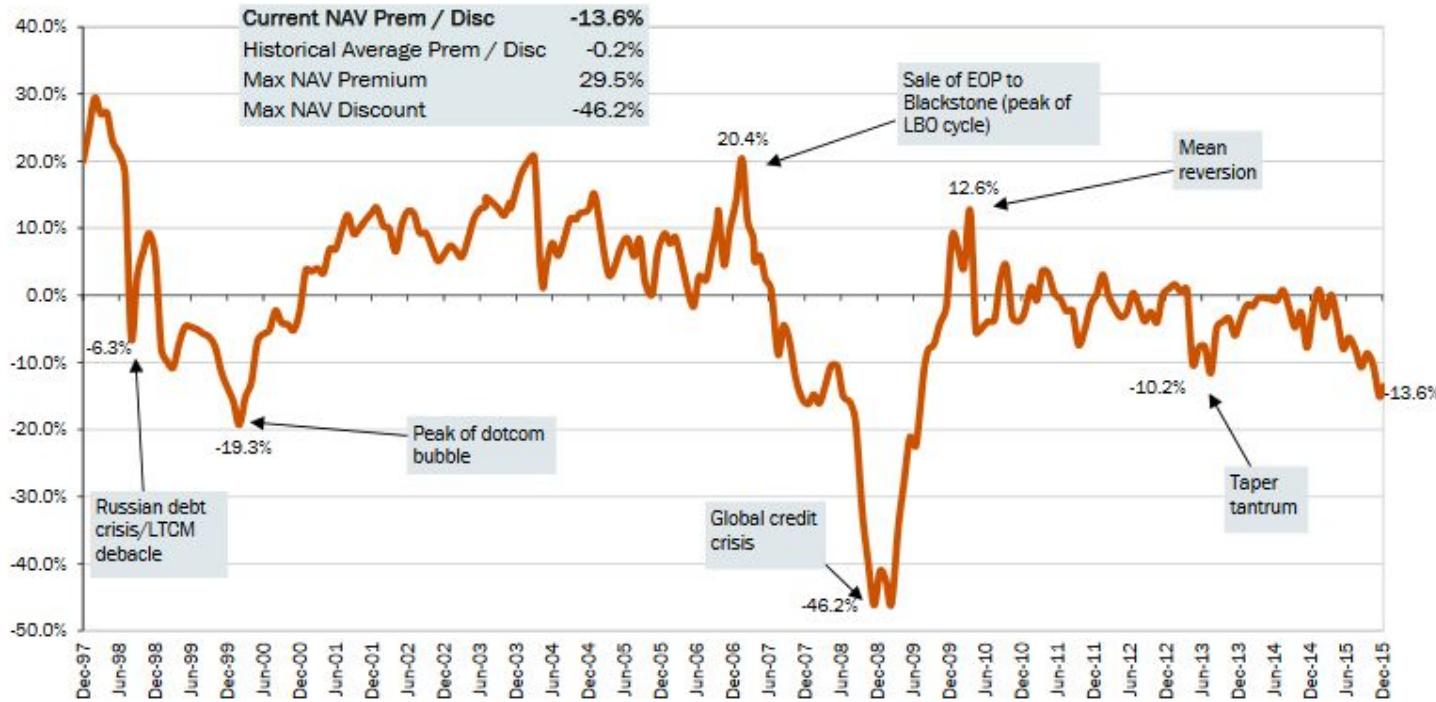
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Net Asset Value



- NAV per share = NAV / Total Outstanding Shares
- Tries to determine the underlying value of a REIT
- A high NAV indicates a strong earning potential and good management

# Historical Price to NAV to REIT



\*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 Genuity Estimates

# Funds From Operations (FFO)

Net Income per GAAP

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

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= **Funds from Operations**

- Adjusts for the depreciation and non-recurring income from sale of property
- But not all REITs calculate it according to NAREIT definition
- Items such as maintenance, repairs and other recurring capital expenses are missing

# Adjusted Funds From Operations (AFFO)

Funds from Operations

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

**= Adjusted Funds from Operations**

- Takes into account the capital expenditures needed to maintain the quality of the property
- More accurate measure of REIT operating result with true residual cash flows

# AFFO Payout Ratios

Dividend per unit

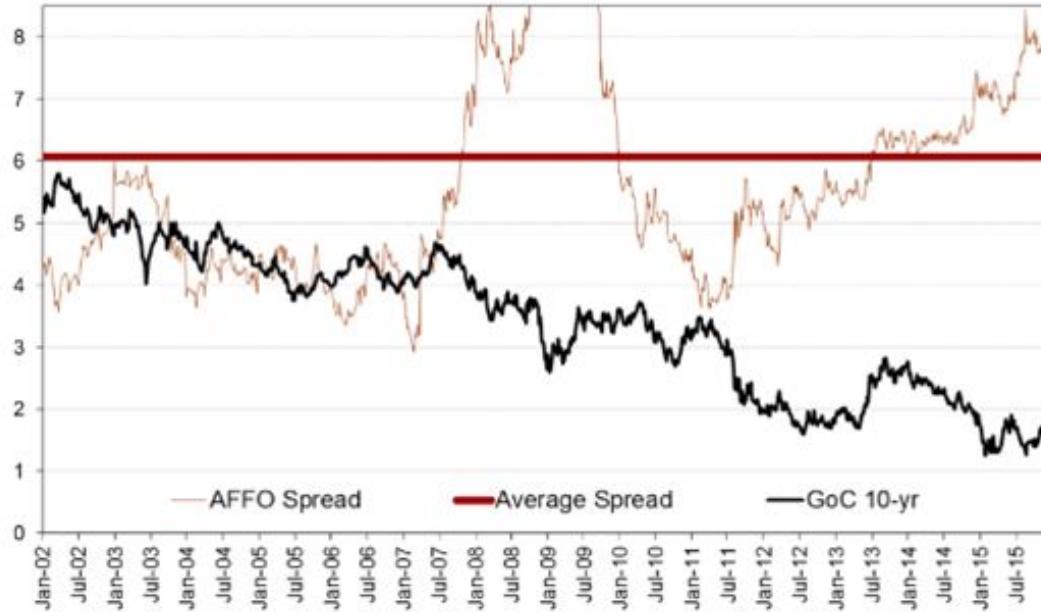
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AFFO per Unit

**AFFO Payout Ratio**

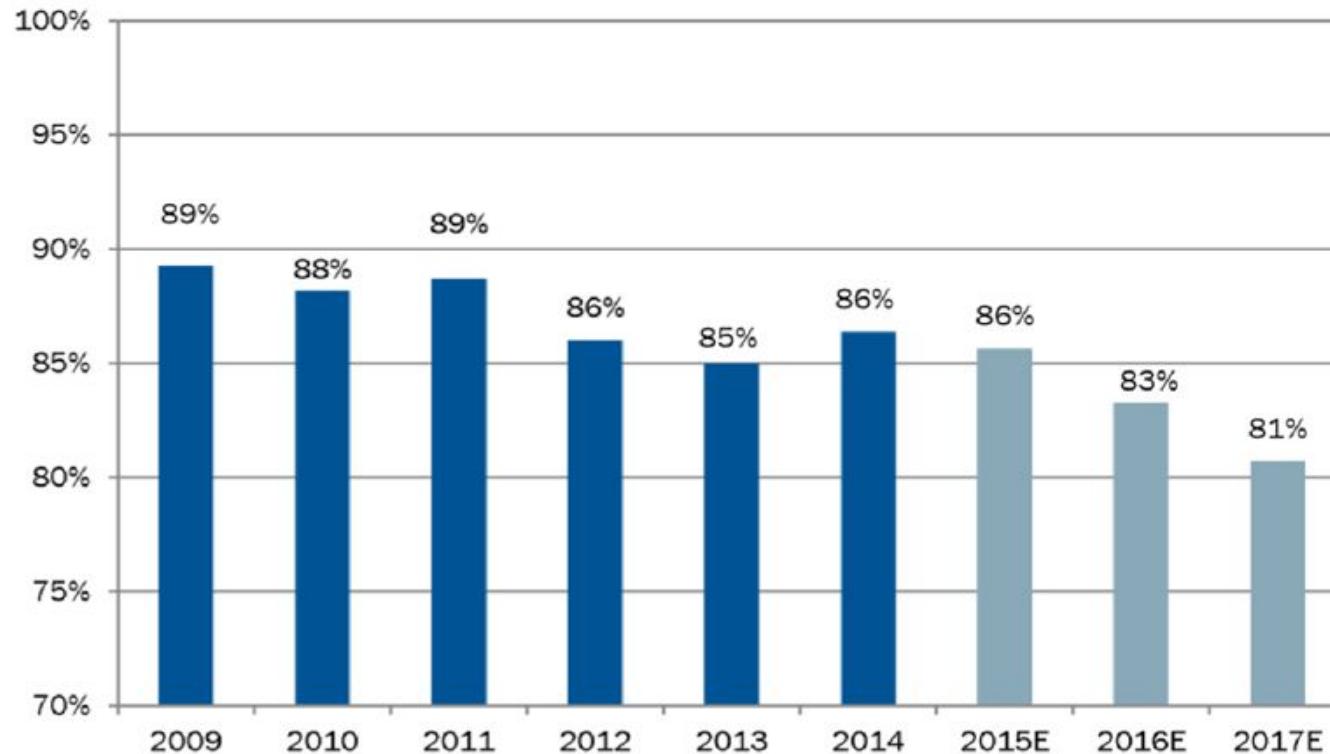
- Amount of money paid to unitholders relative to its earnings
- Lower % means that it is hanging on to its cash

# REIT AFFO Yield Spread History



Source: CIBC World Markets Inc.

# Weighted Average AFFO Payout Ratio



# Funds Available for Distribution (FAD)

Funds from Operation  
+ Rent Adjustments  
- Capital Improvements

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**= Funds Available for Distribution**

- Ability of REIT to generate a consistent dividend
- Measures the cash that is available to be distributed to unit holders

# Capitalization Rate (Cap Rate)

Annual Net Operating Income from Property

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Acquisition Cost of Property

- Rise in Cap Rate indicate a rise in income from the property relative to its price

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# RIO CAN

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REAL ESTATE INVESTMENT TRUST



# Company Snapshot

## RioCan Real Estate Investment Trust (REI-UN.TO)

Toronto - Toronto Delayed Price. Currency in CAD

**24.33 +0.26 (+1.08%)**

At close: October 26 4:00PM EDT

Previous Close	<b>24.07</b>	Market Cap	<b>7.486B</b>
Open	<b>24.05</b>	Beta (3Y Monthly)	<b>0.64</b>
Bid	<b>24.30 x 0</b>	PE Ratio (TTM)	<b>12.22</b>
Ask	<b>24.40 x 0</b>	EPS (TTM)	<b>1.99</b>
Day's Range	<b>23.96 - 24.45</b>	Earnings Date	<b>N/A</b>
52 Week Range	<b>22.97 - 25.82</b>	Forward Dividend & Yield	<b>1.44 (5.96%)</b>
Volume	<b>1,524,804</b>	Ex-Dividend Date	<b>2018-10-30</b>
Avg. Volume	<b>813,006</b>	1y Target Est	<b>27.00</b>

## Company Snapshot

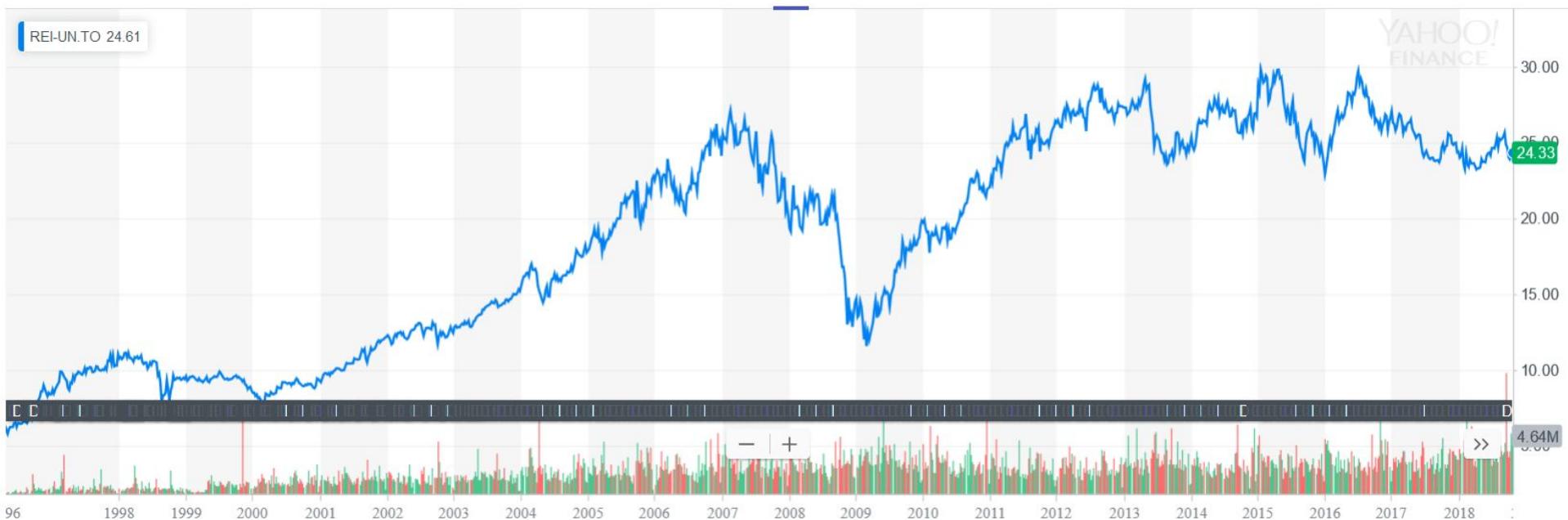


# RioCan: Performance (1 Year)



Price mainly fluctuates between \$23 and \$25.75

# RioCan: Performance (Maximum)



# Comparison: S&P/TSX Capped REIT (1 Year)



# Comparison: S&P/TSX Capped REIT Index (Maximum)



# Company Profile

# Company History

- ❖ Founded in 1993 in the wake of the worst real estate recession since the Great Depression
- ❖ One of the first Canadian REIT's; listed on the TSX in January, 1994
- ❖ Became Canada's largest REIT in 1998 following the successful hostile takeover of Realfund REIT
- ❖ Expanded into the U.S. market in 2010 while the Canadian and USD traded near par (Exited in December 2015)
- ❖ Entered the residential market in 2015 due to online threat to traditional retail
- ❖ Currently Canada's second largest REIT





81.4%

PERCENTAGE OF RENTAL REVENUE  
FROM CANADA'S SIX MAJOR  
MARKETS



96.8%

PERCENT OCCUPANCY RATE



84.9%

PERCENT REVENUE DRIVEN BY  
ANCHOR & NATIONAL TENANTS



41.9M

M SQ FT OF GROSS LEASABLE AREA



2.1M

SQ.FT. UNDER DEVELOPMENT



5%

THE MAXIMUM ANNUAL RENTAL  
REVENUE FROM ANY ONE TENANT



6200

SATISFIED, LOYAL TENANTS

# Company Overview

# Portfolio Key Facts

## REAL ESTATE PORTFOLIO KEY FACTS *as at September 30, 2018 (all metrics stated at RioCan's interest)*

Net Leasable Area (NLA) (thousands of sq.ft.) (i):	Retail	Office	Residential	Total
Income Producing Properties	36,564	1,822	—	38,386
Properties Under Development (ii)	681	594	726	2,001
Total	37,245	2,416	726	40,387

(i) Includes NLA which has or has previously had a rent commencement date.

(ii) Includes the NLA for only active projects with detailed costs estimates, but excludes NLA for air rights sales and condo/townhouse developments (residential inventory).

## Committed Occupancy

Retail	97.2%
Office	93.8%
Total	97.0%

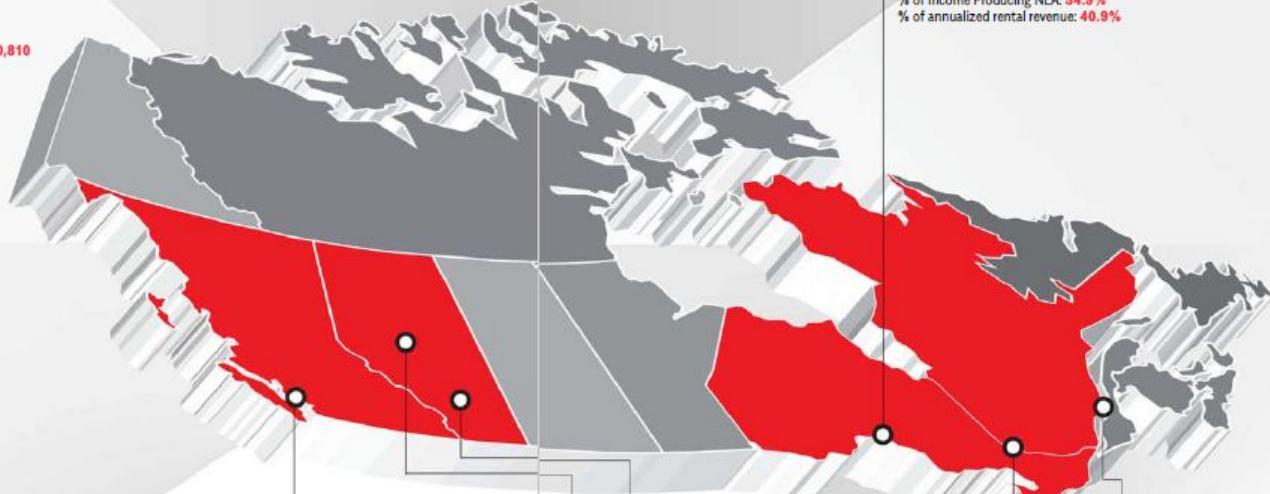
## Anchor and National Tenants

Percentage of:

Annualized rental revenue	84.1%
Total NLA	85.1%

## THE MAJOR MARKETS

CANADIAN POPULATION: **36,708,083**  
POPULATION GROWTH SINCE 2006: **8.1%**  
POPULATION FOR THE 6 MAJOR MARKETS: **17,790,810**  
POPULATION GROWTH FOR THE 6 MAJOR MARKETS SINCE 2006: **26.1%**



### CORPORATE PROFILE

**RioCan** is Canada's largest real estate investment trust with a total enterprise value of approximately \$13.9 billion as at December 31, 2017. RioCan is a fully integrated REIT that owns, manages and develops high quality retail-focused, increasingly mixed-use properties in Canada with ownership interests in a portfolio of 289 retail and mixed-use properties, including 17 properties under development, containing an aggregate net leasable area of 44 million square feet. 76.1% of RioCan's annual rental revenue is comprised from a portfolio that is powerfully rooted in Canada's six largest markets.

#### TORONTO

Metropolitan area: **6,654,682**  
Population growth since 2006: **30.2%**  
% of Income Producing NLA: **34.9%**  
% of annualized rental revenue: **40.9%**

#### VANCOUVER

Metropolitan area: **2,571,262**  
Population growth since 2006: **21.5%**  
% of Income Producing NLA: **4.3%**  
% of annualized rental revenue: **4.7%**

#### MONTREAL

Metropolitan area: **4,138,300**  
Population growth since 2006: **13.8%**  
% of Income Producing NLA: **7.7%**  
% of annualized rental revenue: **5.6%**

#### OTTAWA

Metropolitan area: **1,377,016**  
Population growth since 2006: **21.8%**  
% of Income Producing NLA: **11.7%**  
% of annualized rental revenue: **11.8%**

#### EDMONTON

Metropolitan area: **1,451,849**  
Population growth since 2006: **40.3%**  
% of Income Producing NLA: **4.1%**  
% of annualized rental revenue: **4.9%**

#### CALGARY

Metropolitan area: **1,597,701**  
Population growth since 2006: **48.0%**  
% of Income Producing NLA: **7.8%**  
% of annualized rental revenue: **8.2%**

# Canadian Markets

# Expansion into the United States

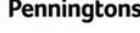
- ❖ In 2010 RioCan took advantage of the strong Canadian dollar and beaten down real estate prices (following the 2008/09 recession) to enter the U.S. market
- ❖ 15% of RioCan's revenue was from the U.S. by 2012, meanwhile the USD continued to appreciate against the Canadian dollar
- ❖ On December 18, 2015 RioCan announced it sold its U.S. portfolio (49 retail properties) to Blackstone Real Estate Partners VIII for (Canadian) \$2.7 billion
  - ❖ Sale completed May 25, 2016
- ❖ At time of sale RioCan's U.S. investment had increased in value by C\$930 million since entering in 2010
- ❖ Proceeds from sale were used to buy-out a partner in a different joint venture, deleverage their balance sheet (leverage ratio reduced to historic low of 39.7%), and enhance corporate liquidity to fund Canadian growth

# Geographic Diversification

## Geographic Diversification

	Percentage of annualized rental revenue	Number of properties			Total
		Income producing properties	Properties under development (i)		
Ontario	65.7%	157	13		170
Alberta	16.8%	30	4		34
Quebec	7.9%	29	—		29
British Columbia	7.2%	10	—		10
Eastern Canada	1.7%	5	—		5
Manitoba	0.7%	2	—		2
	100.0%	233	17		250

# Top Retailers

One	Two	Three	Eleven	Twelve	Thirteen	Fourteen
						
Four	Five					ADDITION ELLE
						
Six			Fifteen	Sixteen	Seventeen	Eighteen
WINNERS						
Seven			Nineteen		Twenty	
						
Eight	Nine	Ten	Twenty One		Twenty Two	
						
						

# Top 10 Tenants by Revenue

## Top Ten Sources of Revenue by Property Tenant

Rank	Tenant	Percentage of annualized rental revenue	Weighted average remaining lease term (yrs)
1	Loblaws/Shoppers Drug Mart (i)	4.8%	7.8
2	Canadian Tire Corporation (ii)	4.5%	6.1
3	Cineplex/Galaxy Cinemas	4.3%	8.3
4	The TJX Companies, Inc. (iii)	4.2%	6.3
5	Walmart	3.6%	9.4
6	Metro/Super C/Loeb/Food Basics	3.2%	7.8
7	Lowe's	1.7%	9.9
8	Recipe Unlimited/Prime Restaurants/St-Hubert (iv)	1.7%	7.5
9	Sobeys/Safeway	1.7%	8.3
10	Dollarama	1.7%	5.7
		31.4%	7.7

# Income Property Acquisitions During 2018

During the quarter, RioCan acquired the remaining 20% interest in the Silver City property located in Gloucester, Ontario, for \$9.6 million, including transaction costs, at a capitalization rate of 6.67% and assumed \$6.9 million of associated debt. RioCan also acquired the remaining 40% interest in the RioCan Centre Belcourt property located in Ottawa, Ontario, for \$26.6 million, including transaction costs, at a capitalization rate of 6.42% and assumed \$16.8 million of associated debt.

During June 2018, RioCan acquired the remaining 25% interest in Herongate Shopping Centre in Ottawa, Ontario, for a purchase price of \$13.4 million including transaction costs. In connection with this acquisition, RioCan assumed debt of \$5.4 million. RioCan also acquired an additional 20% interest in Shoppers City East in Ottawa, Ontario, for an aggregate purchase price of \$10.9 million including transaction costs, with no debt assumed. In connection with this acquisition, RioCan increased its ownership interest in this property to 82.8%. The Shoppers City East acquisition included both income producing property (\$5.1 million) and property under development (\$5.8 million).

During January 2018, RioCan acquired Thickson Centre in Whitby, Ontario for a purchase price of \$31.7 million, including transaction costs at a capitalization rate of 6.16% with no assumption of debt. The Trust also acquired the remaining one third interest in an existing income property in Newmarket, Ontario, for a purchase price of \$18.9 million, including transaction costs at a capitalization rate of 5.65% and assumed a mortgage with a fair value of \$9.4 million, which included a mark-to-market adjustment of \$2.5 million.

Overall, during the nine months ended September 30, 2018, RioCan completed acquisitions of interests in a total of six income producing properties aggregating \$105.2 million, comprised of approximately 273,000 square feet at RioCan's interests. In connection with these acquisitions, RioCan assumed mortgages with fair value of \$38.6 million, which included a mark-to-market adjustment of \$2.5 million.

# Income Property Dispositions During 2018

## Q2 2018

Four properties in ON and BC (v)	6.08%	\$ 216,214	\$ —	926	100%
Six properties in ON (vi)	7.12%	\$ 13,280	\$ —	82	100%
King George Square, Belleville, ON					
Centre Carnaval, Trois Rivieres, PQ	7.48%	\$ 27,400	\$ —	185	100%
West Side Place, Port Colborne, ON	5.63%	\$ 4,200	\$ —	93	100%
Northumberland Square, Miramichi, NB	7.24%	\$ 5,025	\$ —	57	50%
Norwest Plaza, Kingston, ON	6.76%	\$ 9,300	\$ —	40	100%
Shoppers Drug Mart, Repentigny, PQ	6.12%	\$ 6,250	\$ —	17	100%
410 King Street North, Waterloo, ON	4.96%	\$ 1,100	\$ —	2	100%
<b>Total Q2 2018</b>		<b>\$ 282,769</b>	<b>\$ —</b>	<b>1,402</b>	

## Q1 2018

Collingwood Centre, Collingwood, ON	5.86%	\$ 64,802	\$ —	348	100%
GoodLife Plaza, St. Catherines, ON (vii)					
Dilworth SC, Kelowna, BC	5.45%	\$ 84,950	\$ 32,725	294	100%
Vernon Square, Vernon, BC					
Gates of Fergus, Fergus, ON (viii)	4.49%	\$ 12,150	\$ —	75	100%
<b>Total Q1 2018</b>		<b>\$ 161,902</b>	<b>\$ 32,725</b>	<b>717</b>	
<b>Total 2018 Dispositions</b>		<b>\$ 757,064</b>	<b>\$ 58,870</b>	<b>4,124</b>	

# Income Property Dispositions During 2018

Property name and location	Capitalization rate (i)	Sales proceeds (thousands of dollars)	Debt assumed by purchaser(s) (thousands) (ii)	GLA disposed of at RioCan's interest (thousands of sqft)	Ownership interest disposed of by RioCan
<b>Q3 2018</b>					
Shoppers Drug Mart, Pembroke, ON					
Shoppers Drug Mart on Argyle, Caledonia, ON	6.46%	\$ 11,340	\$ —	34	100%
506 & 510 Hespeler Rd, Cambridge, ON	5.26%	7,625	—	13	100%
Mega Centre Rive-Sud, Levis, PQ	7.03%	42,304	26,145	394	100%
735 Queenston Road, Hamilton, ON	6.06%	3,000	—	9	100%
Hartsland Market Square, Guelph, ON	5.75%	38,000	—	109	100%
Four properties in PQ (iii)	9.34%	41,100	—	589	100%
RioCan Centre Victoria, Whitby, ON (viii)	0.48%	7,992	—	49	50%
RioCan Centre London North, London, ON	6.36%	42,000	—	105	100%
Five properties in London, ON (iv)	6.47%	100,564	—	516	100%
Flamborough Power Centre, Hamilton, ON	6.82%	18,468	—	187	100%
<b>Total Q3 2018</b>		<b>\$ 312,393</b>	<b>\$ 26,145</b>	<b>2,005</b>	

During the nine months ended September 30, 2018, we disposed of interests in forty properties for sales proceeds aggregating \$757.1 million. Details are provided in the table below.

