

BUS417 Presentation Draft

(Canadian REITS)
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What are REITs?

(1) REIT: ReaEstate 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.

1993

- First Canadian REIT, Real Fund, emerged

2000

- iShares Dow Jones U.S Real Estate Index Fund launches - 1st real estate traded fund

2001

- Standard and Poor's (S&P) open its indexes to REITs
- Launched Global Real Estate Index

2009

- FTSE, NAREIT, EPRA announced the addition of REITs and listed property companies in emerging markets to the FTSE EPRA/NAREIT Global Real Estate Index

How REITs Operate

Investors purchase
shares in REITs



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graph TD; A[Investors purchase shares in REITs] --> B[REIT acquires properties]; B --> C[Income is generated]; C --> D[REIT pays distribution];
```

REIT acquires
properties

Income is generated

REIT pays distribution

- Rely upon external funding as key source of capital
- Funds use to buy, develop and manage real estate assets
- Income is generated through renting, leasing or selling of property
- Required to distribute 90% of their taxable income to investor. Distributes among shareholders as 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

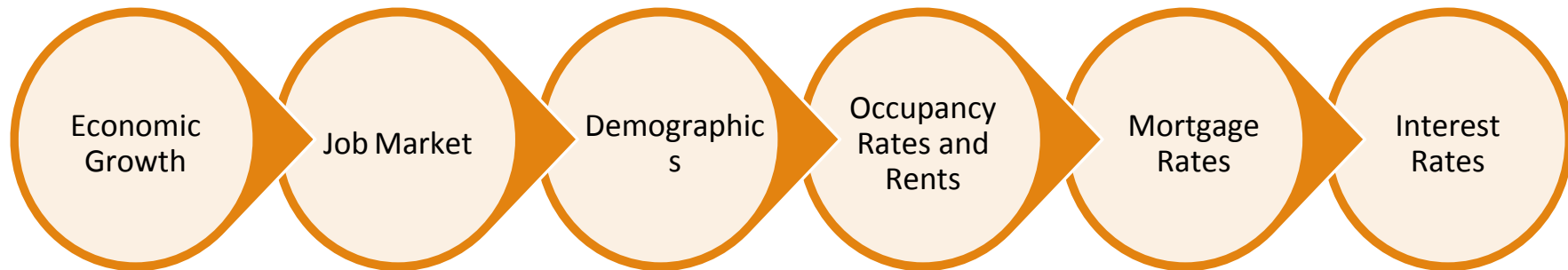
Non-Exchange Traded

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

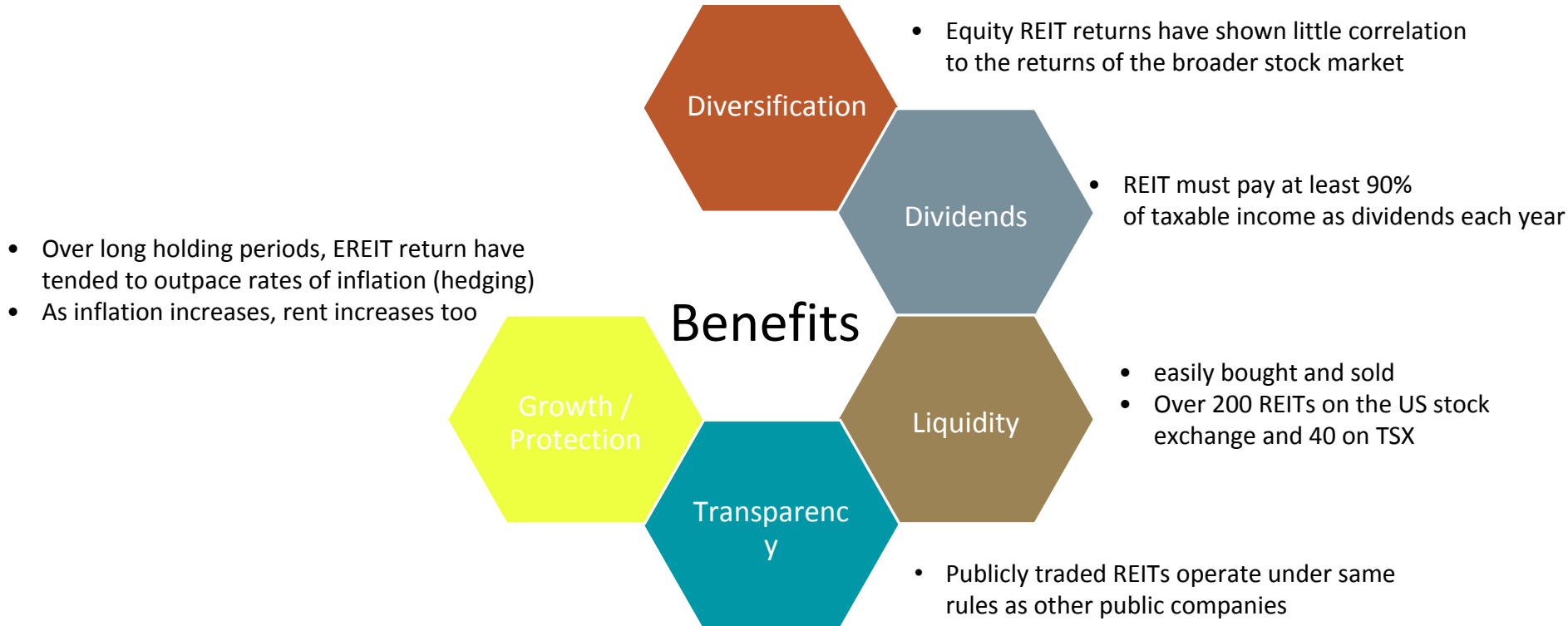
Private

- 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



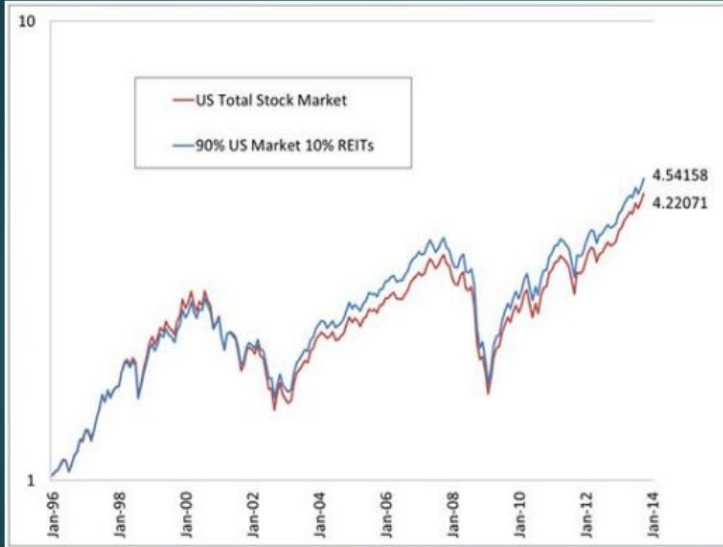
REITs: Investment Advantages



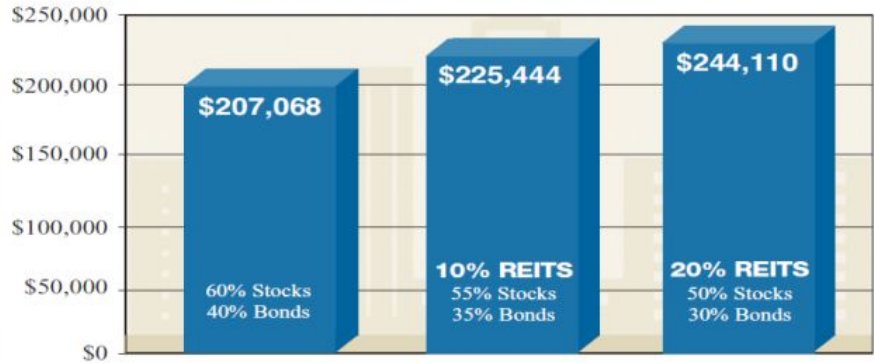
Benefits of Diversification



Benefits of Diversification



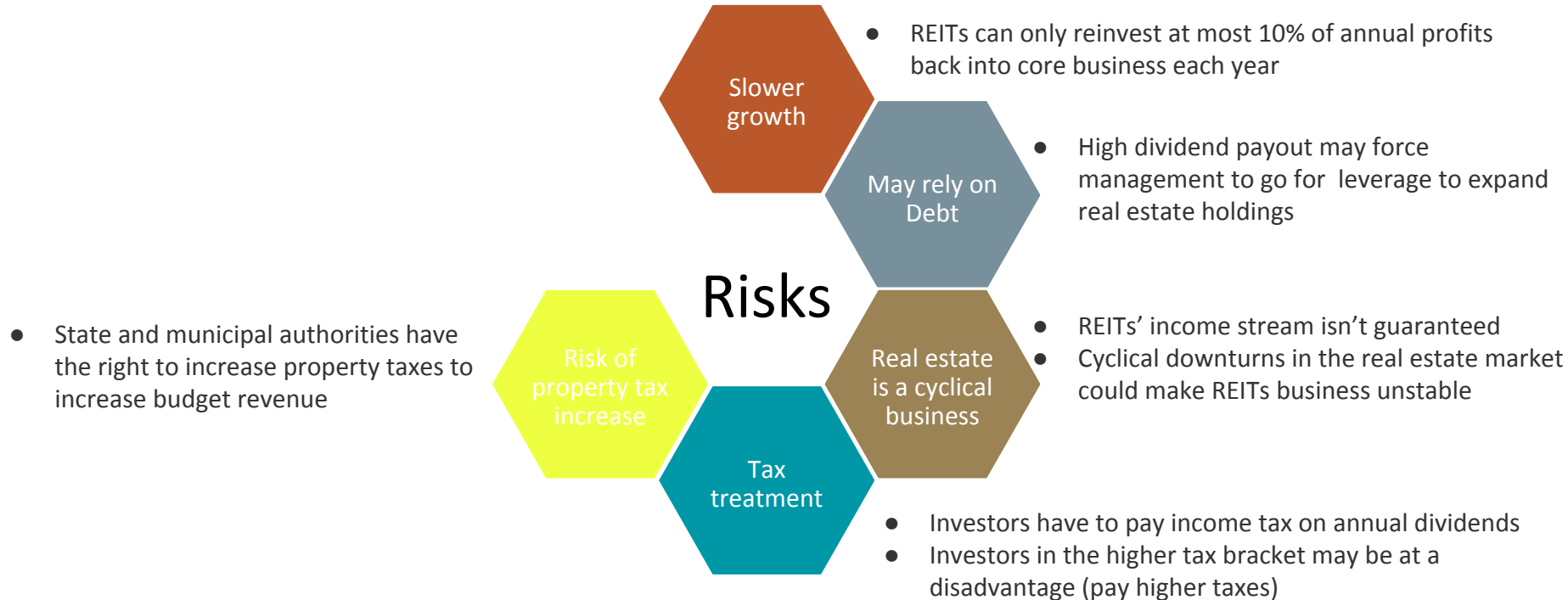
What \$10,000 Invested on 8/31/1982 Would be worth on 8/31/2012



Source: NAREIT®. Note: Portfolios rebalanced annually on the last trading day in August. Stocks represented by the Standard & Poor's 500®, which is an unmanaged group of securities and considered to be representative of the stock market in general; Bonds represented by Barclays Capital U.S. Aggregate Bond Index; REITs represented by the FTSE NAREIT All Equity REITs Index.

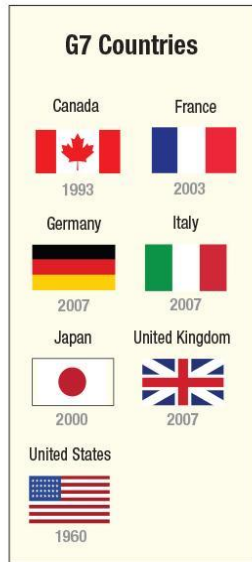
<http://www.forbes.com/sites/rickferri/2014/01/07/reits-and-your-portfolio/>

Risks of Investing in REITs



Globalization

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



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

Global REIT Industry

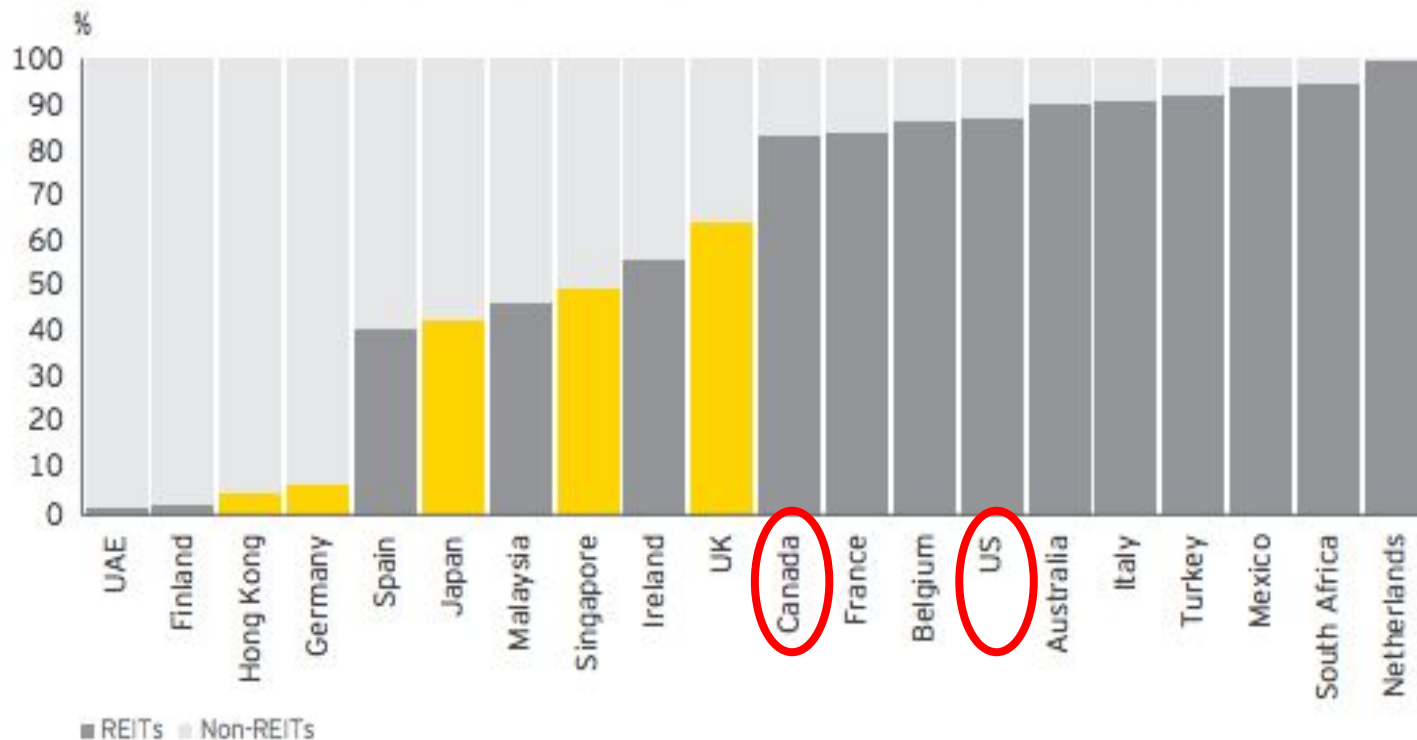
Global Evolution of REIT

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

- 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)

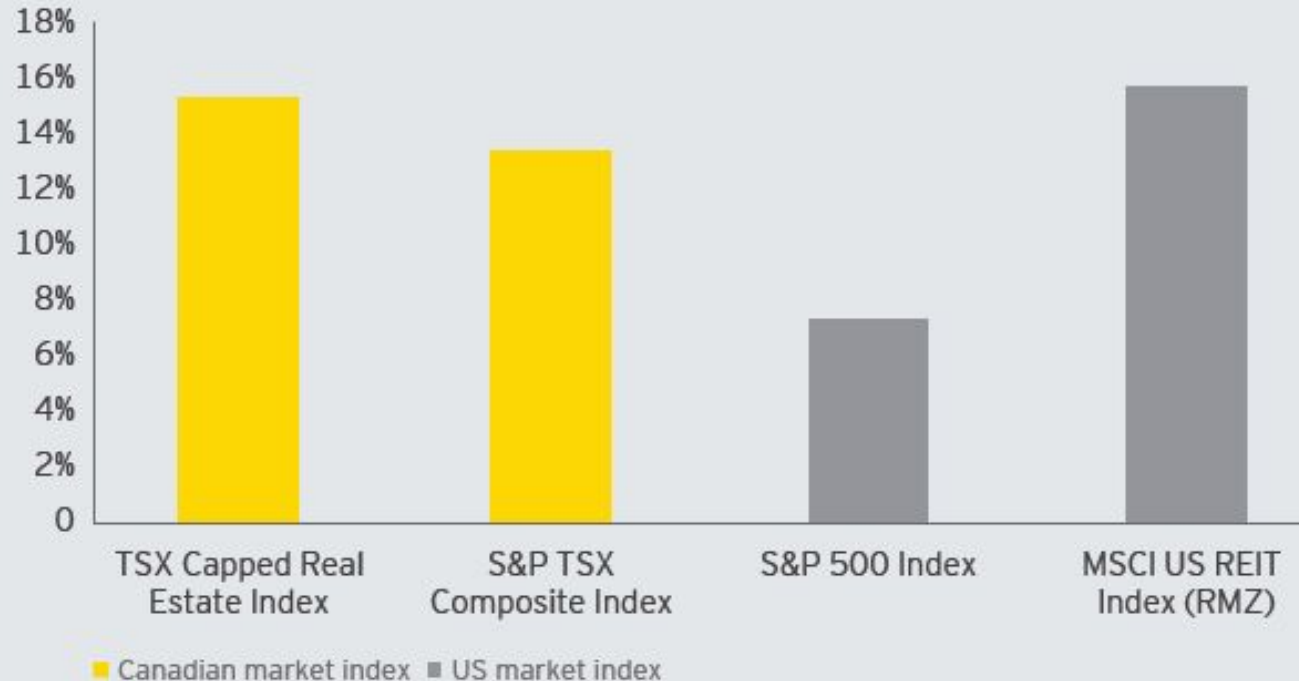
Figure 6: REIT market cap as a percentage of listed real estate market cap



Source: SNL Financial

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

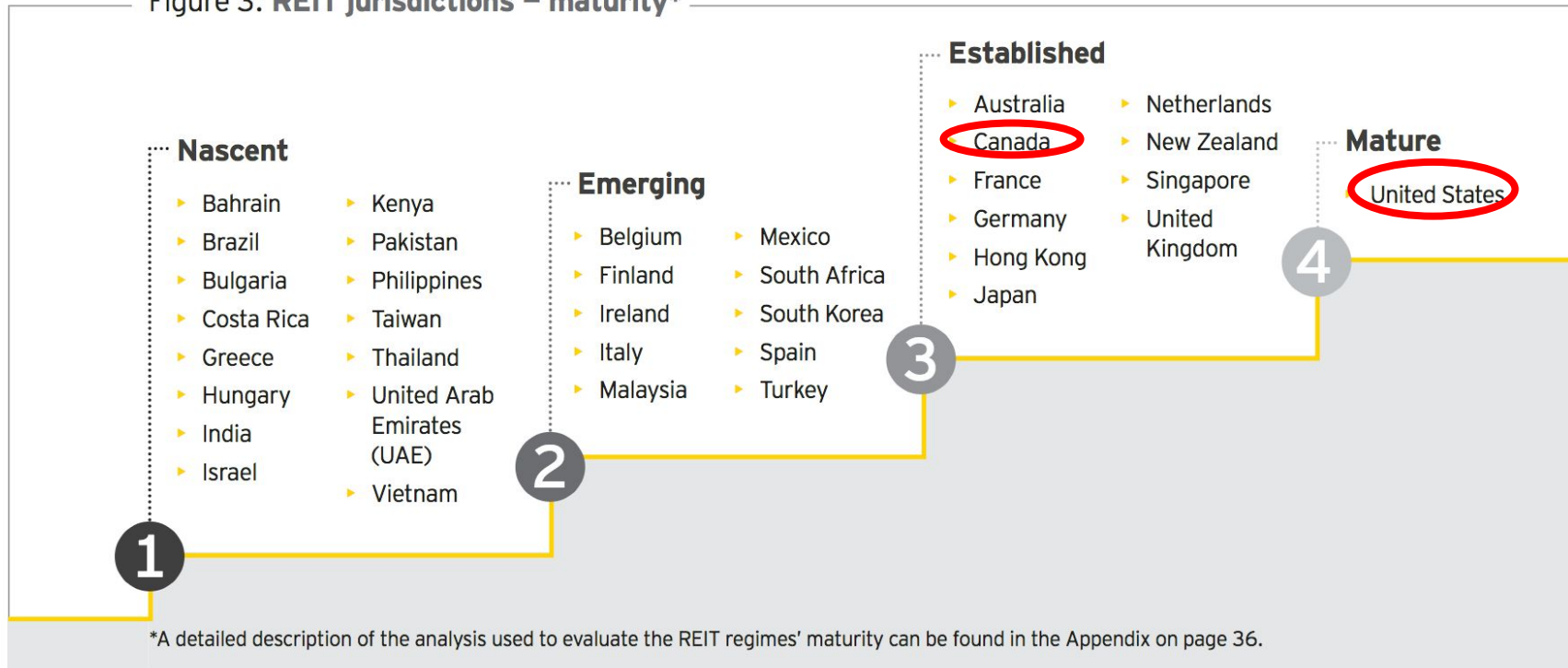
Figure 2: **Canada REIT total returns vs. broad markets**
(YTD through July 2016)



Source: Thomson Reuters

REITS JURISDICTION DEVELOPMENT

Figure 3: REIT jurisdictions – maturity*



Rules & Regulations

Features	U.S. REITs	Canadian REITs
Governed by	<ul style="list-style-type: none">Requirement of Internal Revenue code	<ul style="list-style-type: none">Self Imposed Trust Declaration and certain requirements of the Income Tax Act
Vehicle	<ul style="list-style-type: none">May be a corporation, trust or association (mostly corporation)As long as corporate vehicle meets requirement for tax law, it can appearance and tax advantages of a trust	<ul style="list-style-type: none">Must be an open-or closed ended mutual fund trust
Investors	<ul style="list-style-type: none">Min 100 investors with less than 50% of units held by five or fewer individuals	<ul style="list-style-type: none">Min 150 unitholders and be listed on a recognized Canadian exchange
Revenue Rules	<ul style="list-style-type: none">At least 75% of gross income must consist of real property rents, mortgage interest, gains from sale and other real estate related sourcesAt least 95% must be from the sources in the 75% test plus "passive income" sources such as dividends and interest	<ul style="list-style-type: none">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)

Rules & Regulations

Features	U.S. REITs	Canadian REITs
Asset Rules	<ul style="list-style-type: none"> At close of each quarter of the taxable year 1. At least 75% of gross asset value of total assets is represented by real estate assets, cash and cash items, and government securities 2. Not more than 25% of the value of total assets is represented by securities other than those in 1. 3. Not more than 20% of the value of total assets is represented by securities of one or more taxable REIT subsidiaries 4. 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 & 3 above 5. 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 & 3 above 	<ul style="list-style-type: none"> At least 80% of its property must be held in any combination of real property in Canada and other qualifying investments No more than 10% of its property consisted of bonds, securities or shares in the capital stock of any one corporation or debtor
Distributions	<ul style="list-style-type: none"> Generally must be <u>at least 90% of taxable income</u> without regard to distribution and excluding net capital gains 	<ul style="list-style-type: none"> Set individually by the trust declaration, however usually <u>around 85% - 95% of distributable income</u>
Taxation	<ul style="list-style-type: none"> Income is not taxed as long as it is distributed to investors or it will be taxed at normal corporate rates 	<ul style="list-style-type: none"> Income is not taxed within the trust as long as it is distributed to unitholders
Transfer of Real Estate to the REIT	<ul style="list-style-type: none"> Companies able to move assets to REIT on a tax deferred basis 	<ul style="list-style-type: none"> Limited ability to move assets to REIT on a tax deferred basis

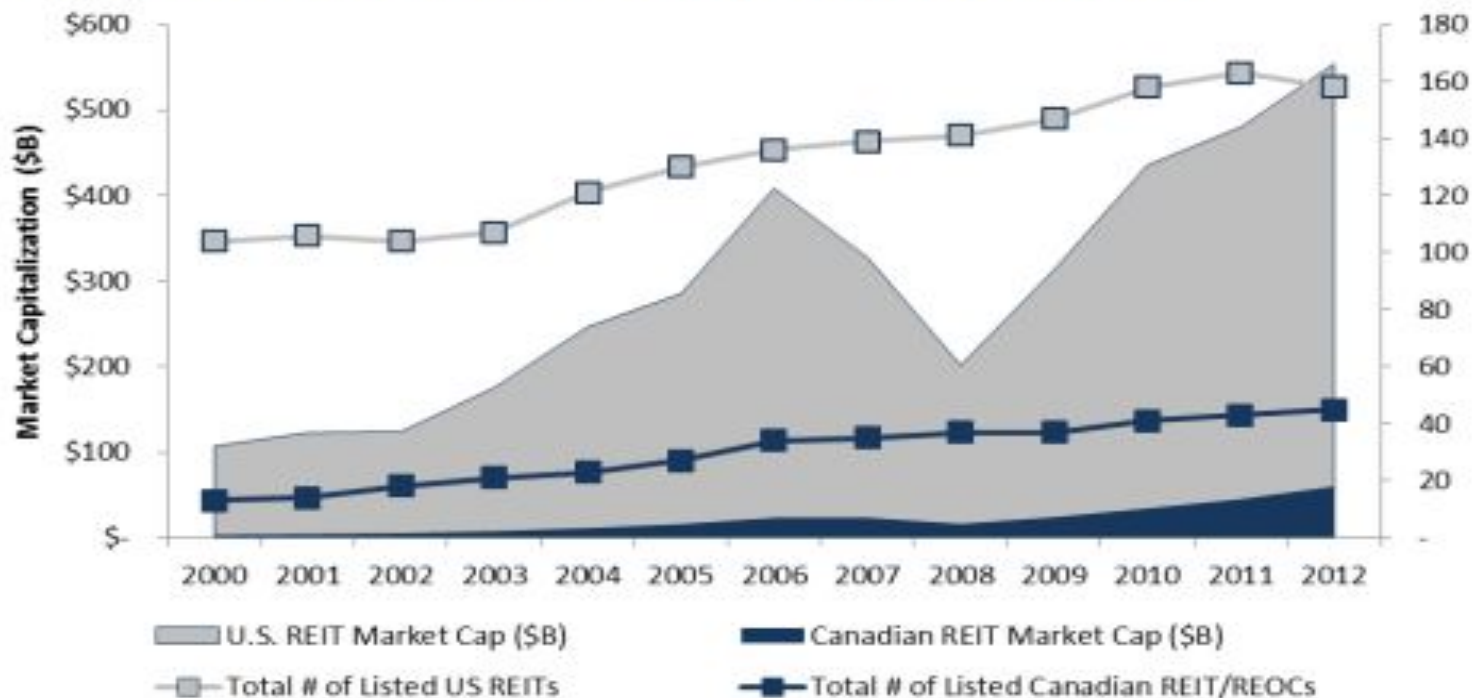
High dividend yield!

Rules & Regulations

Features	U.S. REITs	Canadian REITs
Liability of investors	<ul style="list-style-type: none">Liability of investors is limited due to use of corporate structure	<ul style="list-style-type: none">Unlimited Liability (However, it is generally believed that there are no material differences between a trust and a corporation)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 REITSome REITs have partially achieved legal limited liability through the use of corporations or limited liability partnerships

MARKET CAP. & NUMBER OF CAN. & US REITS

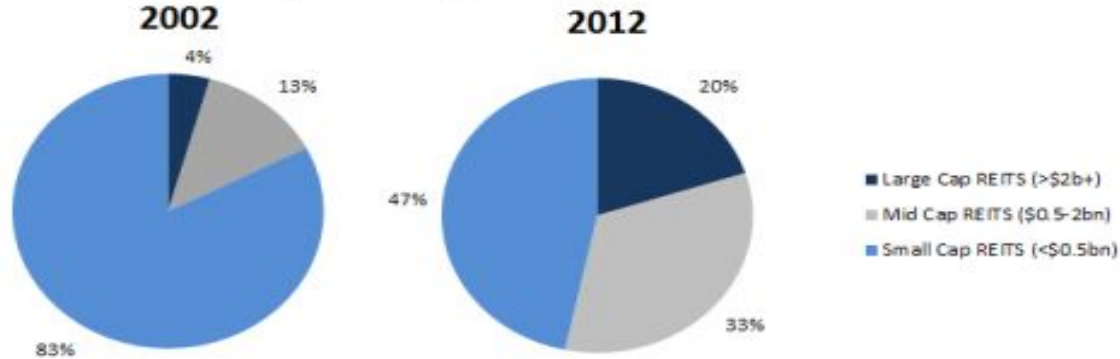
Exhibit 3: Market Capitalization and Number of Canadian and US REITs



Source: Capital IQ, Raymond James & Associates

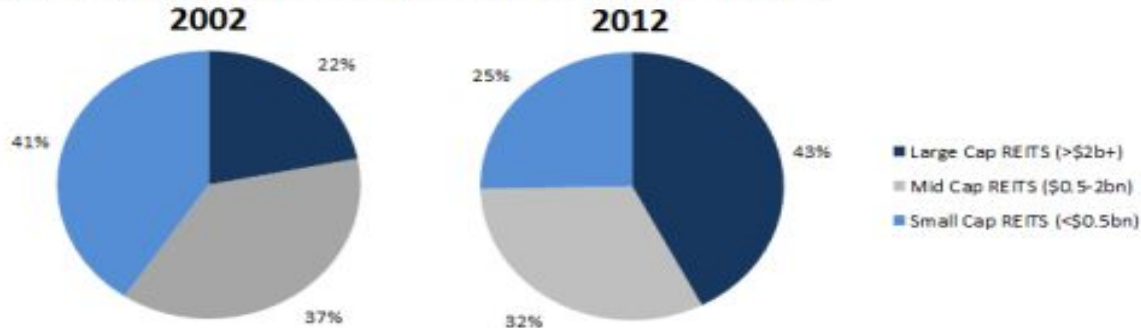
MARKET CAP. DISTRIBUTION OF CAN. & US REITS

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



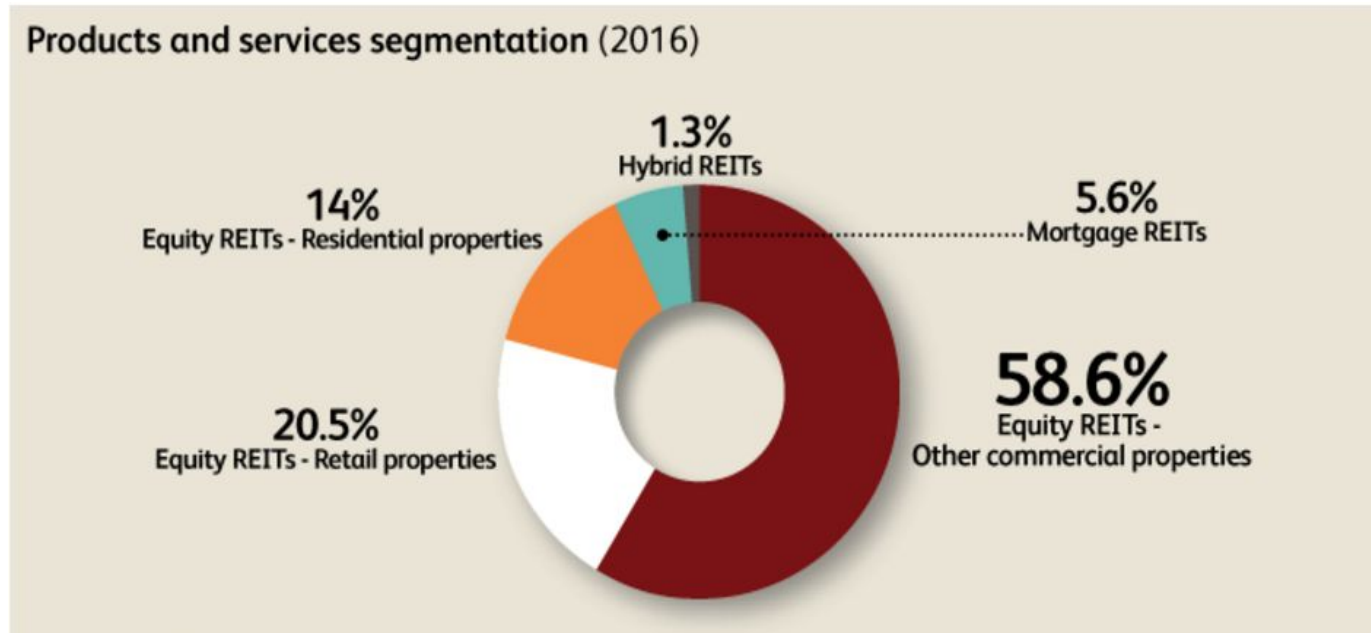
Source: Capital IQ, SNL Financial, Raymond James & Associates

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



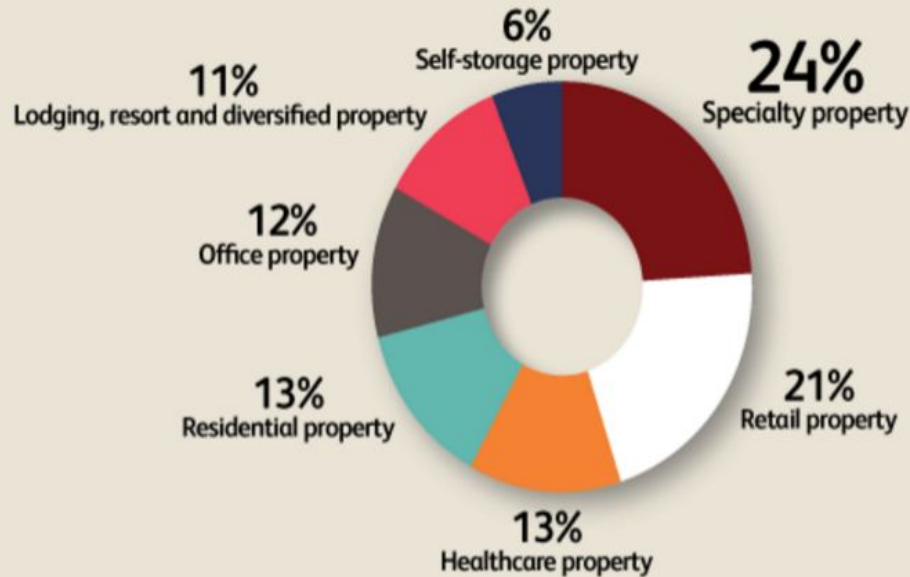
Source: Capital IQ, SNL Financial, Raymond James & Associates

US: Product & Service Segmentation



US: Major Market Segmentation

Major market segmentation (2016)

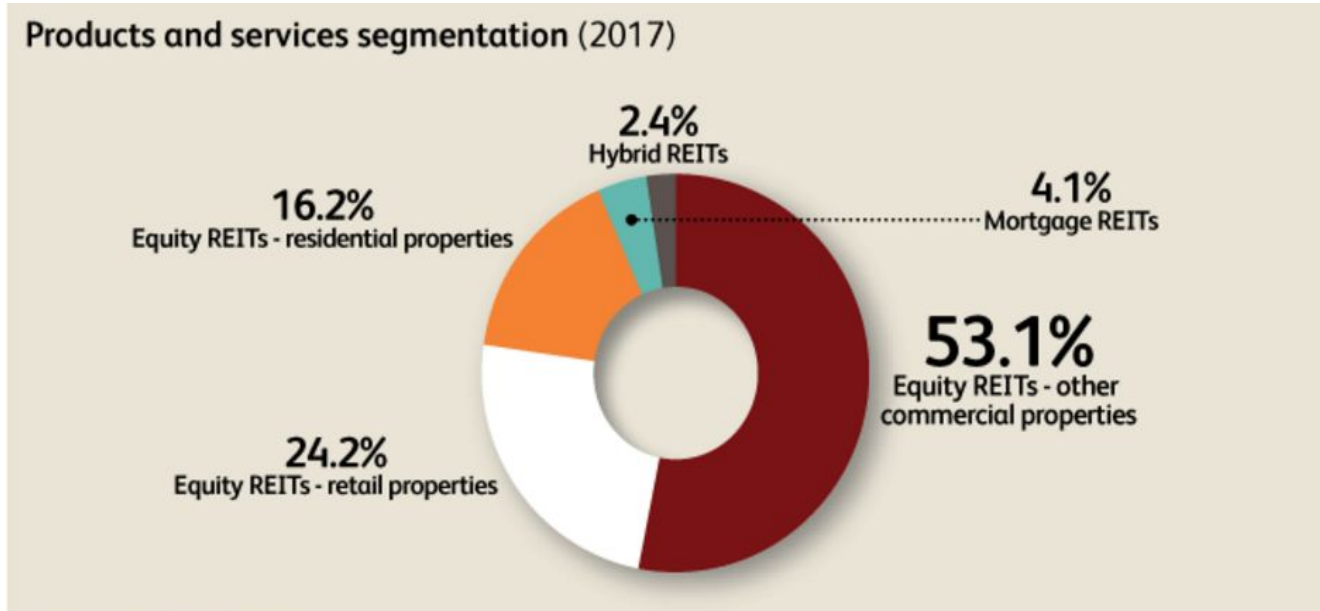


SOURCE: WWW.IBISWORLD.COM

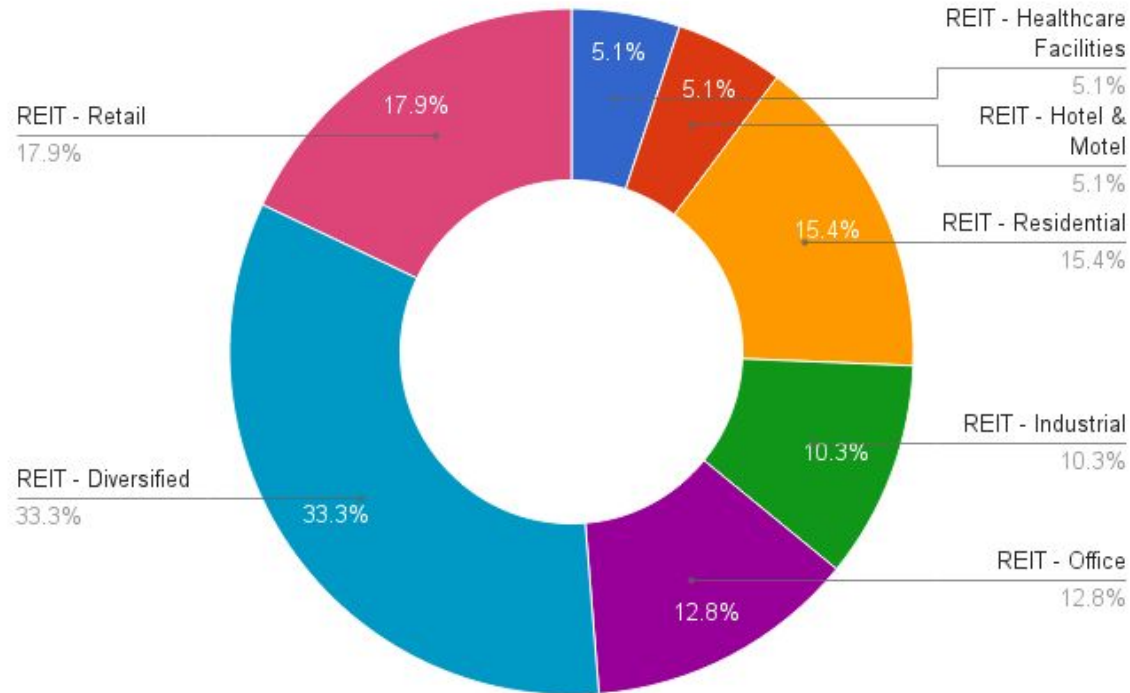
Canadian REITs

- 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)

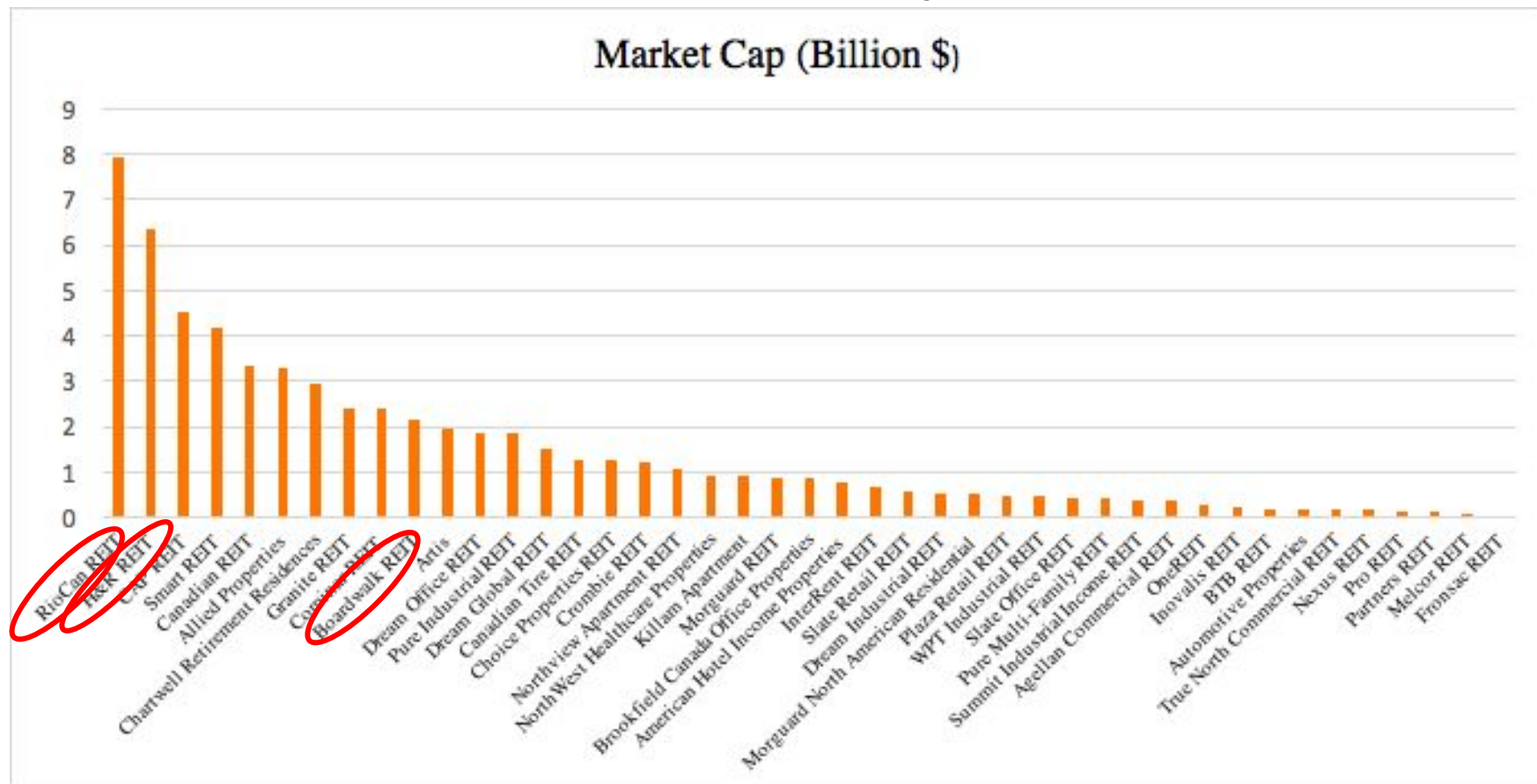
Canada: Product & Service Segmentation



Canada: REITs by Market Segmentation

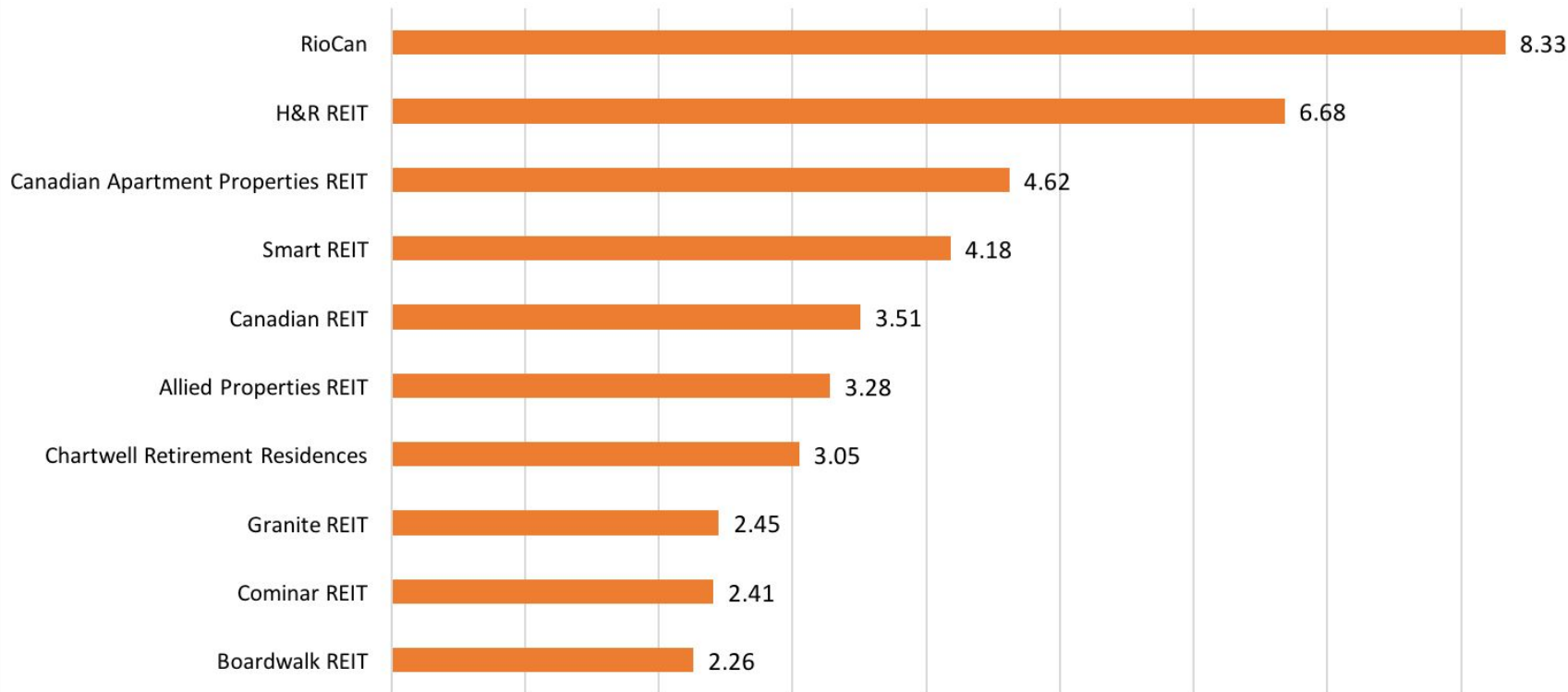


Canadian REITs Market Cap

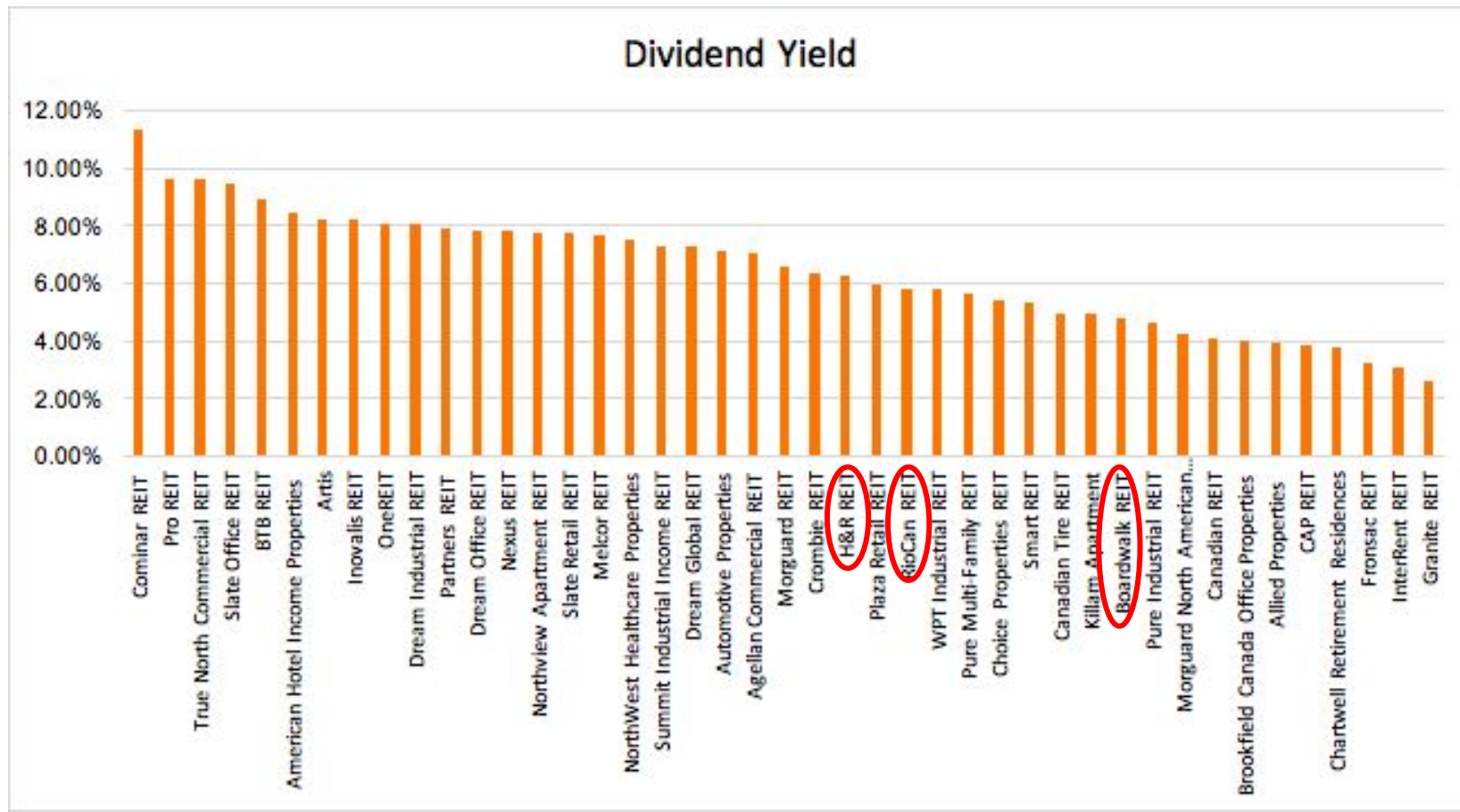


Top 10 Canadian REITs Market Cap

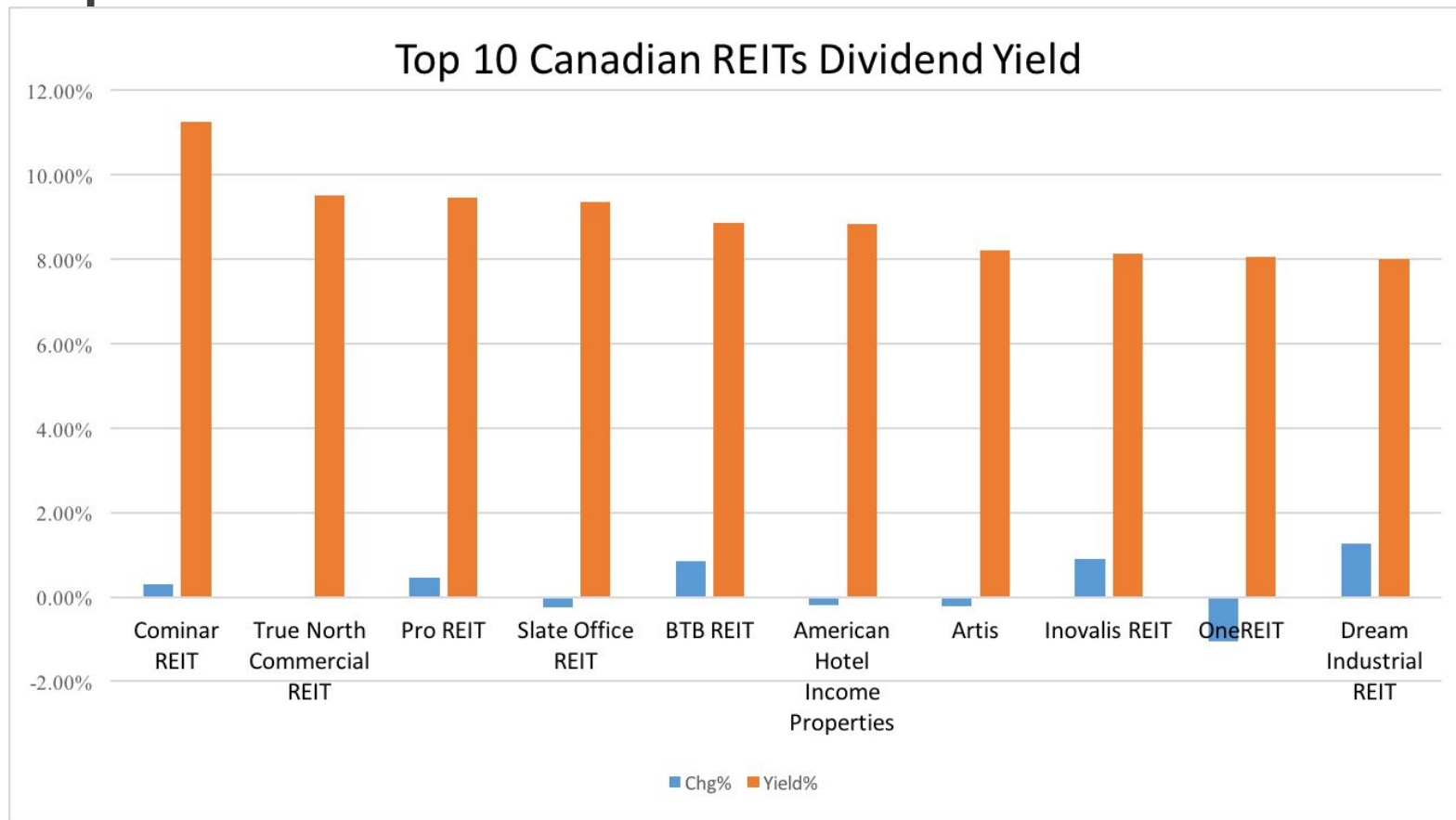
Top 10 Canadian REITs Market Cap (\$ bil)



Canadian REITs Dividend Yield



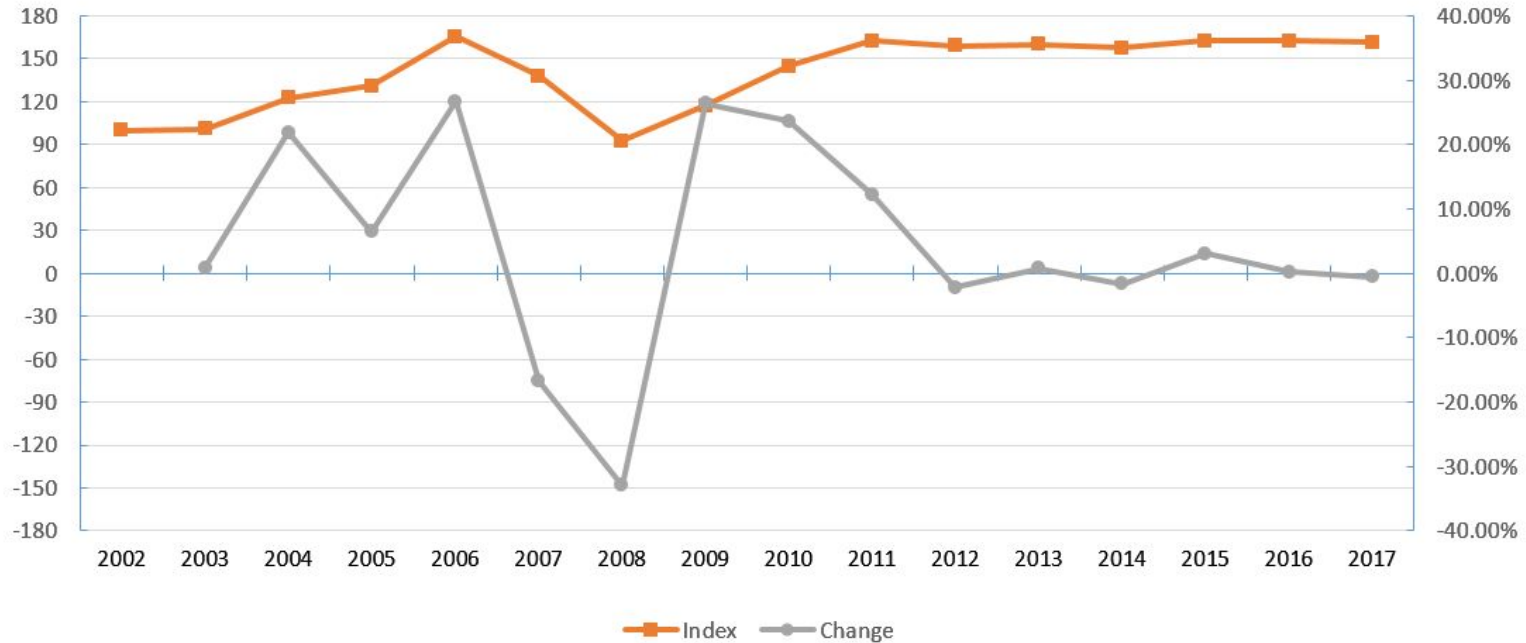
Top 10 Canadian REITs Dividend Yield



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

$$\begin{aligned} & \text{Real Estate Revenue} \\ - & \text{Real Estate Expense} \\ - & \text{Depreciation} \\ \hline = & \text{Income from Real Estate} \\ + & \text{Other Income} \\ - & \text{General and Administrative Expense} \\ \hline = & \textbf{Net Income per GAAP} \end{aligned}$$


- 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)

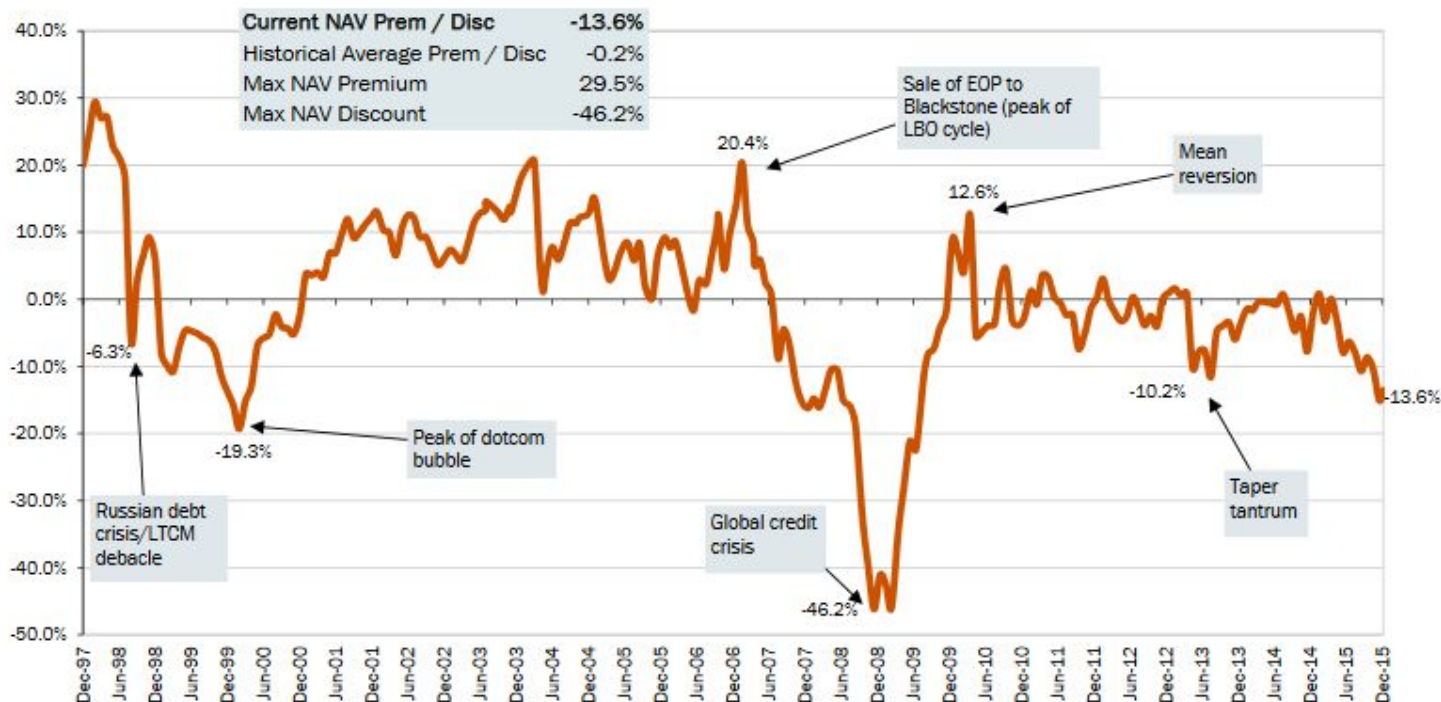
Total Assets

- Intangible Assets
 - Liabilities
-

Net Asset Value

- 
- $\text{NAV per share} = \text{NAV} / \text{Total Outstanding Shares}$
 - 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)

$$\begin{aligned} & \text{Net Income per GAAP} \\ & - \text{Profit / Loss from Real Estate Sale} \\ & + \text{Depreciation \& Amortization} \\ \hline & = \textbf{Funds from Operations} \end{aligned}$$

- 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

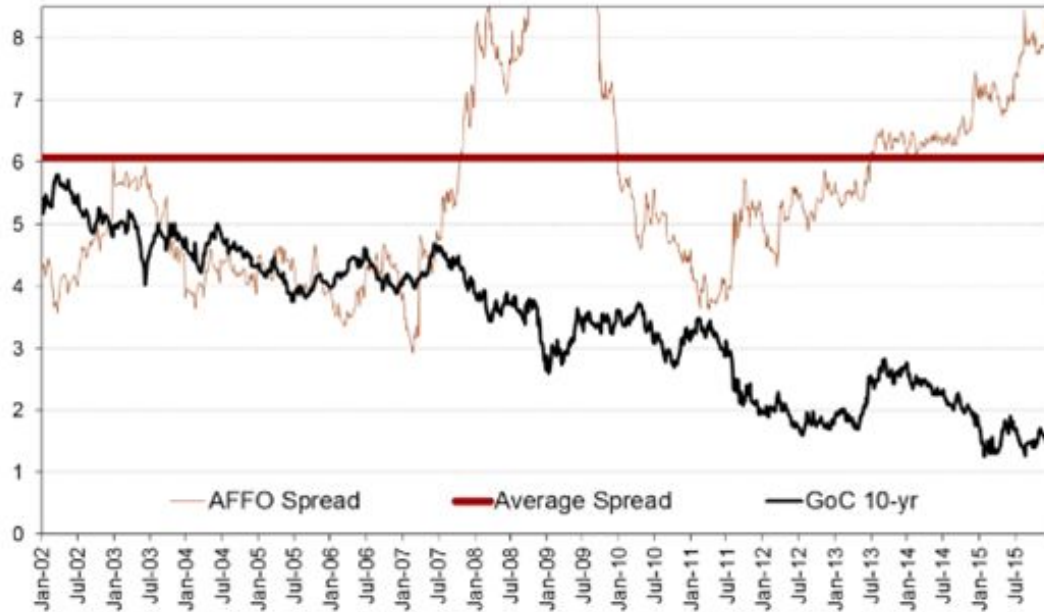
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AFFO per Unit

AFFO Payout Ratio

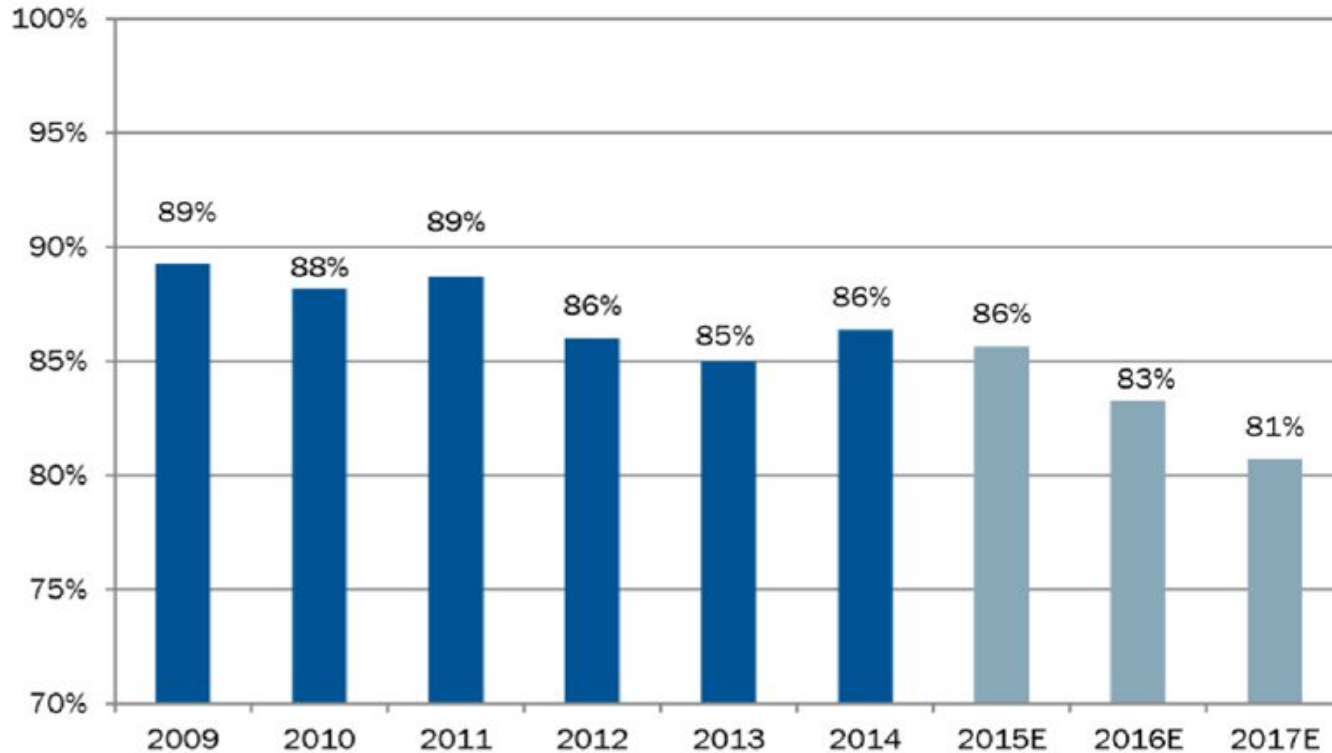
- Amount of money paid to unitholders relative to its earnings
- Lower % means that it is hanging on to its cash

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

= **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

Acquisition Cost of Property

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

RIO CAN

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

Company Snapshot



RioCan: Performance (1 Year)

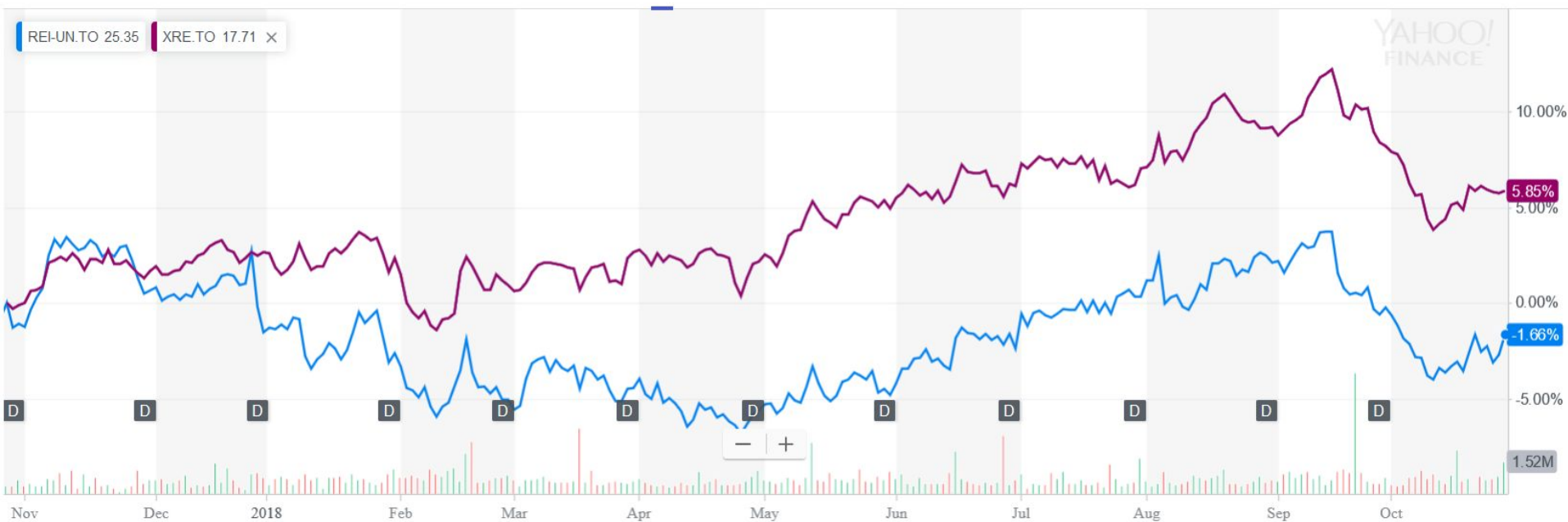


Price mainly fluctuates between \$23 and \$25.75

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



Company Overview



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

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%

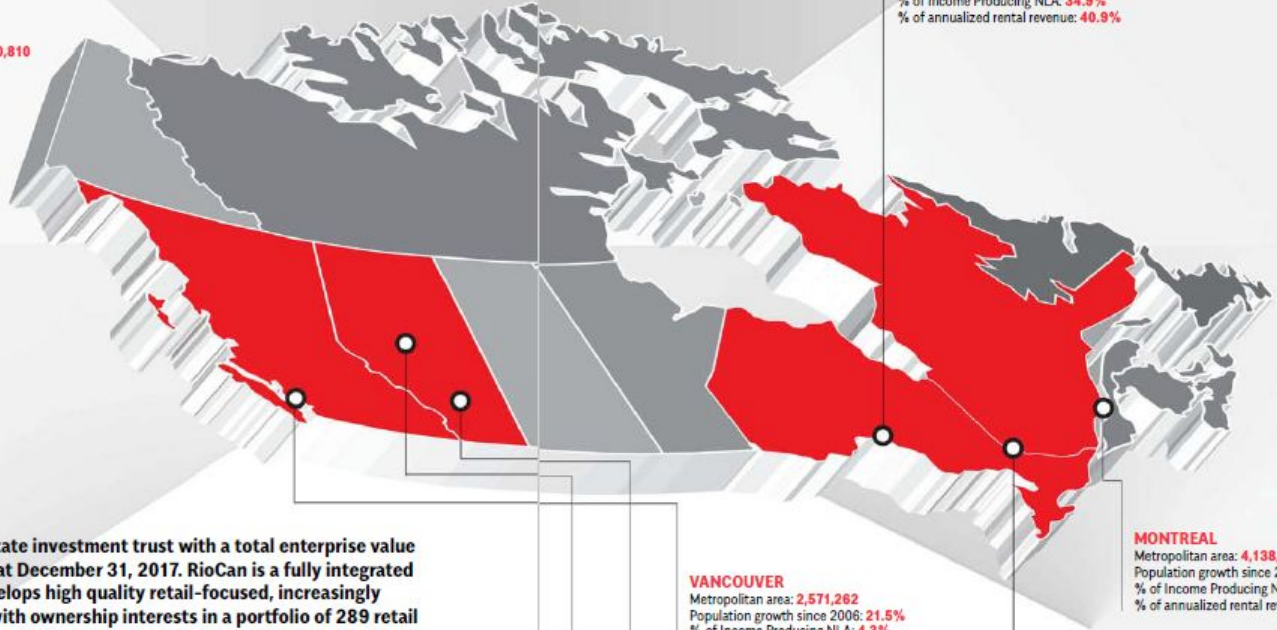
THE MAJOR MARKETS

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.

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
							ADDITION ELLE
Four		Five					
							
	Six			Fifteen	Sixteen	Seventeen	Eighteen
							
	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 Rivières, 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%
Total Q2 2018		\$ 282,769	\$ —	1,402	

Q1 2018

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

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
Q3 2018					
Shoppers Drug Mart, Pembroke, ON	6.46%	\$ 11,340	\$ —	34	100%
Shoppers Drug Mart on Argyle, Caledonia, ON	5.26%	7,625	—	13	100%
506 & 510 Hespeler Rd, Cambridge, ON	7.03%	42,304	26,145	394	100%
Mega Centre Rive-Sud, Levis, PQ	6.06%	3,000	—	9	100%