# RioCan Focus: Sustainability

## ❖ People

- ❖ Engage with tenants, partners, employees, investors regularly to evaluate and evolve sustainability initiatives
- ❖ Educate stakeholders how sustainability is creating value to the company

## ❖ Community

- ❖ Building relationships with communities in which we operate
- ❖ Investing in community initiatives that align with our values

## ❖ Environmental

- ❖ Minimize the environmental impacts of our properties and developments Protect and enhance the natural environment where feasible
- ❖ Support our properties in embedding sustainable practices by providing standards and guidelines



# Growth Strategy

- ❖ "Focused on Canada" – Canada's six major markets
- ❖ Compete with e-commerce by offer consumers compelling experiences – including leading movies and entertainment, a range of dining options, dynamic social experiences, fitness and other services. Provide a full array of leading retailers and brands.
- ❖ Achieve organic growth by leveraging existing strengths such as strong relationships with high quality tenants and partners, company size, diversity and experience
- ❖ Development strategy for both commercial and mixed use, including a residential intensification program that includes purpose built, transit-oriented projects and high quality locational attributes of land holdings
- ❖ Currently have over 40 project under development across Canada

# Future Development Project: The Well



- ❖ Mixed use property in heart of Toronto's west end
- ❖ Seven buildings connected to a three-level retail base
- ❖ 1.1 million square feet of office, 500,000 square feet of retail/food services, and 1,800 residential units
- ❖ **Completion Date**
  - ❖ Retail and Office: 2021
  - ❖ Residential: 2023

# Future Development Project: – ePLACE



- ❖ **ePlace:** urban mixed-use development featuring 2-storeys of retail and 2-storeys of office
- ❖ **e2:** 58-storey condominium
- ❖ **eCentral:** 36-storey rental residence
- ❖ 1.5 Total Acres, 23,500 total retail sq. ft., 20,000 total office sq. ft. located in Midtown Toronto
- ❖ **Completion Date**
  - ❖ eCentral: Winter 2018
  - ❖ ePlace: Winter 2018
  - ❖ e2: Winter 2022

# Future Development Project: 5<sup>th</sup> & 3<sup>rd</sup> East Village



- ❖ Located in Downtown Calgary
- ❖ 180,000 sq. ft of retail space and approx. 600,000 sq. ft of residential
- ❖ **Completion Date**
  - ❖ Retail Podium: Winter 2019
  - East Tower: Winter 2020
  - West Tower: TBD

# Future Development Project: Frontier



- ❖ 23-storey residential tower
- ❖ positioned near entertainment, retail, food, and transit
- ❖ located in Gloucester, Ottawa
- ❖ 1.5 total acres and 223 residential units
- ❖ **Completion date:**
  - ❖ Spring 2019

# Future Development Project: Pivot



- ❖ Yonge Sheppard Centre is a retail mall with offices above
- ❖ includes Pivot; a 36-storey rental residential tower, consisting of 361 units
- ❖ 8.4 total acres, 305,000 total retail sq. ft., 400,000 total office sq. ft., and 361 units/36-storeys total residential
- ❖ **Completion Date**
  - ❖ Retail: Spring 2019
  - ❖ Residential: Spring 2020

# Properties Under Development

## *Development Pipeline*

RioCan's development pipeline as at September 30, 2018 is estimated as follows:

(thousands of square feet)	Number of Projects (ii)	Estimated Density (NLA) at RioCan's Interest (i)					
		Total	PUD (iii)	Residential Inventory (iv)	Components of PUD		
					Commercial	Residential Rental	Air Rights Sale (ix)
<b>A. Active projects with detailed cost estimates</b>							
Greenfield Development	1	291	291	—	291	—	—
Urban Intensification (v)	10	3,151	2,906	245	1,276	597	1,033
	11	3,442	3,197	245	1,567	597	1,033
Expansion & Redevelopment (vi)	18	540	540	—	411	129	—
<b>Subtotal</b>	<b>29</b>	<b>3,982</b>	<b>3,737</b>	<b>245</b>	<b>1,978</b>	<b>726</b>	<b>1,033</b>
<b>B. Active projects with cost estimates in progress (vii)</b>	<b>17</b>	<b>13,348</b>	<b>12,581</b>	<b>767</b>	<b>3,719</b>	<b>8,862</b>	<b>—</b>
<b>Total Active Projects</b>	<b>46</b>	<b>17,330</b>	<b>16,318</b>	<b>1,012</b>	<b>5,697</b>	<b>9,588</b>	<b>1,033</b>
<b>C. Future estimated density (viii)</b>	<b>16</b>	<b>9,172</b>	<b>9,172</b>	<b>—</b>	<b>2,208</b>	<b>6,964</b>	<b>—</b>
<b>Total development pipeline</b>	<b>62</b>	<b>26,502</b>	<b>25,490</b>	<b>1,012</b>	<b>7,905</b>	<b>16,552</b>	<b>1,033</b>

# Management Team



# Management Team



## Edward Sonshine

*Chief Executive Officer/ Founder*

- ❖ Founded RioCan in 1993 and has been CEO since
- ❖ Served as the President at RioCan until January 1, 2012
- ❖ Started business life as a lawyer
- ❖ Converted a Real Estate Mutual Found 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
- ❖ A member of the Boards of the Royal Bank of Canada and Cineplex Inc.
- ❖ Vice Chair of Mount Sinai Hospital in Toronto
- ❖ Chair of the Israel Bonds Organization of Canada.
- ❖ Canada's Outstanding CEO of the Year for 2013
- ❖ **No timeline for retirement but there is a succession plan in place**

# Management Team



**Jonathan Gitlin**  
*Chief Operating Officer*

- ❖ Chief Operating Officer since August 1, 2018
  - ❖ Replaced Raghunath Davloor as COO this summer
- ❖ Riocan succession planning: Gitlin will take over as CEO when Ed Sonshine retires
- ❖ Previously held positions in Riocan:
  - ❖ Senior Vice President of Investments & Residential (January 2015 to July 31, 2018)
  - ❖ Senior Vice President of Investments (January 2011 and December 2014)
  - ❖ Vice President of Investments (November 2007 to December 2010)
  - ❖ Assistant Vice President of Investments (January 2007 to October 2007)
  - ❖ Director of Investments (June 2005 to December 2006).

# Management Team



Qi Tang

*Senior Vice President & Chief Financial Officer*

- ❖ Appointed as CFO on April 3<sup>rd</sup>, 2017
- ❖ Started her career at KPMG
- ❖ Before joining Riocan, Held the positions of Vice President, Finance & Accounting for Dream Global REIT from 2015 to 2016.
- ❖ CFO of Symphony Senior Living Inc, 2009 to 2015
- ❖ VP, Strategic Planning and Forecasting of Chartwell Seniors Housing REIT, 2005 to 2009
- ❖ Master of Science in Accounting Degree from the University of Saskatchewan
- ❖ CPA, CA, CFA

# Management Team



John Ballantyne, Ph.D

*Senior Vice President, Asset Management*

- ❖ Senior Vice President of Asset Management since January 2010
- ❖ Joined Riocan in 1994 as a Real Estate Analyst
- ❖ Previous served as Assistant Vice President, Asset Management (January 2005 to December 2009)
- ❖ Graduate of North Dakota State University (NDSU) and has a Ph.D. in pharmaceutical sciences.

# Management Team



**Danny Kissoon**  
Senior Vice President, Operations



**Jeff Ross**  
Senior Vice President, Leasing &  
Tenant Coordination



**Andrew Duncan**  
Senior Vice President, Developments



**Jennifer Suess**  
Senior Vice President, General  
Counsel & Corporate Secretary

- ❖ **Danny Kissoon:** Senior Vice President of Operations at Riocan since January 2010. Previously served as Vice President of Operations (until December 2009)
- ❖ **Jeff Ross:** Senior Vice President of Leasing & Tenant Coordination since January 2008. Served as Vice President of Leasing at Riocan from January 1999 to December 2007. Graduated from Sir Sanford Fleming College
- ❖ **Andrew Duncan:** Senior Vice President of Developments since May 2016 and served as Vice President of Development Engineering January 1, 2015 to May 2016. Prior to Riocan Mr. Duncan was Director of Engineering and Design at Lowe's Companies Canada (April 2006 to April 2013)
- ❖ **Jennifer Suess:** Senior Vice President, General Counsel and Corporate Secretary since August 2017. From 2013 to 2016, Ms. Suess was the Head of Legal & Compliance and Chief Privacy Officer of Alcon Canada Inc.

# Financial

**RIOCAN REAL ESTATE INVESTMENT TRUST**  
**CONSOLIDATED BALANCE SHEETS**

(In thousands of Canadian dollars)

# Balance Sheet

- 2018 Q3

As at	Note	September 30, 2018	December 31, 2017
<b>Assets</b>			
Investment properties	4	\$ 13,050,288	\$ 13,160,244
Deferred tax assets		13,029	11,929
Equity-accounted investments	5	184,214	176,256
Mortgages and loans receivable	6	155,187	145,873
Residential inventory	7	205,675	132,003
Assets held for sale	3	192,875	410,178
Receivables and other assets	8	210,904	269,870
Cash and cash equivalents		133,991	70,225
<b>Total assets</b>		<b>\$ 14,146,163</b>	<b>\$ 14,376,578</b>
<b>Liabilities</b>			
Debentures payable	11	\$ 2,742,711	\$ 2,694,619
Mortgages payable	10	2,191,714	2,300,247
Lines of credit and other bank loans	9	1,084,159	904,429
Liabilities associated with assets held for sale	3	—	32,670
Accounts payable and other liabilities	12	434,171	399,927
<b>Total liabilities</b>		<b>\$ 6,452,755</b>	<b>\$ 6,331,892</b>
<b>Equity</b>			
Unitholders' equity:			
Common	13	7,693,408	8,044,686
<b>Total equity</b>		<b>7,693,408</b>	<b>8,044,686</b>
<b>Total liabilities and equity</b>		<b>\$ 14,146,163</b>	<b>\$ 14,376,578</b>

**RIOCAN REAL ESTATE INVESTMENT TRUST**  
**CONSOLIDATED BALANCE SHEETS**

(In thousands of Canadian dollars)

As at	Note	December 31, 2017	December 31, 2016
<b>Assets</b>			
Investment properties	5	\$ 13,160,244	\$ 13,287,038
Deferred tax assets	10	11,929	11,609
Equity accounted investments	6	176,256	185,278
Mortgages and loans receivable	7	145,873	118,017
Residential inventory	8	132,003	48,414
Assets held for sale	4	410,178	60,530
Receivables and other assets	9	269,870	408,508
Cash and cash equivalents		70,225	54,366
<b>Total assets</b>		<b>\$ 14,376,578</b>	<b>\$ 14,173,760</b>
<b>Liabilities</b>			
Debentures payable	13	\$ 2,694,619	\$ 2,248,024
Mortgages payable	12	2,300,247	2,699,935
Lines of credit and other bank loans	11	904,429	705,633
Liabilities associated with assets held for sale	4	32,670	—
Accounts payable and other liabilities	14	399,927	510,280
<b>Total liabilities</b>		<b>\$ 6,331,892</b>	<b>\$ 6,163,872</b>
<b>Equity</b>			
Unitholders' equity:			
Preferred	15	\$ —	\$ 144,755
Common	15	8,044,686	7,865,133
<b>Total equity</b>		<b>8,044,686</b>	<b>8,009,888</b>
<b>Total liabilities and equity</b>		<b>\$ 14,376,578</b>	<b>\$ 14,173,760</b>

# Balance Sheet

## •2017 Annual

# Income Statement

- 2017 Annual

Years ended December 31,	Note	2017	2016
<b>Revenue</b>			
Rental revenue	18	\$ 1,140,665	\$ 1,103,884
Property and asset management fees		14,554	13,186
Residential inventory sales		—	16,262
		1,155,219	1,133,332
<b>Operating costs</b>			
Rental operating costs			
Recoverable under tenant leases		399,580	397,776
Non-recoverable costs		18,270	19,684
Residential inventory cost of sales		—	16,188
		417,850	433,648
<b>Operating income</b>		737,369	699,684
<b>Other income</b>			
Interest income		7,586	5,744
Income from equity accounted investments	6	15,719	9,972
Fair value gains on investment properties, net		136,942	182,888
Investment and other income	19	57,014	33,268
		217,261	231,872
<b>Other expenses</b>			
Interest costs	20	171,418	179,527
General and administrative	21	52,560	52,220
Internal leasing costs		10,882	10,931
Transaction and other costs	22	11,825	9,577
		246,685	252,255
<b>Income before income taxes</b>		707,945	679,301
Deferred income tax recovery		(320)	(3,850)
<b>Net income from continuing operations</b>		\$ 708,265	\$ 663,151
Net income from discontinued operations	4	7,021	147,687
<b>Net income</b>		\$ 715,286	\$ 830,838
<b>Net income attributable to:</b>			
Unitholders		\$ 715,286	\$ 830,747
Non-controlling interests		—	91
		\$ 715,286	\$ 830,838
<b>Net income per unit - basic:</b>			
From continuing operations	23	\$ 2.16	\$ 2.06
From discontinued operations	23	0.02	0.45
<b>Net income per unit - basic</b>		\$ 2.18	\$ 2.51
<b>Net income per unit - diluted:</b>			
From continuing operations	23	\$ 2.16	\$ 2.06
From discontinued operations	23	0.02	0.45
<b>Net income per unit - diluted</b>		\$ 2.18	\$ 2.51

# Income Statement

## •2018 Q3

	Note	Three months ended September 30,		Nine months ended September 30,	
		2018	2017	2018	2017
<b>Revenue</b>					
Rental revenue	16	\$ 274,488	\$ 283,713	\$ 835,385	\$ 851,262
Property and asset management fees		4,420	2,977	11,451	10,729
		278,908	286,690	846,836	861,991
<b>Operating costs</b>					
Rental operating costs					
Recoverable under tenant leases		93,530	96,762	293,315	299,470
Non-recoverable costs		4,128	4,280	12,924	12,917
		97,658	101,042	306,239	312,387
<b>Operating income</b>		181,250	185,648	540,597	549,604
<b>Other income (loss)</b>					
Interest income	18	2,600	1,632	8,591	5,636
Income from equity-accounted investments	5	1,967	3,328	5,326	11,937
Fair value gains (losses) on investment properties, net	4	(870)	34,991	(10,926)	65,929
Investment and other income	17	8,509	15,952	23,336	45,037
		12,206	55,903	26,327	128,539
<b>Other expenses</b>					
Interest costs	19	42,572	43,444	125,858	129,029
General and administrative	20	12,566	12,212	41,316	34,437
Internal leasing costs		2,888	2,806	8,432	7,617
Transaction and other costs	21	6,661	2,750	14,815	7,531
		64,687	61,212	190,421	178,614
<b>Income before income taxes</b>		128,769	180,339	376,503	499,529
Deferred income tax expense (recovery)		(100)	—	(900)	1,000
<b>Net income from continuing operations</b>		\$ 128,869	\$ 180,339	\$ 377,403	\$ 498,529
Net income from discontinued operations	3	1,449	4,231	1,535	7,084
<b>Net income</b>		\$ 130,318	\$ 184,570	\$ 378,938	\$ 505,613
<b>Net income attributable to:</b>					
Unitholders		\$ 130,318	\$ 184,570	\$ 378,938	\$ 505,613
		\$ 130,318	\$ 184,570	\$ 378,938	\$ 505,613
Net income per unit - basic:					
From continuing operations	22	\$ 0.41	\$ 0.55	\$ 1.19	\$ 1.52
From discontinued operations	22	—	0.01	—	0.02
<b>Net income per unit - basic</b>		\$ 0.41	\$ 0.56	\$ 1.19	\$ 1.54
Net income per unit - diluted:					
From continuing operations	22	\$ 0.41	\$ 0.55	\$ 1.19	\$ 1.51
From discontinued operations	22	—	0.01	—	0.02
<b>Net income per unit - diluted</b>		\$ 0.41	\$ 0.56	\$ 1.19	\$ 1.53
Weighted average number of units (in thousands):					
Basic	22	311,575	327,342	316,534	327,063
Diluted	22	311,687	327,438	316,629	327,190

# Cash Flow Statement (1/2)

## •2017 Annual

Years ended December 31,	Note	2017	2016
<b>Operating activities</b>			
Net income from:			
Continuing operations		\$ 708,265	\$ 683,151
Discontinued operations	4	7,021	147,687
Net income		715,286	830,838
Items not affecting cash:			
Depreciation and amortization	21	9,865	4,398
Amortization of straight-line rent		(7,806)	(8,006)
Unit-based compensation expense	15	4,757	1,640
Income from equity accounted investments	6	(15,719)	(9,972)
Fair value gains on investment properties, net	5	(136,942)	(199,787)
Deferred income taxes recovery		(320)	(234,525)
Transaction gains, net on disposition of:			
Available-for-sale securities		(45,981)	(14,040)
Canadian investment properties		(971)	(6,075)
U.S. investment properties		—	(65,116)
Adjustments for other changes in working capital items	30	(168,141)	125,741
<b>Cash provided by operating activities</b>		354,028	425,096
<b>Investing activities</b>			
Acquisitions of investment property		(46,137)	(556,203)
Construction expenditures on properties under development		(312,237)	(249,429)
Capital expenditures on income properties:			
Recoverable and non-recoverable costs		(33,683)	(46,780)
Tenant improvements and external leasing commissions		(35,500)	(47,593)
Proceeds from sale of investment properties		381,579	2,042,829
Earn-outs on investment properties		(1,567)	(7,022)
Contributions to equity accounted investments	6	(18,475)	(26,750)
Distributions received from equity accounted investments	6	44,415	11,196
Advances of mortgages and loans receivable		(60,396)	(3,894)
Repayments of mortgages and loans receivable		14,221	25,301
Proceeds from sale of available-for-sale securities, net of selling costs		153,696	51,974
<b>Cash provided by investing activities</b>		85,916	1,193,629

# Cash Flow Statement (2/2)

## •2017 Annual

### Financing activities

Proceeds from mortgage financing, net of issue costs	334,875	204,281
Repayments of mortgage principal	(719,719)	(1,599,076)
Advances from bank credit lines, net of issue costs	563,198	1,145,752
Repayment of bank credit lines	(362,265)	(1,154,814)
Proceeds from issuance of debentures, net of issue costs	13	596,948
Repayment of unsecured debentures	13	(150,000)
Distributions to common trust unitholders, net of distributions reinvested	29	(435,671)
Distributions to preferred trust unitholders	17	(3,514)
Distributions paid to non-controlling interests		(91)
Units repurchased under normal course issuer bid	(99,575)	—
Return of capital to non-controlling interests		(782)
Proceeds received from issuance of common units, net	1,138	39,194
Redemption of preferred units	(149,500)	(125,000)
<b>Cash used in financing activities</b>	<b>(424,085)</b>	<b>(1,647,677)</b>
<b>Net change in cash and cash equivalents</b>	<b>15,859</b>	<b>(28,952)</b>
Cash and cash equivalents, beginning of year	54,366	83,318
<b>Cash and cash equivalents, end of year</b>	<b>\$ 70,225</b>	<b>\$ 54,366</b>

# Cash Flow Statement (1/2)

## •2018 Q3

	Note	Three months ended September 30,		Nine months ended September 30,	
		2018	2017	2018	2017
<b>Operating activities</b>					
Net income from:					
Continuing operations		\$ 128,869	\$ 180,339	\$ 377,403	\$ 498,529
Discontinued operations	3	1,449	4,231	1,535	7,084
Net income		130,318	184,570	378,938	505,613
Items not affecting cash:					
Depreciation and amortization	20	1,150	1,310	3,431	4,155
Amortization of straight-line rent	16	(2,630)	(2,707)	(5,224)	(7,069)
Unit-based compensation expense	13	1,793	1,313	5,366	3,392
Income from equity-accounted investments	5	(1,967)	(3,328)	(5,326)	(11,937)
Fair value losses (gains) on investment properties, net	4	870	(34,991)	10,926	(65,929)
Deferred income tax expense (recovery)		(100)	—	(900)	1,000
Fair value gains on marketable securities	2, 17	(8,413)	—	(21,276)	—
Transaction (gains) losses, net on disposition of:					
Realized gain on marketable securities	2, 17	—	(13,655)	—	(35,477)
Canadian investment properties		(232)	—	(132)	(971)
Adjustments for other changes in working capital items		(19,423)	(21,727)	(90,123)	(197,904)
<b>Cash provided by operating activities</b>		<b>101,366</b>	<b>110,785</b>	<b>275,680</b>	<b>194,873</b>
<b>Investing activities</b>					
Acquisitions of investment properties		(12,297)	(18,974)	(63,181)	(31,902)
Construction expenditures on properties under development		(82,960)	(64,689)	(267,580)	(220,361)
Capital expenditures on income properties:					
Recoverable and non-recoverable costs		(5,731)	(7,018)	(12,281)	(19,345)
Tenant improvements and external leasing commissions		(9,455)	(9,087)	(24,503)	(29,952)
Proceeds from sale of investment properties		286,006	27,690	690,768	187,320
Earn-outs on investment properties		—	(258)	(930)	(1,567)
Contributions to equity-accounted investments	5	(6,579)	(2,665)	(9,950)	(16,466)
Distributions received from equity-accounted investments	5	1,928	2,307	7,334	9,532
Advances of mortgages and loans receivable		(1,573)	(12,642)	(40,922)	(17,204)
Repayments of mortgages and loans receivable		20,091	9,092	20,091	14,221
Investment in bonds, net of maturities		(2,987)	—	(2,987)	—
Proceeds from sale of marketable securities, net of selling costs	17	33,461	46,331	124,400	122,299
<b>Cash provided by (used in) investing activities</b>		<b>219,904</b>	<b>(29,913)</b>	<b>420,259</b>	<b>(3,425)</b>

# Cash Flow Statement (1/2)

## •2018 Q3

<b>Financing activities</b>				
Proceeds from mortgage financing, net of issue costs	136,500	94,035	255,860	276,564
Repayments of mortgage principal	(151,033)	(108,296)	(373,301)	(361,511)
Advances from bank credit lines, net of issue costs	45,099	92,681	334,440	192,152
Repayment of bank credit lines	(28,000)	(34,692)	(154,697)	(264,720)
Proceeds from issuance of debentures, net of issue costs	11	—	298,323	596,948
Repayment of unsecured debentures	11	—	—	(250,000)
Distributions to common trust unitholders, net of distributions reinvested	26	(112,370)	(108,360)	(341,804)
Distributions to preferred trust unitholders	15	—	—	(3,514)
Units repurchased under normal course issuer bid		(135,888)	—	(402,518)
Proceeds received from issuance of common units, net		5	236	1,524
Redemption of preferred units		—	—	(149,500)
<b>Cash used in financing activities</b>	<b>(245,687)</b>	<b>(64,396)</b>	<b>(632,173)</b>	<b>(187,696)</b>
<b>Net change in cash and cash equivalents</b>	<b>75,583</b>	<b>16,476</b>	<b>63,766</b>	<b>3,752</b>
Cash and cash equivalents, beginning of period	58,408	41,642	70,225	54,366
<b>Cash and cash equivalents, end of period</b>	<b>\$ 133,991</b>	<b>\$ 58,118</b>	<b>\$ 133,991</b>	<b>\$ 58,118</b>

# 2018 Q3 Note: Adjustment for Other Changes in Working Capital Items

<i>(thousands of dollars)</i>	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
<b>Working capital changes related to:</b>				
Taxes relating to the U.S. portfolio (i)	\$ 237	\$ (434)	\$ 721	\$ 121,848
Transaction related costs (ii)	(2,090)	(1,441)	(9,673)	5,579
Realty taxes and insurance	8,395	11,754	31,508	39,699
Residential inventory	16,507	41,641	59,727	35,806
Other (iii)	(9,037)	(15,852)	(4,612)	(3,221)
<b>Adjustments to working capital changes for ACFO</b>	<b>\$ 14,012</b>	<b>\$ 35,668</b>	<b>\$ 77,671</b>	<b>\$ 199,711</b>

# Funds From Operations

## •2017 Annual

(thousands of dollars, except per unit amounts)	Three months ended December 31,		Year ended December 31,	
	2017	2016	2017	2016
<b>Net income from continuing operations attributable to unitholders</b>	<b>\$ 209,735</b>	<b>\$ 178,472</b>	<b>\$ 708,265</b>	<b>\$ 683,060</b>
<i>Add back/(Deduct):</i>				
Fair value gains, net	(71,013)	(44,371)	(136,942)	(182,888)
Non-controlling interest relating to fair value losses	—	—	—	91
Fair value (gains) losses included in equity accounted investments	2,472	(1,476)	408	846
Deferred income tax recovery	(1,320)	(3,000)	(320)	(3,850)
Internal leasing costs	3,265	2,663	10,882	10,931
Transaction (gains) losses on investment properties, net (i)	—	—	(1,275)	(6,075)
Transaction costs on sale of investment properties	993	1,978	5,136	8,165
Preferred unit redemption (ii)	—	—	—	(4,304)
Preferred unit distributions	—	(1,757)	(3,514)	(8,667)
<b>FFO from continuing operations</b>	<b>\$ 144,132</b>	<b>\$ 132,509</b>	<b>\$ 582,640</b>	<b>\$ 497,309</b>
 <b>Net income (loss) from discontinued operations attributable to unitholders</b>	 <b>\$ (62)</b>	 <b>\$ (14,013)</b>	 <b>\$ 7,021</b>	 <b>\$ 147,687</b>
<i>Add back/(Deduct):</i>				
Transaction costs (recoveries) on sale of U.S. investment properties (iii)	73	2,511	(549)	53,562
Current tax expense (recovery) on U.S. income properties sold	75	11,167	(2,871)	136,160
Fair value (gains) losses, net	—	—	—	(16,899)
Deferred income tax recovery	—	—	—	(230,675)
Internal leasing costs	—	—	—	706
Accrued property tax expense under IFRIC 21	—	—	—	25,145
Transaction (gains) losses on sale of U.S. investment properties, net (iii)	—	—	(1,644)	(65,116)
<b>FFO from discontinued operations</b>	<b>\$ 86</b>	<b>\$ (335)</b>	<b>\$ 1,957</b>	<b>\$ 50,570</b>
 <b>FFO</b>	 <b>\$ 144,218</b>	 <b>\$ 132,174</b>	 <b>\$ 584,597</b>	 <b>\$ 547,879</b>
<b>FFO per unit - basic</b>	<b>\$ 0.44</b>	<b>\$ 0.40</b>	<b>\$ 1.79</b>	<b>\$ 1.68</b>
<b>FFO per unit - diluted</b>	<b>\$ 0.44</b>	<b>\$ 0.40</b>	<b>\$ 1.79</b>	<b>\$ 1.68</b>
<b>Weighted average number of units - basic (in thousands)</b>	<b>326,040</b>	<b>326,466</b>	<b>326,805</b>	<b>325,386</b>
<b>Weighted average number of units - diluted (in thousands)</b>	<b>326,155</b>	<b>326,639</b>	<b>326,929</b>	<b>325,665</b>
<b>FFO payout ratio (iv)</b>			<b>78.8%</b>	<b>83.6%</b>