735 Queenston Road, Hamilton, ON	5.75%	38,000	—	109	100%
Hartsland Market Square, Guelph, ON	9.34%	41,100	—	589	100%
Four properties in PQ (iii)	0.48%	7,992	—	49	50%
RioCan Centre Victoria, Whitby, ON (viii)	6.36%	42,000	—	105	100%
RioCan Centre London North, London, ON	6.47%	100,564	—	516	100%
Five properties in London, ON (iv)	6.82%	18,468	—	187	100%
Flamborough Power Centre, Hamilton, ON					
Total Q3 2018		\$ 312,393	\$ 26,145	2,005	

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: 5th & 3rd 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)
A. Active projects with detailed cost estimates							
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	—
Subtotal	29	3,982	3,737	245	1,978	726	1,033
B. Active projects with cost estimates in progress (vii)	17	13,348	12,581	767	3,719	8,862	—
Total Active Projects	46	17,330	16,318	1,012	5,697	9,588	1,033
C. Future estimated density (viii)	16	9,172	9,172	—	2,208	6,964	—
Total development pipeline	62	26,502	25,490	1,012	7,905	16,552	1,033

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 Fund Trust into one of Canada's first REITs in late 1993
- ❖ Law degree from Osgoode Hall Law School and a Bachelor of Arts from the University of Toronto
- ❖ 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 3rd, 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)

As at	Note	September 30, 2018	December 31, 2017
Assets			
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
Total assets		\$ 14,146,163	\$ 14,376,578
Liabilities			
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
Total liabilities		\$ 6,452,755	\$ 6,331,892
Equity			
Unitholders' equity:			
Common	13	7,693,408	8,044,686
Total equity		7,693,408	8,044,686
Total liabilities and equity		\$ 14,146,163	\$ 14,376,578

Balance Sheet **• 2018 Q3**

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

(In thousands of Canadian dollars)

As at	Note	December 31, 2017	December 31, 2016
Assets			
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
Total assets		\$ 14,376,578	\$ 14,173,760
Liabilities			
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
Total liabilities		\$ 6,331,892	\$ 6,163,872
Equity			
Unitholders' equity:			
Preferred	15	\$ —	\$ 144,755
Common	15	8,044,686	7,865,133
Total equity		8,044,686	8,009,888
Total liabilities and equity		\$ 14,376,578	\$ 14,173,760

Balance Sheet
•2017 Annual

Income Statement

• 2017 Annual

Years ended December 31,	Note	2017	2016
Revenue			
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
Operating costs			
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
Operating income		737,369	699,684
Other income			
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
Other expenses			
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
Income before income taxes		707,945	679,301
Deferred income tax recovery		(320)	(3,850)
Net income from continuing operations		\$ 708,265	\$ 683,151
Net income from discontinued operations	4	7,021	147,687
Net income		\$ 715,286	\$ 830,838
Net income attributable to:			
Unitholders		\$ 715,286	\$ 830,747
Non-controlling interests		—	91
		\$ 715,286	\$ 830,838
Net income per unit - basic:			
From continuing operations	23	\$ 2.16	\$ 2.06
From discontinued operations	23	0.02	0.45
Net income per unit - basic		\$ 2.18	\$ 2.51
Net income per unit - diluted:			
From continuing operations	23	\$ 2.16	\$ 2.06
From discontinued operations	23	0.02	0.45
Net income per unit - diluted		\$ 2.18	\$ 2.51

Income Statement

•2018 Q3

	Note	Three months ended September 30,		Nine months ended September 30,	
		2018	2017	2018	2017
Revenue					
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
Operating costs					
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
Operating income		181,250	185,648	540,597	549,604
Other income (loss)					
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
Other expenses					
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
Income before income taxes		128,769	180,339	376,503	499,529
Deferred income tax expense (recovery)		(100)	—	(900)	1,000
Net income from continuing operations		\$ 128,869	\$ 180,339	\$ 377,403	\$ 498,529
Net income from discontinued operations	3	1,449	4,231	1,535	7,084
Net income		\$ 130,318	\$ 184,570	\$ 378,938	\$ 505,613
Net income attributable to:					
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
Net income per unit - basic		\$ 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
Net income per unit - diluted		\$ 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
Operating activities			
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
Cash provided by operating activities		354,028	425,096
Investing activities			
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
Cash provided by investing activities		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	248,669
Repayment of unsecured debentures	13	(150,000)	—
Distributions to common trust unitholders, net of distributions reinvested	29	(435,671)	(397,143)
Distributions to preferred trust unitholders	17	(3,514)	(8,667)
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)
Cash used in financing activities		(424,085)	(1,647,677)
Net change in cash and cash equivalents		15,859	(28,952)
Cash and cash equivalents, beginning of year		54,366	83,318
Cash and cash equivalents, end of year		\$ 70,225	\$ 54,366

Cash Flow Statement (1/2)

•2018 Q3

		Three months ended September 30,		Nine months ended September 30,	
	Note	2018	2017	2018	2017
Operating activities					
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)
Cash provided by operating activities		101,366	110,785	275,680	194,873
Investing activities					
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
Cash provided by (used in) investing activities		219,904	(29,913)	420,259	(3,425)

Cash Flow Statement (1/2)

•2018 Q3

Financing activities

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)	(150,000)
Distributions to common trust unitholders, net of distributions reinvested	26	(112,370)	(108,360)	(341,804)	(325,071)
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	956
Redemption of preferred units		—	—	—	(149,500)
Cash used in financing activities		(245,687)	(64,396)	(632,173)	(187,696)
Net change in cash and cash equivalents		75,583	16,476	63,766	3,752
Cash and cash equivalents, beginning of period		58,408	41,642	70,225	54,366
Cash and cash equivalents, end of period		\$ 133,991	\$ 58,118	\$ 133,991	\$ 58,118

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
Working capital changes related to:				
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)
Adjustments to working capital changes for ACFO	\$ 14,012	\$ 35,668	\$ 77,671	\$ 199,711

Funds From Operations

•2017 Annual

	Three months ended December 31,		Year ended December 31,	
(thousands of dollars, except per unit amounts)	2017	2016	2017	2016
Net income from continuing operations attributable to unitholders	\$ 209,735	\$ 178,472	\$ 708,265	\$ 683,060
<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)
FFO from continuing operations	\$ 144,132	\$ 132,509	\$ 582,640	\$ 497,309
Net income (loss) from discontinued operations attributable to unitholders	\$ (62)	\$ (14,013)	\$ 7,021	\$ 147,687
<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)
FFO from discontinued operations	\$ 86	\$ (335)	\$ 1,957	\$ 50,570
FFO	\$ 144,218	\$ 132,174	\$ 584,597	\$ 547,879
FFO per unit - basic	\$ 0.44	\$ 0.40	\$ 1.79	\$ 1.68
FFO per unit - diluted	\$ 0.44	\$ 0.40	\$ 1.79	\$ 1.68
Weighted average number of units - basic (in thousands)	326,040	326,466	326,805	325,386
Weighted average number of units - diluted (in thousands)	326,155	326,639	326,929	325,665
FFO payout ratio (iv)			78.8%	83.6%

Funds From Operations

•2018 Q3

	Three months ended September 30,		Nine months ended September 30,	
(thousands of dollars, except per unit amounts)	2018	2017	2018	2017
Net income from continuing operations attributable to unitholders	\$ 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)
FFO from continuing operations	\$ 145,990	\$ 149,841	\$ 439,672	\$ 438,507
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)
FFO from discontinued operations	\$ 1,304	\$ 1,149	\$ 2,119	\$ 1,871
FFO	\$ 147,294	\$ 150,990	\$ 441,791	\$ 440,378
FFO per unit - basic	\$ 0.47	\$ 0.46	\$ 1.40	\$ 1.35
FFO per unit - diluted	\$ 0.47	\$ 0.46	\$ 1.40	\$ 1.35
Weighted average number of units - basic (in thousands)	311,575	327,342	316,534	327,063
Weighted average number of units - diluted (in thousands)	311,687	327,438	316,629	327,190
FFO payout ratio (iv)			78.0%	80.5%

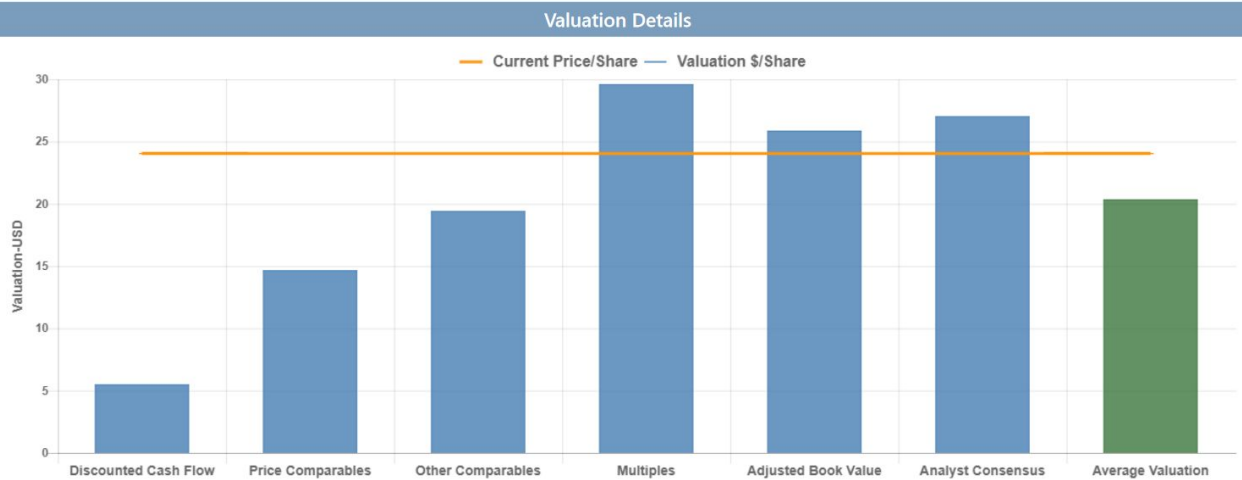
Adjusted Funds From Operations • 2017 Annual

<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)
ACFO (iv)	\$ 186,262	\$ 122,259	\$ 588,462	\$ 484,185

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)
ACFO (iv)	\$ 127,988	\$ 149,405	\$ 392,258	\$ 402,198

Analyst Coverage



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.