# Funds From Operations

## •2018 Q3

(thousands of dollars, except per unit amounts)	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
<b>Net income from continuing operations attributable to unitholders</b>	\$ 128,869	\$ 180,339	\$ 377,403	\$ 498,529
<i>Add back/(Deduct):</i>				
Fair value (gains) losses, net	870	(34,991)	10,926	(65,929)
Fair value (gains) losses included in equity accounted investments	564	652	2,036	(2,064)
Deferred income tax expense (recovery)	(100)	—	(900)	1,000
Internal leasing costs	2,888	2,806	8,432	7,617
Transaction gains on investment properties, net (i)	(232)	—	(132)	(1,275)
Transaction costs on sale of investment properties	6,121	1,035	13,105	4,143
Change in unrealized fair value on marketable securities (ii)	7,010	—	28,802	—
Preferred unit distributions	—	—	—	(3,514)
<b>FFO from continuing operations</b>	<b>\$ 145,990</b>	<b>\$ 149,841</b>	<b>\$ 439,672</b>	<b>\$ 438,507</b>
 Net income from discontinued operations attributable to unitholders	 \$ 1,449	 \$ 4,231	 \$ 1,535	 \$ 7,084
<i>Add back/(Deduct):</i>				
Transaction costs (recoveries) on sale of U.S. investment properties (iii)	92	(866)	141	(623)
Current tax expense (recovery) on U.S. income properties sold	(237)	(572)	443	(2,946)
Transaction gains on sale of U.S. investment properties, net (iii)	—	(1,644)	—	(1,644)
<b>FFO from discontinued operations</b>	<b>\$ 1,304</b>	<b>\$ 1,149</b>	<b>\$ 2,119</b>	<b>\$ 1,871</b>
 <b>FFO</b>	 <b>\$ 147,294</b>	 <b>\$ 150,990</b>	 <b>\$ 441,791</b>	 <b>\$ 440,378</b>
 <b>FFO per unit - basic</b>	 <b>\$ 0.47</b>	 <b>\$ 0.46</b>	 <b>\$ 1.40</b>	 <b>\$ 1.35</b>
 <b>FFO per unit - diluted</b>	 <b>\$ 0.47</b>	 <b>\$ 0.46</b>	 <b>\$ 1.40</b>	 <b>\$ 1.35</b>
 <b>Weighted average number of units - basic (in thousands)</b>	 <b>311,575</b>	 <b>327,342</b>	 <b>316,534</b>	 <b>327,063</b>
 <b>Weighted average number of units - diluted (in thousands)</b>	 <b>311,687</b>	 <b>327,438</b>	 <b>316,629</b>	 <b>327,190</b>
 <b>FFO payout ratio (iv)</b>			 <b>78.0%</b>	 <b>80.5%</b>

# Adjusted Funds From Operations • 2017 Annual

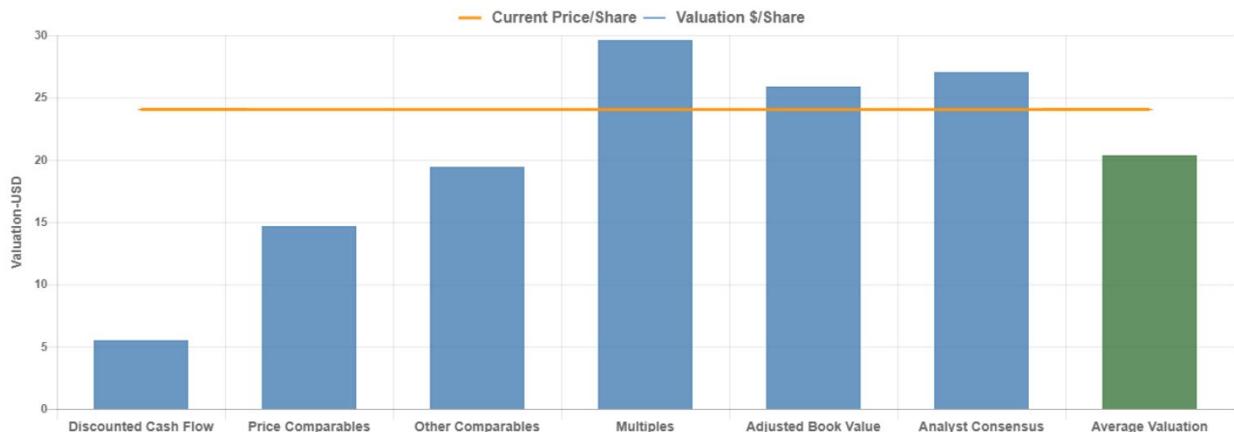
<i>(thousands of dollars)</i>	Three months ended December 31,		Year ended December 31,	
	2017	2016	2017	2016
Cash provided by operating activities	\$ 159,155	\$ 142,277	\$ 354,028	\$ 425,096
Adjustments to working capital changes for ACFO (i)	(6,898)	(29,544)	192,813	(139,802)
Distributions received from equity accounted investments	34,883	2,291	44,415	11,196
Transaction costs on sale of investment properties	1,066	4,488	4,587	61,727
Normalized capital expenditures (ii):				
Leasing commissions and tenant improvements	(6,875)	(6,250)	(27,500)	(25,000)
Maintenance capital expenditures recoverable from tenants	(3,750)	(3,750)	(15,000)	(15,000)
Maintenance capital expenditures not recoverable from tenants	(2,500)	(2,500)	(10,000)	(10,000)
Gain on disposition of available-for-sale marketable securities	10,504	3,681	45,981	14,040
Internal leasing costs related to development properties	602	400	2,009	1,746
Taxes related to non-operating activities (iii)	75	11,166	(2,871)	160,273
Non-controlling interests	—	—	—	(91)
<b>ACFO (iv)</b>	<b>\$ 186,262</b>	<b>\$ 122,259</b>	<b>\$ 588,462</b>	<b>\$ 484,185</b>

# Adjusted Funds From Operations • 2018 Q3

<i>(thousands of dollars)</i>	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Cash provided by operating activities	\$ 101,366	\$ 110,785	\$ 275,680	\$ 194,873
Adjustments to working capital changes for ACFO (i)	14,012	35,668	77,671	199,711
Distributions received from equity accounted investments	1,928	2,307	7,334	9,532
Transaction costs on sale of investment properties	6,213	169	13,246	3,520
Normalized capital expenditures (ii):				
Leasing commissions and tenant improvements	(6,000)	(6,875)	(18,000)	(20,625)
Maintenance capital expenditures recoverable from tenants	(3,250)	(3,750)	(9,750)	(11,250)
Maintenance capital expenditures not recoverable from tenants	(2,000)	(2,500)	(6,000)	(7,500)
Realized gain on disposition of marketable securities	15,423	13,655	50,078	35,477
Internal leasing costs related to development properties	533	518	1,556	1,406
Taxes related to non-operating activities (iii)	(237)	(572)	443	(2,946)
<b>ACFO (iv)</b>	<b>\$ 127,988</b>	<b>\$ 149,405</b>	<b>\$ 392,258</b>	<b>\$ 402,198</b>

# Analyst Coverage

## Valuation Details



Valuation Methods  
Cash Flow:  
Comparable Company:  
Asset:

This company is:  
**Overvalued** on a Cash Flow Valuation  
**Overvalued** on a Comparable Valuation  
**Undervalued** on an Asset Valuation

**Buy**  
8 Analysts

Mean recommendation from all analysts covering the company on a standardized 5-point scale.

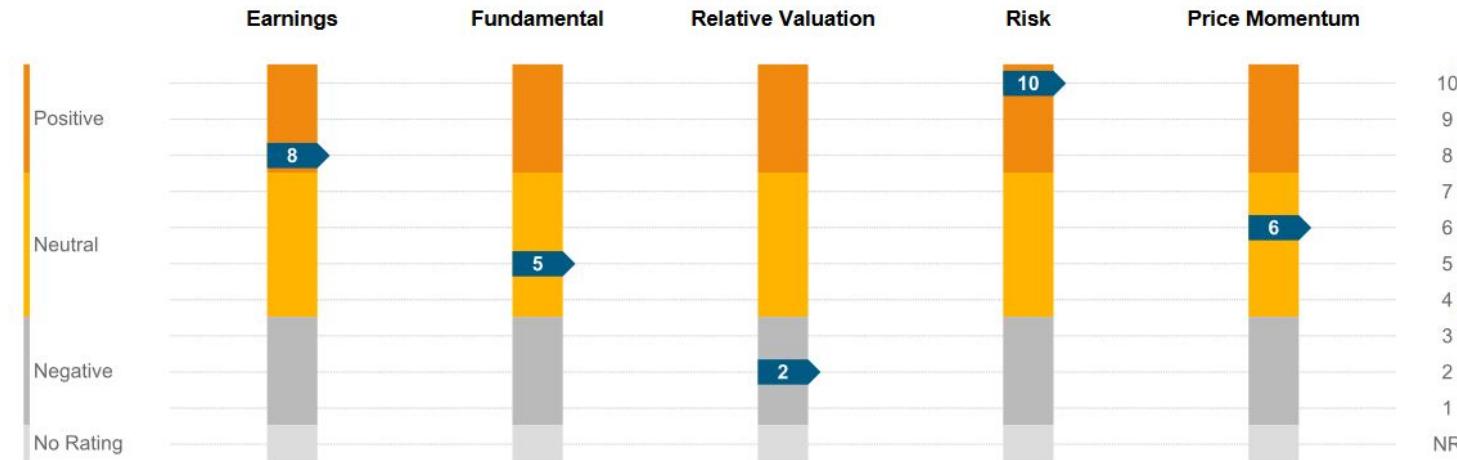


Book Value/Share

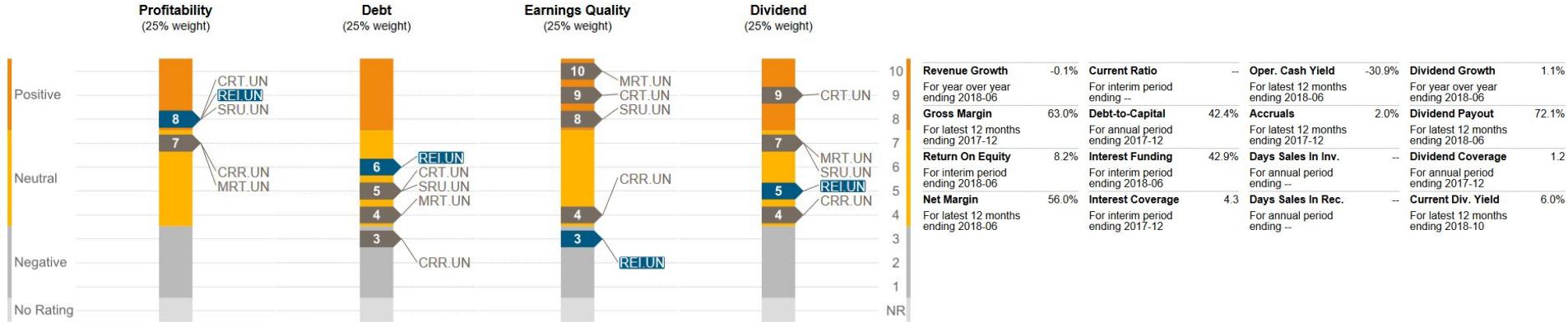
\$24.96 (CAD)

REI.UN:TSE	Ratios Used	Average Values	CHP.UN:TSE	CRT.UN:TSE	SRU.UN:TSE
12.14	PE Ratio	9.40	2.53	10.42	15.24
0.96	PB Ratio	1.47	1.02	2.23	1.17
6.76	PS Ratio	6.18	3.55	8.76	6.24
17.48	PCF Ratio	10.34	5.72	12.38	12.92
16.53	EV to EBITDA	12.01	9.32	9.14	17.57

# Analyst Coverage



## FUNDAMENTAL INDICATORS



**RECOMMENDATION:**

**HOLD**

Buy if price dips below \$23



A strategic creator of value

# H&R Security Snapshot (November 1, 2018)

## H&R Real Estate Investment Trust (HR-UN.TO)

Toronto - Toronto Delayed Price. Currency in CAD

**19.91** 0.00 (0.00%)

At close: 4:00PM EDT

Previous Close	19.91	Market Cap	5.687B
Open	19.93	Beta (3Y Monthly)	1.13
Bid	19.89 x 0	PE Ratio (TTM)	10.02
Ask	20.04 x 0	EPS (TTM)	1.99
Day's Range	19.76 - 20.05	Earnings Date	N/A
52 Week Range	18.94 - 22.10	Forward Dividend & Yield	1.38 (6.99%)
Volume	594,195	Ex-Dividend Date	2018-11-15
Avg. Volume	579,942	1y Target Est	23.36



# 1 Year Chart

[1D](#) [5D](#) [1M](#) [3M](#) [6M](#) [1Y](#) [3Y](#) [5Y](#)

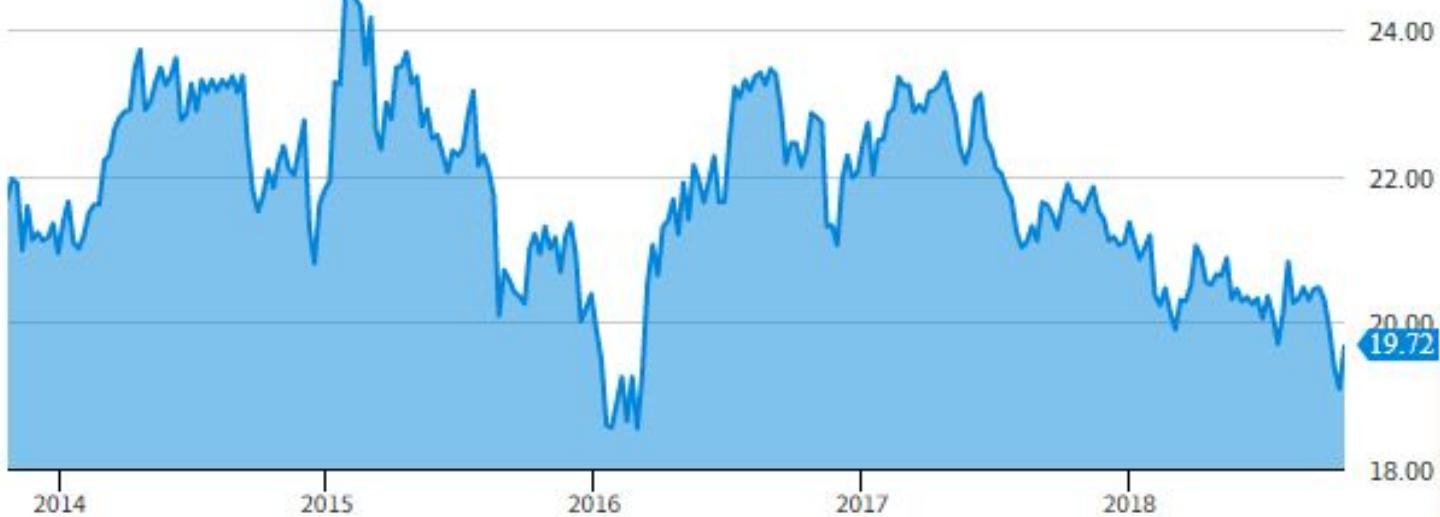
[View Chart](#)



# 5 Years Chart

[1D](#) [5D](#) [1M](#) [3M](#) [6M](#) [1Y](#) [3Y](#) [5Y](#)

[View Chart](#)



# HR: Maximum Time Frame Performance



# 1 Year iShare S&P/TSX VS H&R



# IShare S&P/TSX compared to H&R : Maximum



# Company Overview

- IPO was in December of 1996
- **Open-ended real estate investment trust**
- Investments in US & CAD assets
- Property Investment Diversification: Office, Retail, Industrial, and Residential
- Company owns the H&R Finance Trust subsidiary, which invests in US Corporate notes

## Performance Overview

- 2nd largest REIT in Canada – \$5.63B market cap
- Occupancy exceeding 95% since 1997
- Strength – Lease term length (10 yrs)
- Over 90% of top 15 clients have investment grade credit
- 75% FFO payout ratio at December 31, 2017
- 44.6% debt to asset ratio at December 31, 2017

# Company Strategy



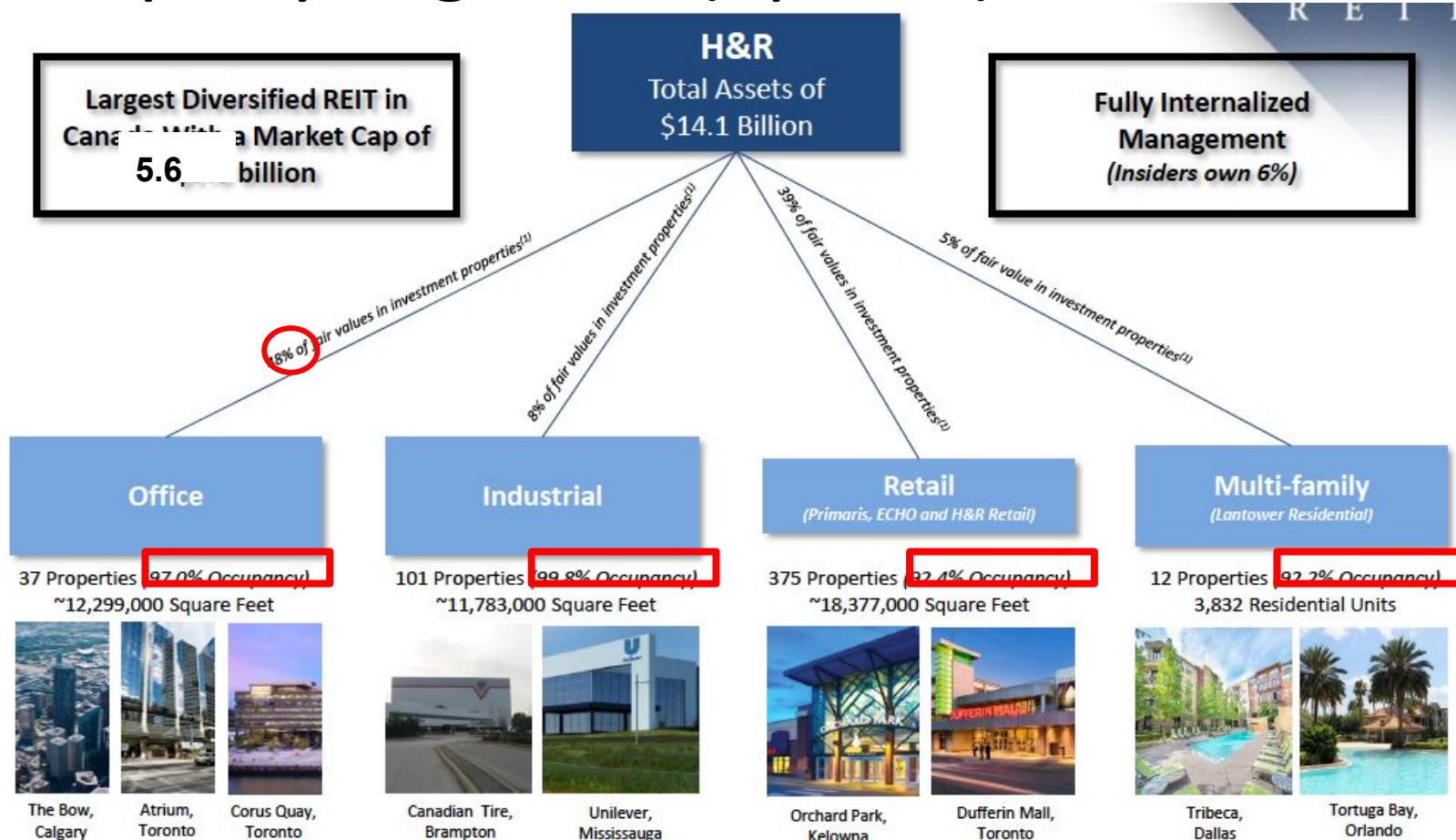
## **Two main objectives:**

- Stable and growing distributions to shareholders
- Maximize shareholder value through asset management techniques

## **STABILITY, SECURITY & GROWTH**

*through* QUALITY, DIVERSIFICATION & SCALE

# Property Segments(update)



# INSTITUTIONAL QUALITY ASSETS – OFFICE

**The Bow** | Calgary



**Atrium** | Toronto



**Place Bell** | Ottawa



**2 Gotham Centre** | New York

**Hess Tower** | Houston

**Corus Quay** | Toronto

# INSTITUTIONAL QUALITY ASSETS - INDUSTRIAL & RETAIL

Orchard Park | Kelowna



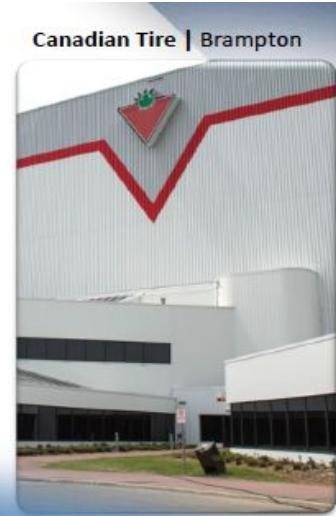
Sunridge | Calgary



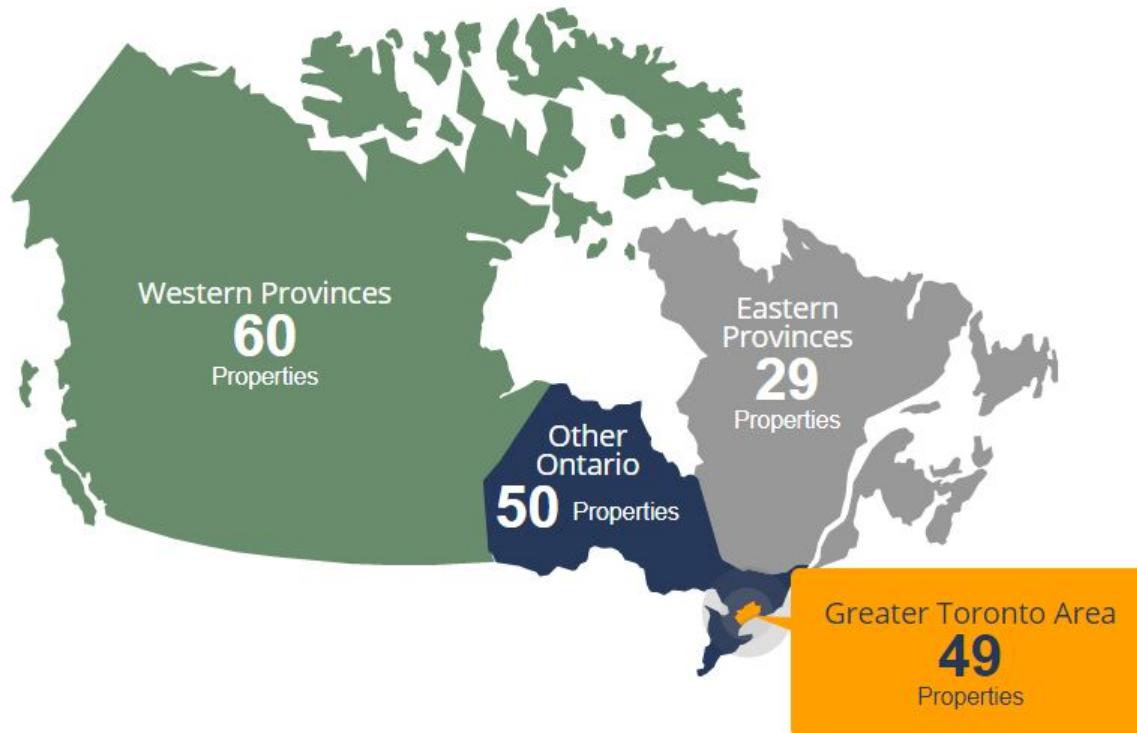
Dufferin Mall | Toronto



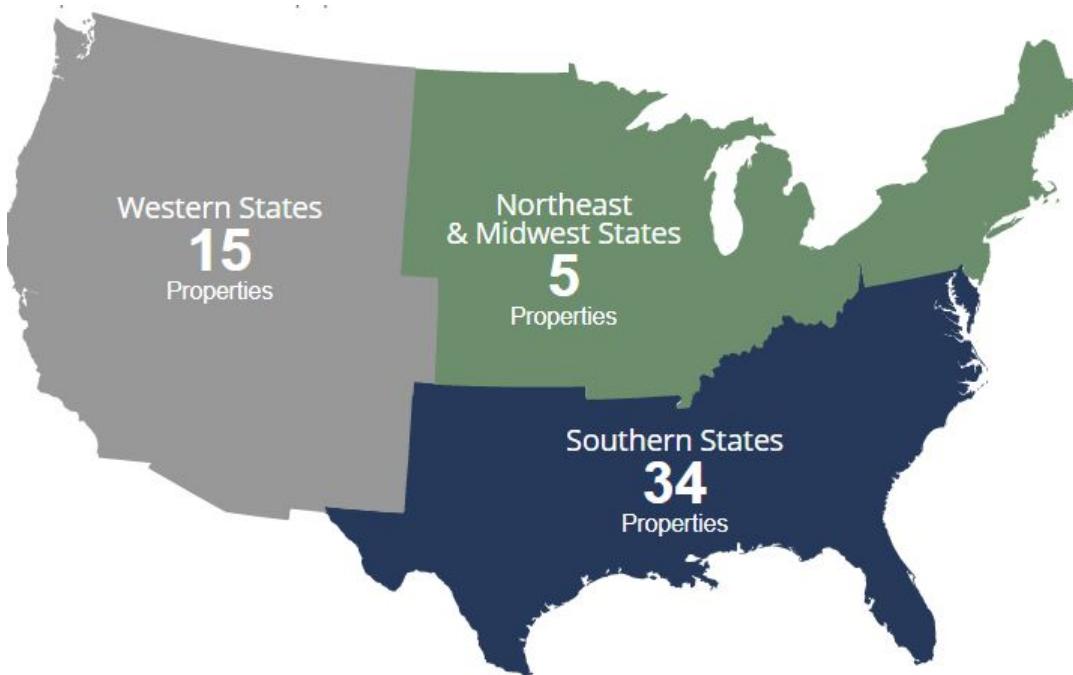
Canadian Tire | Brampton



# Canadian Properties Owned(update)



# US Properties Owned(update)



# TOP 20 REVENUE GENERATING TENANTS

Tenant	% of rentals from investment properties <sup>(1)</sup>	Number of locations	H&R owned sq.ft. (in 000's)	Average lease term to maturity (in years) <sup>(2)</sup>	Credit Ratings (S&P)
1. Encana Corporation <sup>(3)</sup>	11.8%	2	2,016	20.2	BBB Negative
2. Bell Canada	8.3%	24	2,539	7.6	BBB+ Stable
3. Hess Corporation	5.2%	2	848	(8)	BBB- Stable
4. New York City Department of Health	3.6%	1	660	12.9	AA Stable
5. Giant Eagle, Inc.	3.5%	191	1,900	12.7	Not Rated
6. Lowe's Companies, Inc. <sup>(4)</sup>	2.6%	22	2,664	3.2	A- Stable
7. Canadian Tire Corporation <sup>(5)</sup>	2.5%	19	2,636	7.9	BBB+ Stable
8. TransCanada Pipelines Limited	2.1%	2	542	12.1	A- Negative
9. Canadian Imperial Bank of Commerce	1.7%	9	555	6.4	A+ Stable
10. Corus Entertainment Inc.	1.7%	1	472	15.2	BB Stable
11. Telus Communications	1.5%	18	426	5.9	BBB+ Stable
12. Government of Ontario	1.2%	4	370	2.5	A+ Stable
13. Shell Oil Products	1.2%	17	223	4.5	A+ Positive
14. Toronto-Dominion Bank	1.0%	8	280	8.9	AA- Stable
15. Public Works and Government Services, Canada	0.9%	5	307	4.4	AAA Stable
16. Empire Company Limited <sup>(6)</sup>	0.9%	15	565	7.3	BB+ Stable
17. Loblaw Companies Limited <sup>(7)</sup>	0.9%	20	287	8.7	BBB Stable
18. Royal Bank of Canada	0.9%	4	244	6.6	AA- Negative
19. Publix Super Markets, Inc.	0.8%	16	555	8.5	Not Rated
20. Wal-Mart Stores, Inc.	0.7%	10	859	5.6	AA Stable
Total	53.0%	390	18,948	11.1	