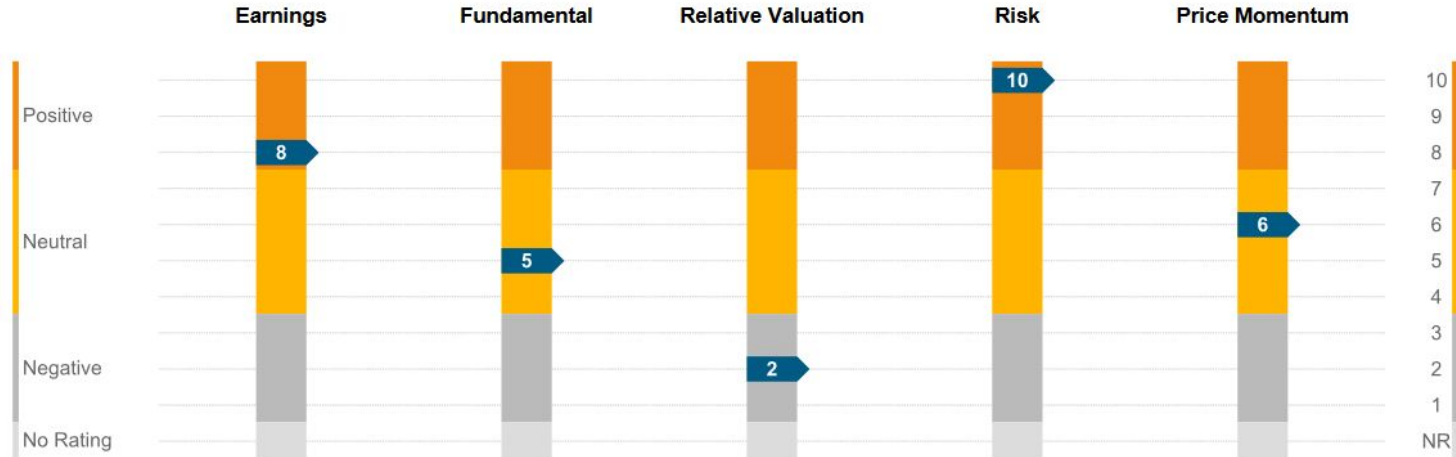


Book Value/Share

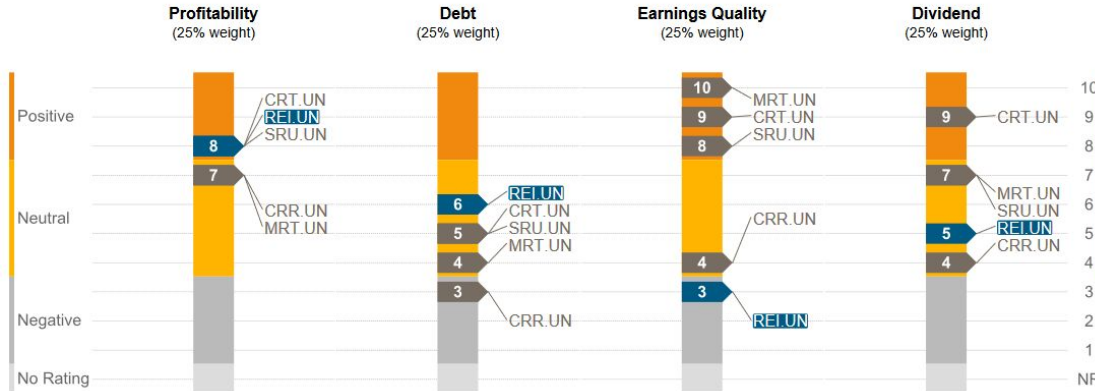
\$24.96 (CAD)

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



Revenue Growth For year over year ending 2018-06	-0.1%	Current Ratio For interim period ending --	--	Oper. Cash Yield For latest 12 months ending 2018-06	-30.9%	Dividend Growth For year over year ending 2018-06	1.1%
Gross Margin For latest 12 months ending 2017-12	63.0%	Debt-to-Capital For annual period ending 2017-12	42.4%	Accruals For latest 12 months ending 2017-12	2.0%	Dividend Payout For latest 12 months ending 2018-06	72.1%
Return On Equity For interim period ending 2018-06	8.2%	Interest Funding For interim period ending 2018-06	42.9%	Days Sales In Inv. For annual period ending --	--	Dividend Coverage For annual period ending 2017-12	1.2
Net Margin For latest 12 months ending 2018-06	56.0%	Interest Coverage For interim period ending 2017-12	4.3	Days Sales In Rec. For annual period ending --	--	Current Div. Yield For latest 12 months ending 2018-10	6.0%

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](#)

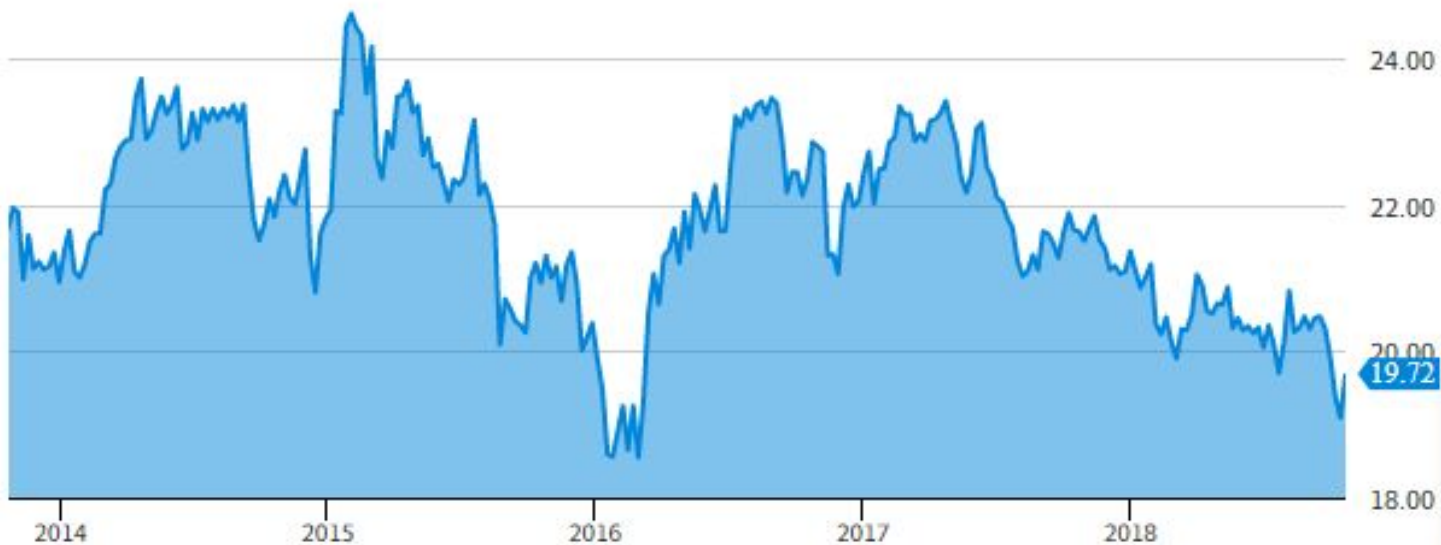
[View Chart](#)



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



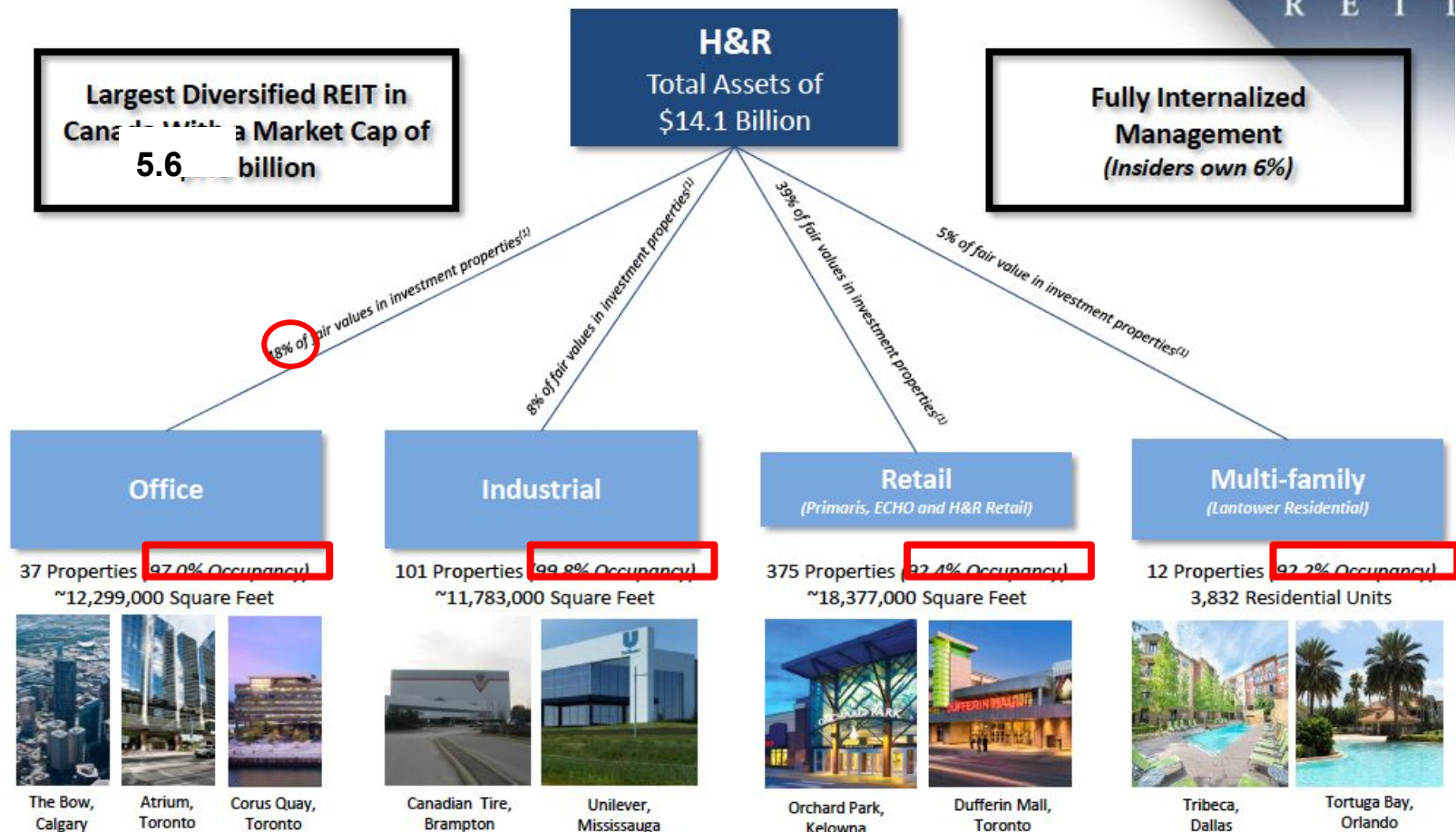
Two main objectives:

- 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



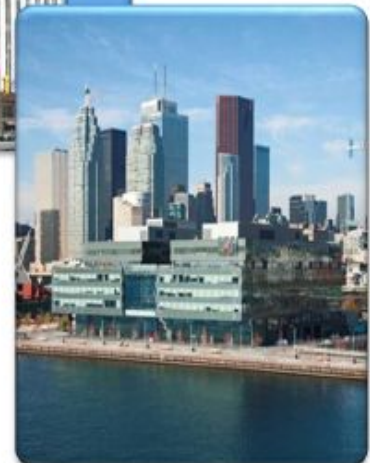
Place Bell | Ottawa



2 Gotham Centre | New York



Hess Tower | Houston



Corus Quay | Toronto

INSTITUTIONAL QUALITY ASSETS - INDUSTRIAL & RETAIL

Orchard Park | Kelowna



Sunridge | Calgary



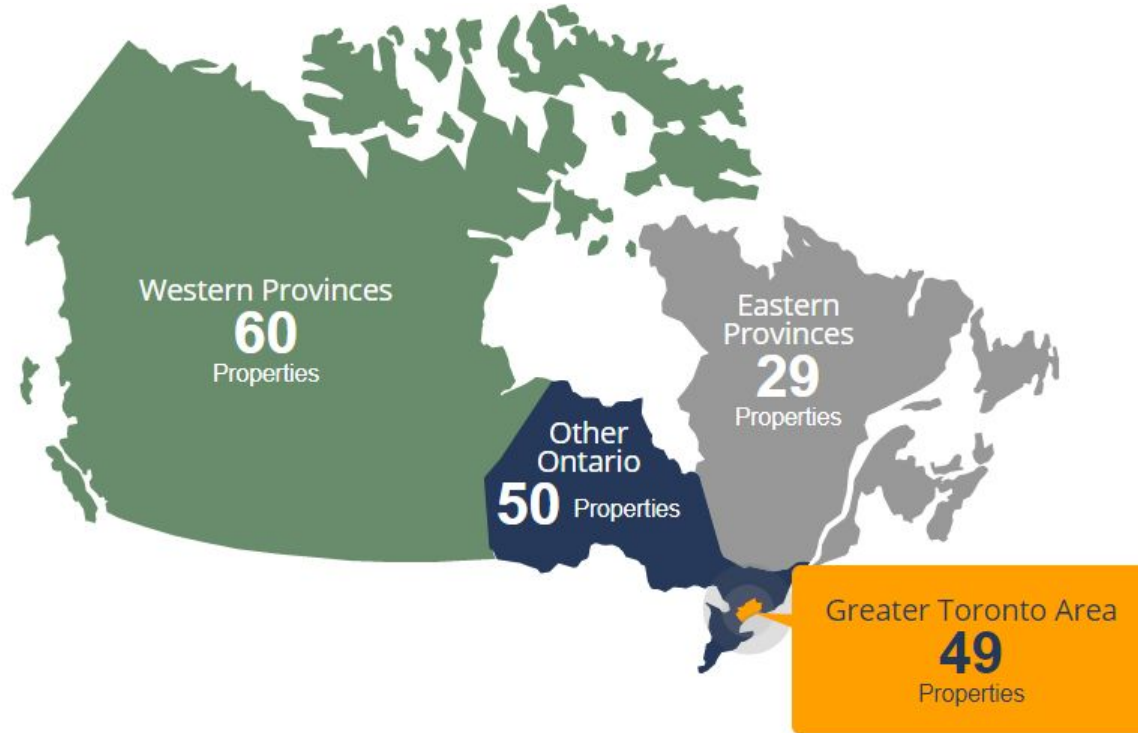
Dufferin Mall | Toronto



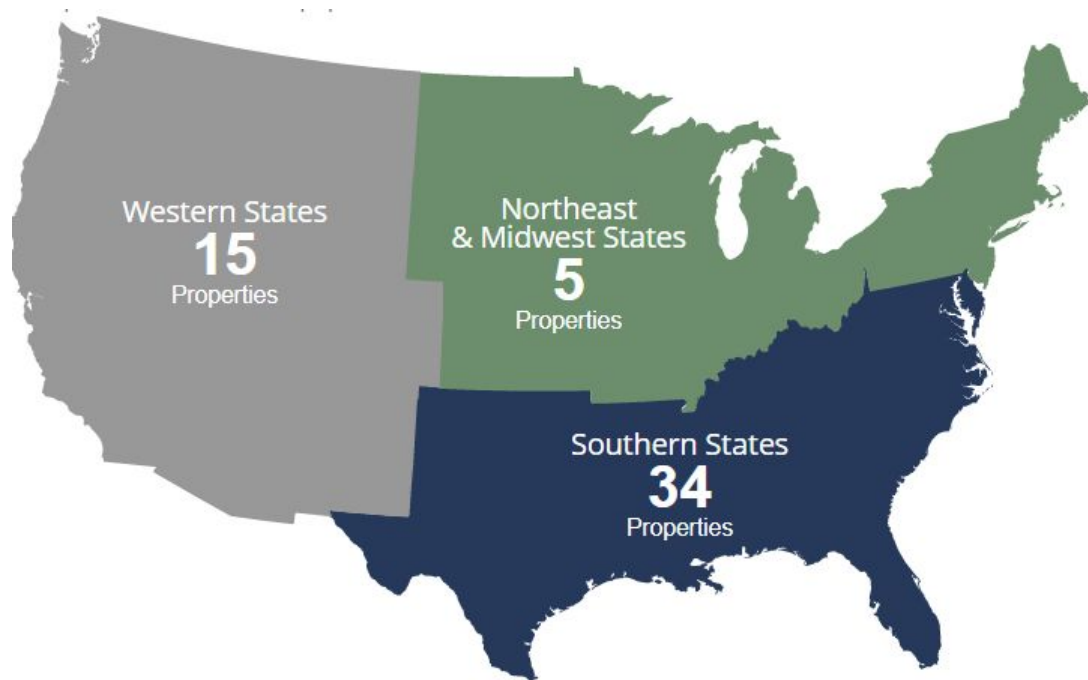
Canadian Tire | Brampton



Canadian Properties Owned(update)



US Properties Owned(update)



TOP 20 REVENUE GENERATING TENANTS

Tenant	% of rentals from investment properties ⁽¹⁾	Number of locations	H&R owned sq.ft. (in 000's)	Average lease term to maturity (in years) ⁽²⁾	Credit Ratings (S&P)
1. Encana Corporation ⁽³⁾	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. ⁽⁴⁾	2.6%	22	2,664	3.2	A- Stable
7. Canadian Tire Corporation ⁽⁵⁾	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 ⁽⁶⁾	0.9%	15	565	7.3	BB+ Stable
17. Loblaw Companies Limited ⁽⁷⁾	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	

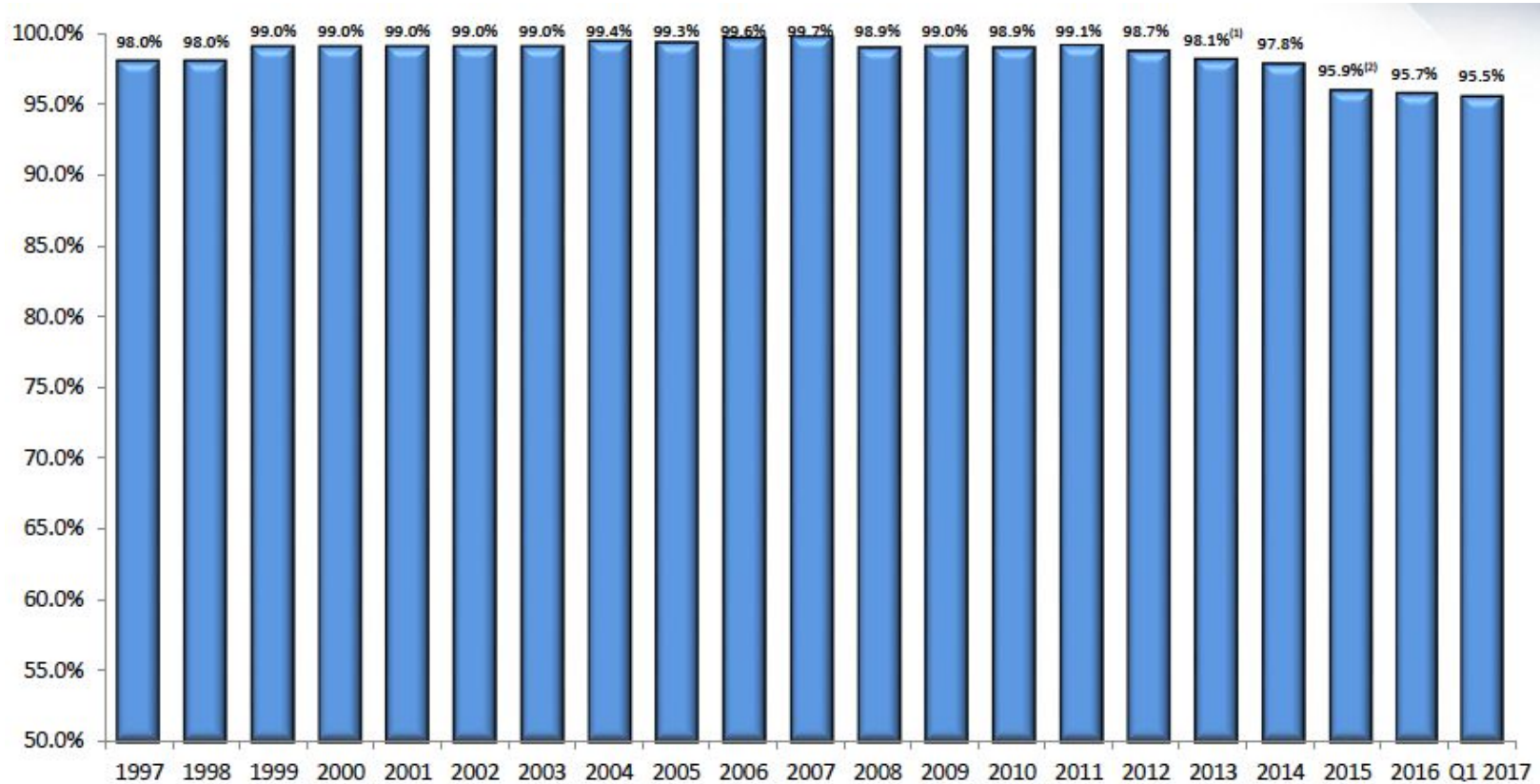
OTHER STRONG TENANTS



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)



H&R Post *Primaris* Acquisition(update)

H&R – Pre-Transaction

\$4.7 billion
Market Capitalization

\$10.0 billion
Fair Value

\$528 million
LTM NOI

52.1%
Total Debt² / FV

295
Properties

45.1 million
sq.ft. of GLA

33%

31%

32%

(1.0)%

9%

19%

H&R – Post-Transaction

\$6.3 billion
Market Capitalization

\$13.1 billion
Fair Value

\$696 million
LTM NOI¹

51.1%
Total Debt² / FV

321
Properties

53.7 million
sq.ft. of GLA

Primaris Portfolio Summary 1

Property	Location	Major Tenants	GLA (sq.ft.)	Same Store Sales per sq.ft. (\$) ⁽²⁾	Occupancy
Enclosed Centres					
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 ⁽¹⁾	Orleans, ON	Hudson's Bay, Sport Chek, Canada Mortgage and Housing Corporation	703,895	\$457	82%
Catarqui Town Centre ⁽¹⁾	Kingston, ON	Sears, Hudson's Bay, Sport Chek	620,622	\$534	78%
Place du Royaume ⁽¹⁾	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 ⁽¹⁾	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 ⁽¹⁾	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 ⁽¹⁾	Winnipeg, MB	Sears, Famous Players, Shoppers Drug Mart	462,588	\$544	72%
Grant Park ⁽¹⁾	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%
Total / Weighted Average			9,060,082	\$541	85%

Primaris Portfolio Summary 2

Property	Location	Major Tenants	GLA (sq.ft.)	Same Store Sales per sq.ft. (\$) ⁽²⁾	Occupancy
Other Properties					
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%
Total / Weighted Average			972,739	-	85%
Total / Weighted Average			10,032,821	\$541	85%

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

	December 31, 2017	December 31, 2016	December 31, 2015
(in thousands of Canadian dollars except per unit amounts)			
Total assets	\$14,558,863	\$14,155,012	\$13,990,315
Debt to total assets per the Trusts' Financial Statements ⁽¹⁾	44.6% ⁽²⁾	44.3%	46.2%
Debt to total assets at the Trusts' proportionate share ⁽¹⁾⁽³⁾	46.6% ⁽²⁾	46.0%	48.4%
Unencumbered asset to unsecured debt coverage ratio ⁽⁴⁾	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) ⁽³⁾	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 ⁽³⁾	137,447	142,899	560,090	584,301
Weighted average number of basic Stapled Units for FFO ⁽³⁾	306,629	300,482	304,462	298,404
FFO per basic Stapled Unit ⁽³⁾	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 ⁽³⁾	77.8%	70.8%	75.0%	68.9%
Interest coverage ratio ⁽³⁾	2.99	2.90	3.00	2.81

2107 annual report: Balance Sheet

FINANCIAL POSITION

	December 31, 2017	December 31, 2016
(in thousands of Canadian dollars)		
Assets		
Real estate assets		
Investment properties	\$13,074,123	\$12,564,144
Properties under development	83,132	118,268
	13,157,255	12,682,412
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
	\$14,558,863	\$14,155,012
Liabilities and Unitholders' Equity		
Liabilities		
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
	7,379,100	7,242,362
Unitholders' equity	7,179,763	6,912,650
	\$14,558,863	\$14,155,012

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)

		June 30 2018	December 31 2017
	Note	(Unaudited)	
Assets			
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
Liabilities and Unitholders' Equity			
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

	Three months ended December 31		Year ended December 31	
(in thousands of Canadian dollars)	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 June 30		Six months ended June 30	
		2018	2017	2018	2017
Property operating income:					
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
Net income from equity accounted investments	4	6,864	26,280	13,101	45,998
Finance cost - operations	16	(67,799)	(67,912)	(137,015)	(134,077)
Finance income	16	2,138	1,148	3,783	2,286
Trust expenses		(2,445)	(668)	(5,033)	(10,681)
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
Other comprehensive income (loss):	14				
Items that are or may be reclassified subsequently to net income					
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	15
		36,135	(48,889)	89,985	(61,230)
Total comprehensive income attributable to unitholders		\$ 144,329	\$ 104,181	\$ 261,279	\$ 202,643

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
Cash provided by (used in):			
Operations:			
Net income		\$ 667,870	\$ 388,745
Finance cost - operations	17	270,358	287,325
Interest paid		(258,328)	(299,533)
Items not affecting cash:			
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
Change in other non-cash operating items	18	2,513	(40,951)
		479,239	424,196

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)

		Six months ended June 30	
	Note	2018	2017
Cash provided by (used in):			
Operations:			
Net income		\$ 171,294	\$ 263,873
Finance cost - operations	16	137,015	134,077
Interest paid		(133,957)	(129,307)
Items not affecting cash:			
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
Change in other non-cash operating items	17	(42,796)	21,423
		194,815	256,180
Investing:			
Properties under development:			
Acquisition	3	(19,531)	(71,260)
Additions	3, 17	(8,856)	(13,867)
Investment properties:			
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
		490,740	(166,384)

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

	Three Months Ended December 31		Year ended December 31	
(in thousands of Canadian dollars except per unit amounts)	2017	2016	2017	2016
Net income per the Trusts' Financial Statements	\$325,213	\$140,616	\$667,870	\$388,745
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 ⁽¹⁾	(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
FFO	\$137,447	\$142,899	\$560,090	\$584,301

FFO: Payout Ratio

Weighted average number of Stapled Units (in thousands of basic Stapled Units adjusted for conversion of exchangeable Stapled Units) ⁽²⁾	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 ⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾⁽⁶⁾	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 ⁽²⁾⁽³⁾⁽⁵⁾⁽⁶⁾	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)
Net income from equity accounted investments	6,864	26,280	13,101	45,998
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
Notional interest capitalization ⁽²⁾	2,119	3,576	5,315	7,094
FFO from equity accounted investments	9,514	15,208	20,930	30,480

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

FFO from equity accounted investments	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)
AFFO from equity accounted investments	\$8,270	\$9,990	\$18,344	\$23,020

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

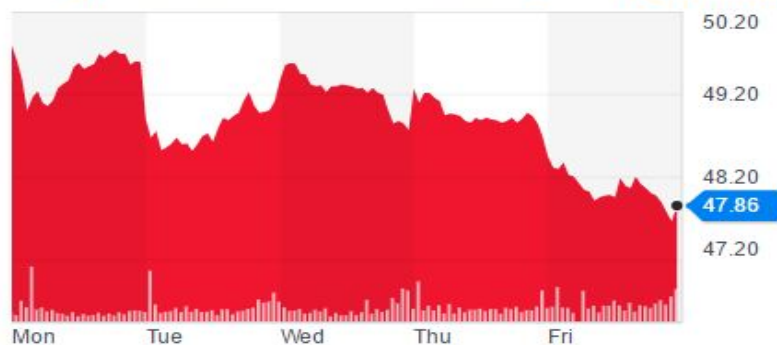
Options

Holders

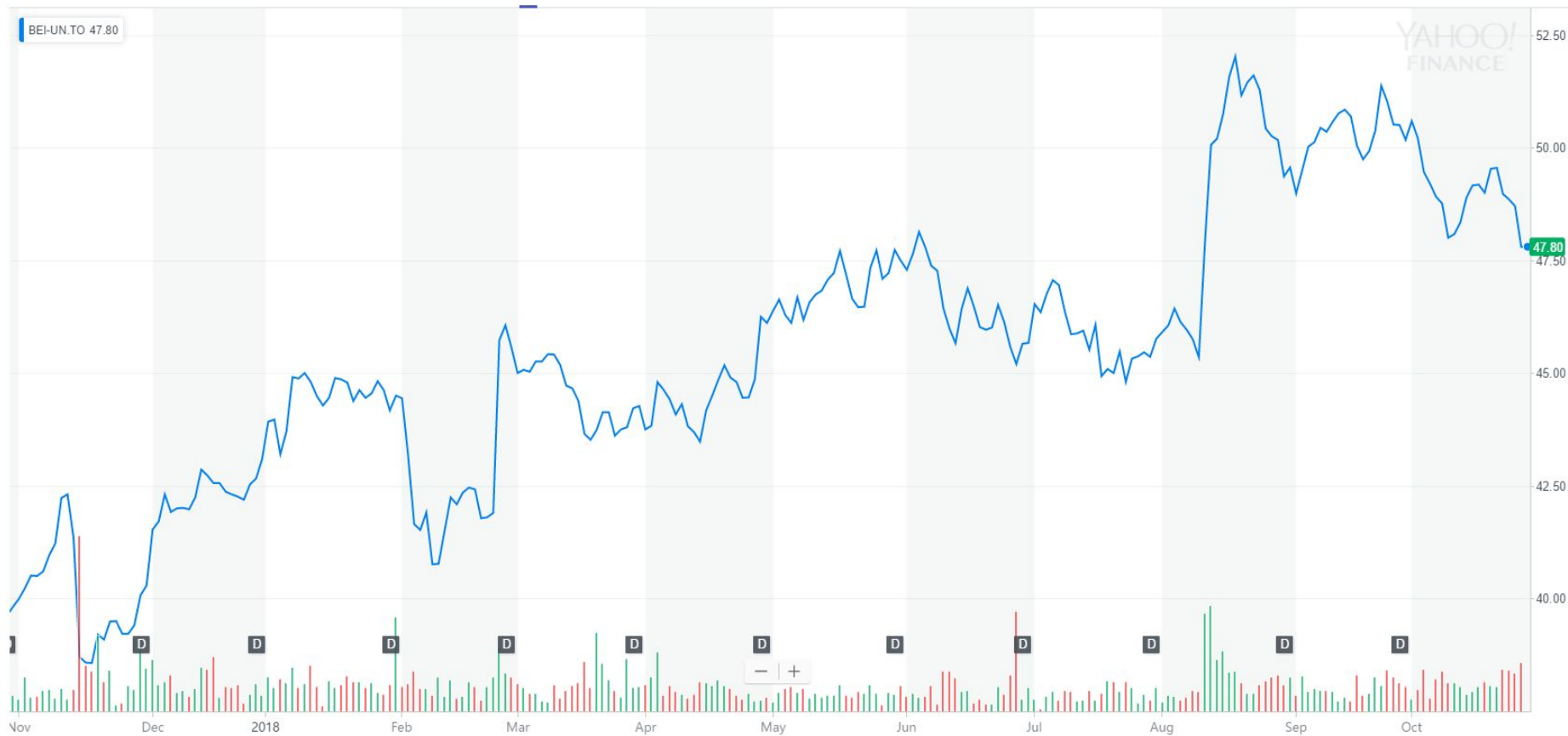
Sustainability

Previous Close	48.70	Market Cap	2.421B
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 (2.02%)
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



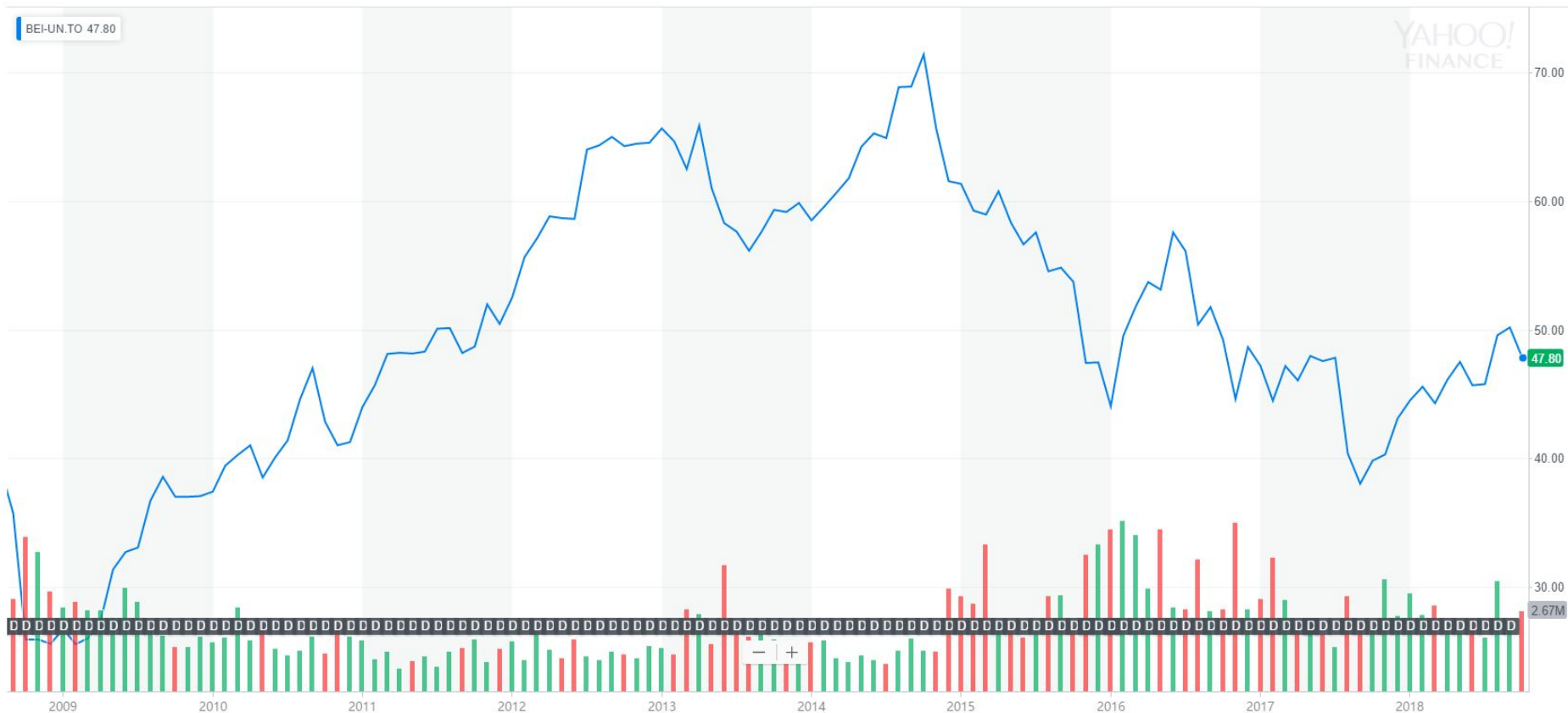
1 Year Performance



5 Year Performance



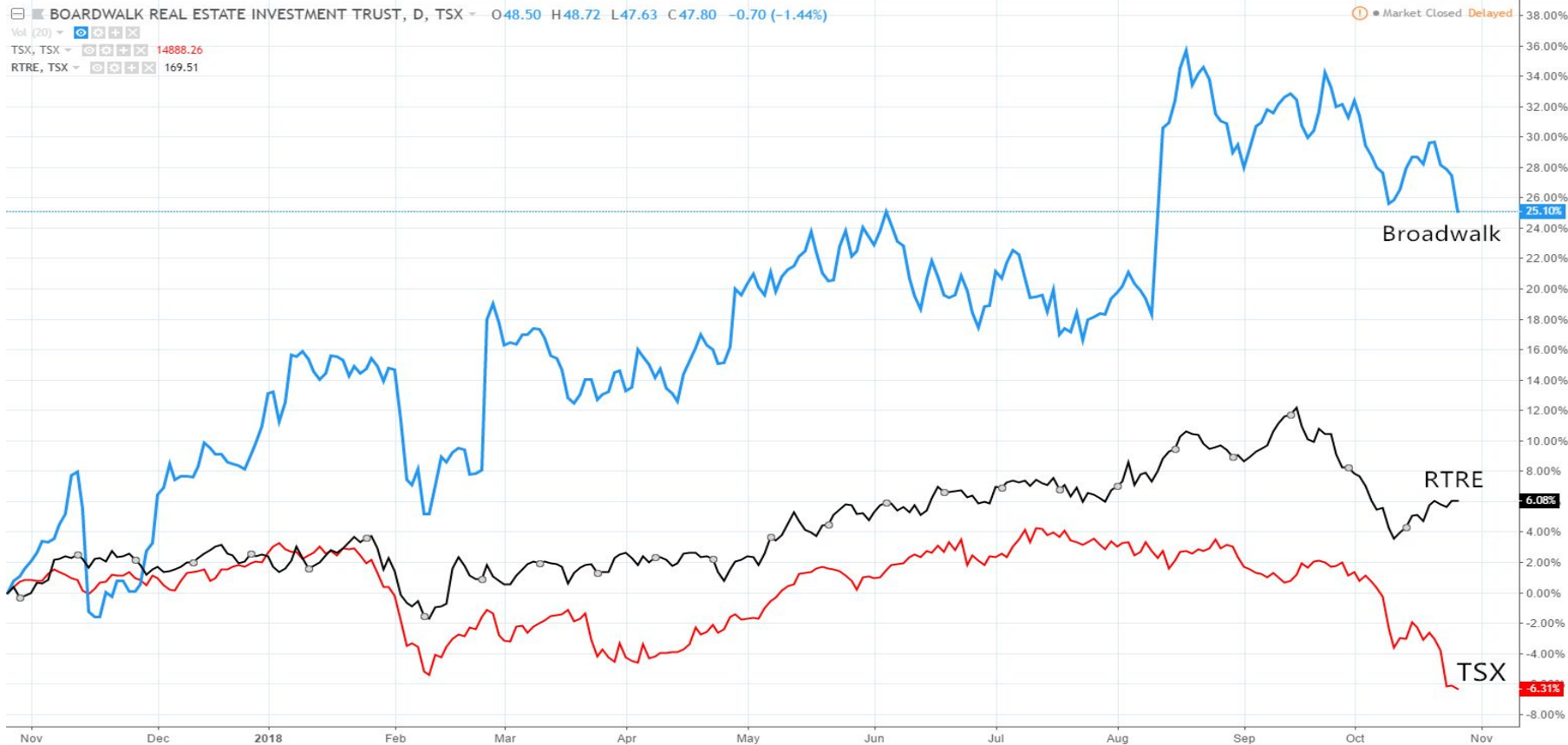
10 Year Performance



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 Kalias 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.

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 line with a circular orange marker at the top containing the year 2002.

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

A vertical orange line with a circular orange marker at the top containing the word "Today".

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:

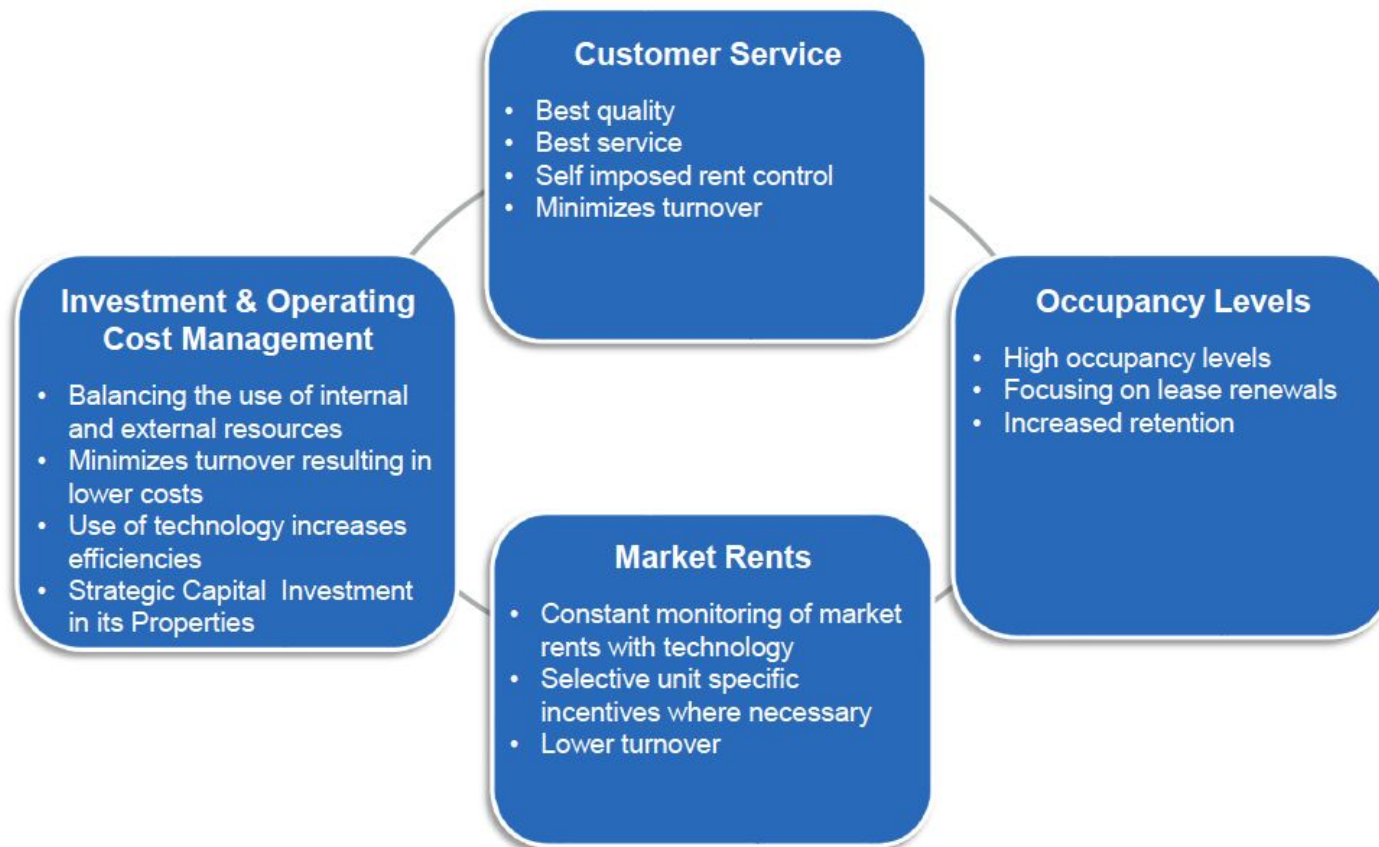
GOLDEN RULE: Treat others as you want to be treated

GOLDEN GOAL: Be good

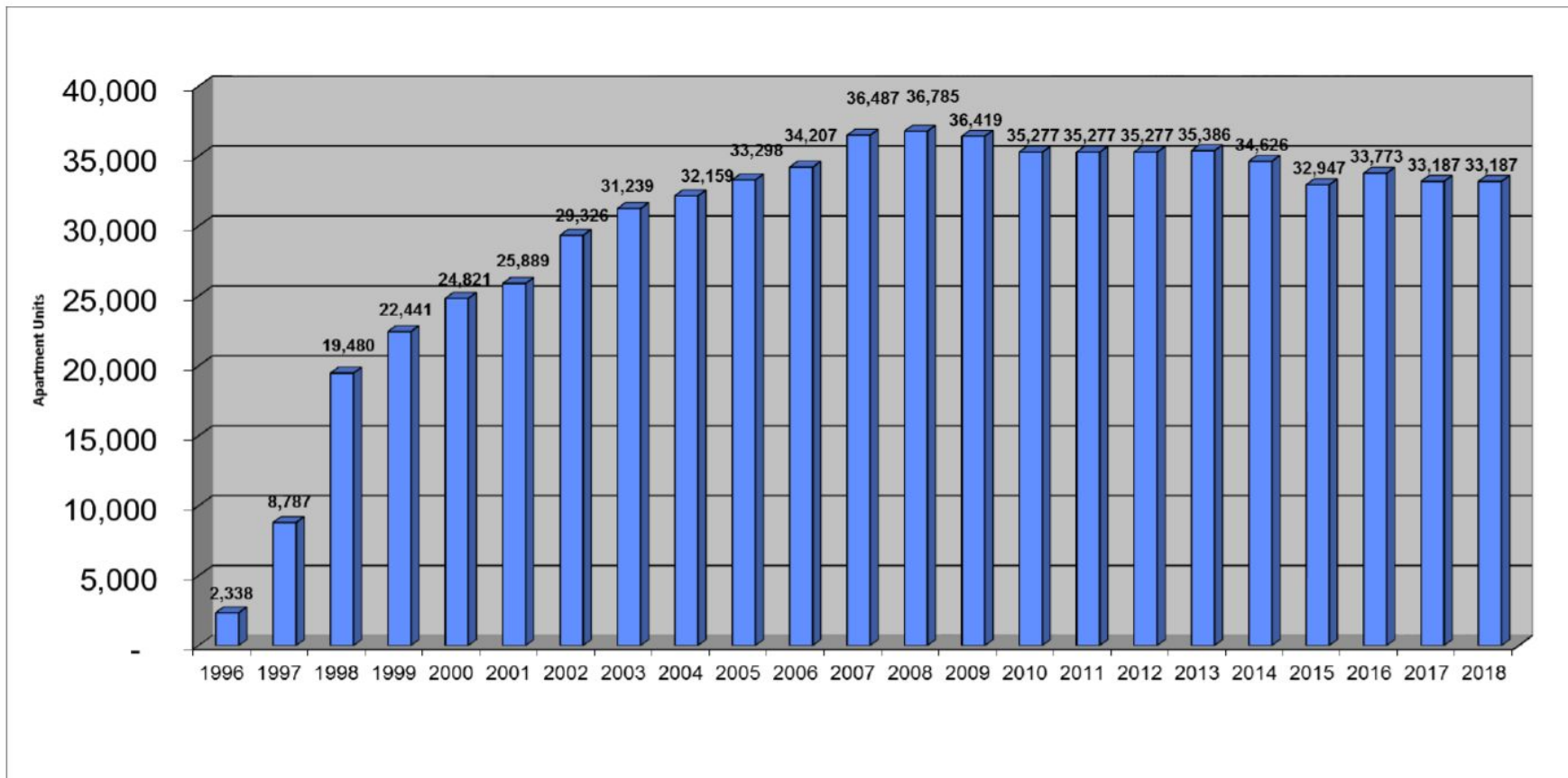
GOLDEN VISION: Love community

GOLDEN MISSION: Have fun

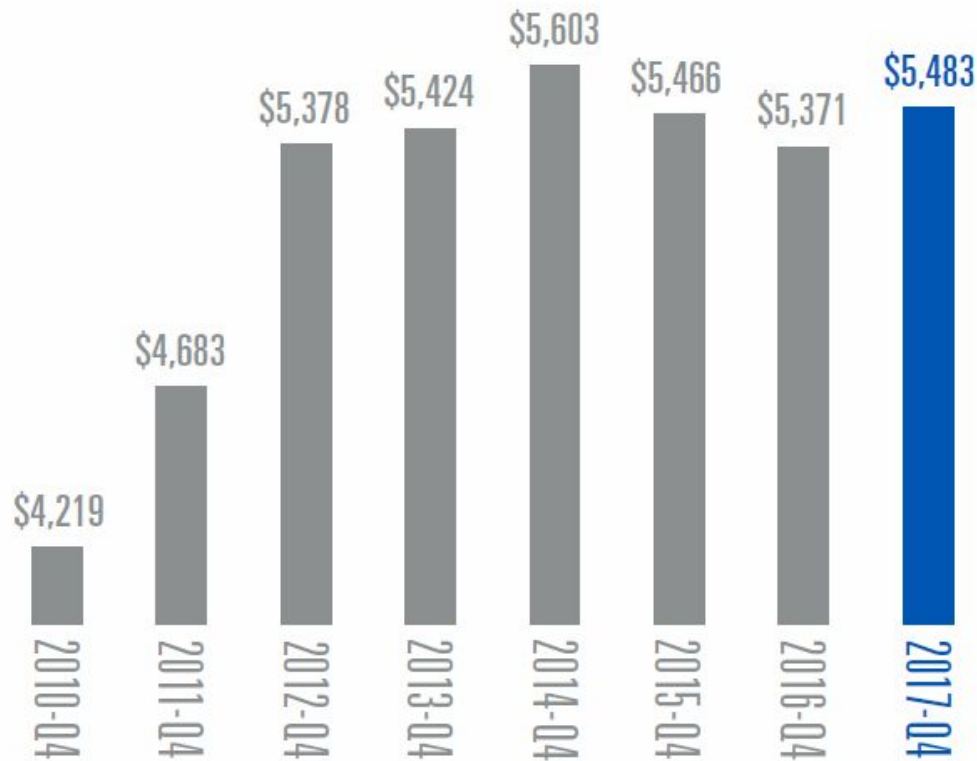
Company Strategy



Number of Units in Portfolio by Year



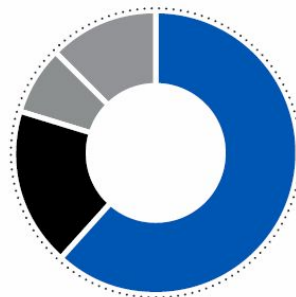
Fair Value of Investment Assets, Excluding Sold Properties



Portfolio Geographic Breakdown

UNIT BREAKDOWN BY PROVINCE

As at December 31, 2017



AB 61.7%

QC 18.1%

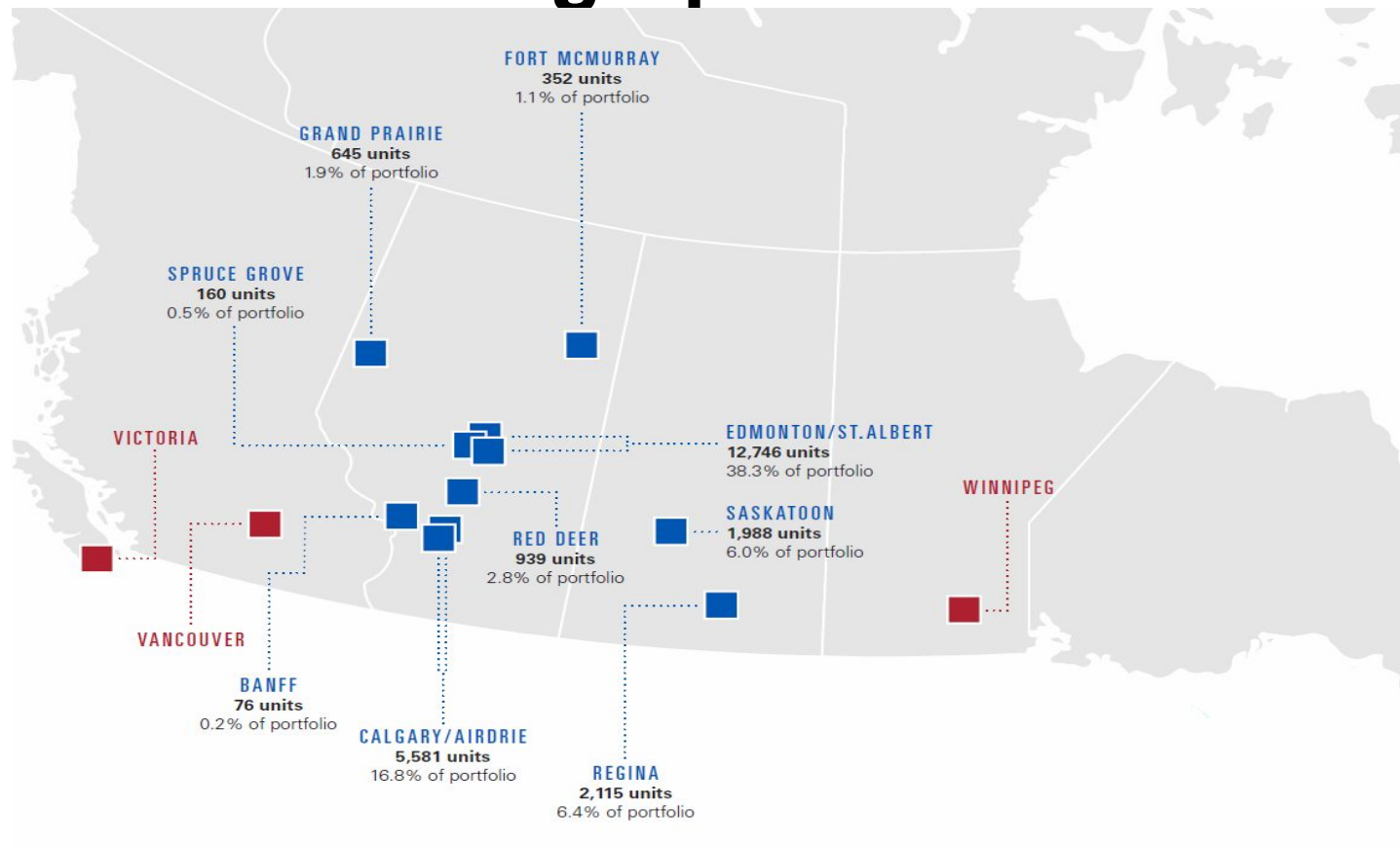
ON 7.8%

SK 12.4%

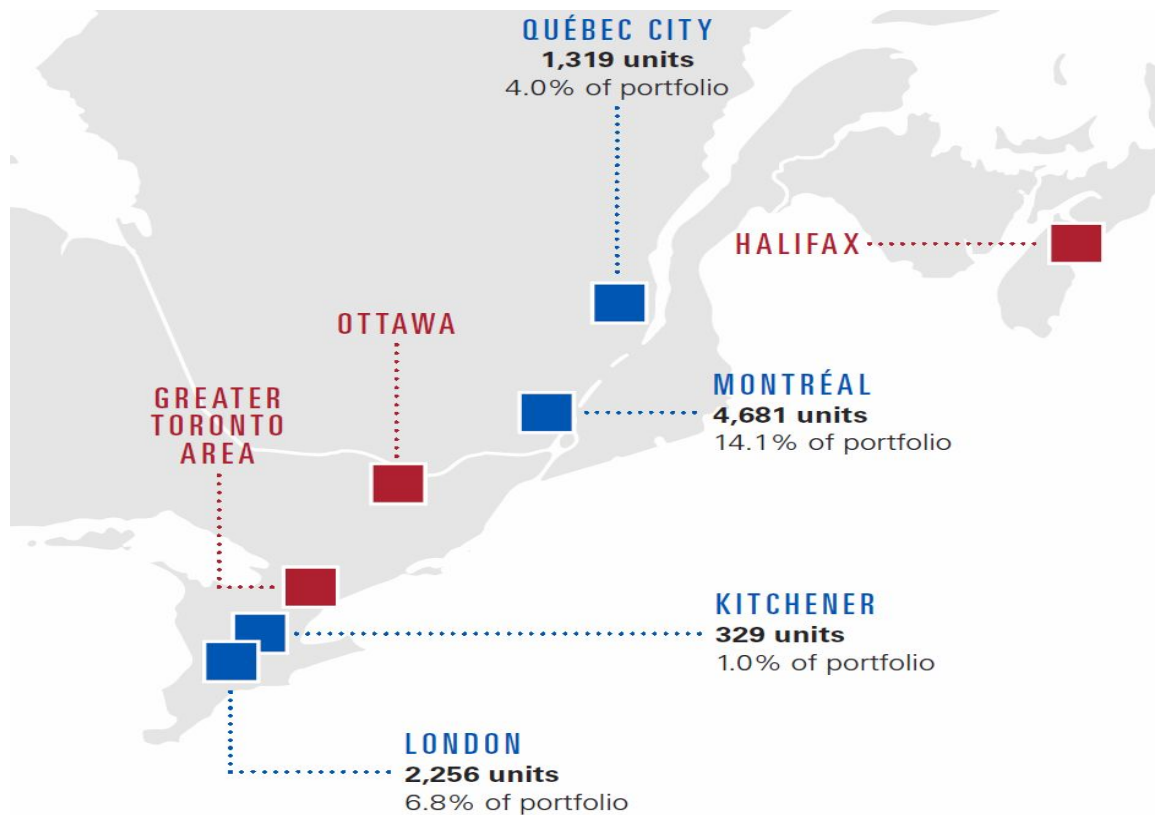
By Province