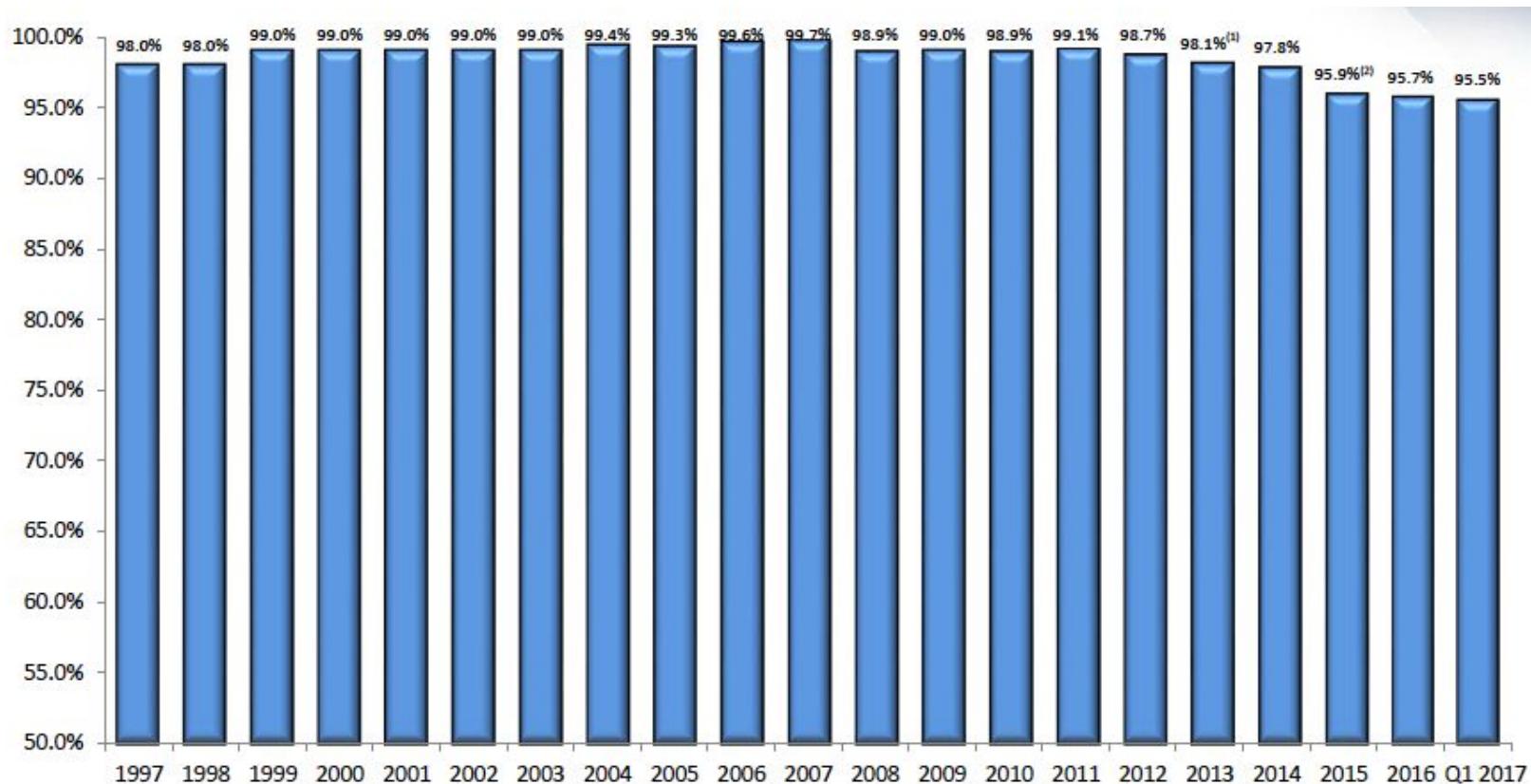
# OTHER STRONG TENANTS



R E I



# 21 Years of Stable Occupancy

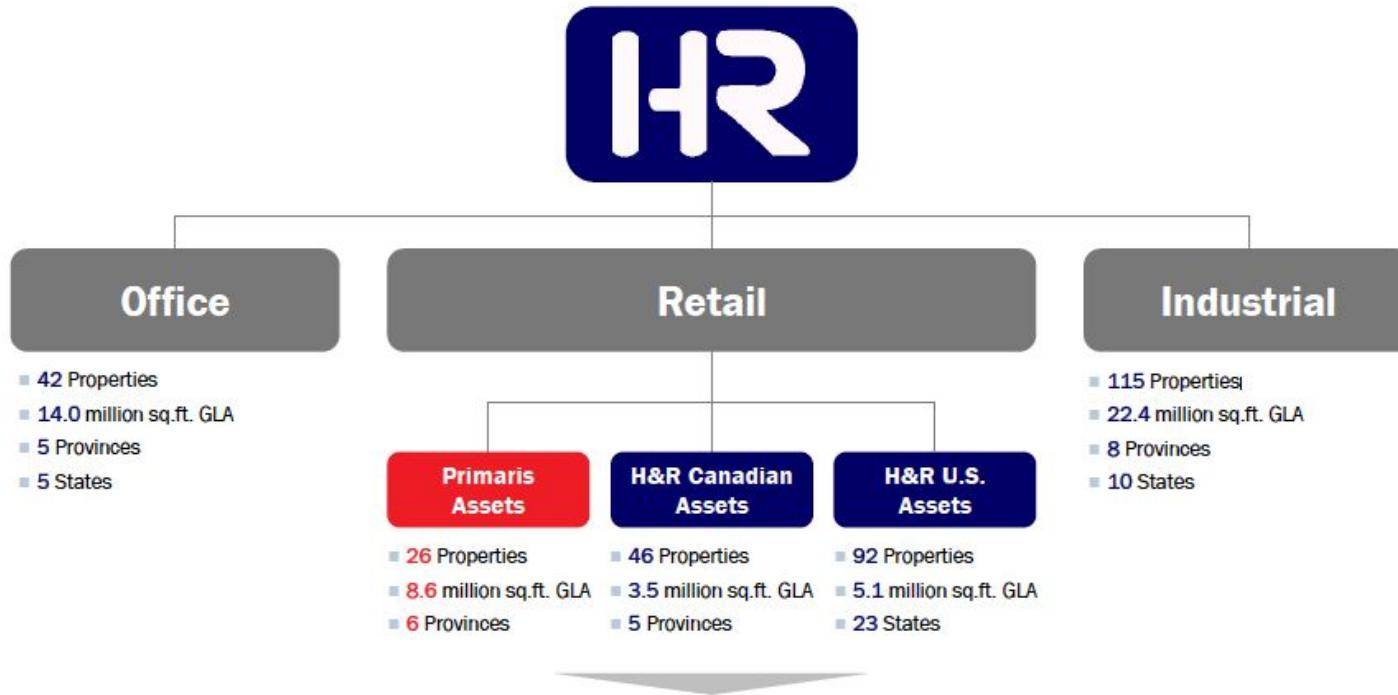


# *Primaris* - A CANADIAN DIVISION

- H&R acquired Primaris REIT in 2013
  - Increased H&R's asset base by 19% to 53.7 million sq. ft.
  - Increased Canadian exposure from 77% to 82%
  - Market cap increased by 33% to \$6.3 billion
- solidified H&R's position as Canada's leading diversified real estate investment trust
- Irreplaceable enclosed shopping center assets
  - 26 high-quality retail properties in 6 provinces
  - Totalling 8.6 million sq. ft
- Similar business and operating philosophies regarding to asset and tenant quality

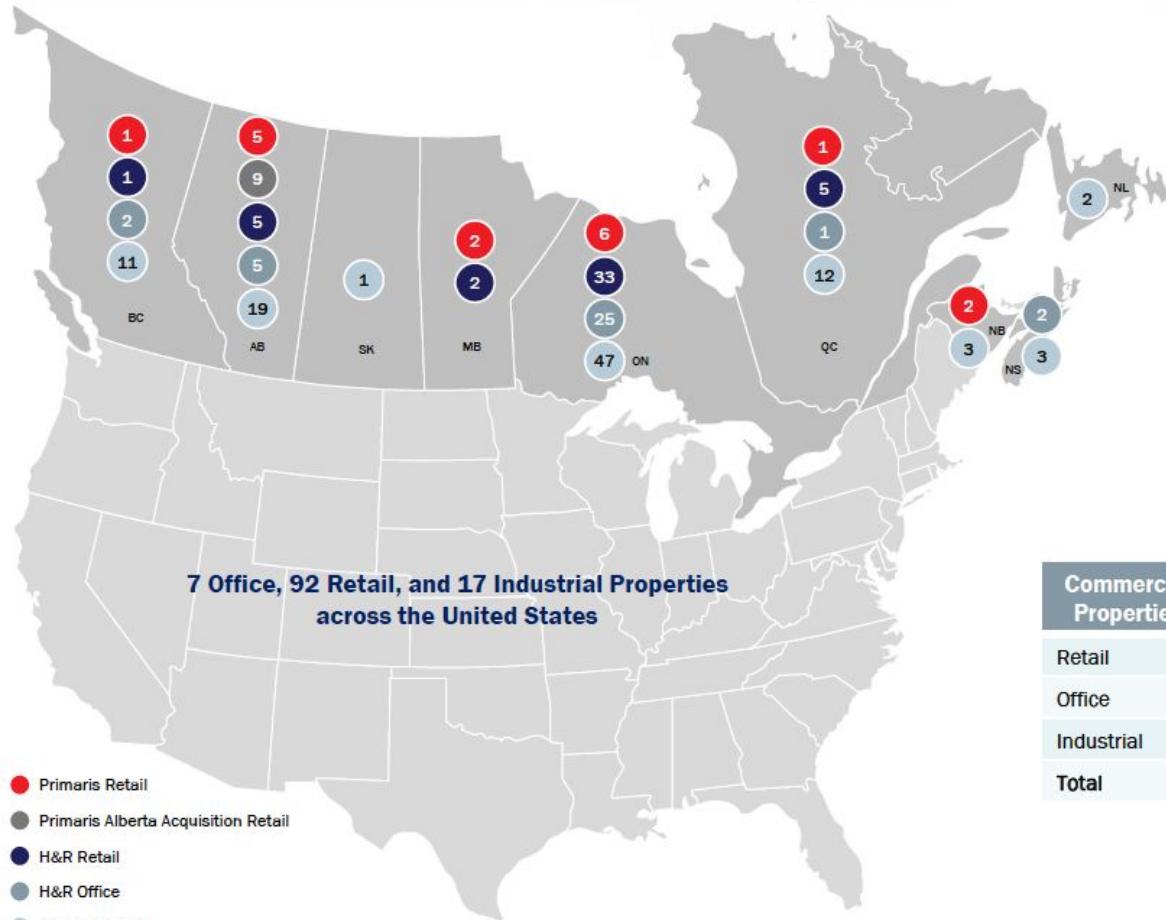


# NEW STRUCTURE



**Fully diversified commercial portfolio emulating the real estate investment model adopted by Canadian pension funds**

# ENRICHED REIT DISTRIBUTION (2013)

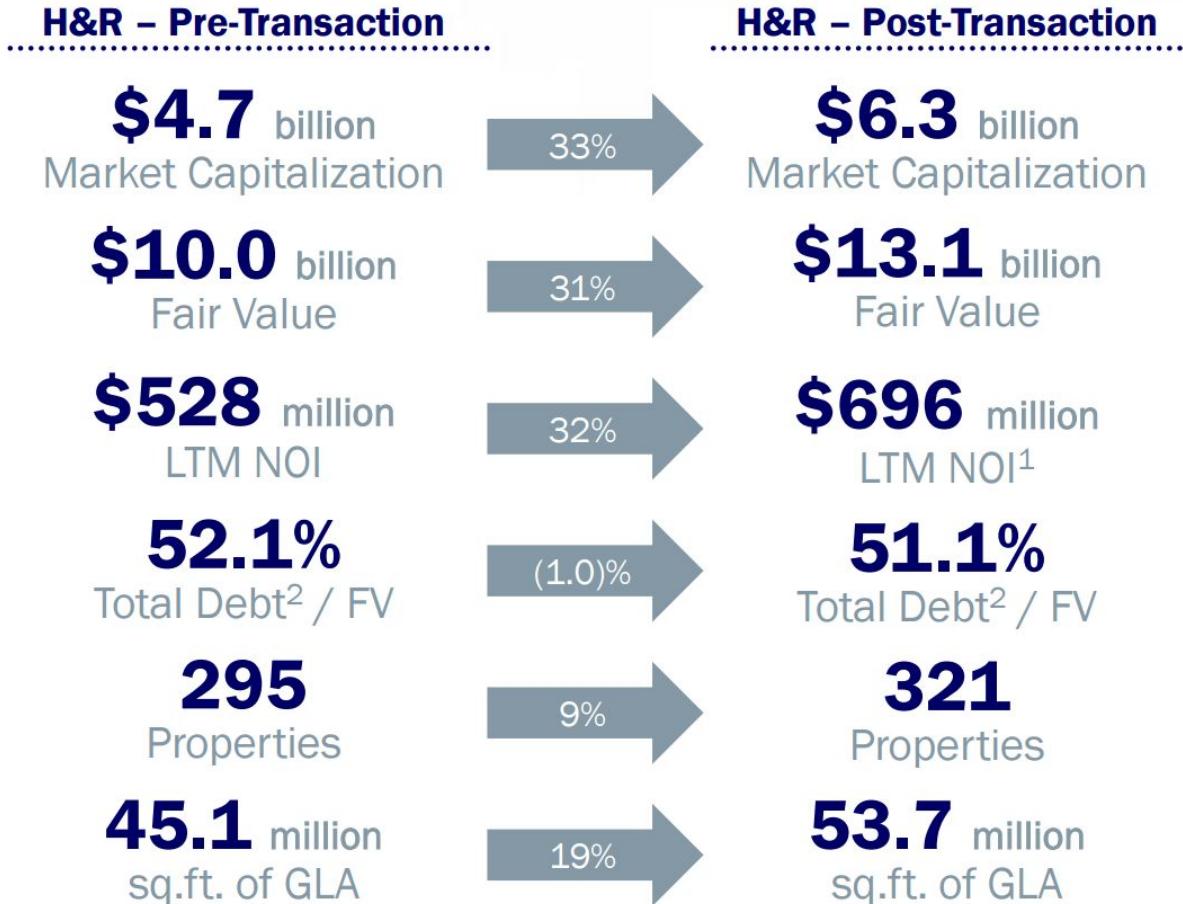


**321**  
Properties

**53.7**  
million sq.ft.  
of GLA

Commercial Properties	Number of Properties	GLA (sq.ft.)
Retail	164	17,241,525
Office	42	14,033,821
Industrial	115	22,386,736
<b>Total</b>	<b>321</b>	<b>53,662,082</b>

# H&R Post Primaris Acquisition(update)



# Primaris Portfolio Summary 1

Property	Location	Major Tenants	GLA (sq.ft.)	Same Store Sales per sq.ft. (\$) <sup>(2)</sup>	Occupancy
<b>Enclosed Centres</b>					
Sunridge Mall	Calgary, AB	Hudson's Bay, Sport Chek, H&M	835,687	\$509	76%
Orchard Park Shopping Centre	Kelowna, BC	Hudson's Bay, Sears, Sport Chek, Best Buy	721,224	\$676	97%
Place d'Orleans <sup>(1)</sup>	Orleans, ON	Hudson's Bay, Sport Chek, Canada Mortgage and Housing Corporation	703,895	\$457	82%
Catarqui Town Centre <sup>(1)</sup>	Kingston, ON	Sears, Hudson's Bay, Sport Chek	620,622	\$534	78%
Place du Royaume <sup>(1)</sup>	Chicoutimi, QC	Wal-Mart, Winners, Cinéma Odyssée	603,717	\$422	95%
Dufferin Mall	Toronto, ON	Wal-Mart, No Frills, Marshalls, H&M, Forever 21	588,296	\$635	98%
Stone Road Mall	Guelph, ON	Sears, Sport Chek, Marshalls, Forever 21	554,606	\$620	87%
Medicine Hat Mall	Medicine Hat, AB	Hudson's Bay, Sears, Galaxy Cinemas	546,305	\$468	77%
Regent Mall <sup>(1)</sup>	Fredericton, NB	Wal-Mart, Sears, Sport Chek, H&M	504,807	\$572	99%
Northland Village Mall	Calgary, AB	Wal-Mart	504,851	\$455	95%
McAllister Place <sup>(1)</sup>	Saint John, NB	Sears	490,445	\$500	74%
Park Place Shopping Centre	Lethbridge, AB	Sears, Sport Chek, Winners, Cineplex, Staples	477,954	\$605	96%
Sherwood Park Mall	Sherwood Park, AB	Safeway, Galaxy Cinemas, Indigo	463,660	\$455	70%
Kildonan Place <sup>(1)</sup>	Winnipeg, MB	Sears, Famous Players, Shoppers Drug Mart	462,588	\$544	72%
Grant Park <sup>(1)</sup>	Winnipeg, MB	Canadian Tire, Red River Co-Op	404,411	\$416	85%
St. Albert Centre	St. Albert, AB	Hudson's Bay, Sport Chek, Winners, Mark's	373,806	\$498	70%
Peter Pond Mall	Fort McMurray, AB	Boomtown Casino, Sport Chek, Atmosphere	203,208	\$644	94%
<b>Total / Weighted Average</b>			<b>9,060,082</b>	<b>\$541</b>	<b>85%</b>

# Primaris Portfolio Summary 2

Property	Location	Major Tenants	GLA (sq.ft.)	Same Store Sales per sq.ft. (\$) <sup>(2)</sup>	Occupancy
<b>Other Properties</b>					
Northpointe Towne Centre	Calgary, AB	Canadian Tire, Landmark Cinemas	199,502	-	100%
Canada One Outlets	Niagara Falls, ON	Urban Planet, Tommy Hilfiger, Roots Canada, Nike, Coach Stores Canada Inc.	164,747	-	90%
Garden City	Winnipeg, MB	Staples	160,889	-	52%
Five Other Plazas	Medicine Hat, AB	Best Buy, Dollarama	154,017	-	77%
Edinburgh Market Place	Guelph, ON	Metro, Mark's	112,892	-	95%
Northland Professional Centre	Calgary, AB	Dentistry, Medical, Chiropractic	52,344	-	98%
Sherwood Park Plaza	Sherwood Park, AB	Little Caesars Pizza	44,248	-	82%
Foothills Crossing	Calgary, AB	Staples	40,480	-	100%
Sunridge Plaza	Calgary, AB	Mark's, CIBC	35,332	-	100%
Northland Shoppes	Calgary, AB	A&W	8,288	-	100%
<b>Total / Weighted Average</b>			<b>972,739</b>	-	<b>85%</b>
<b>Total / Weighted Average</b>			<b>10,032,821</b>	<b>\$541</b>	<b>85%</b>

# Lantower Residential



- Expanded residential portfolio
- Chief Operating Officer: Philippe Lapointe
- 12 properties, 3,832 residential units
- Average property age of 13 years, average monthly rent U.S. \$1,081
- Texas, Florida & North Carolina
- Fair value: U.S. \$564 million
- Mortgage payable: U.S. \$355 million
- Strategy: to build a portfolio of class A properties in submarkets of Texas, Florida and North Carolina where there is strong job growth

# Lantower Residential - Q4 2016 Acquisitions

## **LANTOWER WESTSHORE – Acquired October 19, 2016**

- Class A Units: 300
- Year built: 2014
- Average Rent: U.S. \$1,624 per month
- Rationale: 6-story cement constructed mid-rise located in the heart of Westshore Business District, Tampa, Florida's #1 white-collar employment center.



## **327 SUNSET ALAMO HEIGHTS – Acquired November 30, 2016**

- Class A Units: 312
- Year built: 2015
- Average Rent: U.S. \$1,523 per month
- Rationale: Esteemed location in San Antonio, Texas, minutes from Alamo Quarry Market, excellent demographics, and highly-ranked public schools.



# Lantower Residential - 2017 Acquisitions

## **NXNE – Acquired April 7, 2017**

- Class A Units: 375
- Year built: 2016
- Average Rent: U.S. \$1,094 per month
- Rationale: New construction located in the heart of Austin's "Tech Ridge" district, a hub for several major tech employers including Dell HQ, Apple, Samsung, and IBM.