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
Total (as at Jun 30, 2018)	33,187	100.0 %	28,538,529	100.0 %	860

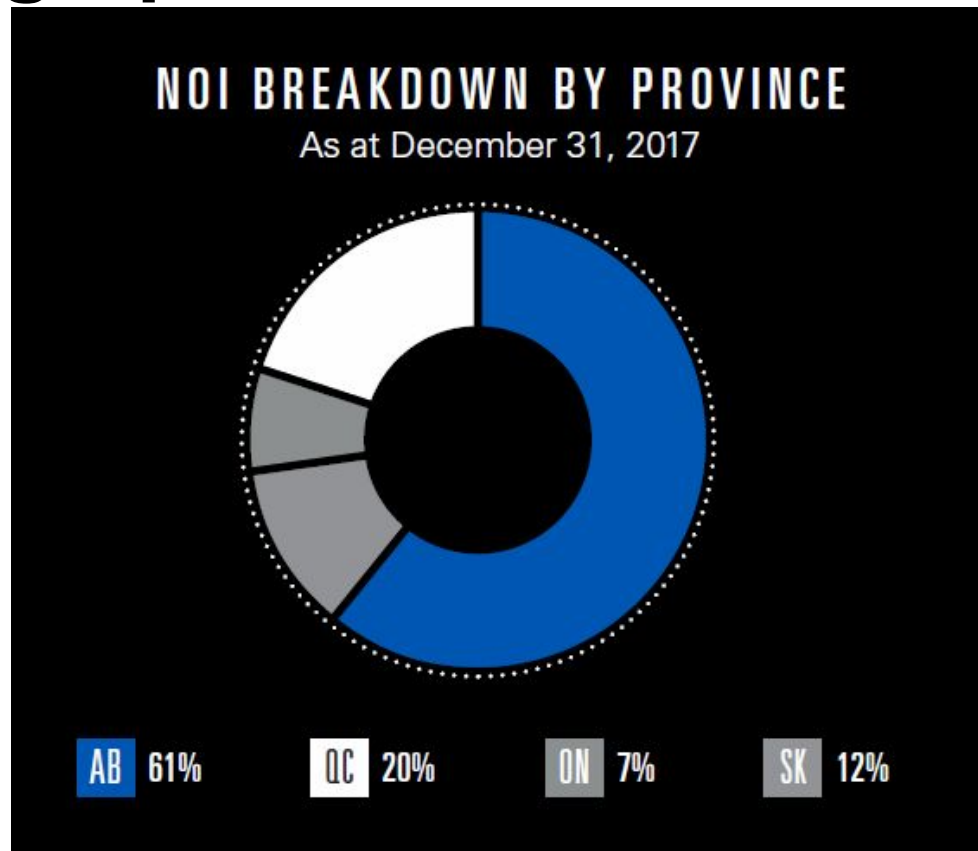
Portfolio Geographic Breakdown



Portfolio Geographic Breakdown



NOI Geographic Breakdown



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
Total rental revenue	137,609	25,824	14,097	37,795	124	215,449
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
Net operating income (loss)	73,787	13,879	8,177	19,914	(4,313)	111,444
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
Profit (loss) from continuing operations before the undernoted	46,407	9,577	6,722	13,687	(26,758)	49,635
Proceeds on insurance settlement	-	-	-	-	-	-
Fair value gains (losses)	62,374	(2,358)	3,361	24,889	(11,869)	76,397
Profit (loss) before income tax	108,781	7,219	10,083	38,576	(38,627)	126,032
Income tax expense (d)	-	-	-	-	(10)	(10)
Profit (loss) and total comprehensive income (loss) for the period	\$ 108,781	\$ 7,219	\$ 10,083	\$ 38,576	\$ (38,637)	\$ 126,022
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 vs Q1 2018	Q2 2018 vs Q4 2017	Q2 2018 vs Q3 2017	Q2 2018 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 Q2 of 2019

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

Wascana Park Estates, Regina

- An existing community of 320 townhouse units on ~33 Acres of land
- A draft concept Master Plan includes high-rises, mid-rises, low-rises and some commercial space
- Entire site would allow up to 2,000 residential units
- More detailed planning is underway to determine the optimal mix of residential and commercial uses
- Community engagement and rezoning will be required



Russet Court

- Zoning is in place for our proposed 856 units of high-rise, mid-rise, and low-rise apartments
- City administration is required to present council with an Area Master Plan in late spring 2017
- We are currently participating with other landowners within 600 meters of the Rundle LRT station in the planning exercise



Development opportunities

Development Opportunities

Project	City	Developable Land (Acres)	Demolition Required	Total New Units	Gross Buildable Area (SqFt)
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
TOTAL				4,437	4,439,000

2018 Budget

Q1

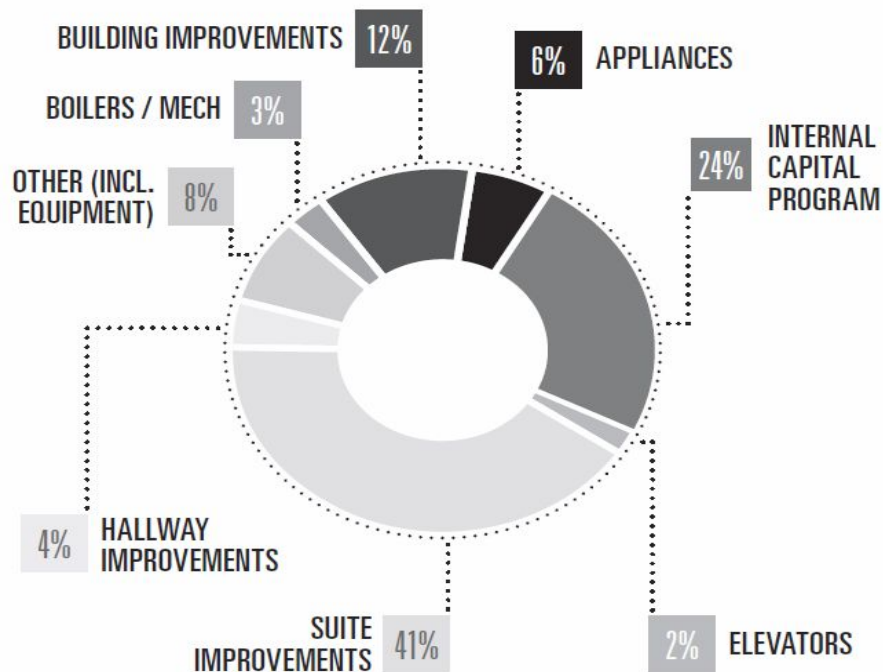
Capital Budget (\$000's)	2018 Budget		Three Months Ended, Mar. 31, 2018 Actual	
		Per Suite		Per Suite
Maintenance Capital	\$ 23,065	\$ 695	\$ 5,766	\$ 174
Value-added Capital (including suite upgrades)	113,229	3,412	24,138	727
Total Property Capital	\$ 136,294	\$ 4,107	\$ 29,904	\$ 901
Total Property Capital	\$ 136,294		\$ 29,904	
Development	30,000		5,686	
Total Capital Investment	\$ 166,294		\$ 35,590	

Q2

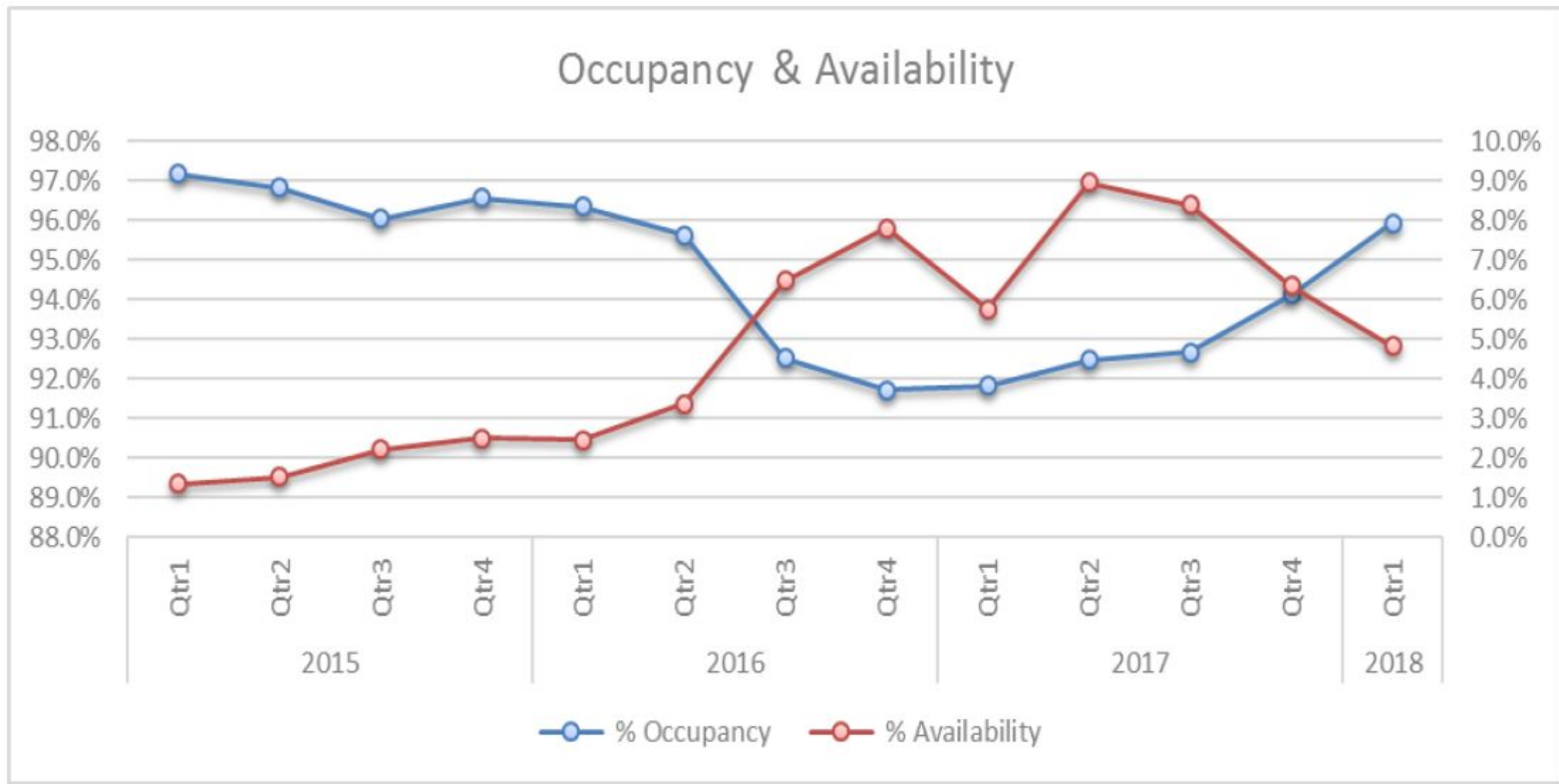
Capital Budget (\$000's)	2018 Budget		Six Months Ended, Jun. 30, 2018 Actual	
		Per Suite		Per Suite
Maintenance Capital	\$ 23,065	\$ 695	\$ 11,532	\$ 348
Value-added Capital (including suite upgrades and property, plant and equipment)	113,229	3,412	44,428	1,338
Total Property Capital	\$ 136,294	\$ 4,107	\$ 55,960	\$ 1,686
Total Property Capital	\$ 136,294		\$ 55,960	
Development	30,000		11,633	
Total Capital Investment	\$ 166,294		\$ 67,593	

2018 Capital Investment

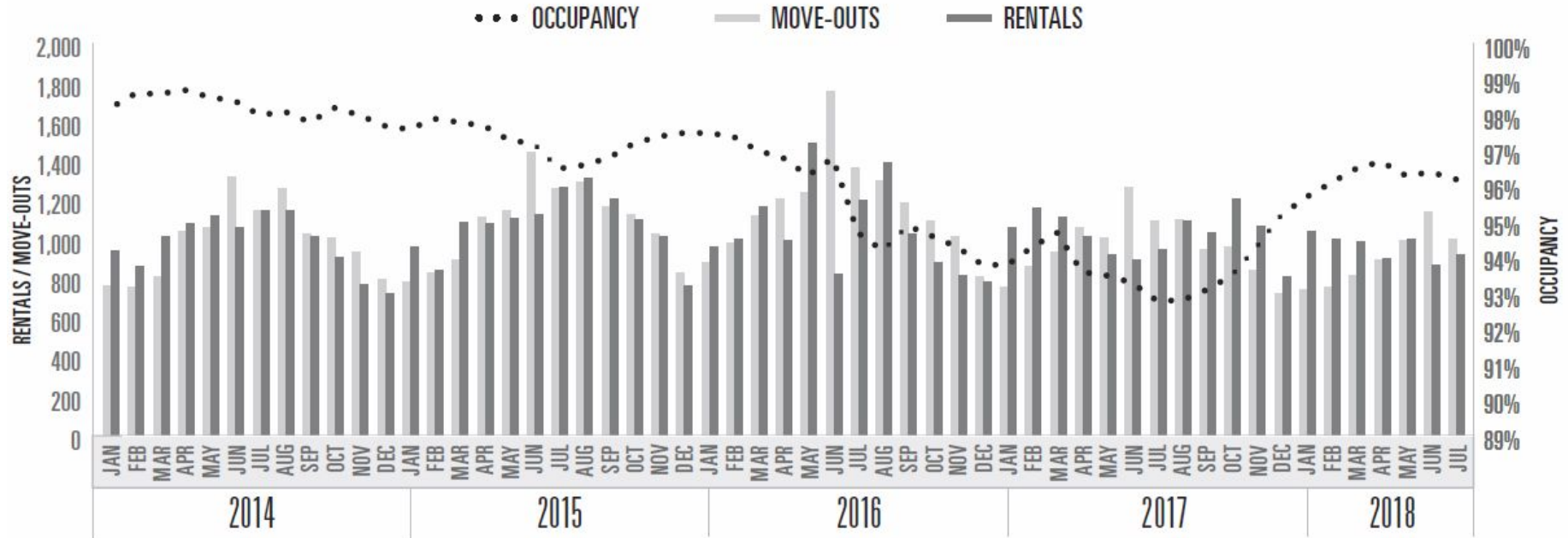
2018 6M Capital Investment



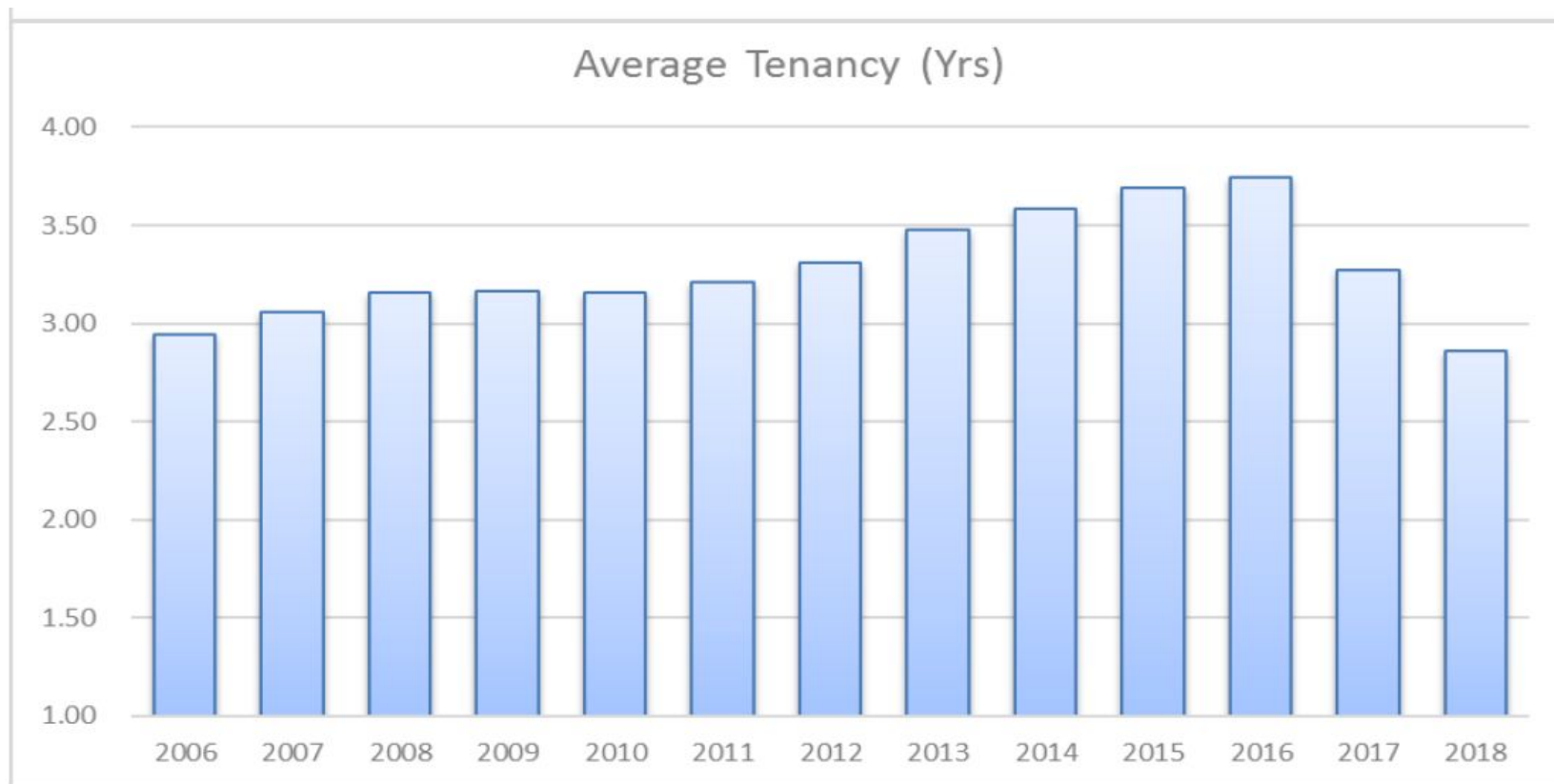
Occupancy VS. Availability



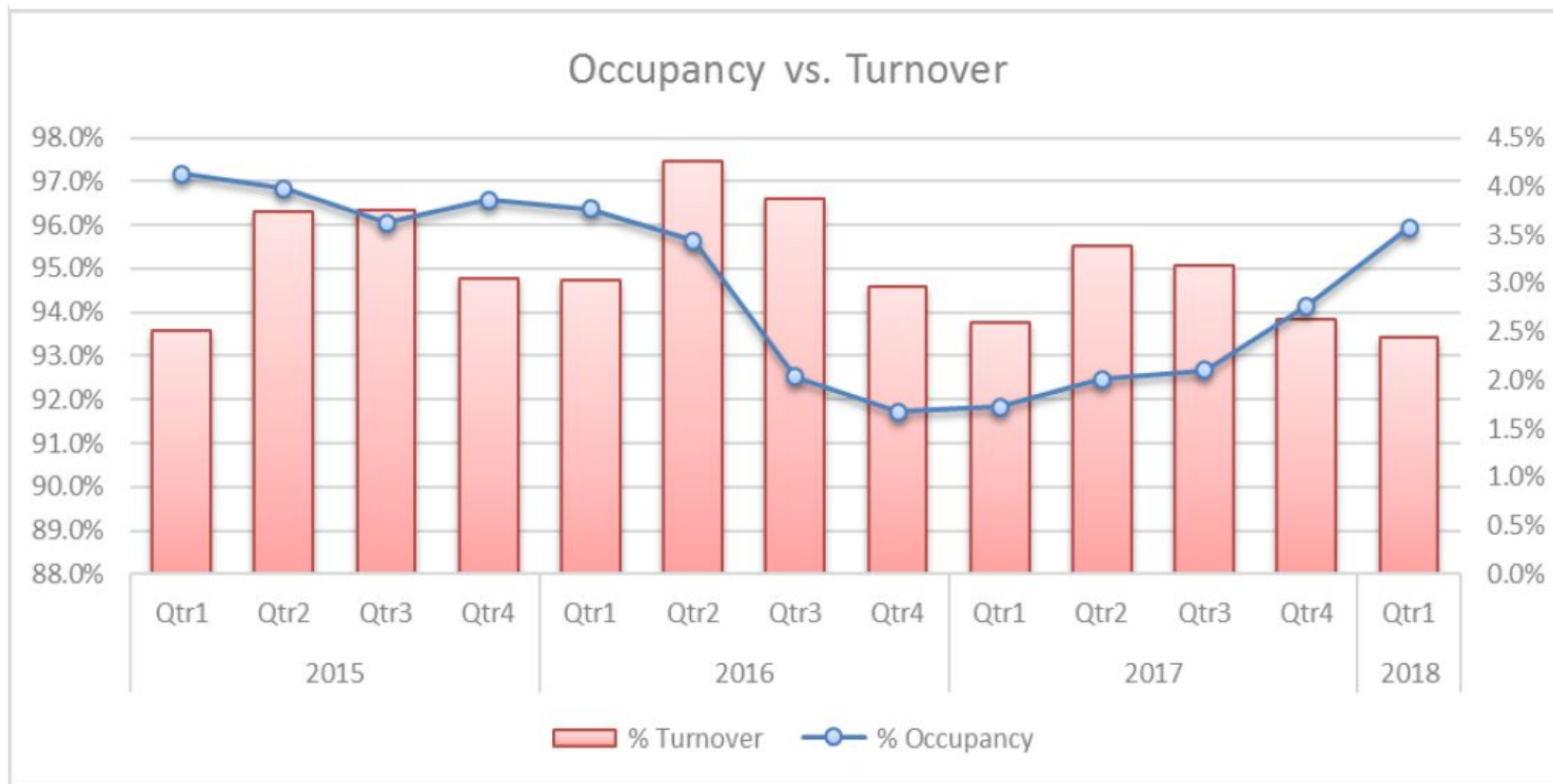
Supply versus Demand & Impact on Reported Occupancy



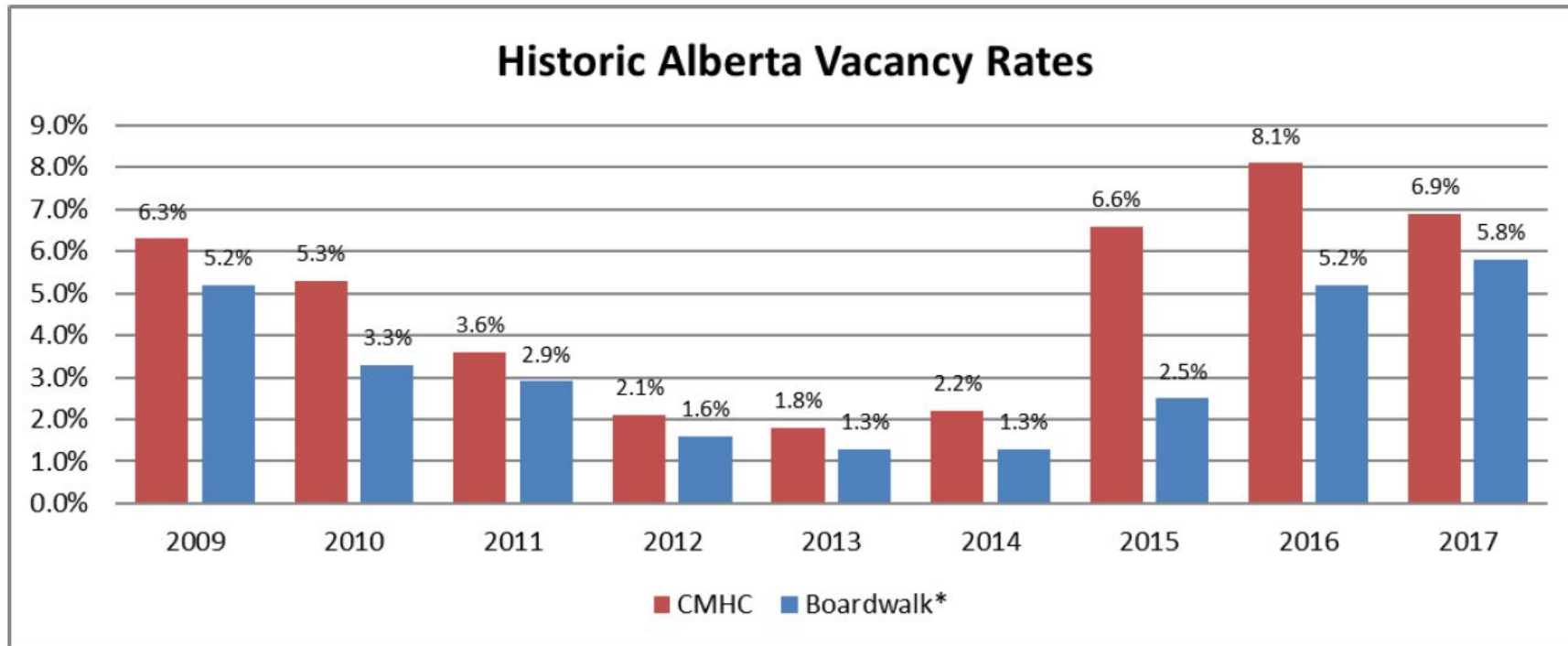
Average Tenancy (Years)



Occupancy VS. Turnover

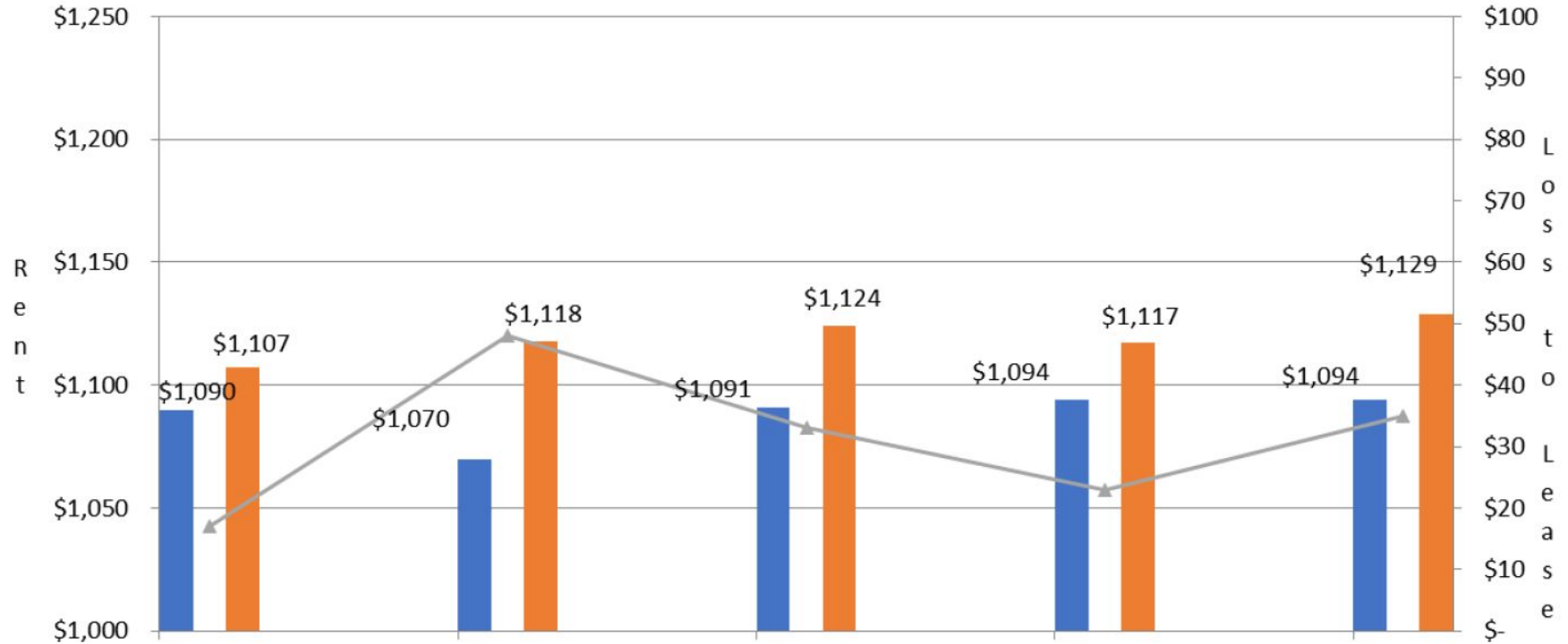


Historic Alberta Vacancy Rates



* Boardwalk average annual vacancy rate on stabilized properties

Rent Statistics





Sam Kolas

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 Kolas

Senior Vice President, Quality Control

- Brother of Sam Kolas
- 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

(\$000's, except per Unit and per square foot)

	2013 (IFRS)	2014 (IFRS)	2015 (IFRS)	2016 (IFRS)	2017 (IFRS)
Assets	\$ 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
Total assets					
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
Total liabilities and unitholders' equity	\$ 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
Number of rental units	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
Net rentable square feet (000)	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
L/T debt weighted average interest rate	3.46%	3.34%	3.01%	2.78%	2.61%

Five Year Summary

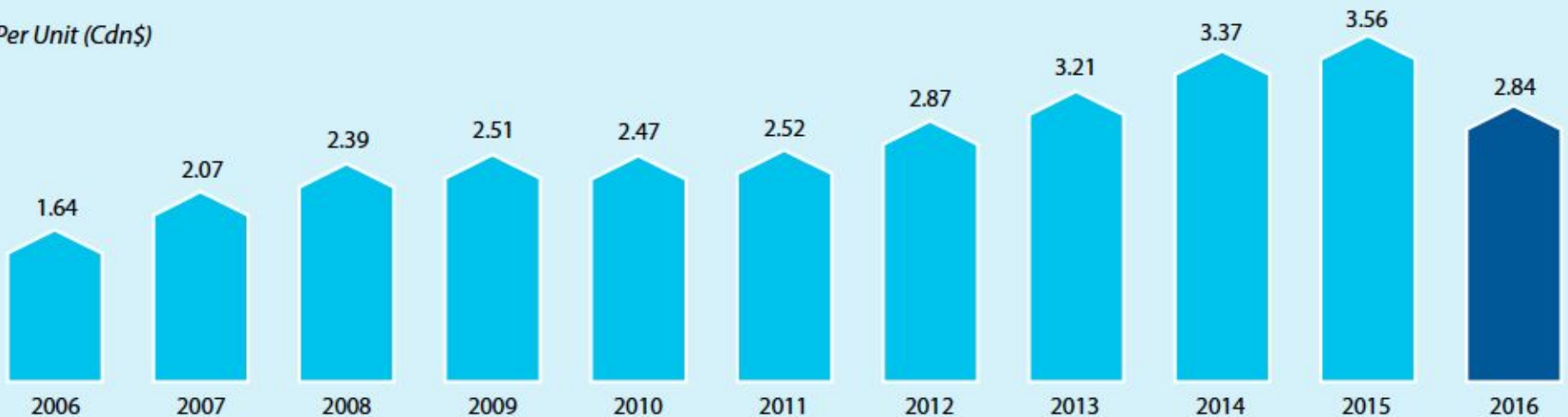
(\$000's, except per Unit)	2013 (IFRS)	2014 (IFRS)	2015 (IFRS)	2016 (IFRS)	2017 (IFRS)
Rental revenue	\$ 446,626	\$ 466,435	\$ 469,209	\$ 432,140	\$ 416,504
Ancillary rental income	6,958	6,810	6,939	6,706	6,422
Total rental revenue	453,584	473,245	476,148	438,846	422,926
Rental expenses					
Operating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

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

Per Unit (Cdn\$)



Financial Performance



Balance Sheet Q1 2018



(CDN \$ THOUSANDS)

As at	Note	Mar. 31, 2018	Dec. 31, 2017
ASSETS			
Non-current assets			
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