# Long Island City Construction

- Long Island City, New York
- 50% interest in the landmark luxury residential rental development
- Total cash investment: \$260.7 million
- Total cost (all three phases): expected to be U.S. \$1.2 billion
- By March 31, 2017, total costs incurred: \$741.3 million
- The remaining costs: expected to be funded through construction financing facility
- Expected FFO: U.S. \$23.0 million



# Properties Under Development

- Caledon Industrial Lands
  - 2.7M buildable square feet of industrial space
- Development of Airport Road Project
  - 15 year Solutions 2 go and sleeps country (sept 2017)
- Ambrosio
  - Purchased under development
  - 370 unit multi-family property under development
  - Presence in austin growing tech region

# Management Team



# Thomas J. Hofstedter, President and Chief Executive Officer

- 30 years of North American real estate experience
- CEO & President since creation, IPO in 1996
- Head of Development's Office Division
- Responsible for building most of the initial assets of the REIT
- Bachelor of Arts from University of Toronto



# **Larry Froom, CPA, CA, Chief Financial Officer**

- Been with H&R since 1997
- Became CFO in September of 2006
- Oversees transactions, corporate finance, financial reporting, and investor relations
- Manager at E&Y – Real Estate clients
- Bachelor in Accounting at University of Witwatersrand in South Africa



## **Nathan Uhr, Chief Operating Officer**

- Over 30 years of real estate industry experience
- Has worked at H&R for over 20 years
- Previously Director of Leasing and Property Management and Vice President at H&R
- Responsible for management and leasing issues related to properties



# **Patrick Sullivan, Chief Operating Officer, Primaris Management Inc.**

- Leads senior management group at Primaris
- Responsible for strategic and operational aspects of Primaris
- Previously was Senior Vice President at Primaris
- Bachelor degree in Commerce from UBC



# **Philippe Lapointe, Chief Operating Officer, Lantower Residential**

- Oversees acquisition, financing and operations of all Lantower investments
- Previously, Vice President of Matthews Multifamily and ran the US acquisition and asset management platforms
- Law degree and MBA
- Member of NMHC and TREC



# Financial

# Financial Highlights

## FINANCIAL HIGHLIGHTS

(in thousands of Canadian dollars except per unit amounts)	December 31, 2017	December 31, 2016	December 31, 2015
Total assets	\$14,558,863	\$14,155,012	\$13,990,315
Debt to total assets per the Trusts' Financial Statements <sup>(1)</sup>	44.6% <sup>(2)</sup>	44.3%	46.2%
Debt to total assets at the Trusts' proportionate share <sup>(1)(3)</sup>	46.6% <sup>(2)</sup>	46.0%	48.4%
Unencumbered asset to unsecured debt coverage ratio <sup>(4)</sup>	1.69	1.76	1.38
Stapled Units outstanding	291,320	285,280	279,610
Exchangeable units outstanding	15,979	16,564	16,664

	Three months ended December 31, 2017	Three months ended December 31, 2016	Year ended December 31, 2017	Year ended December 31, 2016
Rentals from investment properties	\$298,042	\$305,500	\$1,168,454	\$1,196,011
Property operating income	199,414	202,366	741,441	764,740
Same-Asset property operating income (cash basis) <sup>(3)</sup>	180,650	182,291	720,572	716,879
Net income from equity accounted investments	118,337	82,176	167,407	48,341
Net income	325,213	140,616	667,870	388,745
FFO <sup>(3)</sup>	137,447	142,899	560,090	584,301
Weighted average number of basic Stapled Units for FFO <sup>(3)</sup>	306,629	300,482	304,462	298,404
FFO per basic Stapled Unit <sup>(3)</sup>	0.45	0.48	1.84	1.96
Distributions paid per Stapled Unit	0.35	0.34	1.38	1.35
Payout ratio per Stapled Unit as a % of FFO <sup>(3)</sup>	77.8%	70.8%	75.0%	68.9%
Interest coverage ratio <sup>(3)</sup>	2.99	2.90	3.00	2.81

## 2107 annual report: Balance Sheet

### FINANCIAL POSITION

	December 31, 2017	December 31, 2016
<b>(in thousands of Canadian dollars)</b>		
<b>Assets</b>		
Real estate assets		
Investment properties	\$13,074,123	\$12,564,144
Properties under development	83,132	118,268
	<b>13,157,255</b>	<b>12,682,412</b>
Equity accounted investments	1,125,135	1,051,187
Assets classified as held for sale	-	211,550
Other assets	234,189	161,842
Cash and cash equivalents	42,284	48,021
	<b>\$14,558,863</b>	<b>\$14,155,012</b>
<b>Liabilities and Unitholders' Equity</b>		
<b>Liabilities</b>		
Mortgages payable	\$3,958,631	\$4,001,451
Debentures payable	1,852,790	1,491,591
Exchangeable units	341,321	370,533
Deferred tax liability	325,131	386,775
Liabilities classified as held for sale	-	126,815
Bank indebtedness	682,196	647,772
Accounts payable and accrued liabilities	219,031	217,425
	<b>7,379,100</b>	<b>7,242,362</b>
<b>Unitholders' equity</b>		
	<b>\$14,558,863</b>	<b>\$14,155,012</b>

## 2018 Q2 Balance Sheet

**H&R REAL ESTATE INVESTMENT TRUST**  
**H&R FINANCE TRUST**  
Condensed Combined Interim Statements of Financial Position  
(In thousands of Canadian dollars)

	<i>Note</i>	June 30 2018	December 31 2017
(Unaudited)			
<b>Assets</b>			
Real estate assets:			
Investment properties	3	\$ 12,433,551	\$ 13,074,123
Properties under development	3	256,308	83,132
		12,689,859	13,157,255
Equity accounted investments	4	1,076,873	1,125,135
Assets classified as held for sale	5	20,525	-
Other assets	6	354,520	234,189
Cash and cash equivalents	7	37,714	42,284
		\$ 14,179,491	\$ 14,558,863
<b>Liabilities and Unitholders' Equity</b>			
Liabilities:			
Mortgages payable	8	\$ 3,799,258	\$ 3,958,631
Debentures payable	9	1,730,280	1,852,790
Exchangeable units	10	321,506	341,321
Deferred tax liability	19	334,135	325,131
Bank indebtedness	7	675,669	682,196
Accounts payable and accrued liabilities	11	193,753	219,031
		7,054,601	7,379,100
Unitholders' equity		7,124,890	7,179,763
Commitments and contingencies	21		
		\$ 14,179,491	\$ 14,558,863

## 2017 Annual Report: Income Statement

### RESULTS OF OPERATIONS

(in thousands of Canadian dollars)	Three months ended December 31		Year ended December 31	
	2017	2016	2017	2016
Property operating income:				
Rentals from investment properties	\$298,042	\$305,500	\$1,168,454	\$1,196,011
Property operating costs	(98,628)	(103,134)	(427,013)	(431,271)
	199,414	202,366	741,441	764,740
Net income from equity accounted investments	118,337	82,176	167,407	48,341
Other income	1,040	1,454	1,040	20,353
Finance costs - operations	(69,003)	(69,861)	(270,358)	(287,325)
Finance income	1,407	925	4,999	4,715
Trust expenses	(4,383)	(7,014)	(18,111)	(29,852)
Fair value adjustments on financial instruments	9,553	6,198	27,049	(33,830)
Fair value adjustments on real estate assets	3,984	(32,488)	1,796	133,738
Loss on sale of real estate assets	(70)	(7,816)	(7,729)	(8,167)
Gain (loss) on foreign exchange	2,263	6,695	(17,903)	(8,944)
Transaction costs	-	-	-	(13,483)
Net income before income taxes	262,542	182,635	629,631	590,286
Income tax recovery (expense)	62,671	(42,019)	38,239	(201,541)
Net income	325,213	140,616	667,870	388,745
Other comprehensive income (loss):				
Items that are or may be reclassified subsequently to net income				
Unrealized gain (loss) on translation of U.S. denominated foreign operations	10,245	40,363	(131,302)	(38,397)
Transfer of realized loss on cash flow hedges to net income	8	8	30	30
	10,253	40,371	(131,272)	(38,367)
Total comprehensive income attributable to unitholders	\$335,466	\$180,987	\$536,598	\$350,378

# 2018 Q2 Report: Income Statement

	Note	Three months ended		Six months ended	
		June 30	June 30	June 30	June 30
		2018	2017	2018	2017
<b>Property operating income:</b>					
Rentals from investment properties	15	\$ 294,302	\$ 286,987	\$ 592,919	\$ 580,844
Property operating costs		(93,246)	(95,395)	(237,371)	(234,096)
		201,056	191,592	355,548	346,748
<b>Net income from equity accounted investments</b>					
Finance cost - operations	4	6,864	26,280	13,101	45,998
Finance income	16	(67,799)	(67,912)	(137,015)	(134,077)
Trust expenses	16	2,138	1,148	3,783	2,286
Fair value adjustments on financial instruments	16	14,555	24,790	24,904	8,081
Fair value adjustment on real estate assets	3	(30,556)	803	(78,120)	47,762
Loss on sale of real estate assets, net of related costs	3	(24,837)	(198)	(20,443)	(6,222)
Gain (loss) on foreign exchange		4,496	(6,712)	11,239	(8,943)
Net income before income taxes		103,472	169,123	167,964	290,952
Income tax recovery (expense)	19	4,722	(16,053)	3,330	(27,079)
Net income		108,194	153,070	171,294	263,873
<b>Other comprehensive income (loss):</b>					
Items that are or may be reclassified subsequently to net income	14				
Unrealized gain (loss) on translation of U.S. denominated foreign operations		36,128	(48,897)	89,971	(61,245)
Transfer of realized loss on cash flow hedges to net income	7	8	14	14	15
		36,135	(48,889)	89,985	(61,230)
<b>Total comprehensive income attributable to unitholders</b>		<b>\$ 144,329</b>	<b>\$ 104,181</b>	<b>\$ 261,279</b>	<b>\$ 202,643</b>

# 2017 Annual Report: Statement of Cash Flows

(Operating)

## Combined Statements of Cash Flows

(In thousands of Canadian dollars)

Years ended December 31, 2017 and 2016

	Note	2017	2016
<b>Cash provided by (used in):</b>			
<b>Operations:</b>			
Net income		\$ 667,870	\$ 388,745
Finance cost - operations	17	270,358	287,325
Interest paid		(258,328)	(299,533)
<b>Items not affecting cash:</b>			
Net income from equity accounted investments	4	(167,407)	(48,341)
Rent amortization of tenant inducements	15	2,354	2,241
Loss on foreign exchange		17,903	8,944
Fair value adjustment on real estate assets	3	(1,796)	(133,738)
Fair value adjustments on financial instruments	17	(27,049)	33,830
Loss on sale of real estate assets, net of related costs	3	7,729	8,167
Unit-based compensation	13(c)	4,869	17,916
Deferred income taxes	23	(39,777)	199,591
<b>Change in other non-cash operating items</b>	18	2,513	(40,951)
		<b>479,239</b>	<b>424,196</b>

# 2017 Annual Report: Statement of Cash Flows

(Investing)

Investing:			
Properties under development:			
Acquisitions	3	(71,260)	-
Additions	3, 18	(14,479)	(20,104)
Investment properties:			
Net proceeds on disposition of real estate assets		115,432	347,454
Acquisitions	3, 18	(417,428)	(325,169)
Redevelopment	3, 18	(111,986)	(65,814)
Capital expenditures	3	(51,845)	(58,924)
Leasing expenses and tenant inducements	3	(28,722)	(34,682)
Equity accounted investments, net		6,169	92,447
Mortgages receivable		(107,233)	58,363
Proceeds from sale of investment		56,597	-
Restricted cash	6, 18	(880)	5,182
		(625,635)	(1,247)

# 2017 Annual Report: Statement of Cash Flows

(Financing)

Financing:

Bank indebtedness	7	69,704	331,359
Mortgages payable:			
New mortgages payable	8	588,094	131,949
Principal repayments	8	(585,659)	(489,891)
Repayment of loan payable		-	(54,102)
Redemption of debentures payable	9(c)	(249,394)	(254,983)
Proceeds from issuance of debentures payable	9(c)	619,299	198,185
Proceeds from issuance of units, net of issue costs		5,051	1,266
Units repurchased and cancelled	13(f)	(15,939)	(2,734)
Distributions to unitholders	13(d)	(290,497)	(274,264)
		140,659	(413,215)
Increase (decrease) in cash and cash equivalents		(5,737)	9,734
Cash and cash equivalents, beginning of year	7	48,021	38,287
Cash and cash equivalents, end of year	7	\$ 42,284	\$ 48,021

# 2018 Q2 Report: Statement of Cash Flows(operations and investing)

		Note	Six months ended June 30	
			2018	2017
<b>Cash provided by (used in):</b>				
<b>Operations:</b>				
Net income			\$ 171,294	\$ 263,873
Finance cost - operations	16		137,015	134,077
Interest paid			(133,957)	(129,307)
<b>Items not affecting cash:</b>				
Net income from equity accounted investments	4		(13,101)	(45,998)
Rent amortization of tenant inducements	15		983	1,085
(Gain) loss on foreign exchange			(11,239)	8,943
Fair value adjustment on real estate assets	3		78,120	(47,762)
IFRIC 21 realty tax adjustment	3		18,999	22,126
Loss on sale of real estate assets, net of related costs	3		20,443	6,222
Fair value adjustments on financial instruments	16		(24,904)	(8,081)
Unit-based compensation (recovery)	13(a)		(2,232)	3,375
Deferred income taxes (recovery)	19		(3,810)	26,204
<u>Change in other non-cash operating items</u>	17		(42,796)	21,423
			<b>194,815</b>	<b>256,180</b>
<b>Investing:</b>				
<b>Properties under development:</b>				
Acquisition		3	(19,531)	(71,260)
Additions	3, 17		(8,856)	(13,867)
<b>Investment properties:</b>				
Net proceeds on disposition of real estate assets			859,346	84,167
Acquisitions	3		(178,907)	(56,023)
Redevelopment	3, 17		(20,523)	(60,989)
Capital expenditures	3		(23,081)	(24,296)
Leasing expenses and tenant inducements	3		(18,343)	(12,675)
Equity accounted investments, net			106,327	6,228
Mortgages receivable			(60,387)	(73,484)
Proceeds from sale of investments			-	55,473
Restricted cash	6		(145,305)	342
			<b>490,740</b>	<b>(166,384)</b>

# 2018 Q2 Report: Statement of Cash Flows(operations and investing)

Financing:			
Bank indebtedness	7	(29,877)	(368,690)
Mortgages payable:			
New mortgages payable	8	236,665	465,354
Principal repayments	8	(455,641)	(383,082)
Redemption of debentures payable	9(c)	(532,082)	(175,000)
Proceeds from issuance of debentures payable	9(c)	409,205	496,854
Proceeds from issuance of units, net of issue costs		8	5,052
Units repurchased and cancelled	13(c)	(136,272)	-
Distributions to unitholders	13(b)	(182,131)	(143,333)
		(690,125)	(102,845)
Decrease in cash and cash equivalents		(4,570)	(13,049)
Cash and cash equivalents, beginning of year	7	42,284	48,021
Cash and cash equivalents, end of period	7	\$ 37,714	\$ 34,972

## Funds From Operations (FFO)

### FFO AND AFFO

(in thousands of Canadian dollars except per unit amounts)

	Three Months Ended December 31		Year ended December 31	
	2017	2016	2017	2016
<b>Net income per the Trusts' Financial Statements</b>	<b>\$325,213</b>	<b>\$140,616</b>	<b>\$667,870</b>	<b>\$388,745</b>
Realty taxes in accordance with IFRIC 21	(10,697)	(9,574)	-	-
FFO adjustments from equity accounted investments (page 30)	(105,226)	(66,377)	(104,539)	23,191
Exchangeable unit distributions	5,464	5,630	22,254	22,480
Fair value adjustments on real estate assets and financial instruments <sup>(1)</sup>	(13,537)	26,290	(19,910)	(99,908)
Fair value adjustment to unit-based compensation	(317)	2,450	1,307	12,652
Loss on sale of real estate assets	70	7,816	7,729	8,167
(Gain) loss on foreign exchange	(2,263)	(6,695)	17,903	8,944
Transaction costs	-	-	-	13,483
Deferred income taxes applicable to U.S. Holdco	(63,047)	41,022	(39,777)	199,591
Incremental leasing costs	1,787	1,721	7,253	6,956
<b>FFO</b>	<b>\$137,447</b>	<b>\$142,899</b>	<b>\$560,090</b>	<b>\$584,301</b>

## FFO: Payout Ratio

Weighted average number of Stapled Units (in thousands of basic Stapled Units adjusted for conversion of exchangeable Stapled Units) <sup>(2)</sup>	306,629	300,482	304,462	298,404
Diluted weighted average number of Stapled Units (in thousands of Stapled Units) for the calculation of FFO <sup>(2)(3)(4)(5)(6)</sup>	311,836	312,142	312,433	310,072
Diluted weighted average number of Stapled Units (in thousands of Stapled Units) for the calculation of AFFO <sup>(2)(3)(5)(6)</sup>	307,595	312,142	312,433	310,072
FFO per basic Stapled Unit (adjusted for conversion of exchangeable units)	\$0.45	\$0.48	\$1.84	\$1.96
FFO per diluted Stapled Unit	\$0.45	\$0.47	\$1.82	\$1.93
AFFO per basic Stapled Unit (adjusted for conversion of exchangeable units)	\$0.35	\$0.37	\$1.52	\$1.54
AFFO per diluted Stapled Unit	\$0.35	\$0.37	\$1.51	\$1.52
Distributions per Stapled Unit	\$0.35	\$0.34	\$1.38	\$1.35
Payout ratio per Stapled Unit as a % of FFO	77.8%	70.8%	75.0%	68.9%

# 2018 Q2 Report: Funds From Operations

(in thousands of Canadian dollars)	Three Months Ended June 30		Six Months ended June 30	
	2018	2017	2018	2017
Rentals from investment properties	\$19,717	\$21,400	\$37,613	\$42,502
Property operating costs	(5,101)	(3,090)	(13,534)	(11,425)
	14,616	18,310	24,079	31,077
Net income from equity accounted investments	329	238	330	337
Finance cost - operations	(5,526)	(4,887)	(9,786)	(9,376)
Finance income	178	93	362	170
Trust expenses	(761)	(570)	(1,476)	(1,191)
Fair value adjustments on financial instruments	1,070	(954)	4,706	519
Fair value adjustment on real estate assets	(2,734)	14,328	(4,330)	24,913
Loss on sale of real estate assets	(3)	-	(288)	(3)
Income tax expense	(17)	(79)	(44)	(102)
Non-controlling interest	(288)	(199)	(452)	(346)
<b>Net income from equity accounted investments</b>	<b>6,864</b>	<b>26,280</b>	<b>13,101</b>	<b>45,998</b>
Realty taxes in accordance with IFRIC 21	(1,195)	(1,323)	2,488	2,729
Fair value adjustments on real estate assets and financial instruments	1,664	(13,374)	(376)	(25,432)
Loss on sale of real estate assets	3	-	288	3
Incremental leasing costs	59	49	114	88
<b>Notional interest capitalization<sup>(2)</sup></b>	<b>2,119</b>	<b>3,576</b>	<b>5,315</b>	<b>7,094</b>
<b>FFO from equity accounted investments</b>	<b>9,514</b>	<b>15,208</b>	<b>20,930</b>	<b>30,480</b>

## 2018 Q2 Report Note's: Adjustment for Other Changes in Working Capital Items

<b>FFO from equity accounted investments</b>	9,514	15,208	20,930	30,480
Straight-lining of contractual rent	(9)	(101)	(149)	(979)
Capital expenditures	(1,011)	(4,989)	(1,649)	(6,255)
Leasing expenses and tenant inducements	(165)	(79)	(674)	(138)
Incremental leasing costs	(59)	(49)	(114)	(88)
<b>AFFO from equity accounted investments</b>	<b>\$8,270</b>	<b>\$9,990</b>	<b>\$18,344</b>	<b>\$23,020</b>

BUY



# Stock Quote

**Boardwalk Real Estate Investment Trust (BEI-UN.TO)**

Toronto - Toronto Delayed Price. Currency in CAD

**47.80** -0.90 (-1.85%)

At close: October 26 4:00PM EDT

Summary	Chart	Conversations	Statistics	Historical Data	Profile	Financials	Analysis	Options	Holders	Sustainability
Previous Close	48.70	Market Cap		<b>2.421B</b>						
Open	48.50	Beta (3Y Monthly)		0.08						
Bid	47.72 x 0	PE Ratio (TTM)		26.44						
Ask	47.99 x 0	EPS (TTM)		1.81						
Day's Range	47.63 - 48.72	Earnings Date		N/A						
52 Week Range	38.27 - 52.43	Forward Dividend & Yield	1.00	<b>(2.02%)</b>						
Volume	234,322	Ex-Dividend Date		2018-10-30						
Avg. Volume	127,500	1y Target Est		50.96						



1D 5D 1M 6M YTD 1Y 5Y Max |  Full screen

50.20  
49.20  
48.20  
47.20

47.86

Mon Tue Wed Thu Fri

# 1 Year Performance



# 5 Year Performance



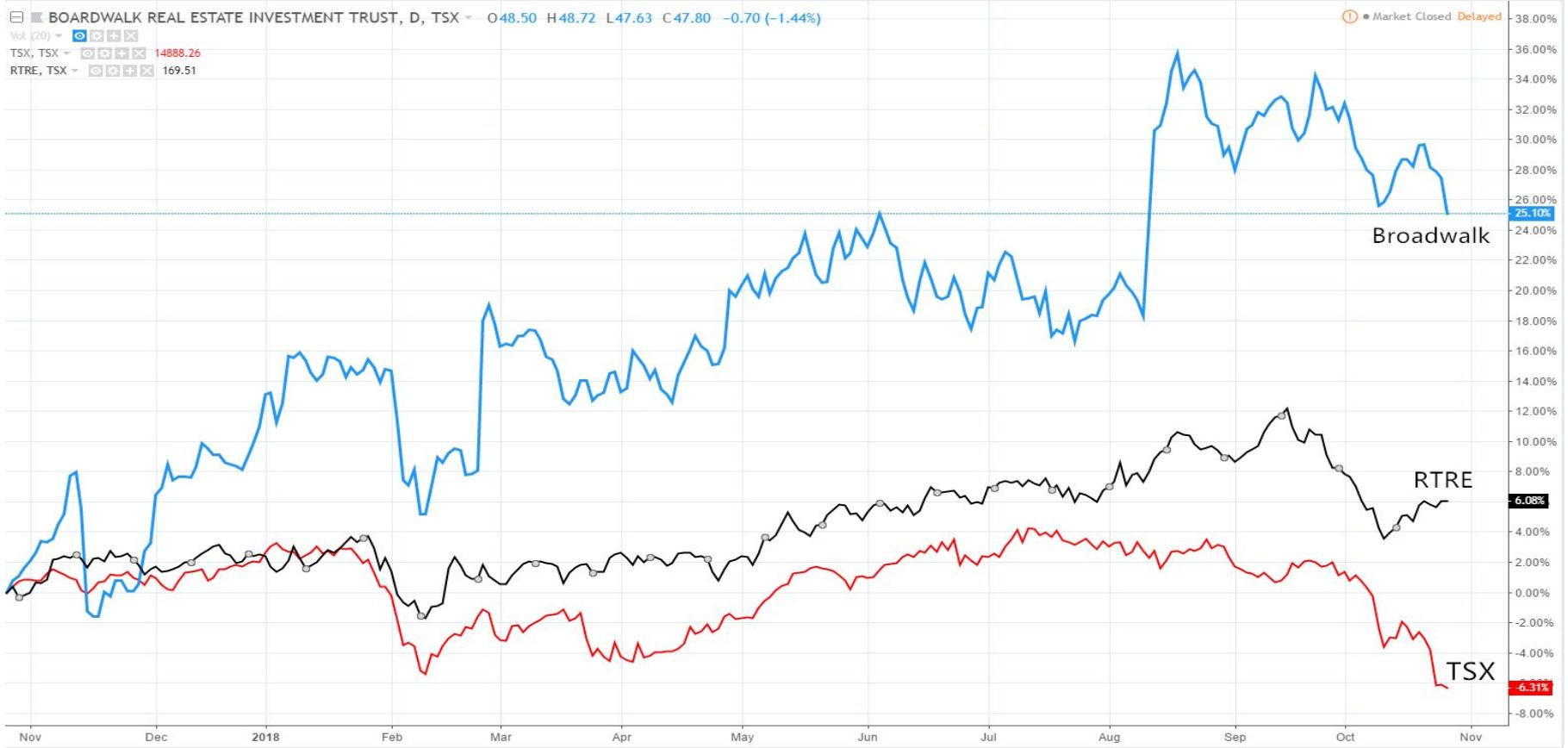
# 10 Year Performance



# Max Year Performance



# 1 Year Comparison



# 5 Year Comparison



# 10 Year Comparison



# Company Profile

- Canada's leading owner/operator of multi-family communities with over 1,700 associates
- Headquarter in Calgary, Canada and has 1300 employees
- Currently owns and operates more than 200 communities with over 33,000 residential units totaling 28 million net rentable square feet
- Properties are located in Alberta, Saskatchewan, Ontario, and Quebec
- Principal objectives:
  - Provide its residents with the best quality communities and superior customer service
  - Provide Unitholders with sustainable monthly cash distributions
  - Increase the value of its trust units
- Increase the value of its trust units through:
  - selective acquisitions
  - Dispositions
  - Development
  - effective management of its residential multi-family communities

# Company History

## Where It All Started

Boardwalk Rental Communities began as a private company in 1984 when brothers Sam and Van Koliass purchased a 16-unit walk-up building in Calgary. They immediately set to work renovating the interior and exterior of the building. Their hard work paid off as the newly improved building quickly filled with Residents. Within six months, the brothers sold the fully occupied property to fund newly created jobs and further acquisitions of similar properties.

A vertical orange line with a circular orange marker at the top containing the year 1984.

# Company History

1994

## Going Public

In January of 1994, Boardwalk Rental Communities went public on the Alberta Stock Exchange, giving Associates the opportunity to own part of the company for just \$0.0675 per share (accounting for two stock splits). During that year, Boardwalk purchased more than 1,000 apartment units in Calgary and Edmonton, Alberta.

# Company History

## Expanding Eastward

In 1996, Boardwalk Rental Communities expanded into Saskatchewan, and, in 1999, expanded into Central Canada by purchasing apartment buildings in Ontario. In 2002, Boardwalk expanded further once again and established a presence in Quebec.

A vertical orange timeline marker. It consists of a long, thin vertical line extending downwards from a larger, circular orange dot. The year "2002" is printed in white inside the circular dot.

2002

# Company History

2004

## Transitioning to a REIT

With 31,780 suites, Boardwalk Rental Communities converted to a Real Estate Investment Trust (REIT). A REIT is a corporation that is not taxed because it distributes most of its net taxable income to unitholders.

# Company History

## Boardwalk Builds

Boardwalk commenced its very first development project in 2012 by building on excess land owned by the Trust. Boardwalk received a rent subsidy grant from the Province of Alberta for approximately half the cost of the development project, and, in return, committed to providing 54 of the 109 units as affordable housing at a rate 10% below CMHC market rents for a period of 20 years.



2012

# Company History



Today



Today

Today, with over 30,000 suites, Boardwalk Rental Communities strives to be the friendliest owner and operator of multi-family residential communities in Canada. Boardwalk currently employs more than 1,500 skilled and dedicated Associates and provides superior customer service to more than 55,000 Resident Members across four provinces in Canada.