		5,843,817	5,756,700
Current assets			
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
		128,244	108,375
Total Assets		\$ 5,972,061	\$ 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
		2,591,990		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
		344,061		352,053
Total Liabilities		2,936,051		2,887,468
Equity				
Unitholders' equity	11	3,036,010		2,977,607
Total Equity		3,036,010		2,977,607
Total Liabilities and Equity		\$ 5,972,061	\$	5,865,075

Balance Sheet Q2 2018



(Unaudited) (CDN \$ THOUSANDS)

As at	Note	Jun. 30, 2018	Dec. 31, 2017
ASSETS			
Non-current assets			
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
		5,909,485	5,756,700
Current assets			
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
		119,200	108,375
Total Assets		\$ 6,028,685	\$ 5,865,075

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
		2,619,644	2,535,415

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
		327,840	352,053

Total Liabilities

EQUITY

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

Balance Sheet Annual 2017

(CDN \$ THOUSANDS)

As at	Note	Dec. 31, 2017	Dec. 31, 2016
ASSETS			
Non-current assets			
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
		5,756,700	5,636,879
Current assets			
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
		108,375	131,734
Total Assets		\$ 5,865,075	\$ 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
		2,535,415	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
		352,053	428,499
Total Liabilities		2,887,468	2,747,294
Equity			
Unitholders' equity	18	2,977,607	3,021,319
Total Equity		2,977,607	3,021,319
Total Liabilities and Equity		\$ 5,865,075	\$ 5,768,613

Income Statement Annual 2017

(CDN \$ THOUSANDS)

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

Income Statement Q1 2018

(CDN \$ THOUSANDS)

	Note	3 Months Ended Mar. 31, 2018	3 Months Ended Mar. 31, 2017
Rental revenue	12	\$ 105,341	\$ 103,951
Ancillary rental income		1,720	1,543
Total rental revenue		107,061	105,494
Rental expenses			
Operating expenses		29,016	27,371
Utilities		14,509	14,386
Property taxes		11,154	11,074
Net operating income		52,382	52,663
Financing costs	13	19,810	21,119
Administration		9,386	8,390
Depreciation		1,468	1,153
Profit before the undernoted		21,718	22,001
Proceeds on insurance settlement	14	-	2,536
Fair value gains (losses)	15	47,502	(7,372)
Profit before income tax		69,220	17,165
Income tax recovery		30	26
Profit and total comprehensive income for the period		\$ 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
Rental revenue	12	\$ 106,721	\$ 103,908	\$ 212,062	\$ 207,859
Ancillary rental income		1,667	1,671	3,387	3,214
Total rental revenue		108,388	105,579	215,449	211,073
Rental expenses					
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
Net operating income		59,062	54,405	111,444	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
Profit before the undernoted		27,917	23,642	49,635	45,643
Proceeds on insurance settlement	14	-	474	-	3,010
Fair value gains	15	28,895	39,369	76,397	31,997
Profit before income tax		56,812	63,485	126,032	80,650
Income tax expense		(40)	(59)	(10)	(33)
Profit and total comprehensive income for the period		\$ 56,772	63,426	\$ 126,022	\$ 80,617

Statements of Cash Flows Annual 2017



(CDN \$ THOUSANDS)

	Note	Year Ended Dec. 31, 2017	Year Ended Dec. 31, 2016
Operating activities			
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
Investing activities			
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
Cash and cash equivalents, end of year	11	\$ 70,834	\$ 99,102

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
Operating activities			
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
Investing activities			
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
Cash and cash equivalents, end of period	6	\$ 89,634	\$ 105,613

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
Operating activities					
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
Investing activities					
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
Cash and cash equivalents, end of period	6	\$ 81,204	\$ 224,226	\$ 81,204	\$ 224,226

Funds From Operations Annual 2017



FFO Reconciliation <i>(In \$000's, except per Unit amounts)</i>	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 ⁽¹⁾	35,418	186,681	
Add back distributions to LP Class B Units recorded as financing charges ⁽²⁾	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 ⁽¹⁾	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 ⁽¹⁾	(47,502)	7,372	
Add back distributions to LP Class B Units recorded as financing charges ⁽²⁾	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

<i>(000's)</i>	3 Months Mar. 31, 2018	3 Months Mar. 31, 2017
Funds From Operations (FFO)	\$ 24,306	\$ 25,671
Maintenance Capital Expenditures ⁽¹⁾	(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 ⁽²⁾	52.3%	111.2%

Funds From Operations Q2 2018

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

Adj. Funds From Operations

Q2 2018



<i>(000's)</i>	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 ⁽¹⁾	\$ (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 ⁽²⁾	41.5%	103.6%	46.3%	107.3%

RECOMMENDATION

HOLD