# Company Golden Rules



Boardwalk is built upon its Golden Foundation:

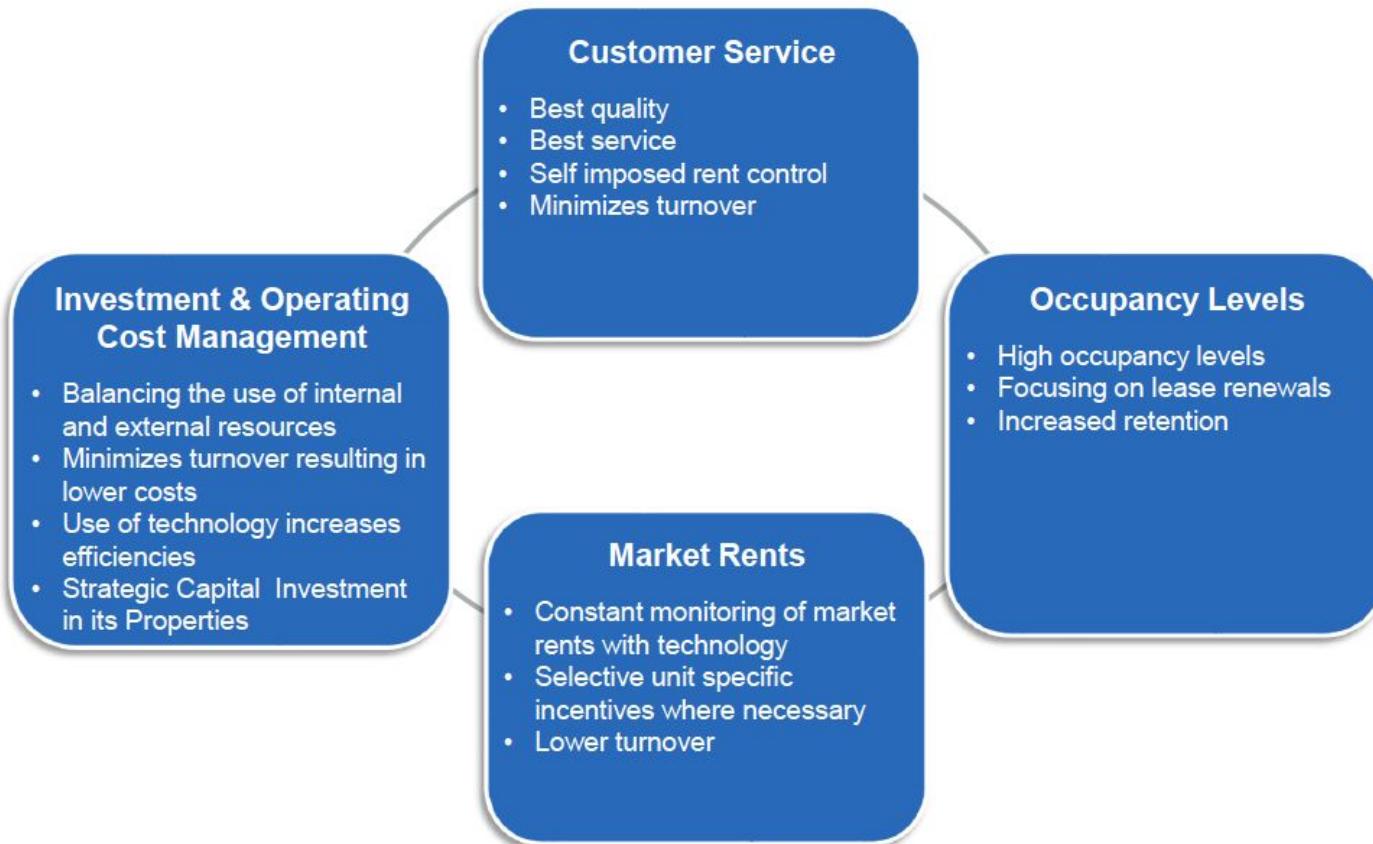
**GOLDEN RULE:** Treat others as you want to be treated

**GOLDEN GOAL:** Be good

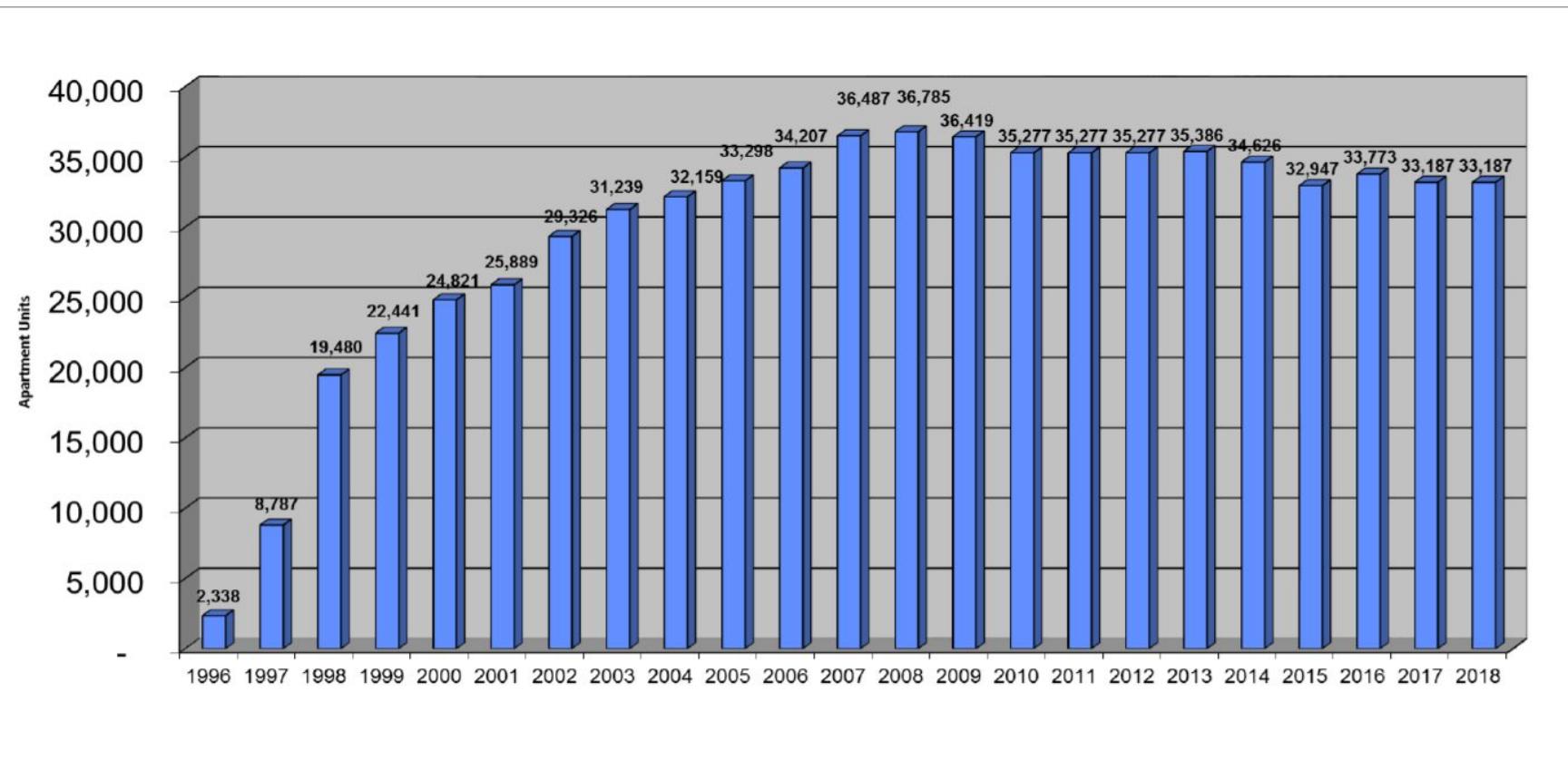
**GOLDEN VISION:** Love community

**GOLDEN MISSION:** Have fun

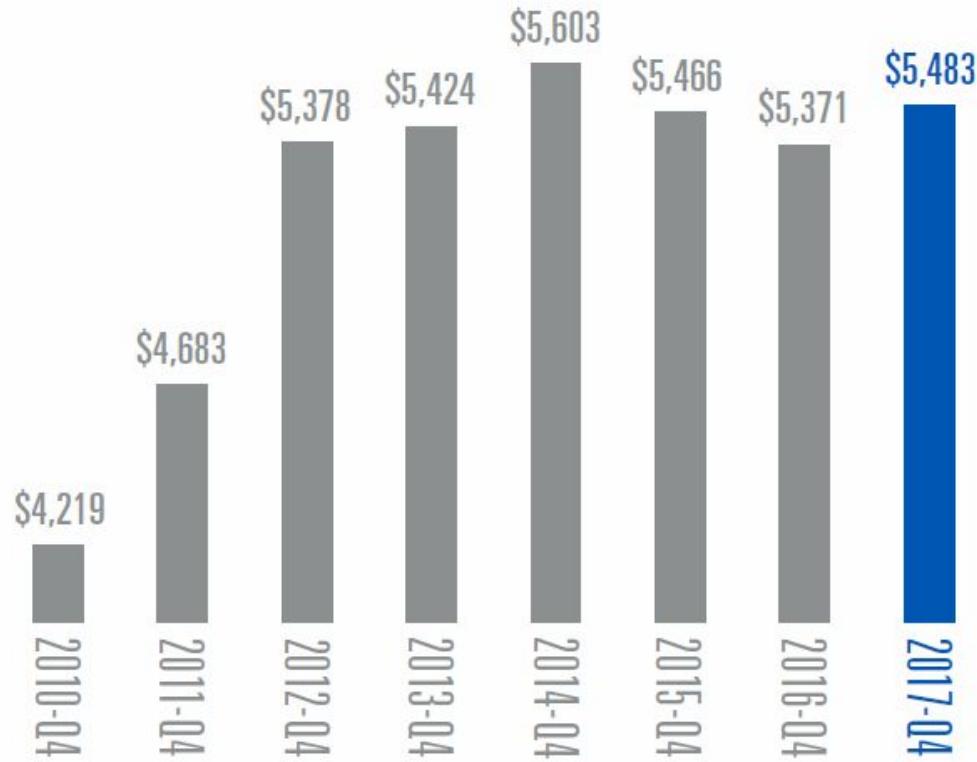
# Company Strategy



# Number of Units in Portfolio by Year



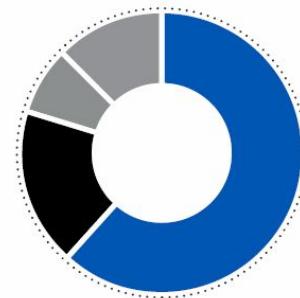
# Fair Value of Investment Assets, Excluding Sold Properties



# Portfolio Geographic Breakdown

## UNIT BREAKDOWN BY PROVINCE

As at December 31, 2017



**AB** 61.7%

**QC** 18.1%

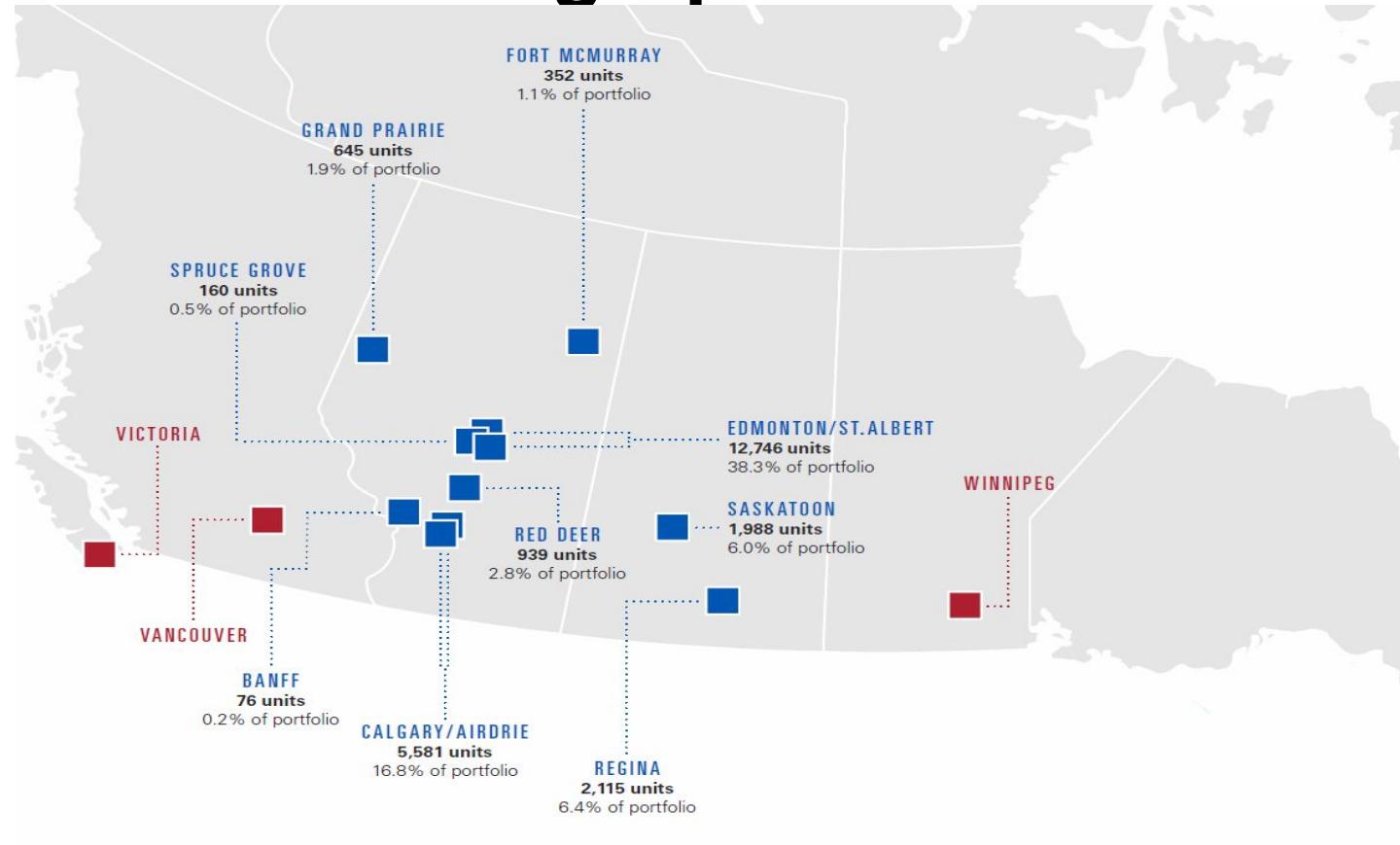
**ON** 7.8%

**SK** 12.4%

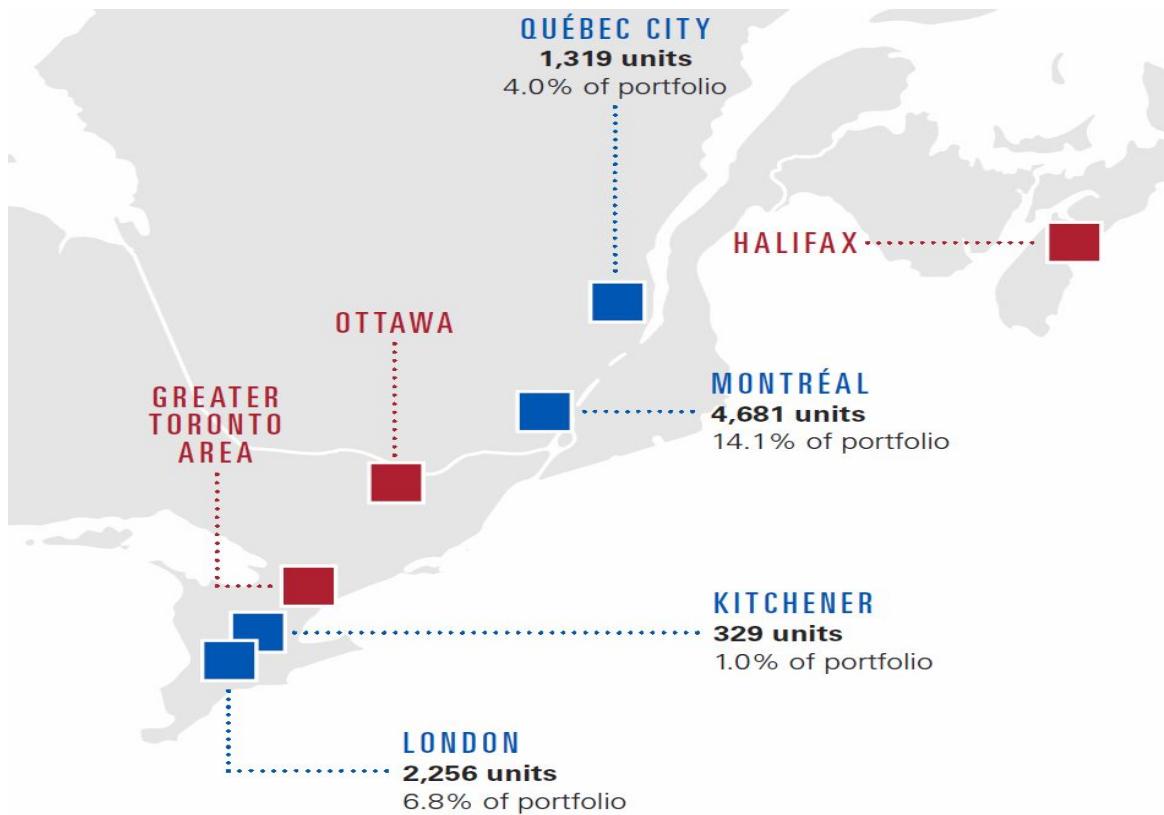
## By Province

Province	Number of Units	% of Units	Net Rentable Square Footage	% of Square Footage	Average Unit Size
Alberta	20,499	61.7%	17,507,855	61.3%	854
Saskatchewan	4,103	12.4%	3,504,816	12.3%	854
Ontario	2,585	7.8%	2,130,166	7.5%	824
Quebec	6,000	18.1%	5,395,692	18.9%	899
<b>Total (as at Jun 30, 2018)</b>	<b>33,187</b>	<b>100.0%</b>	<b>28,538,529</b>	<b>100.0%</b>	<b>860</b>

# Portfolio Geographic Breakdown



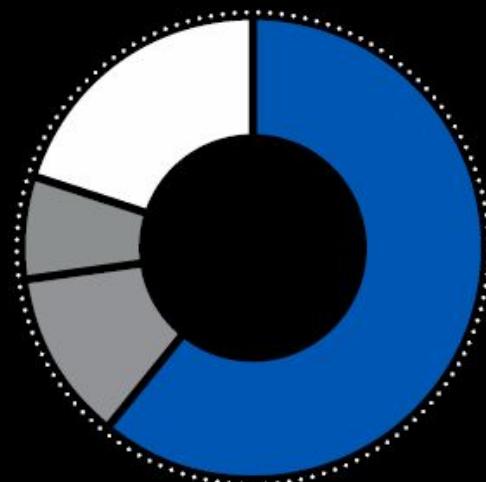
# Portfolio Geographic Breakdown



# NOI Geographic Breakdown

## NOI BREAKDOWN BY PROVINCE

As at December 31, 2017



AB 61%

QC 20%

ON 7%

SK 12%

# NOI Geographic Breakdown

	6 Months Ended June 30, 2018						
	Alberta	Saskatchewan	Ontario	Quebec	Corporate	Total	
Rental revenue (a)	\$ 135,136	\$ 25,660	\$ 13,810	\$ 37,330	\$ 126	\$ 212,062	
Ancillary rental income	2,473	164	287	465	(2)	3,387	
<b>Total rental revenue</b>	<b>137,609</b>	<b>25,824</b>	<b>14,097</b>	<b>37,795</b>	<b>124</b>	<b>215,449</b>	
Rental expenses							
Operating expenses	35,002	5,406	2,349	9,610	4,140	56,507	
Utilities	14,803	4,060	1,913	4,114	168	25,058	
Property taxes	14,017	2,479	1,658	4,157	129	22,440	
<b>Net operating income (loss)</b>	<b>73,787</b>	<b>13,879</b>	<b>8,177</b>	<b>19,914</b>	<b>(4,313)</b>	<b>111,444</b>	
Financing costs (b)	26,794	4,220	1,441	6,046	1,474	39,975	
Administration	155	(14)	2	96	18,518	18,757	
Depreciation (c)	431	96	12	85	2,453	3,077	
<b>Profit (loss) from continuing operations before the undernoted</b>	<b>46,407</b>	<b>9,577</b>	<b>6,722</b>	<b>13,687</b>	<b>(26,758)</b>	<b>49,635</b>	
Proceeds on insurance settlement	-	-	-	-	-	-	
Fair value gains (losses)	62,374	(2,358)	3,361	24,889	(11,869)	76,397	
<b>Profit (loss) before income tax</b>	<b>108,781</b>	<b>7,219</b>	<b>10,083</b>	<b>38,576</b>	<b>(38,627)</b>	<b>126,032</b>	
Income tax expense (d)	-	-	-	-	(10)	(10)	
<b>Profit (loss) and total comprehensive income (loss) for the period</b>	<b>\$ 108,781</b>	<b>\$ 7,219</b>	<b>\$ 10,083</b>	<b>\$ 38,576</b>	<b>\$ (38,637)</b>	<b>\$ 126,022</b>	
Additions to non-current assets (e)	\$ 35,324	\$ 6,520	\$ 3,626	\$ 6,606	\$ 15,517	\$ 67,593	

# Geographic Revenue Growth

Stabilized Revenue Growth	# of Units	Q2 2018	Q2 2018	Q2 2018	Q2 2018
		vs Q1 2018	vs Q4 2017	vs Q3 2017	vs Q2 2017
Edmonton	12,559	1.4%	2.9%	3.4%	2.6%
Calgary	5,657	1.2%	5.7%	7.5%	6.8%
Red Deer	939	1.9%	11.8%	16.3%	13.2%
Grande Prairie	645	4.1%	6.1%	14.0%	16.9%
Fort McMurray	352	0.8%	1.3%	1.3%	3.6%
Quebec	6,000	0.3%	0.1%	1.4%	2.3%
Saskatchewan	4,024	1.3%	1.8%	2.1%	0.9%
Ontario	2,585	0.8%	2.6%	3.0%	5.0%
	32,761	1.1%	3.0%	4.0%	3.7%

# 2018 Financial Guidance

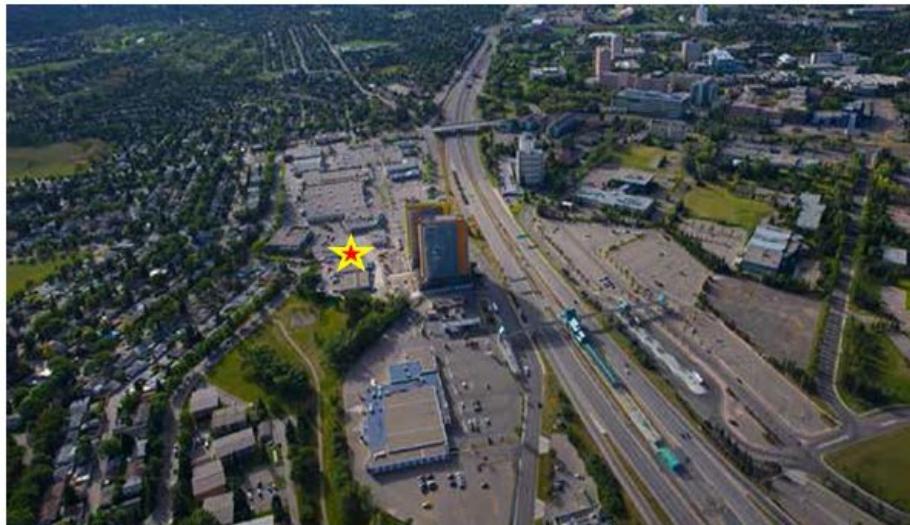
## 2018 OUTLOOK

Key macro-economic indicators have identified that a recovery has begun in the Trust's core market of Alberta:

- Positive inter-provincial migration in the second half of 2017, combined with consistent international migration into the province
- Increasing job vacancies in Alberta
- Decreasing unemployment rate
- Stabilizing world oil prices
- New construction of purpose-built rentals has moderated

Description	Q2 2018 Revised Objectives	2018 Original Objectives
Stabilized Building NOI Growth	3% – 7%	2% – 7%
FFO Per Unit	\$2.20 – \$2.35	\$2.15 – \$2.35
AFFO Per Unit	\$1.75 – \$1.90 utilizing a Maintenance CAPEX of \$695/suite/year	\$1.70 – \$1.90 utilizing a Maintenance CAPEX of \$695/suite/year

# Joint Venture - RioCan & Boardwalk (50/50)



Brentwood Village, Calgary, Alberta

# Joint Venture - RioCan & Boardwalk (50/50)



- Site is well located with close proximity to downtown along the LRT, near the University of Calgary, Foothills Hospital and close to Boardwalk's existing northwest assets.
- -A stepped 6, 10 and 12 storey concrete high rise
- -130,000 sq. ft. (net) of residential (~ 162 units) managed by Boardwalk at cost
- -10,000 sq. ft. of retail managed by RioCan at cost
- -Total estimated construction cost: \$75 - \$80 million (including \$6.5 million for land). Boardwalk's 50% portion: \$37.5 - \$40 million
- -Excavation and shoring, initial foundations and crane installation is complete. Foundation and subgrade structure has commenced.
- -Occupancy is estimated to be Q1 2020

# Pines Edge Phase 2 (Under Construction)



Pines Edge, Regina, Saskatchewan

# Pines Edge Phase 2

- A 79 unit, 4 storey wood frame building with 2 elevators and single level underground parkade
- Unit mix: 13 one bedrooms and 66 two bedrooms (60 units with 2 bathrooms)
- Construction began in May 2016
- Structure is complete, insulated, and closed to the elements. Exterior and interior finishings are close to completion
- Estimated cost for this phase is \$13.2 million (\$167K/door), with an estimated stabilized cap rate range of 6.25% -6.75%
- Construction is on schedule and occupancy is expected to be in the summer of 2017

# Pines Edge Phase 3



- A 71 unit building
  - 13 -one bedrooms and 58 -two bedrooms (52 units with 2 baths)
- Building permit has been approved
- Tender process is complete, once construction drawings are finalized, excavation could begin as early as Q3 of 2018
- Construction is projected to be 14 months with occupancy anticipated for ~~Q3 of 2018~~

Phase	Units	Completion Date	Total Cost	Cost/Door	Stabilized Unlevered Yield
1	79	January 2016	\$ 13,400,000	\$ 170,000	6.90%
2	79	June 2017	\$ 13,300,000	\$ 168,000	6.25% - 6.75%
3	71	Q3 - 2018	\$ 13,200,000	\$ 186,000	6.00% - 6.50%
4	64	TBD	\$ -	\$ -	TBD
5	71	TBD	\$ -	\$ -	TBD
Total	364		\$ 39,900,000	\$ 174,000	

# Sarcee Trail, Calgary (Under Review)



## Duo at Sarcee Trail

- Development permit submitted July 2017 for two 15-storey concrete towers totaling 229 units with a connected two level underground parkade
- DTR comments received September 2017
- Currently working with our architect on a response to the City regarding their DTR comments



# Development Pipeline



## Viking Arms, Edmonton

- Concept developed for 312 units in two point towers at this site
- Awaiting the city's amendment of the RA9 base zoning, which will be required for this concept plan
- Analyzing the economic viability of the project



## West Edmonton Village, Edmonton

- An existing community of 1175 units, with a mix of high-rise, low-rise and townhouses on ~ 38 Acres of land
- Approximately 112 townhouses on 12 acres of land could be demolished to allow for the construction of 4 storey woodframe buildings with single level underground parking totaling 948 units



# Development Pipeline



<b>Wascana Park Estates, Regina</b>	<ul style="list-style-type: none"><li>▪ An existing community of 320 townhouse units on ~33 Acres of land</li><li>▪ A draft concept Master Plan includes high-rises, mid-rises, low-rises and some commercial space</li><li>▪ Entire site would allow up to 2,000 residential units</li><li>▪ More detailed planning is underway to determine the optimal mix of residential and commercial uses</li><li>▪ Community engagement and rezoning will be required</li></ul>	
<b>Russet Court</b>	<ul style="list-style-type: none"><li>▪ Zoning is in place for our proposed 856 units of high-rise, mid-rise, and low-rise apartments</li><li>▪ City administration is required to present council with an Area Master Plan in late spring 2017</li><li>▪ We are currently participating with other landowners within 600 meters of the Rundle LRT station in the planning exercise</li></ul>	

# Development opportunities



## Development Opportunities

Project	City	Developable Land (Acres)	Demolition Required	Total New Units	Gross Buildable Area (SqFt)
<hr/>					
Duo at Sarcee Trail	Calgary	2.5	0	229	220,000
Viking Arms	Edmonton	1.3	0	312	310,000
Pines Edge Phase 4 - 5	Regina	2.8	0	135	141,000
West Edmonton Village	Edmonton	12.7	112	948	970,000
Wascana Park Estates	Regina	33.4	320	1,957	1,978,000
Russet Court	Calgary	9.7	206	856	820,000
<b>TOTAL</b>				<b>4,437</b>	<b>4,439,000</b>

# 2018 Budget

Q1



## Capital Budget (\$000's)

	2018 Budget		Three Months Ended, Mar. 31, 2018 Actual		Per Suite
	Maintenance Capital	Value-added Capital (including suite upgrades)	Per Suite	2018 Actual	
<b>Total Property Capital</b>	<b>\$ 136,294</b>	<b>\$ 4,107</b>	<b>\$ 29,904</b>	<b>\$ 901</b>	
Total Property Capital	\$ 136,294		\$ 29,904		
Development		30,000		5,686	
<b>Total Capital Investment</b>	<b>\$ 166,294</b>		<b>\$ 35,590</b>		

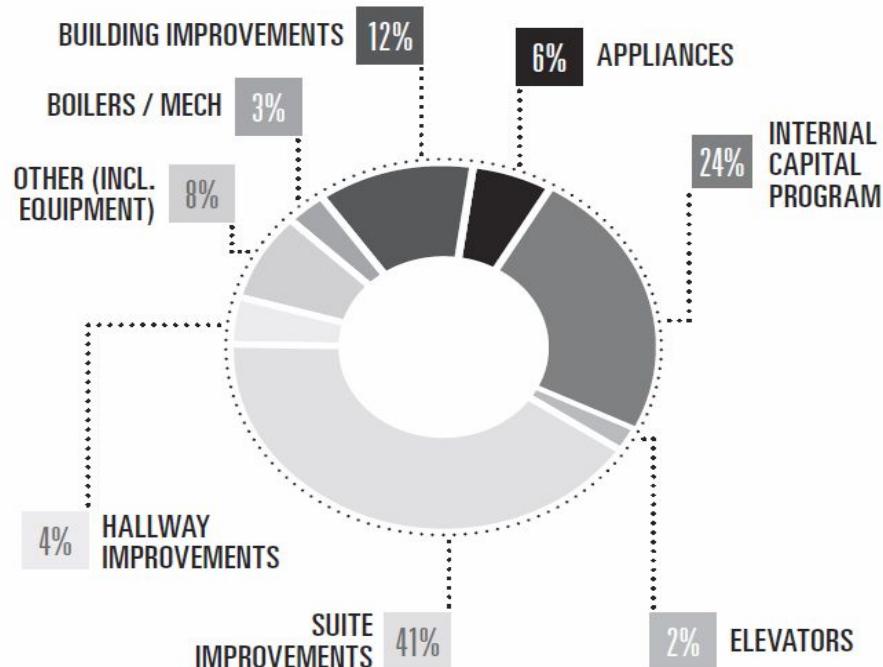
Q2

## Capital Budget (\$000's)

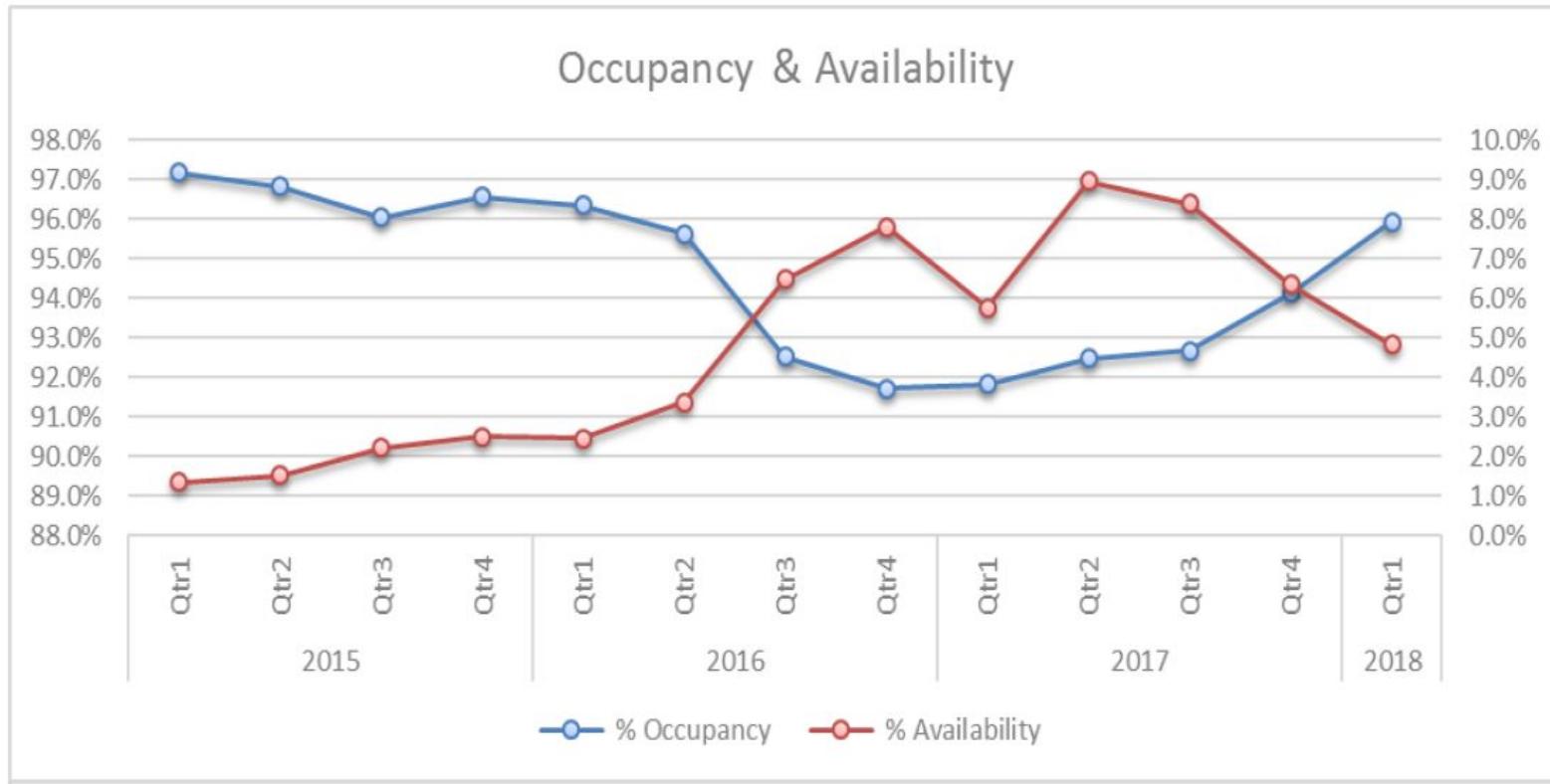
	2018 Budget		Six Months Ended, Jun. 30, 2018 Actual		Per Suite
	Maintenance Capital	Value-added Capital (including suite upgrades and property, plant and equipment)	Per Suite	2018 Actual	
<b>Total Property Capital</b>	<b>\$ 136,294</b>	<b>\$ 4,107</b>	<b>\$ 55,960</b>	<b>\$ 1,686</b>	
Total Property Capital	\$ 136,294		\$ 55,960		
Development		30,000		11,633	
<b>Total Capital Investment</b>	<b>\$ 166,294</b>		<b>\$ 67,593</b>		

# 2018 Capital Investment

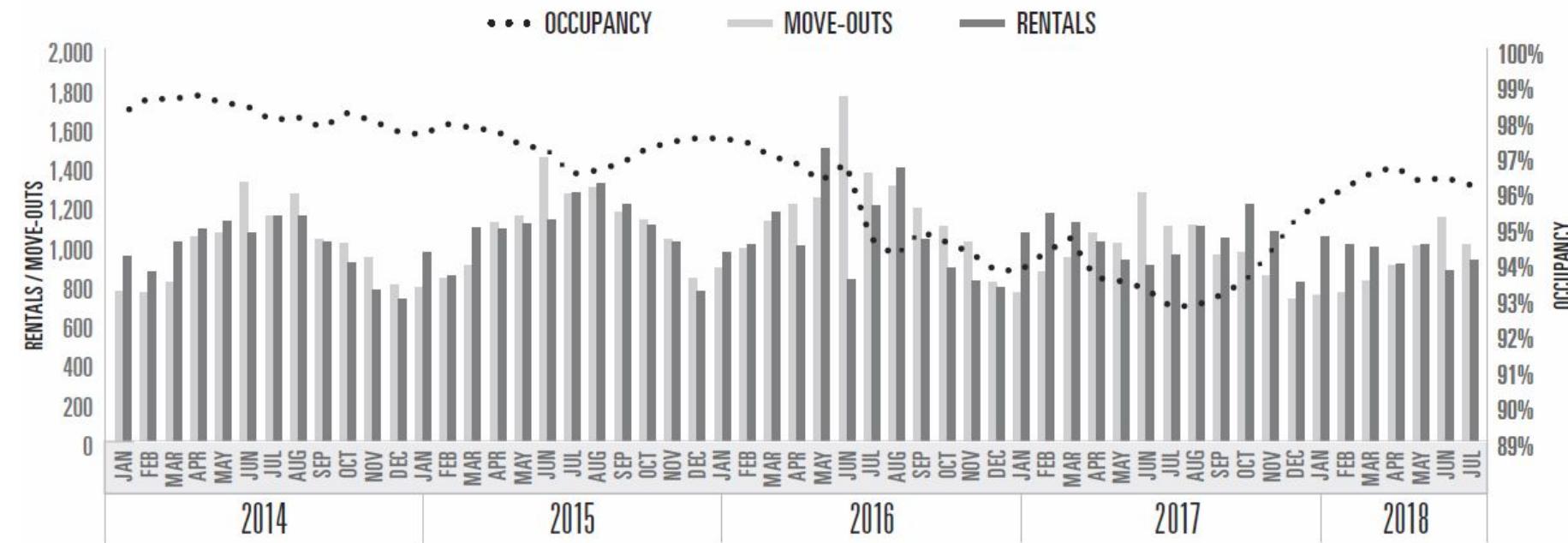
## 2018 6M Capital Investment



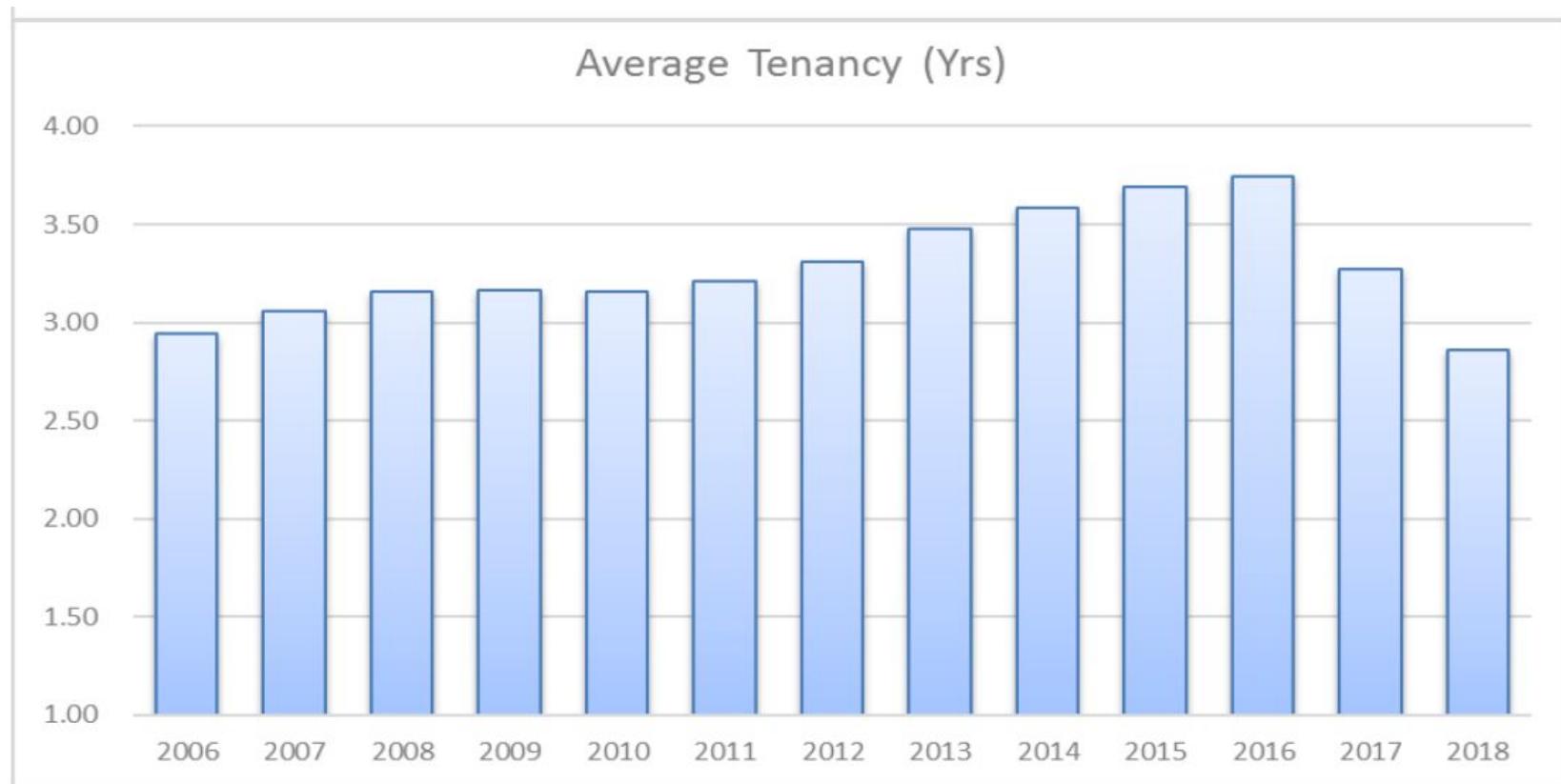
# Occupancy VS. Availability



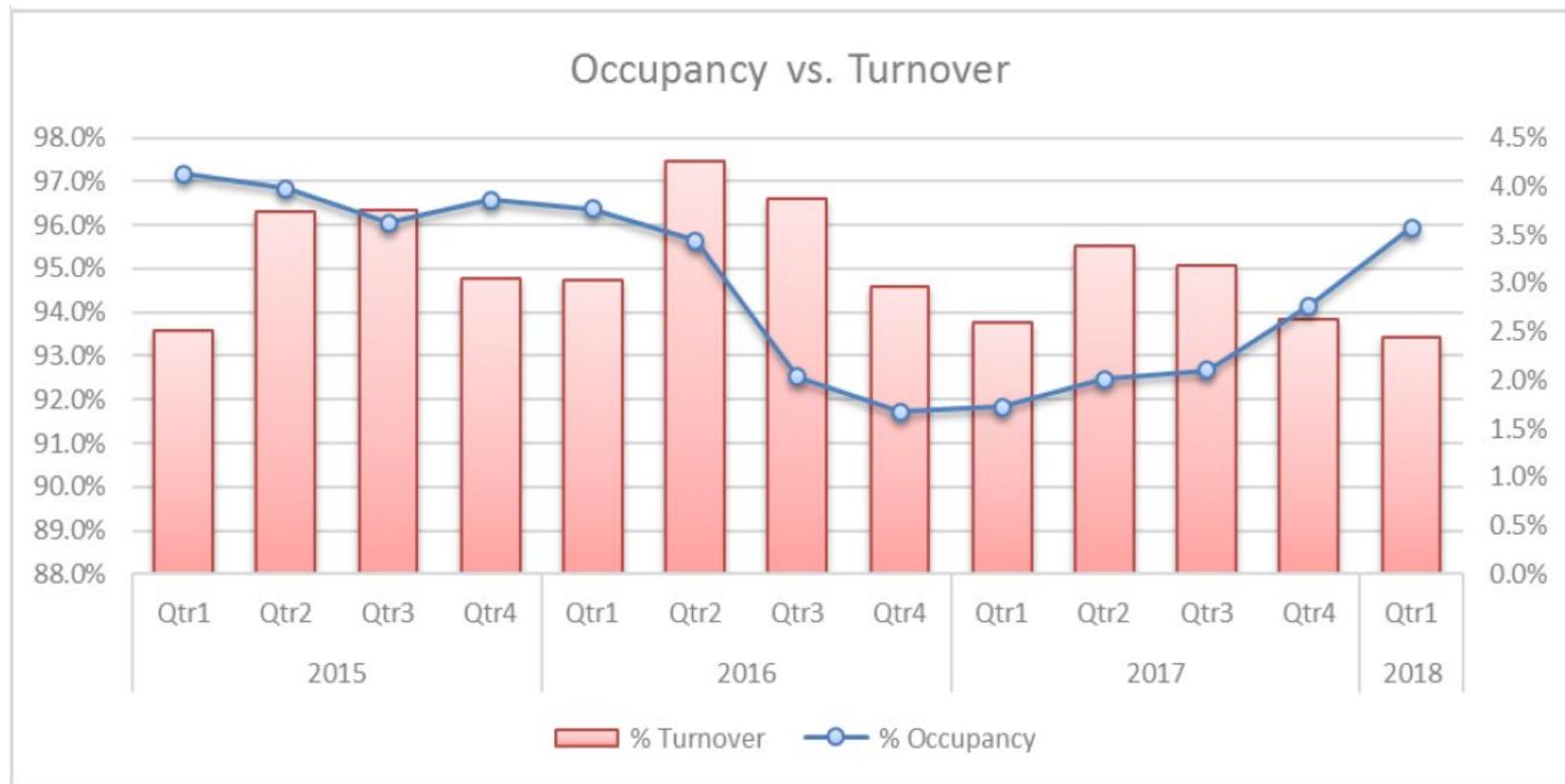
# Supply versus Demand & Impact on Reported Occupancy



# Average Tenancy (Years)



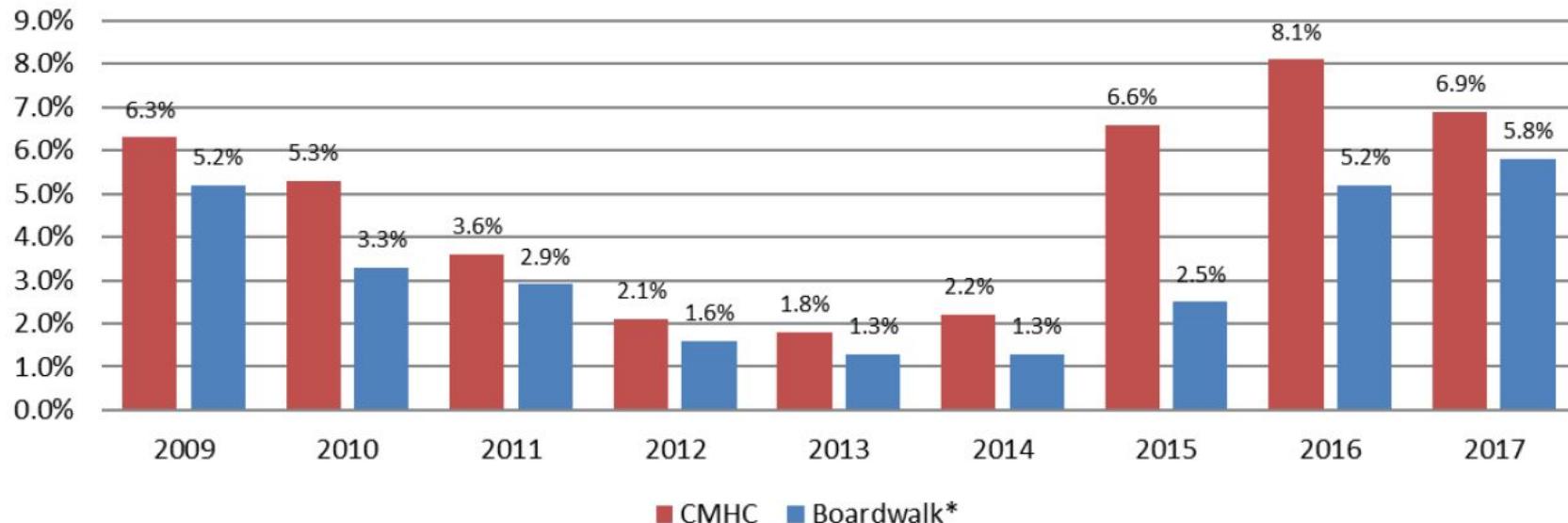
# Occupancy VS. Turnover



# Historic Alberta Vacancy Rates



## Historic Alberta Vacancy Rates



\* Boardwalk average annual vacancy rate on stabilized properties

# Rent Statistics





# Sam Koliass

Chief Executive Officer, Chairman of the Board



- Born:
  - July 16, 1961, in Calgary
- Education:
  - 1983, Bachelor of science, civil engineering, University of Calgary
- Career highlights:
  - 1984: Boardwalk founded as a private company when Sam, 22, and brother Van, 17, buy a 16-unit walk-up in Calgary.
  - 1985: Affiliate of the Real Estate Institute of Canada
  - Director since July 14, 1993
  - 1994: Boardwalk Rental Communities goes public on the Alberta Stock Exchange.
  - 2004: Boardwalk becomes a real estate investment trust.
  - Chairman since May 10, 2007



# Van Kolias

Senior Vice President, Quality Control

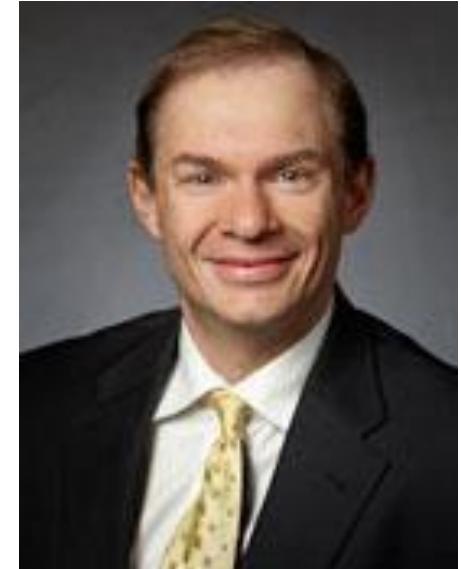
- Brother of Sam Kolias
- Been Vice President since 2004



# Roberto A. Geremia

## President

- Education:
  - 1990, Bachelor Degree of Commerce, University of Calgary
- Career Highlights:
  - 14 years of multi-family real estate experience.
  - Chartered Accountant designation in 1993.
  - Chief Financial Officer until March 30, 2007.
  - Senior Vice President of Finance at Boardwalk REIT since 1993 until March 30, 2007
  - President since May 10, 2007
  - Awarded his Fellowship Chartered Accountant (FCA) by the Institute of Chartered Accountants of Alberta.



# William Wong

## Chief Financial Officer

- Education:
  - Chartered Accountant, Chartered Financial Analyst and Certified Management Accountant
- Career Highlights:
  - Chief Financial Officer of Boardwalk Real Estate Investment Trust since May 10, 2007
  - Vice President of Boardwalk Real Estate Investment Trust until March 30, 2007, Senior Vice President since March 30, 2007
  - Accountant at Deloitte in Toronto from 1987 to 1990
  - Trust's controller since December 2004.
  - Boardwalk's Director of Taxation and Financial Reporting, from October 2002 to December 2004.



# Lisa Russell

Senior Vice President, Acquisition and Development



- Career Highlights:
  - 1995– present: Senior Vice President, Acquisition & Development of Boardwalk



# P. Dean Burns

## General Counsel and Secretary

- Education:
  - 1991 – 1999, Bachelor of Banking, Corporate, Finance, and Securities Law, University of Alberta.
- Career Highlights:
  - 1999 – 2004: Associate of Stikeman Elliott LLP (a national law firm)
  - 2006 – 2013: Member, Calgary Advisory Board, of Maison Birks
  - 2004 – present: General Counsel & Corporate Secretary of Boardwalk
  - 2007 – Present: Director & Corporate Secretary of P. Burns Resources & P. Burns Coal Mines Limited, owners of freehold surface and mineral interests in Southern Alberta and Northeast British Columbia



# Five Year Summary

( <i>\$000's, except per Unit and per square foot</i> )	2013 (IFRS)	2014 (IFRS)	2015 (IFRS)	2016 (IFRS)	2017 (IFRS)
<b>Assets</b>	\$ 5,745,207	\$ 5,778,108	\$ 5,540,299	\$ 5,612,568	\$ 5,688,125
Investment properties	180,476	193,537	293,543	156,045	176,950
Other assets	\$ 5,925,683	\$ 5,971,645	\$ 5,833,842	\$ 5,768,613	\$ 5,865,075
<b>Total assets</b>					
Mortgages payable	\$ 2,261,412	\$ 2,169,499	\$ 2,272,447	\$ 2,435,666	\$ 2,593,980
Other liabilities	364,699	444,145	350,640	311,624	293,433
	\$ 2,626,111	\$ 2,613,644	\$ 2,623,087	\$ 2,747,290	\$ 2,887,413
Deferred income taxes	50	13	17	4	55
Unitholders' equity	3,299,522	3,357,988	3,210,738	3,021,319	2,977,607
<b>Total liabilities and unitholders' equity</b>	\$ 5,925,683	\$ 5,971,645	\$ 5,833,842	\$ 5,768,613	\$ 5,865,075
Trust unit outstanding (000) (including LP B Units)	52,395	51,996	51,322	50,739	50,813
Trust unit price at year-end (\$)	\$ 59.85	\$ 61.54	\$ 47.45	\$ 48.65	\$ 43.09
Market capitalization (\$MM)	3,135.8	3,199.8	2,435.2	2,468.4	2,189.5
<b>Number of rental units</b>	35,386	34,626	32,947	33,773	33,187
Fair value per rental unit (\$000)	162	167	168	166	171
Long-term debt per rental unit (\$000)	64	63	69	72	78
<b>Net rentable square feet (000)</b>	30,022	29,466	28,199	28,924	28,539
Fair value per square foot (\$)	191	196	196	194	199
Long-term debt per square foot (\$)	75	74	81	84	91
Average net rentable SF per unit	848	851	856	856	860
<b>L/T debt weighted average interest rate</b>	3.46%	3.34%	3.01%	2.78%	2.61%

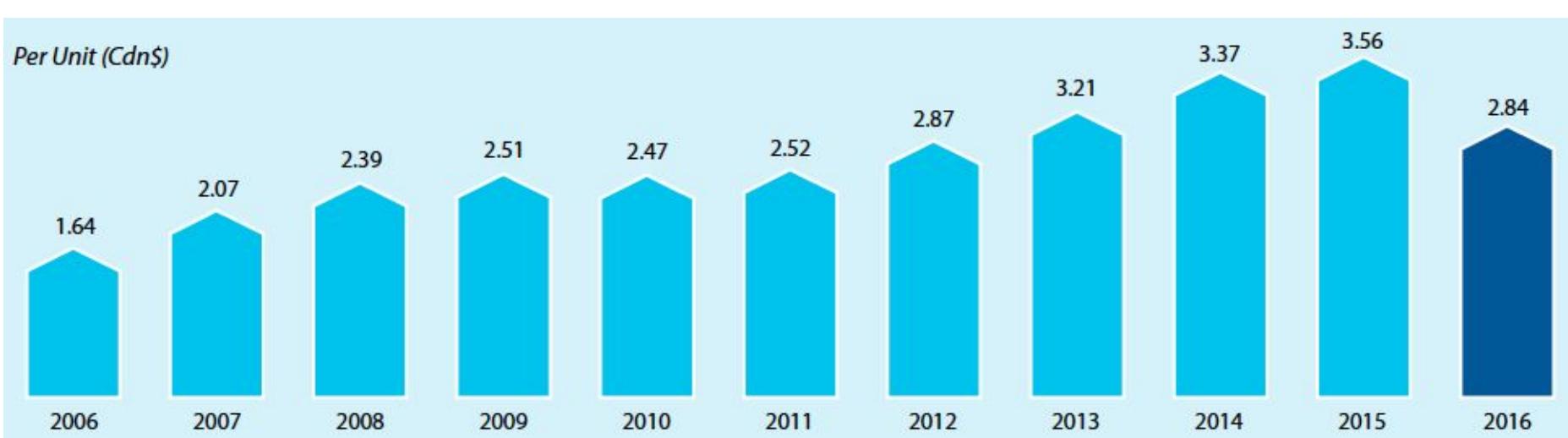
# Five Year Summary

<i>(\$'000's, except per Unit)</i>	2013 (IFRS)	2014 (IFRS)	2015 (IFRS)	2016 (IFRS)	2017 (IFRS)
<b>Rental revenue</b>	<b>\$ 446,626</b>	<b>\$ 466,435</b>	<b>\$ 469,209</b>	<b>\$ 432,140</b>	<b>\$ 416,504</b>
Ancillary rental income	6,958	6,810	6,939	6,706	<b>6,422</b>
<b>Total rental revenue</b>	<b>453,584</b>	<b>473,245</b>	<b>476,148</b>	<b>438,846</b>	<b>422,926</b>
<b>Rental expenses</b>					
Operating expenses	89,002	93,969	94,172	97,620	<b>113,986</b>
Utilities	42,121	47,572	46,200	44,711	<b>47,967</b>
Property taxes	38,272	40,091	41,074	43,416	<b>44,890</b>
<b>Net operating income</b>	<b>284,189</b>	<b>291,613</b>	<b>294,702</b>	<b>253,099</b>	<b>216,083</b>
<b>Operating margin</b>	63%	62%	62%	58%	<b>51%</b>
Financing costs	88,818	91,977	85,370	84,634	<b>85,763</b>
Administration	32,202	32,943	33,407	33,947	<b>33,402</b>
Depreciation	11,920	11,933	9,649	5,219	<b>5,586</b>
<b>Profit from continuing operations before the undemoted</b>	<b>151,249</b>	<b>154,760</b>	<b>166,276</b>	<b>129,299</b>	<b>91,332</b>
Proceeds on insurance settlement	-	-	-	-	<b>3,162</b>
<b>Gain (loss) on sale of assets</b>	<b>-</b>	<b>(235)</b>	<b>(6,855)</b>	<b>-</b>	<b>(1,678)</b>
Fair value gains (losses)	174,424	81,126	(130,361)	(186,681)	<b>(35,418)</b>
<b>Profit from continuing operations before income tax (expense) recovery</b>	<b>325,673</b>	<b>235,651</b>	<b>29,060</b>	<b>(57,382)</b>	<b>57,398</b>
Income tax (expense) recovery	(538)	(41)	(212)	(58)	<b>(140)</b>
<b>Profit from continuing operations</b>	<b>325,135</b>	<b>235,610</b>	<b>28,848</b>	<b>(57,440)</b>	<b>57,258</b>
Profit from discontinued operations, net of tax	12,595	11,181	-	-	-
<b>Profit (loss) for the year</b>	<b>337,730</b>	<b>246,791</b>	<b>28,848</b>	<b>(57,440)</b>	<b>57,258</b>
Other comprehensive income	2,149	2,445	1,014	-	-
<b>Total comprehensive income (loss)</b>	<b>\$ 339,879</b>	<b>\$ 249,236</b>	<b>\$ 29,862</b>	<b>\$ (57,440)</b>	<b>\$ 57,258</b>
<b>Earnings per unit – continuing operations – diluted</b>	<b>\$ 5.98</b>	<b>\$ 4.93</b>	<b>\$ (0.40)</b>	<b>\$ (1.24)</b>	<b>\$ 0.84</b>
<b>Earnings per unit – discontinued operations – diluted</b>	<b>\$ 0.24</b>	<b>\$ 0.23</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Funds from operations</b>	<b>\$ 168,184</b>	<b>\$ 175,825</b>	<b>\$ 184,852</b>	<b>\$ 144,468</b>	<b>\$ 106,987</b>
<b>Funds from operations per unit – fully diluted</b>	<b>\$ 3.21</b>	<b>\$ 3.37</b>	<b>\$ 3.56</b>	<b>\$ 2.84</b>	<b>\$ 2.11</b>
Interest Coverage Ratio, Continuing operations	3.15	3.37	3.64	3.14	<b>2.60</b>

Fiscal year ended December 31, 2013 has been restated to present discontinued operations consistent with fiscal year ended December 31, 2014.

Fiscal year ended December 31, 2016 has been restated to present deferred financing cost amortization consistent with fiscal year ended December 31, 2017.

# Funds From Operations by Year



# Financial Performance



# Balance Sheet Q1 2018



(CDN \$ THOUSANDS)

As at	Note	Mar. 31, 2018	Dec. 31, 2017
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment properties	3	\$ 5,775,074	\$ 5,688,125
Property, plant and equipment	4	30,389	30,221
Mortgage receivable	5	38,282	38,280
Deferred tax assets		72	74
		<b>5,843,817</b>	5,756,700
<b>Current assets</b>			
Inventories		13,761	14,870
Prepaid assets		9,930	7,824
Trade and other receivables		5,326	5,218
Segregated tenants' security deposits		9,593	9,629
Cash and cash equivalents	6	89,634	70,834
		<b>128,244</b>	108,375
<b>Total Assets</b>		<b>\$ 5,972,061</b>	\$ 5,865,075

# Balance Sheet Q1 2018



## LIABILITIES

### Non-current liabilities

Mortgages payable	7	\$ 2,385,848	\$ 2,334,035
LP Class B Units	8	198,108	192,828
Deferred unit-based compensation	9	2,465	2,856
Deferred tax liabilities		23	55
Deferred government grant	10	5,546	5,641
		<b>2,591,990</b>	2,535,415

### Current liabilities

Mortgages payable	7	266,727	259,945
Deferred unit-based compensation	9	1,896	1,724
Deferred government grant	10	378	378
Refundable tenants' security deposits		12,327	12,346
Trade and other payables		62,733	77,660
		<b>344,061</b>	352,053

### Total Liabilities

Unitholders' equity	11	3,036,010	2,977,607
<b>Total Equity</b>		<b>3,036,010</b>	2,977,607
<b>Total Liabilities and Equity</b>		<b>\$ 5,972,061</b>	\$ 5,865,075

# Balance Sheet Q2 2018



(Unaudited) (CDN \$ THOUSANDS)

As at	Note	Jun. 30, 2018	Dec. 31, 2017
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment properties	3	\$ 5,840,352	\$ 5,688,125
Property, plant and equipment	4	30,776	30,221
Mortgage receivable	5	38,281	38,280
Deferred tax assets		76	74
		<b>5,909,485</b>	<b>5,756,700</b>
<b>Current assets</b>			
Inventories		12,260	14,870
Prepaid assets		10,232	7,824
Trade and other receivables		6,105	5,218
Segregated tenants' security deposits		9,399	9,629
Cash and cash equivalents	6	81,204	70,834
		<b>119,200</b>	<b>108,375</b>
<b>Total Assets</b>		<b>\$ 6,028,685</b>	<b>\$ 5,865,075</b>

# Balance Sheet Q2 2018



## LIABILITIES

### Non-current liabilities

Mortgages payable	7	\$ 2,407,206	\$ 2,334,035
LP Class B Units	8	204,373	192,828
Deferred unit-based compensation	9	2,546	2,856
Deferred tax liabilities		67	55
Deferred government grant	10	5,452	5,641
		<b>2,619,644</b>	<b>2,535,415</b>

### Current liabilities

Mortgages payable	7	252,629	259,945
Deferred unit-based compensation	9	2,850	1,724
Deferred government grant	10	378	378
Refundable tenants' security deposits		12,067	12,346
Trade and other payables		59,916	77,660
		<b>327,840</b>	<b>352,053</b>

### Total Liabilities

Unitholders' equity	11	3,081,201	2,977,607
<b>Total Equity</b>		<b>3,081,201</b>	<b>2,977,607</b>
<b>Total Liabilities and Equity</b>		<b>\$ 6,028,685</b>	<b>\$ 5,865,075</b>

# Balance Sheet Annual 2017

(CDN \$ THOUSANDS)

As at	Note	Dec. 31, 2017	Dec. 31, 2016
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment properties	4	\$ 5,688,125	\$ 5,612,568
Property, plant and equipment	5	30,221	24,147
Mortgage receivable	6	38,280	-
Deferred tax assets	16	74	164
		<b>5,756,700</b>	5,636,879
<b>Current assets</b>			
Inventories	7	14,870	7,277
Prepaid assets	8	7,824	9,148
Trade and other receivables	9	5,218	5,502
Segregated tenants' security deposits	10	9,629	10,705
Cash and cash equivalents	11	70,834	99,102
		<b>108,375</b>	131,734
<b>Total Assets</b>		<b>\$ 5,865,075</b>	\$ 5,768,613

# Balance Sheet Annual 2017

## LIABILITIES

### Non-current liabilities

Mortgages payable	12	\$ 2,334,035	\$ 2,091,844
LP Class B Units	13	192,828	217,709
Deferred unit-based compensation	14	2,856	3,219
Deferred tax liabilities	16	55	4
Deferred government grant	17	5,641	6,019
		<b>2,535,415</b>	2,318,795

### Current liabilities

Mortgages payable	12	259,945	343,822
Deferred unit-based compensation	14	1,724	2,762
Deferred government grant	17	378	378
Refundable tenants' security deposits		12,346	13,275
Trade and other payables	15	77,660	68,262
		<b>352,053</b>	428,499

### Total Liabilities

		<b>2,887,468</b>	2,747,294
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### Equity

Unitholders' equity	18	<b>2,977,607</b>	3,021,319
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### Total Equity

		<b>2,977,607</b>	3,021,319
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### Total Liabilities and Equity

		<b>\$ 5,865,075</b>	\$ 5,768,613
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# Income Statement Annual 2017

(CDN \$ THOUSANDS)

	Note	Year Ended Dec. 31, 2017	Year Ended Dec. 31, 2016
<b>Rental revenue</b>	19	<b>\$ 416,504</b>	\$ 432,140
Ancillary rental income	20	<b>6,422</b>	6,706
<b>Total rental revenue</b>		<b>422,926</b>	438,846
<b>Rental expenses</b>			
Operating expenses		<b>113,986</b>	97,620
Utilities		<b>47,967</b>	44,711
Property taxes		<b>44,890</b>	43,416
<b>Net operating income</b>		<b>216,083</b>	253,099
Financing costs	21	<b>85,763</b>	84,634
Administration		<b>33,402</b>	33,947
Depreciation	22	<b>5,586</b>	5,219
<b>Profit before the undernoted</b>		<b>91,332</b>	129,299
Proceeds on insurance settlement	23	<b>3,162</b>	-
Loss on sale of assets	24	<b>(1,678)</b>	-
Fair value losses	25	<b>(35,418)</b>	(186,681)
<b>Profit (loss) before income tax</b>		<b>57,398</b>	(57,382)
Income tax expense	16	<b>(140)</b>	(58)
<b>Profit (loss) for the year</b>		<b>57,258</b>	(57,440)
Other comprehensive income		-	-
<b>Total comprehensive income (loss)</b>		<b>\$ 57,258</b>	\$ (57,440)

# Income Statement Q1 2018

(CDN \$ THOUSANDS)

	Note	3 Months Ended Mar. 31, 2018	3 Months Ended Mar. 31, 2017
<b>Rental revenue</b>	12	\$ 105,341	\$ 103,951
Ancillary rental income		1,720	1,543
<b>Total rental revenue</b>		107,061	105,494
<b>Rental expenses</b>			
Operating expenses		29,016	27,371
Utilities		14,509	14,386
Property taxes		11,154	11,074
<b>Net operating income</b>	13	52,382	52,663
Financing costs		19,810	21,119
Administration		9,386	8,390
Depreciation		1,468	1,153
<b>Profit before the undernoted</b>		21,718	22,001
Proceeds on insurance settlement	14	-	2,536
Fair value gains (losses)	15	47,502	(7,372)
<b>Profit before income tax</b>		69,220	17,165
Income tax recovery		30	26
<b>Profit and total comprehensive income for the period</b>		\$ 69,250	\$ 17,191

# Income Statement Q2 2018

(Unaudited) (CDN \$ THOUSANDS)

	Note	3 Months Ended Jun. 30, 2018	3 Months Ended Jun. 30, 2017	6 Months Ended Jun. 30, 2018	6 Months Ended Jun. 30, 2017
<b>Rental revenue</b>	12	\$ 106,721	\$ 103,908	\$ 212,062	\$ 207,859
Ancillary rental income		1,667	1,671	3,387	3,214
<b>Total rental revenue</b>		<b>108,388</b>	105,579	<b>215,449</b>	211,073
<b>Rental expenses</b>					
Operating expenses		27,491	28,863	56,507	56,234
Utilities		10,549	11,011	25,058	25,397
Property taxes		11,286	11,300	22,440	22,374
<b>Net operating income</b>		<b>59,062</b>	54,405	<b>111,444</b>	107,068
Financing costs	13	20,165	21,304	39,975	42,423
Administration		9,371	8,066	18,757	16,456
Depreciation		1,609	1,393	3,077	2,546
<b>Profit before the undernoted</b>		<b>27,917</b>	23,642	<b>49,635</b>	45,643
Proceeds on insurance settlement	14	-	474	-	3,010
Fair value gains	15	28,895	39,369	76,397	31,997
<b>Profit before income tax</b>		<b>56,812</b>	63,485	<b>126,032</b>	80,650
Income tax expense		(40)	(59)	(10)	(33)
<b>Profit and total comprehensive income for the period</b>		<b>\$ 56,772</b>	63,426	<b>\$ 126,022</b>	\$ 80,617

# Statements of Cash Flows Annual 2017



(CDN \$ THOUSANDS)

	Note	Year Ended Dec. 31, 2017	Year Ended Dec. 31, 2016
<b>Operating activities</b>			
Profit (loss) for the year		\$ 57,258	\$ (57,440)
Loss on sale of assets	24	1,678	-
Financing costs	21	85,763	84,634
Interest paid		(79,907)	(84,256)
Fair value losses	25	35,418	186,681
Income tax expense	16	140	58
Income tax paid		-	(43)
Amortization of mortgage receivable discount		(10)	-
Government grant amortization	17	(378)	(378)
Depreciation	22	5,586	5,219
		105,548	134,475
Net change in operating working capital	33	(3,485)	(788)
		102,063	133,687
<b>Investing activities</b>			
Purchase of investment properties	4	-	(144,406)
Improvements to investment properties	4	(190,203)	(97,744)
Development of investment properties	4	(17,888)	(6,167)
Additions to property, plant and equipment	5	(11,728)	(4,842)
Net cash proceeds from sale of investment properties	24	8,232	-
Net change in investing working capital	33	9,418	5,297
		(202,169)	(247,862)

# Statements of Cash Flows Annual 2017



Financing activities			
Distributions paid	33	(104,155)	(149,537)
Unit repurchase program	18	-	(32,646)
Proceeds from mortgage financings		287,996	281,348
Mortgage payments upon refinancing		(32,538)	(56,404)
Scheduled mortgage principal repayments		(60,399)	(54,878)
Deferred financing costs incurred		(18,990)	(11,683)
Net change in financing working capital	33	(76)	61
		71,838	(23,739)
Net decrease in cash		(28,268)	(137,914)
Cash and cash equivalents, beginning of year		99,102	237,016
<b>Cash and cash equivalents, end of year</b>	11	<b>\$ 70,834</b>	<b>\$ 99,102</b>

*See accompanying notes to these consolidated financial statements*

# Statements of Cash Flows

## Q1 2018

(CDN \$ THOUSANDS)



	Note	3 Months Ended Mar. 31, 2018	3 Months Ended Mar. 31, 2017
<b>Operating activities</b>			
Profit and total comprehensive income for the period		\$ 69,250	\$ 17,191
Financing costs	13	19,810	21,119
Interest paid		(18,677)	(19,856)
Fair value (gains) losses	15	(47,502)	7,372
Income tax recovery		(30)	(26)
Income tax paid		-	-
Government grant amortization	10	(95)	(94)
Depreciation		1,468	1,153
		24,224	26,859
Net change in operating working capital	21	(1,832)	(1,431)
		22,392	25,428
<b>Investing activities</b>			
Improvements to investment properties	3	(28,268)	(30,974)
Development of investment properties	3	(5,686)	(4,566)
Additions to property, plant and equipment	4	(1,636)	(4,003)
Net change in investing working capital	21	(8,581)	5,917
		(44,171)	(33,626)

# Statements of Cash Flows

## Q1 2018

### Financing activities

Distributions paid	21	(16,417)	(26,023)
Proceeds from mortgage financings		75,907	68,496
Mortgage payments upon refinancing		-	(9,099)
Scheduled mortgage principal repayments		(15,604)	(14,591)
Deferred financing costs incurred		(3,285)	(4,074)
Net change in financing working capital	21	(22)	-
		40,579	14,709
Net increase in cash		18,800	6,511
Cash and cash equivalents, beginning of period		70,834	99,102
<b>Cash and cash equivalents, end of period</b>	6	<b>\$ 89,634</b>	<b>\$ 105,613</b>

# Statements of Cash Flows

## Q2 2018

(Unaudited) (CDN \$ THOUSANDS)



	Note	3 Months Ended Jun. 30, 2018	3 Months Ended Jun. 30, 2017	6 Months Ended Jun. 30, 2018	6 Months Ended Jun. 30, 2017
<b>Operating activities</b>					
Profit and total comprehensive income for the period		\$ 56,772	\$ 63,426	\$ 126,022	\$ 80,617
Financing costs	13	20,165	21,304	39,975	42,423
Interest paid		(18,504)	(20,008)	(37,181)	(39,864)
Fair value gains	15	(28,895)	(39,369)	(76,397)	(31,997)
Income tax expense		40	59	10	33
Income tax paid		-	-	-	-
Government grant amortization	10	(94)	(95)	(189)	(189)
Depreciation		1,609	1,393	3,077	2,546
		31,093	26,710	55,317	53,569
Net change in operating working capital	21	1,858	(1,505)	26	(2,936)
		32,951	25,205	55,343	50,633
<b>Investing activities</b>					
Improvements to investment properties	3	(24,059)	(54,124)	(52,327)	(85,098)
Development of investment properties	3	(5,947)	(3,413)	(11,633)	(7,979)
Additions to property, plant and equipment	4	(1,997)	(3,239)	(3,633)	(7,242)
Net change in investing working capital	21	(3,379)	12,490	(11,960)	18,407
		(35,382)	(48,286)	(79,553)	(81,912)

# Statements of Cash Flows

## Q2 2018



### Financing activities

Distributions paid	21	(11,598)	(26,035)	(28,015)	(52,058)
Proceeds from mortgage financings		45,910	205,564	121,817	274,060
Mortgage payments upon refinancing		(22,397)	(9,503)	(22,397)	(18,602)
Scheduled mortgage principal repayments		(15,948)	(14,820)	(31,552)	(29,411)
Deferred financing costs incurred		(1,971)	(13,552)	(5,256)	(17,626)
Net change in financing working capital	21	5	40	(17)	40
		(5,999)	141,694	34,580	156,403
Net (decrease) increase in cash		(8,430)	118,613	10,370	125,124
Cash and cash equivalents, beginning of period		89,634	105,613	70,834	99,102
<b>Cash and cash equivalents, end of period</b>	<b>6</b>	<b>\$ 81,204</b>	<b>\$ 224,226</b>	<b>\$ 81,204</b>	<b>\$ 224,226</b>

# Funds From Operations

## Annual 2017



### FFO Reconciliation *(In \$000's, except per Unit amounts)*

	12 Months Dec. 31, 2017	12 Months Dec. 31, 2016	% Change
Profit (loss) for the year	\$ 57,258	\$ (57,440)	
Adjustments			
Proceeds on insurance settlement	(3,162)		-
Loss on sale of assets	1,678		-
Fair value losses <sup>(1)</sup>	35,418	186,681	
Add back distributions to LP Class B Units recorded as financing charges <sup>(2)</sup>	10,069	9,990	
Deferred income tax expense	140	15	
Depreciation expense on property plant & equipment	5,586	5,219	
Funds from operations	\$ 106,987	\$ 144,465	(25.9)%
Funds from operations – per Unit	\$ 2.11	\$ 2.84	(25.7)%

# Adj. Funds From Operations Annual 2017



(\$000's)	12 Months Dec. 31, 2017	12 Months Dec. 31, 2016
Funds From Operations (FFO)	\$ 106,987	\$ 144,465
Maintenance Capital Expenditures <sup>(1)</sup>	21,737	17,534
Adjusted Funds From Operations (AFFO)	\$ 85,250	\$ 126,931
FFO per Unit (Trust and LP B Units)	\$ 2.11	\$ 2.84
AFFO per Unit (Trust and LP B Units)	\$ 1.68	\$ 2.50
Unitholder Distributions-Regular (Trust Units and LP B Units)	\$ 114,238	\$ 113,390
Distribution as a % of FFO	106.8%	78.5%
Distribution as a % of AFFO	134.0%	89.3%

# Funds From Operations Q1 2018



FFO Reconciliation <i>(In \$000's, except per Unit amounts)</i>	3 Months Mar. 31, 2018	3 Months Mar. 31, 2017	% Change
Profit for the period	\$ 69,250	\$ 17,191	
Adjustments			
Proceeds on insurance settlement	-	(2,536)	
Fair value (gains) losses <sup>(1)</sup>	(47,502)	7,372	
Add back distributions to LP Class B Units recorded as financing charges <sup>(2)</sup>	1,120	2,517	
Deferred income tax recovery	(30)	(26)	
Depreciation expense on Property Plant & Equipment	1,468	1,153	
Funds from operations	\$ 24,306	\$ 25,671	(5.3)%
Funds from operations – per Unit	\$ 0.48	\$ 0.51	(5.9)%

# Adj. Funds From Operations

## Q1 2018

(000's)

	3 Months Mar. 31, 2018	3 Months Mar. 31, 2017
Funds From Operations (FFO)	\$ 24,306	\$ 25,671
Maintenance Capital Expenditures <sup>(1)</sup>	(5,766)	(4,433)
Adjusted Funds From Operations (AFFO)	\$ 18,540	\$ 21,238
FFO per Unit (Trust and LP B Units)	\$ 0.48	\$ 0.51
AFFO per Unit (Trust and LP B Units)	\$ 0.36	\$ 0.42
Unitholder Distributions-Regular (Trust Units and LP B Units)	\$ 12,715	\$ 28,544
Distribution as a % of FFO <sup>(2)</sup>	52.3%	111.2%

# Funds From Operations Q2 2018

<b>FFO Reconciliation</b> <i>(In \$000's, except per Unit amounts)</i>	<b>3 Months</b>	3 Months		<b>6 Months</b>	6 Months	
	<b>Jun. 30, 2018</b>	<b>Jun. 30, 2017</b>	<b>% Change</b>	<b>Jun. 30, 2018</b>	<b>Jun. 30, 2017</b>	<b>% Change</b>
Profit for the period	<b>\$ 56,772</b>	\$ 63,426		<b>\$ 126,022</b>	\$ 80,617	
<b>Adjustments</b>						
Proceeds on insurance settlement	-	(474)		-	(3,010)	
Fair value gains <sup>(1)</sup>	<b>(28,895)</b>	(39,369)		<b>(76,397)</b>	(31,997)	
Add back distributions to LP Class B Units recorded as financing charges <sup>(2)</sup>	<b>1,120</b>	2,517		<b>2,240</b>	5,034	
Deferred income tax expense	<b>40</b>	59		<b>10</b>	33	
Depreciation expense on Property Plant & Equipment	<b>1,609</b>	1,393		<b>3,077</b>	2,546	
Funds from operations	<b>\$ 30,646</b>	\$ 27,552	11.2%	<b>\$ 54,952</b>	\$ 53,223	3.2%
Funds from operations – per Unit	<b>\$ 0.60</b>	\$ 0.54	11.1%	<b>\$ 1.08</b>	\$ 1.05	2.9%

# Adj. Funds From Operations

## Q2 2018



(000's)	3 Months Jun. 30, 2018	3 Months Jun. 30, 2017	6 Months Jun. 30, 2018	6 Months Jun. 30, 2017
Funds from Operations (FFO)	\$ 30,646	\$ 27,552	\$ 54,952	\$ 53,223
Maintenance Capital Expenditures <sup>(1)</sup>	\$ (5,766)	\$ (6,189)	\$ (11,532)	\$ (10,622)
Adjusted Funds from Operations (AFFO)	\$ 24,880	\$ 21,363	\$ 43,420	\$ 42,601
FFO per Unit (Trust and LP B Units)	\$ 0.60	\$ 0.54	\$ 1.08	\$ 1.05
AFFO per Unit (Trust and LP B Units)	\$ 0.49	\$ 0.42	\$ 0.85	\$ 0.84
Unitholder Distributions-Regular (Trust Units and LP B Units)	\$ 12,718	\$ 28,554	\$ 25,433	\$ 57,098
Distribution as a % of FFO <sup>(2)</sup>	41.5%	103.6%	46.3%	107.3%

# RECOMMENDATION

HOLD